

TESCO BLUE (GP) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023  
REGISTERED NUMBER: 05721650



**TESCO BLUE (GP) LIMITED**  
**COMPANY INFORMATION**

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<b>Directors</b>	J K Buck S R Williams Tesco Services Limited
<b>Company secretary</b>	Tesco Secretaries Limited
<b>Registered number</b>	05721650
<b>Registered office</b>	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom
<b>Independent auditor</b>	Deloitte LLP 1 New Street Square, London United Kingdom

## **TESCO BLUE (GP) LIMITED**

### **STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

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The Directors present their Strategic Report of Tesco Blue (GP) Limited (the “Parent Company”) and its subsidiaries (together the “Group”) for the 52 weeks ended 25 February 2023 (prior period: 52 weeks ended 26 February 2022 (“2022”).

#### **Business review and principal activity**

The principal activity of the Group is to carry out property investments 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 Parent Company is to act as a holding Company for the other entities in The Tesco Blue Limited Partnership Group (the “Blue Partnership”).

One of the Parent 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 on 13 July 2039 (the “Bonds”) and entering into the transactions and matters contemplated by the TPF1 PLC prospectus dated 22 June 2009 (the “Prospectus”).

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 2023 of £610,960,000.

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”).

The financial statements of the Parent Company and the Group have been prepared in accordance with the Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (‘FRS 102’).

#### **Results and dividends**

The results for the 52 weeks ended 25 February 2023 show a profit before tax of £53,005 (2022: £24,996) and profit after tax of £48,684 (2022: £25,262).

The Group has net assets at the period end of £649,156 (2022: £600,472) and has net current liabilities at the period end of £10,272,443 (2022: £9,530,809).

The Directors do not recommend payment of a dividend for the period ended 25 February 2023 (2022: £nil).

#### **Key performance indicators (KPIs)**

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

## **TESCO BLUE (GP) LIMITED**

### **STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

**(continued)**

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#### **Key performance indicators (KPIs) (continued)**

The development, performance and position of the operations of the Tesco PLC Group (the "PLC Group"), which includes the Group and the Parent Company, are discussed on page 14 of the Tesco PLC Annual Report and Financial Statements 2023, which does not form a part of this Report.

#### **Future developments**

The Group's and the Parent 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.

The Group's future developments form a part of the PLC Group's long-term strategy, which is discussed on pages 4 to 47 of the Tesco PLC Annual Report and Financial Statements 2023, which does not form a part of this Report.

#### **Principal risks and uncertainties**

From the perspective of the Group and the Parent Company, the principal risks relate to the carrying value of the investments that this Parent Company holds. To manage the risk the Group and the Parent Company periodically reviews the financial statements of the entities the Parent Company has investments in.

From the perspective of the Group and the parent company, the principal risks and uncertainties are integrated with the principal risks of the PLC Group and are not managed separately. Accordingly, the principal risks and uncertainties of the PLC Group, which include the Group and the Parent Company, are discussed on pages 38 to 45 of the Tesco PLC Annual Report and Financial Statements 2023, which do not form a part of this Report.

The principal balance of the Partnership Loans held by the Group decreased from £348,303,506 as at 26 February 2022 to £338,576,840 as at 25 February 2023 due to redemptions during the period.

The Property Portfolio has been valued at a fair value in February 2023 of £610,960,000.

No impairment losses were recognised during the period (2022: £nil).

#### **Business risk**

At present, there continues to be a heightened level of macroeconomic uncertainty relating to cost and wage inflation, as well as energy supply issues, leading to rising prices which are continuing to impact our customers' disposable income, thereby changing the way they shop. These also result in an increase in operational costs for us as well as our suppliers, which is further exacerbated by the war in Ukraine. The inflationary and economic risk factors continue to influence our business and are therefore key components of our customer and financial performance principal risks. The Group understands the short-term risks and impacts, and have the right teams, governance mechanisms, customer offerings and strategies in place. However, the long-term impacts remain uncertain, and the Group will continue to monitor the situation closely and respond accordingly. The PLC Group will continue to assess and monitor the potential risks and impacts on the Company and its stakeholders as a whole, while taking mitigations measures to address local challenges as appropriate.

#### **Financial risk management**

The Group's financial instruments comprise the partnership loan, the bonds, cash at banks, the Partnership Swap and the Issuer Swap. The Group's activities expose it to a number of financial instrument risks including liquidity risk, credit risk, market risk, interest rate risk and other price risk.

Financial instrument risks are embedded in the PLC Group principal risk – 'Financial Performance', details of which are available in the on page 43 of the Tesco PLC Annual Report and Financial Statements 2023, which do not form a part of this Report.

#### *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 depend primarily on the ability of Tesco PLC to discharge its obligations under the Property Portfolio leases. The Standard and

## **TESCO BLUE (GP) LIMITED**

### **STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

**(continued)**

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#### **Financial risk management (continued)**

##### *Credit risk (continued)*

Poor's credit rating of Tesco PLC was BBB- as at 25 February 2023, with the credit rating of the bonds rated at Baa3 by Moody's rating services.

As noted above, the Loans are secured over the Property Portfolio which has been valued at a fair value as at 25 February 2023 of £610,960,000 (2022: £657,590,000) by an external party surveyor. The value at which the property portfolio will be realised, in the event of disposal as a result of Tesco PLC not being able to discharge its obligations is expected to be in line with the fair value as at the year end.

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 Parent Company.

No impairment losses were booked against the loans during the current period (2022: £nil).

##### *Liquidity risk*

Liquidity risk is the risk that the Group and Parent Company will encounter difficulty in meeting its obligations associated with its financial liabilities. The payables of the Group and Parent Company are primarily pertaining to payables to Group undertakings; therefore, the liquidity risk is determined to be low. 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 the 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 the market prices (other than those arising from interest rate 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.

##### *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 the 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 inflation 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 18.

#### **Section 172(1) Statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires directors to have regard to, amongst other matters, the:

## **TESCO BLUE (GP) LIMITED**

### **STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

**(continued)**

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#### **Section 172(1) Statement (continued)**

- likely consequences of any decisions in the long-term;
- *interests of the company's employees;*
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made.


Those factors for example include the interests and views of our leaseholders, members of the Tesco Group, JV Partners, our relationship with our lenders and the local communities we operate in. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and appropriate in all the circumstances.

We delegate authority for day-to-day management of the Company to senior management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically where the directors consider the Company's activities and make decisions. As a part of those meetings the directors receive information in a range of different formats which includes information relevant to section 172 matters when making relevant decisions. For example, each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends.

As 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 Company has had no commercial business, and no employees, customers or suppliers, other than other PLC Group companies during the period and as such the breadth of stakeholder considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the directors. The Company's key stakeholders are its JV Partners, shareholders, creditors, the Group and communities we operate in.

In accordance with requirements this section 172(1) statement will be published on the Tesco PLC website at [www.tescopl.com](http://www.tescopl.com).

Approved by the Board of Directors on 31 July 2023 and signed on behalf of the Board by:

 01 August 2023

Simon Williams,  
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, AL7 1GA, United Kingdom

## **TESCO BLUE (GP) LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

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The Directors present their Report and the audited consolidated financial statements of Tesco Blue (GP) Limited (the "Parent Company") and its subsidiaries (together the "Group") for the 52 weeks ended 25 February 2023 (prior period: 52 weeks ended 26 February 2022 ("2022")).

#### **Results and dividends**

This is discussed in the Strategic Report on page 1.

#### **Future developments**

This is discussed in the Strategic Report on page 2.

#### **Going concern**

In order to form a view as to the most appropriate basis of preparation of these financial statements, the Directors consider that the Group and the Parent Company has adequate resources to remain in operation for a period of at least 12 months from the date of signing the financial statements. This assessment includes consideration of the key financial risks for the Group and the Parent as set out in this report.

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 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 TPF1 PLC and the Partnership Loans are secured over the property 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. Management have produced an 18 month cash flow of TPF1 PLC depicting the Parent Company's ability to continue as a going concern.

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 BBB- as at 25 February 2023, with the credit rating of the Bonds rated at Baa3 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.

#### **Events after the reporting period**

Details of events after the reporting period can be found in Note 22 to the financial statements.

#### **Political donations**

There were no political donations for the period (2022: £nil) and the Group and the Parent Company did not incur any political expenditure (2022: £nil).

#### **Research and development**

The Group does not undertake any research and development activities (2022: £nil).

#### **Financial risk management**

This is discussed in the Strategic Report on pages 2 and 3.

#### **Employees**

The Group had no employees during the period (2022: none).

## **TESCO BLUE (GP) LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)**

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#### **Directors**

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

J K Buck  
S R Williams  
Tesco Services Limited

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

#### **Director liabilities**

The Tesco Group maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against any of the Group's employees acting as statutory directors to its subsidiary companies. Indemnities have been granted to Tesco PLC directors, the Group General Counsel and Group Company Secretary, to the extent permitted by law, and a qualifying third-party indemnity provision (as defined in Section 234 of the Companies Act 2006) was in force during the year ended 25 February 2023, and remains in force up to the date of signing the financial statements.

#### **Disclosure of information to auditor**

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

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

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

#### **Cautionary statement regarding forward-looking information**

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

#### **Directors' Responsibilities Statement**

The Directors are responsible for preparing the Annual Report and 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 elected to prepare the Group and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group and the Parent Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and



**TESCO BLUE (GP) LIMITED**  
**DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**  
**(continued)**

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**Directors' Responsibilities Statement (continued)**


- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent auditor**

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

Approved by the Board of Directors on 31 July 2023 and signed on behalf of the Board by:

 01 August 2023

Simon Williams,  
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, AL7 1GA, United Kingdom

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

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### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Tesco Blue (GP) Limited (the "Parent Company") and its subsidiaries the 'Group'):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 25 February 2023 and of the Group's profit for the 52 weeks period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group Profit and Loss Account;
- the Group and Parent Company Balance Sheet;
- the Group and Parent Company Statement of Changes in Equity;
- the Group Cash Flow Statement;
- the Group Reconciliation of Net Cash Flow to Movement in Net Debt; and
- the related notes 1 to 22.

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

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorized for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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### **Other information**

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

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

We have nothing to report in this regard.

### **Responsibilities of Directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty

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

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### **Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

We discussed among the audit engagement team including relevant internal specialists such as tax and financial instruments specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, 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 directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

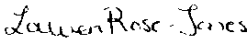
We have nothing to report in respect of these matters.

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

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### **Use of our report**

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
6816B2E09B5A4DF

Lauren Rose-Jones FCA (Statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Cardiff, United Kingdom  
31 July 2023

**TESCO BLUE (GP) LIMITED**  
**GROUP PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS END 25 FEBRUARY**  
**2023**

	Notes	52 weeks ended 25 February 2023	52 weeks ended 26 February 2022
		£	£
Administrative expenses		(68,803)	(78,564)
Other operating income		112,187	103,560
<b>Operating profit</b>	4	<b>43,384</b>	24,996
Interest receivable and similar income	5	28,065,749	27,926,959
Interest payable and similar expenses	6	(28,056,127)	(27,926,959)
Decrease in the fair value of the Blue Partnership Swaps	7	(32,067,726)	(965,193)
Decrease in the fair value of the Teesport Swaps	7	(7,622,006)	(229,410)
Increase in the fair value of the Issuer Swaps	7	39,689,731	1,194,603
<b>Profit before taxation</b>		<b>53,005</b>	24,996
Tax (charge)/credit on profit	8	(4,321)	266
<b>Profit for the financial period</b>		<b>48,684</b>	25,262

All operations are continuing for the current and prior financial period.

There is no other comprehensive income/(loss) in the periods presented; therefore, no Group Statement of Comprehensive Income has been prepared.

The notes on pages 17 to 33 form an integral part of these financial statements.

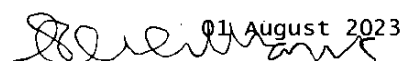
**TESCO BLUE (GP) LIMITED**  
**GROUP AND PARENT COMPANY BALANCE SHEET AS AT 25 FEBRUARY 2023**

		Group		Parent Company	
	Notes	25 February 2023	26 February 2022	25 February 2023	26 February 2022
		£	£	£	£
<b>Fixed assets</b>					
Investments: Shares in group undertaking and participating interest	10	55,001	55,001	100,961	100,961
Investments: Loans to group undertakings	11	338,576,840	348,303,506	-	-
Derivative Financial instrument	7	144,742,034	184,431,765		
		483,373,875	532,790,272	100,961	100,961
<b>Current assets</b>					
Deferred tax assets	9	23,014	20,228	21,049	18,689
Debtors: amounts falling due within one year	12	3,174,551	3,341,187	4,575	4,575
Cash at bank and in hand		806,757	534,452	128,499	128,468
		4,004,322	3,895,867	154,123	151,732
Creditors: amounts falling due within one year	13	(14,276,765)	(13,426,676)	(1,977)	(1,628)
<b>Net current (liabilities)/assets</b>		<b>(10,272,443)</b>	<b>(9,530,809)</b>	<b>152,146</b>	<b>150,104</b>
<b>Total assets less current liabilities</b>		<b>473,101,432</b>	<b>523,259,463</b>	<b>253,107</b>	<b>251,065</b>
Creditors: amounts falling due after more than one year	14	(472,452,276)	(522,658,991)	-	-
<b>Net assets</b>		<b>649,156</b>	<b>600,472</b>	<b>253,107</b>	<b>251,065</b>
<b>Capital and reserves</b>					
Called up share capital	15	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		408,261	359,577	12,212	10,170
<b>Total Shareholder's funds</b>		<b>649,156</b>	<b>600,472</b>	<b>253,107</b>	<b>251,065</b>

The Parent Company's total profit for the financial period was £2,042 (2022: 4,664).

The notes on pages 17 to 33 form an integral part of these financial statements.

The financial statements on pages 12 to 33 were approved by the Board of Directors on 31 July 2023 and signed on its behalf by:

 01 August 2023

Simon Williams, 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, AL7 1GA, United Kingdom

**TESCO BLUE (GP) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED**  
**25 FEBRUARY 2023**

**GROUP STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

	<b>Called up share capital*</b>	<b>Share premium</b>	<b>Unrealised reserve</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance as at 27 February 2021</b>	10,000	198,535	32,360	334,315	575,210
Profit and total comprehensive income for the financial period	-	-	-	25,262	25,262
<b>Balance as at 26 February 2022</b>	10,000	198,535	32,360	359,577	600,472
Profit and total comprehensive income for the financial period	-	-	-	48,684	48,684
<b>Balance as at 25 February 2023</b>	<b>10,000</b>	<b>198,535</b>	<b>32,360</b>	<b>408,261</b>	<b>649,156</b>

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

	<b>Called up share capital*</b>	<b>Share premium</b>	<b>Unrealised reserve</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance as at 27 February 2021</b>	10,000	198,535	32,360	5,506	246,401
Profit and total comprehensive income for the financial period	-	-	-	4,664	4,664
<b>Balance as at 26 February 2022</b>	10,000	198,535	32,360	10,170	251,065
Profit and total comprehensive income for the financial period	-	-	-	2,042	2,042
<b>Balance as at 25 February 2023</b>	<b>10,000</b>	<b>198,535</b>	<b>32,360</b>	<b>12,212</b>	<b>253,107</b>

\*See Note 15 for breakdown of the Called-up share capital.

The notes on pages 17 to 33 form an integral part of these financial statements.



**TESCO BLUE (GP) LIMITED**  
**GROUP CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED**  
**25 FEBRUARY 2023**

	Notes	<b>52 weeks ended</b> <b>25 February 2023</b>	52 weeks ended 26 February 2022
		<b>£</b>	<b>£</b>
<b>Net cash inflow from operating activities</b>	17	<b>262,683</b>	18,618
<b>Cash inflow from investing activities</b>			
Interest received		<b>26,708,269</b>	27,748,578
Capital repayments on loans receivable		<b>10,076,283</b>	9,343,440
		<b>36,784,552</b>	37,092,018
<b>Cash outflow from financing activities</b>			
Interest paid		<b>(26,698,648)</b>	(27,748,579)
Repayment of borrowings		<b>(10,076,282)</b>	(9,343,440)
		<b>(36,774,930)</b>	(37,092,019)
<b>Net increase in cash and cash equivalents</b>		<b>272,305</b>	18,617
<b>Cash and cash equivalents at the beginning of the period</b>		<b>534,452</b>	515,835
<b>Cash and cash equivalents at the end of the period</b>		<b>806,757</b>	534,452

The notes on pages 17 to 33 form an integral part of these financial statements.

**TESCO BLUE (GP) LIMITED****THE GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

	Notes	<b>52 weeks ended 25 February 2023 £</b>	<b>52 weeks ended 26 February 2022 £</b>
Increase in cash and cash equivalents	19	<b>272,305</b>	18,617
Decrease in net debt	19	<b>49,416,397</b>	10,195,893
Opening net debt	19	<b>(532,200,819)</b>	(542,415,329)
<b>Closing net debt</b>		<b>(482,512,117)</b>	(532,200,819)

The notes on pages 17 to 33 form an integral part of these financial statements.

## **TESCO BLUE (GP) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED**

**25 FEBRUARY 2023**

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#### **1. Statement of compliance**

The financial statements of Tesco Blue (GP) Limited (the "Parent Company") and its subsidiaries (together the "Group") have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 on a going concern basis under the historical cost convention.

#### **2. General information**

The Parent Company is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom. The nature of the Group's and the Parent Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 4. Details of the Parent Company's subsidiaries are set out in Note 10.

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

The financial statements are prepared under the historical cost convention, as modified by recognition of financial instruments measured at fair value.

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

#### **3. Accounting policies**

##### **a) Basis of consolidation**

The Group financial statements consolidate the financial statements of the Parent Company and its subsidiary undertakings.

The financial period represents 52 weeks ended 25 February 2023 (prior financial period: 52 weeks ended 26 February 2022). For the subsidiaries, the financial period is also 52 weeks ended 25 February 2023 (prior financial period: 52 weeks ended 26 February 2022).

The results of subsidiary undertakings acquired are included from the date of acquisition until the date on which the Parent Company ceases to control the subsidiary. Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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. The Parent Company is a qualifying entity for the purpose of FRS 102. Consequently, as per section 1.12(b) the Parent Company, has taken the exemption from the requirement to prepare a Cash Flow Statement under the terms of FRS 102 section 7 "Statement of Cash Flows".

The Consolidated Group financial statements consists of the financial statements of Tesco Blue (GP) Limited and its 100% subsidiaries: Teesport (GP) Limited, Tesco Depot Propco Limited, Tesco Blue (Nominee Holdco) Limited which holds 100% in Tesco Blue (Nominee 1) Limited and Tesco Blue (Nominee 2) Limited, Tesco Property Finance 1 Holdco Limited which holds 99.998% in Tesco Property Finance 1 PLC.

##### **b) Going concern**

In order to form a view as to the most appropriate basis of preparation of these financial statements, the Directors consider that the Group and Parent Company has adequate resources to remain in operation for a period of at least 12 months from the date of signing the financial statements. This assessment includes consideration of the key financial risks for the Group and the Parent as set out in this report.

**TESCO BLUE (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED****25 FEBRUARY 2023 (continued)**

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**3. Accounting policies (continued)****b) Going concern (continued)**

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 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 TPF1 PLC and the Partnership Loans are secured over the property 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. Management has produced an 18 month cash flow forecast of TPF1 PLC demonstrating the Company's ability to continue as a going concern.

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 BBB- as at 25 February 2023, with the credit rating of the Bonds rated at Baa3 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.

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

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

There are no key estimates and judgements that have a significant effect on amounts in the financial statements as at the Balance Sheet date.

**d) Significant accounting policies****Investments**

Investments in subsidiaries and associates are stated at cost plus incidental expenses less where appropriate provisions for impairment. Impairment is reviewed annually with movements taken to the Profit and Loss Account. The Group and the Parent Company elected to adopt the cost model for holding its investments as permitted under section 9 of FRS 102.

**Impairment of investments**

At each Balance Sheet date, the Group and the Parent Company reviews the carrying amounts of the investments to determine whether there is any need for impairment in accordance with Section 27 of FRS 102, "Impairment of Assets". Any impairment is recognised in the Profit and Loss Account in the period in which it occurs.

**Financial instruments**

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

**Financial assets***Initial recognition and measurement*

The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at transaction price including directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**TESCO BLUE (GP) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED**  
**25 FEBRUARY 2023 (continued)**

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**3. Accounting policies (continued)**

**d) Significant accounting policies (continued)**

**Financial assets (continued)**

*Initial recognition and measurement (continued)*

The Group's and the Parent Company's financial assets include cash, debtors and other receivables, loans, unquoted financial instruments and derivative financial instruments.

*Subsequent measurement*

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

*Debtors*

Debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at transaction price including directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Profit and Loss Account. For a non-interest bearing debtors that is receivable within one year on normal business terms, amortised cost shall be measured at the undiscounted amount of the cash or other consideration expected to be received (i.e. net of impairment). Losses arising from impairment are recognised in the Profit and Loss Account in other operating expenses.

**Financial liabilities**

*Initial recognition and measurement*

The Group and the Parent Company determine the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at transaction cost and in the case of loans and borrowings, plus directly attributable transaction costs. The financial liabilities include loan, other payable and derivative financial instrument.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows

*Creditors*

Creditors are non-derivative financial liabilities with fixed or determinable payments. Such liabilities are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method (EIR). Amortised cost is calculated by taking into account transaction costs that are an integral part of the EIR. The EIR amortisation is included in interest expense cost in the Profit and Loss Account. For a non-interest bearing creditors that is payable within one year on normal business terms, amortised cost shall be measured at the undiscounted amount of the cash or other consideration expected to be paid.

*De-recognition of financial instruments*

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

**TESCO BLUE (GP) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED**  
**25 FEBRUARY 2023 (continued)**

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**3. Accounting policies (continued)**

**d) Significant accounting policies (continued)**

**Derivative financial instruments**

The Group and the Parent Company uses derivative financial instruments to reduce exposure to RPI-rate movements. The Group and Parent Company 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.

**Taxation**

*Income taxes*

Current tax, including United Kingdom (UK) corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. The tax currently payable is based on taxable profit for the period.

*Group relief on taxation*

The Group may receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the Profit and Loss Account.

*Deferred tax*

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

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

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Balance Sheet date.

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

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

*Current tax and deferred tax for the period*

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

**TESCO BLUE (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
25 FEBRUARY 2023 (continued)****3. Accounting policies (continued)****d) Significant accounting policies (continued)****Interest receivable and similar income**

Interest receivable is calculated on an accrual basis. Interest income on financial assets that are classified as loans and receivables 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 and of allocating the interest income over the expected life of the asset. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

**Interest payable and similar expenses**

Interest payable is calculated on an accrual basis. 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 liabilities and of allocating the interest expense over the expected life of the liability. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

**Cash at bank and in hand**

Cash at bank and in hand is cash balances with banks.

**4. Operating profit**

The Directors received no emoluments for their services to the Group and the Parent Company (2022: £nil).

The Group and Parent Company had no employees during the period (2022: none).

The auditor's remuneration for the period was £6,827 (2022: £6,150). The non-audit fees for the period is £nil (2022: £nil). The audit fees were borne on the Parent Company's behalf by another Group company.

**5. Interest receivable and similar income**

	<b>52 weeks ended 25 February 2023</b>	<b>52 weeks ended 26 February 2022</b>
	<b>£</b>	<b>£</b>
Interest receivable on loans from group undertaking	<b>26,817,023</b>	27,545,264
Interest receivable on bank deposits	<b>9,623</b>	-
Amount receivable in respect of RPI-linked interest swap	<b>1,239,103</b>	381,695
	<b>28,065,749</b>	27,926,959

**6. Interest payable and similar expenses**

	<b>52 weeks ended 25 February 2023</b>	<b>52 weeks ended 26 February 2022</b>
	<b>£</b>	<b>£</b>
Interest payable on bonds	<b>26,817,021</b>	27,545,264
Amount payable in respect of RPI-linked interest swap	<b>1,239,106</b>	381,695
	<b>28,056,127</b>	27,926,959

**TESCO BLUE (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED****25 FEBRUARY 2023 (continued)****7. Derivative Financial instrument**

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 the 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. For further detail refer to Note 18.

	<b>25 February 2023</b>	<b>26 February 2022</b>
	<b>£</b>	<b>£</b>
Blue Partnership Swaps	<b>116,945,811</b>	149,013,537
Teesport Partnership Swaps	<b>27,796,223</b>	35,418,228
	<b>144,742,034</b>	184,431,765

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

The standard rate of corporation tax in the UK at the balance sheet date is 19%. This gives a corporation tax rate for the Company for the full period of 19% (2022: 19%).

The Finance Act 2021 included legislation to increase the main rate of UK corporation tax from 19% to 25% from 1 April 2023. As the change to the main UK corporation tax rate was substantively enacted by the balance sheet date the impact is included in these financial statements with temporary differences remeasured using the enacted tax rates that are expected to apply when the liability is settled, or the asset realised. The tax charge relates to the General Partner's share of any taxable profit charge incurred within the Limited Partnership. The share is representative of its holding within its investment, as shown in Note 10.

**(b) Tax (charge)/credit in the Profit and Loss Account**

General Partner's share of any taxable profit charge incurred within the Limited Partnership. The share is representative of its holding within its investment, as shown in Note 10.

The analysis of the tax (charge)/credit for the period is as follows:

	<b>52 weeks ended 25 February 2023</b>	<b>52 weeks ended 26 February 2022</b>
	<b>£</b>	<b>£</b>
Current tax charge:		
- UK corporation tax on profit for the financial period	<b>(7,107)</b>	(6,679)
Total current income tax charge	<b>(7,107)</b>	(6,679)
Deferred tax credit:		
- Current period	<b>2,117</b>	2,090
- Impact of rate change adjustment	<b>669</b>	4,855
- Adjustments in respect of prior periods	<b>-</b>	-
Total deferred tax credit	<b>2,786</b>	6,945
<b>Total tax (charge)/credit in the Profit and Loss Account</b>	<b>(4,321)</b>	266



**TESCO BLUE (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
25 FEBRUARY 2023 (continued)****8. Tax on profit (continued)****(c) Reconciliation of the tax (charge)/credit**

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

	<b>52 weeks ended 25 February 2023</b>	<b>52 weeks ended 26 February 2022</b>
	<b>£</b>	<b>£</b>
Profit before tax	<b>53,005</b>	24,996
Tax charge at standard UK corporation tax rate of 19% (2022: 19%)	<b>(10,071)</b>	(4,749)
Effects of:		
- Expenses not deductible for tax purposes	<b>(47)</b>	(46)
- Allowable share of commutation payments	<b>206</b>	207
- Impact of rate change adjustment	<b>669</b>	4,855
- Accounting profits not taxed in accordance with SI 2006/3296	<b>9,672</b>	4,749
- Cash retained profit taxed in accordance with SI 2006/3296	<b>(4,750)</b>	(4,750)
<b>Total tax (charge)/credit</b>	<b>(4,321)</b>	266

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 by reference to the profit required to be retained in accordance with the applicable capital market arrangement.

**(d) Current tax liabilities**

	<b>Group</b>		<b>Parent Company</b>	
	<b>25 February 2023</b>	<b>26 February 2022</b>	<b>25 February 2023</b>	<b>26 February 2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
UK corporation tax payable	<b>7,465</b>	6,679	<b>1,920</b>	1,571
<b>Total corporation tax payable</b>	<b>7,465</b>	6,679	<b>1,920</b>	1,571

**TESCO BLUE (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
25 FEBRUARY 2023 (continued)****9. Deferred tax assets****Deferred tax assets (Group)**

The following are the major deferred tax assets recognised by the Group 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.

	<b>Short-term timing differences</b>	<b>Transitional adjustments</b>	<b>ACAs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 27 February 2021</b>	17,391	(275)	(3,833)	13,283
Origination and reversal of temporary differences				
- In respect of the current period	2,075	68	(53)	2,090
- In respect of rate change	6,044	37	(1,226)	4,855
<b>At 26 February 2022</b>	25,510	(170)	(5,112)	20,228
Origination and reversal of temporary differences				
- In respect of the current period	<b>2,093</b>	<b>69</b>	<b>(45)</b>	<b>2,117</b>
- In respect of rate change	<b>696</b>	<b>(13)</b>	<b>(14)</b>	<b>669</b>
<b>At 25 February 2023</b>	<b>28,299</b>	<b>(114)</b>	<b>(5,171)</b>	<b>23,014</b>

**Deferred tax assets (Parent Company)**

The following are the major deferred tax assets recognised by the Parent 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.

	<b>Short-term timing differences</b>	<b>Transitional adjustments</b>	<b>ACAs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 27 February 2021</b>	14,537	(171)	(1,912)	12,454
Origination and reversal of temporary differences				
- In respect of the current period	1,733	43	(27)	1,749
- In respect of rate change	5,138	(41)	(611)	4,486
<b>At 26 February 2022</b>	21,408	(169)	(2,550)	18,689
Origination and reversal of temporary differences				
- In respect of the current period	<b>1,773</b>	<b>43</b>	<b>(23)</b>	<b>1,793</b>
- In respect of rate change	<b>560</b>	<b>14</b>	<b>(7)</b>	<b>567</b>
<b>At 25 February 2023</b>	<b>23,741</b>	<b>(112)</b>	<b>(2,580)</b>	<b>21,049</b>

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

**TESCO BLUE (GP) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED**  
**25 FEBRUARY 2023 (continued)**

**10. Investments**

**Shares in group undertakings and participating interest**

	<b>Group</b>	<b>Parent Company</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 26 February 2022	55,001	100,961
<b>At 25 February 2023</b>	<b>55,001</b>	<b>100,961</b>
<b>Net book value</b>		
At 26 February 2022	55,001	100,961
<b>At 25 February 2023</b>	<b>55,001</b>	<b>100,961</b>

The Directors believe that the carrying value of the investments is supported by the underlying net assets or expected future cash flows of the underlying subsidiaries as the Nominee companies hold the legal title and the economic rights to all the investment property leased by The Tesco Blue Limited Partnership. In assessing the valuation of its fixed asset investments, the Directors review the underlying net assets of each subsidiary, its profit for the period as well as the future economic benefits to be generated from such net assets.

In accordance with the Companies Act 2006 information on the Parent Company's and Group's investments are set out below.

Details of the Parent Company's subsidiary undertakings as at 25 February 2023 are as follows:

<b>Name of entity</b>	<b>Registered office address</b>	<b>Share class</b>	<b>Direct/Indirect holding</b>	<b>% Shares held</b>
Tesco Blue (Nominee Holdco) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom	£ 1.00 Ordinary shares	Direct	100%
Tesco Blue (Nominee 1) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom	£ 1.00 Ordinary shares	Indirect	100%
Tesco Blue (Nominee 2) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom	£ 1.00 Ordinary shares	Indirect	100%
Tesco Depot Propco Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom	£ 1.00 Ordinary shares	Direct	100%
Teesport (GP) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom	£ 1.00 Ordinary shares	Direct	100%
Tesco Property Finance 1 Holdco Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom	£ 1.00 Ordinary shares	Direct	100%
Tesco Property Finance 1 PLC	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom	£ 1.00 Ordinary shares	Indirect Direct	99.998% 0.002%

**TESCO BLUE (GP) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED**  
**25 FEBRUARY 2023 (continued)**

**10. Investments (continued)**

**Shares in group undertakings and participating interest (continued)**

Details of the Parent Company's and Group's other investments as at 25 February 2023 are as follows:

Name of entity	Registered office address	Share class	Direct/ Indirect holding	% Interest held
The Tesco Blue Limited Partnership	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom	Capital contribution shares	Direct	0.1%
The Teesport Limited Partnership	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom	Capital contribution shares	Indirect	99.9%

A copy of latest accounts of The Tesco Blue Limited Partnership will be appended to the copy of the Parent Company's accounts sent to the registrar under section 444 of the Companies Act 2006

**11. Loans**

**Loans to Group undertakings**

	25 February 2023	26 February 2022
	£	£
Loans amount carried at amortised cost	<b>338,576,840</b>	348,303,506

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

	25 February 2023	26 February 2022
	£	£
In one year or less	<b>10,866,598</b>	10,076,280
In more than one year	<b>327,710,242</b>	338,227,226
	<b>338,576,840</b>	348,303,506

The Loans bear interest at a fixed rate of 7.6227% and are secured by first charges over commercial properties as explained in more detail in the Strategic Report.

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

**12. Debtors: amounts falling due within one year**

	Group		Parent Company	
	25 February 2023	26 February 2022	25 February 2023	26 February 2022
	£	£	£	£
Other debtors	<b>9,690</b>	9,690	-	-
Loan to TPF1 PLC	-	-	<b>4,575</b>	4,575
Accrued interest	<b>3,164,861</b>	3,331,497	-	-
	<b>3,174,551</b>	3,341,187	<b>4,575</b>	4,575

Amounts owed by other debtors 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 2023 (continued)****13. Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Parent Company</b>	
	<b>25 February 2023</b>	<b>26 February 2022</b>	<b>25 February 2023</b>	<b>26 February 2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Amounts owed to Group undertakings	<b>237,841</b>	12,220	<b>57</b>	57
Corporation tax	<b>7,465</b>	76,679	<b>1,920</b>	1,571
Bonds	<b>10,866,598</b>	10,076,280	-	-
Accruals	<b>3,164,861</b>	3,331,497	-	-
	<b>14,276,765</b>	13,426,676	<b>1,977</b>	1,628

Amounts due to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. For terms and conditions related to Bonds, refer to Note 14.

**14. Creditors: amounts falling due after more than one year**

	<b>Group</b>		<b>Parent Company</b>	
	<b>25 February 2023</b>	<b>26 February 2022</b>	<b>25 February 2023</b>	<b>26 February 2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bonds	<b>327,710,242</b>	338,227,226	-	-
Issuer swaps	<b>144,742,034</b>	184,431,765	-	-
	<b>472,452,276</b>	522,658,991	-	-

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 Blue Partnership and the Teesport Partnership loans. These issue costs are unwound over the term of the bonds and loans via the effective interest rate adjustment.

**15. Called up share capital**

	<b>Group and Parent Company</b>	
	<b>25 February 2023</b>	<b>26 February 2022</b>
	<b>£</b>	<b>£</b>
Authorised, allotted, called up and fully paid		
5,000 'Ordinary A' (2022: 5,000 'Ordinary A' shares of £1 each) share of £1 each	<b>5,000</b>	5,000
5,000 'Ordinary B' (2022: 5,000 'Ordinary B' shares of £1 each) share of £1 each	<b>5,000</b>	5,000
	<b>10,000</b>	10,000

'A' shares and 'B' shares each constitute a separate class of shares. Both classes of shares have the same rights and rank pari passu in all respects. The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they confer rights of redemption.

**TESCO BLUE (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED****25 FEBRUARY 2023 (continued)****16. Reserves**

The reserves are as follows:

- a. Profit and Loss Account comprises of prior and current periods' undistributed earnings after tax.
- b. Unrealised reserve comprises of unrealised gains and losses of prior and current period.
- c. Share premium account includes the premium on issues of equity shares, net of any issue costs.

**17. Net cash flows from operating activities**

	25 February 2023	26 February 2022
	£	£
Profit before tax	53,005	24,996
Interest receivable and similar income	(28,065,749)	(27,926,959)
Interest payable and similar charges	28,056,127	27,926,959
Changes in creditors	225,979	-
Tax paid	(6,679)	(6,378)
<b>Net cash inflows from operating activities</b>	<b>262,683</b>	<b>18,618</b>

**18. 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 (KPIs)' 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 Bond holders 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	Maximum exposure	Carrying value	Maximum exposure
	25 February 2023	25 February 2023	26 February 2022	26 February 2022
	£	£	£	£
<b>Assets:</b>				
Loans and subordinated loans	338,576,840	343,047,204	348,303,506	353,123,484
Blue and Teesport Partnership swaps	144,742,034	144,742,034	184,431,765	184,431,765
Other debtors	3,174,551	3,174,551	3,341,187	3,341,187
	<b>486,493,425</b>	<b>490,963,789</b>	<b>536,076,458</b>	<b>540,896,436</b>

**TESCO BLUE (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
25 FEBRUARY 2023 (continued)****18. Financial instruments (continued)****Credit Risk (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 estimated fair value of the collateral is based on the most recent valuation performed in February 2023.

<b>25 February 2023</b>	<b>Carrying value</b>	<b>Fair value of collateral</b>
	<b>£</b>	<b>£</b>
<b>Loans and subordinated loans:</b>		
Neither past due nor impaired	<b>338,576,840</b>	<b>610,960,000</b>
	<b>338,576,840</b>	<b>610,960,000</b>

<b>26 February 2022</b>	<b>Carrying value</b>	<b>Fair value of collateral</b>
	<b>£</b>	<b>£</b>
<b>Loans and subordinated loans:</b>		
Neither past due nor impaired	<b>348,303,506</b>	<b>657,590,000</b>
	<b>348,303,506</b>	<b>657,590,000</b>

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:

<b>Balance at 25 February 2023:</b>	<b>£</b>	<b>Rate</b>
Loans	<b>338,576,840</b>	<b>7.6227%</b>
Bonds	<b>338,576,840</b>	<b>7.6227%</b>
<b>Balance at 26 February 2022:</b>	<b>£</b>	<b>Rate</b>
Loans	<b>348,303,506</b>	<b>7.6227%</b>
Bonds	<b>348,303,506</b>	<b>7.6227%</b>

**Fair value of financial assets and liabilities**

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

	<b>52 weeks ended 25 February 2023</b>		<b>52 weeks ended 26 February 2022</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets:</b>				
Loans	<b>338,576,840</b>	<b>379,127,356</b>	<b>348,303,506</b>	<b>480,006,611</b>
Blue and Teesport Partnership swaps	<b>144,742,034</b>	<b>144,742,034</b>	<b>184,431,765</b>	<b>184,431,765</b>
	<b>483,318,874</b>	<b>523,869,390</b>	<b>532,735,271</b>	<b>664,438,376</b>

**TESCO BLUE (GP) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED**  
**25 FEBRUARY 2023 (continued)**

**18. Financial instruments (continued)**

**Market risk (continued)**

**Fair value of financial assets and liabilities (continued)**

	<b>52 weeks ended 25 February 2023</b>		<b>52 weeks ended 26 February 2022</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Liabilities:</b>				
Bonds	<b>338,576,840</b>	<b>379,127,356</b>	348,303,506	480,006,611
Issuer swaps	<b>144,742,034</b>	<b>144,742,034</b>	184,431,765	184,431,765
	<b>483,318,874</b>	<b>523,869,390</b>	532,735,271	664,438,376

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 swaps and payable on the issuer swaps are variable with inflation. Fixed amounts payable total £9,177,659 (2022: £9,177,659) and the floating amounts payable are determined with reference to a total initial amount 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 1 that are observable for the asset or liability, either directly or indirectly the instrument is included in level 2. 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 both appropriate observable market data and also unobservable data in relation to longer term inflation expectations, these fall within level 2 of the hierarchy.



**TESCO BLUE (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED****25 FEBRUARY 2023 (continued)****18. 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 2023	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
	£	£	£	£	£	£
<b>Non-derivative financial instruments</b>						
Bonds	338,576,840	343,047,204	2,640,215	8,226,383	52,684,601	279,496,005
Interest payable on bonds	3,164,861	262,801,751	6,447,812	19,393,949	94,216,544	142,743,447
	341,741,701	605,848,955	9,088,027	27,620,332	146,901,145	422,239,452
<b>Derivative financial instruments</b>						
Issuer swaps	144,742,034	283,198,801	391,500	2,611,235	29,129,328	251,066,738
	144,742,034	283,198,801	391,500	2,611,235	29,129,328	251,066,738
<b>Total</b>	<b>486,483,735</b>	<b>889,047,756</b>	<b>9,479,527</b>	<b>30,231,567</b>	<b>176,030,473</b>	<b>673,306,190</b>

As at 26 February 2022	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
	£	£	£	£	£	£
<b>Non-derivative financial instruments</b>						
Bonds	348,303,506	353,123,484	2,448,195	7,628,085	48,852,884	294,194,320
Interest payable on bonds	3,331,497	289,433,975	6,637,203	19,995,021	98,048,951	164,752,800
	351,635,003	642,557,459	9,085,398	27,623,106	146,901,835	458,947,120
<b>Derivative financial instruments</b>						
Issuer swaps	184,431,765	290,843,806	(64,605)	1,174,502	21,893,429	267,840,480
	184,431,765	290,843,806	(64,605)	1,174,502	21,893,429	267,840,480
<b>Total</b>	<b>536,066,768</b>	<b>933,401,265</b>	<b>9,020,793</b>	<b>28,797,608</b>	<b>168,795,264</b>	<b>726,787,600</b>

**TESCO BLUE (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
25 FEBRUARY 2023 (continued)****19. Analysis of change in net debt**

	26 February 2022	Net cash flow	Non-cash movement*	25 February 2023
	£	£	£	£
Cash at bank and in hand	534,452	272,305	-	806,757
Debt due within one year	(10,076,280)	10,076,282	(10,866,600)	(10,866,598)
Debt due after one year	(522,658,991)	-	50,206,715	(472,452,276)
	<b>(532,200,819)</b>	<b>10,348,587</b>	<b>39,340,115</b>	<b>(482,512,117)</b>

	27 February 2021	Net cash flow	Non-cash movement*	26 February 2022
	£	£	£	£
Cash at bank and in hand	515,835	18,617	-	534,452
Debt due within one year	(9,343,437)	9,343,440	(10,076,283)	(10,076,280)
Debt due after one year	(533,587,727)	-	10,928,736	(522,658,991)
	<b>(542,415,329)</b>	<b>9,362,057</b>	<b>852,453</b>	<b>(532,200,819)</b>

\*Non-cash adjustments represent effective interest rate adjustments to the Bonds from Teesport LP and Blue LP and adjustments to fair values of Issuer swaps falling due after more than one year.

**20. Ultimate parent undertaking and controlling party**

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

The ultimate parent undertaking is Tesco PLC, which is registered in England and Wales. Copies of the Tesco PLC Annual Report and Financial Statements 2023 are available from the Company Secretary at the registered office: Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom or from the Tesco Plc website ([www.tescoplce.com](http://www.tescoplce.com)).

**21. Related party transactions**

During the 52 weeks ended 25 February 2023 the Parent Company entered into transactions with related parties, in the ordinary course of business. Transactions entered into, and balances outstanding at 25 February 2023, are as follows:

All related party transactions are with subsidiaries of the ultimate parent undertaking.

Name of entity	Nature of transaction	2023		2022	
		Income £	Expense £	Income £	Expense £
The Teesport Limited Partnership	Swap interest income	225,615	-	-	-
	Swap interest expenses	-	12,410	-	73,322
	Loan interest income	5,095,234	-	5,233,600	-
Tesco PLC	Swap interest income	64,605	-	381,696	-
	Swap interest expenses	-	1,174,500	-	-
The Tesco Blue Limited Partnership	Loan interest income	21,721,789	-	22,311,664	-
	Swap interest income	948,884	-	-	-
	Swap interest expenses	-	52,195	-	308,374

**TESCO BLUE (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
25 FEBRUARY 2023 (continued)****21. Related party transactions (continued)**

Name of entity	Nature of balances	2023		2022	
		Debtors £	Creditors £	Debtors £	Creditors £
The Teesport Limited Partnership	Loan receivables	66,132,441	-	67,992,920	-
The Tesco Blue Limited Partnership	Loan receivables	272,444,399	-	280,310,586	-
	Other Creditors	-	237,841	-	12,162

References to balances outstanding at the period end are disclosed in Notes 11 and 13.

**22. Events after the reporting period**

There are no material events since the Balance Sheet date which require disclosure.

**TESCO BLUE (GP) LIMITED**

**PARENT COMPANY PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED  
25 FEBRUARY 2023**

	<b>52 weeks ended 25 February 2023</b>	<b>52 weeks ended 26 February 2022</b>
	<b>£</b>	<b>£</b>
<b>Operating profit</b>	-	-
Interest receivable and similar income	<b>1,602</b>	-
<b>Profit before taxation</b>	<b>1,602</b>	-
Tax credit on profit	<b>440</b>	4,664
<b>Profit for the financial period</b>	<b>2,042</b>	4,664

This page does not form part of the audited financial statement.

**THE TESCO BLUE LIMITED PARTNERSHIP**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**  
**REGISTERED NUMBER: LP011521**

## THE TESCO BLUE LIMITED PARTNERSHIP

### PARTNERSHIP INFORMATION

<b>Partners</b>	Tesco Blue (3LP) Limited (Limited partner) Tesco Blue Unit Trust (Limited partner) Tesco Blue (GP) Limited (General partner)
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<b>Registered number</b>	LP011521
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<b>Registered office</b>	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom
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<b>Independent auditor</b>	Deloitte LLP 1 New Street Square, London United Kingdom
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## THE TESCO BLUE LIMITED PARTNERSHIP

### STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023

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 2023 (prior period: 52 weeks ended 26 February 2022 ("2022")).

#### Business review and principal activity

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 the Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland ('FRS 102').

#### Results and distributions

The results for the period show a loss after tax of £30,269,644 (2022: profit after tax £45,721,770) and total comprehensive loss of £5,282,655 (2022: total comprehensive income of £46,739,497). During the period the Partnership has received rental income of £31,011,519 (2022: £29,866,475).

During the period the Partnership distributed £nil (2022: £nil).

The Partnership has net assets of £96,293,759 at the period end (2022: £101,576,414), and net current liabilities of £9,245,321 (2022: £8,546,025).

The General Partner does not consider the net current liability position a going concern risk as future rental income streams are guaranteed through a 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.

#### 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.

The development, performance and position of the operations of Tesco PLC Group (the "Group"), which includes the Partnership, is discussed on page 14 of the Tesco PLC Annual Report and Financial Statements 2023, which does not form a part of this Report.

#### Future developments

The Partnership's future developments form a part of the Group's long-term strategy, which is discussed on pages 4 to 47 of the Tesco PLC Annual Report and Financial Statements 2023, which do not form a part of this report. 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. There has been a decline in the fair value of investment properties during the current year due to the weakening of the property investment market, which has led to increased yields. This does not, however, affect the partnership's ability to derive income from the rental properties.

#### Principal risks and uncertainties

The Partnership's activities expose it to risks and uncertainties as summarised below. The Partnership's financial instruments comprise the Partnership loan and a Retail Price Index (RPI) linked swap arrangement.

Financial instrument risks are embedded in the Group principal risk – 'Financial Performance', details of which are available in the on page 43 of the Tesco PLC Annual Report and Financial Statements 2023, which do not form a part of this Report.

The principal risks and uncertainties are related to property investment into the retail stores and one distribution centre. These risks include the exposure to fluctuations in the open market value of the investment properties.

The property portfolio is managed to ensure its value is maximised.

From the perspective of the Partnership, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the the Group, which include the Partnership, are discussed on pages 38 to 45 of the Tesco PLC Annual Report and Financial Statements 2023, which do not form a part of this Report.

## THE TESCO BLUE LIMITED PARTNERSHIP

### STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

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#### **Business risk**

The Partnership's principal business relationships are with Tesco PLC Group companies and therefore the Partnership's business risk is closely linked to the Group. At present, there continues to be a heightened level of macroeconomic uncertainty relating to cost and wage inflation, as well as energy supply issues, leading to rising prices which are continuing to impact the group's customers' disposable income, thereby changing the way they shop. These also result in an increase in operational costs for the group as well as its suppliers, which is further exacerbated by the war in Ukraine. The inflationary and economic risk factors continue to influence the business and are therefore key components of the customer and financial performance principal risks. The Group understands the short-term risks and impacts, and have the right teams, governance mechanisms, customer offerings and strategies in place. However, the long-term impacts remain uncertain, and the Group will continue to monitor the situation closely and respond accordingly. The Group will continue to assess and monitor the potential risks and impacts on the Company and its stakeholders as a whole, while taking mitigations measures to address local challenges as appropriate.

#### **Financial risk management**

The main risks associated with the Partnership's financial assets and liabilities are set out below.

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk posed by the Partnership's sole customer, Tesco Stores Limited, is determined to be low, yet the Partnership monitors the credit risk of Tesco PLC (ultimate parent of Tesco Stores Limited) to ensure their ability to discharge their obligations as lessee. The Partnership's credit risk is managed through the use of RPI linked swap contracts 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 fair market value and occupancy 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 the level of RPI uplifts does not rise enough to enable the Partnership to meet its obligations under the loan agreement. See Note 12 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.

#### **Section 172(1) Statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires directors to have regard to, amongst other matters, the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.



## THE TESCO BLUE LIMITED PARTNERSHIP

### STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

#### Section 172(1) Statement (continued)

In discharging our section 172 duties we have regard to the factors set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made.

Those factors for example include the interests and views of our leaseholders and members of the Tesco Group and our relationship with our lenders. By considering the Limited Partnership's purpose, together with its strategic priorities and having a process in place for decision-making, we aim to make sure that decisions are consistent and appropriate in all the circumstances.

We delegate authority for day-to-day management of the Partnership to the General Partner's senior management. Board meetings are held periodically where the Partnership considers its activities and makes decisions. As a part of those meetings the Partners receive information in a range of different formats which includes information relevant to section 172 matters when making relevant decisions. For example, each year we make an assessment of the strength of the Partnership's balance sheet and future prospects relative to market uncertainties, ensuring that future liabilities can be met.


The Partnership's key stakeholders are its leaseholders, debtors and creditors. The views of and the impact of the Partnership's activities on those stakeholders are an important consideration for the partners when making relevant decisions. While there are cases where the partnership itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and Tesco Group means that generally our stakeholder engagement best takes place at an operational or group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual partnership. For details on the some of the engagement that takes place with the Partnership's stakeholders so as to encourage the directors to understand the issues to which they must have regard please see pages 26-27 of the Tesco PLC 2023 Annual Report.

During the period we received information to help us understand the interests and views of the Partnership's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement (for example, the results of customer and supplier surveys and focus groups). As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the partnership.

As a Limited Partnership, the principal activity of the Partnership is to carry out property investment in retail stores and mixed use units for which a rental income is received, the Partnership has a limited number of external suppliers who provide specific administration and compliance services. The Partnership has had no commercial business, and no employees, customers or suppliers during the period and as such the breadth of stakeholder considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the Partnership. The Partnership's key stakeholders are its leaseholders, debtors and creditors.

In accordance with requirements this section 172(1) statement will be published on the Tesco PLC website at [www.tescopl.com](http://www.tescopl.com).

Approved by the General Partner on 31 July 2023 and signed on behalf of the General Partner by:

 01 August 2023

Simon Williams

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, AL7 1GA, United Kingdom

## **THE TESCO BLUE LIMITED PARTNERSHIP**

### **GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

Tesco Blue (GP) Limited (the "General Partner") presents its Report and the audited financial statements of The Tesco Blue Limited Partnership (the "Partnership") for the 52 weeks ended 25 February 2023 (prior period: 52 weeks ended 26 February 2022 ("2022")). During the period, Tesco Blue (GP) Limited acted as the General Partner and Tesco Blue Unit Trust and Tesco Blue (3LP) Limited acted as limited partners of the Partnership. Tesco Blue (GP) Limited is jointly owned by Tesco Property Holdings (No.2) Limited and Tesco Pension Trustees Limited.

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

#### **Results and distributions**

This information is included in the Strategic Report on page 1.

#### **Future developments**

This information is included in the Strategic Report on page 1.

#### **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 in principal business over a period of at least twelve months from the date of signing the financial statements versus the likelihood of either intending to or being forced to either cease the business or put 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 Stores Limited and its ability to discharge its obligations under the property portfolio leases.

While the securitisation structure is credit-linked to Tesco PLC (ultimate parent of Tesco Stores Limited) 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 an RPI linked 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 certainty of cash flows is guaranteed by Tesco PLC. Further, any shortfalls in cash inflow as a result or suppressed RPI rates are mitigated through a swap arrangement that ensures that the Partnership has sufficient liquidity to meet its obligations.

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 rental income streams that are also RPI-linked. The General Partner has produced 18 months cash flow forecasts from the Balance Sheet date demonstrating the Partnership's ability to continue as a going concern.

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.

#### **Events after the reporting period**

Details of events after the reporting period can be found in Note 19 to the financial statements.

#### **Political donations**

There were no political donations for the period (2022: £nil) and the Partnership did not incur any political expenditure (2022: £nil).

#### **Research and development**

The Partnership does not undertake any research and development activities (2022: £nil).

## **THE TESCO BLUE LIMITED PARTNERSHIP**

### **GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)**

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#### **Financial risk management**

This information is included in the Strategic Report on page 2.

#### **Employees**

The Partnership had no employees during the period (2022: none).

#### **Fostering of business relations**

Details of the Partnership's engagement with its stakeholders is included in the section 172(1) statement on pages 2 and 3.

#### **Energy and Carbon reporting**

The Partnership's Streamlined Energy and Carbon Reporting (SECR) disclosures form a part of the Group's SECR disclosures, which are discussed on page 105 of the Tesco PLC Annual Report and Financial Statements 2023, which does not form a part of this Report.

#### **Partners**

The Partners, including the General Partner, are set out in Note 13 of the financial statements.

#### **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 audit information of which the Partnership's auditor is unaware; and
- the General Partner has taken all the steps that ought to have 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 section 418 of the Companies Act 2006. The financial statements have been prepared in accordance with part 13 of the Limited Partnership Agreement (2009) and part 15 of the Companies Act 2006 as required under the Regulations.

#### **Cautionary statement regarding forward-looking information**

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

#### **General Partner's Responsibilities Statement**

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

The Company law 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 that law the General Partner has prepared the Partnership financial statements in accordance with the FRS 102 (the Financial Reporting Standards applicable in United Kingdom and the Republic of Ireland).

Under the Limited Partnership Act 1907, as amended by the company law, 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, comprising FRS 102, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

## THE TESCO BLUE LIMITED PARTNERSHIP

### GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

#### General Partner's Responsibilities Statement (continued)


The General Partner is responsible for keeping adequate accounting records that 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.

The General Partner is required to act in the best interests of the Partnership and to perform its obligations under the Limited Partnership Agreement.

#### Independent auditor

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

Approved by the General Partner on 31 July 2023 and signed on behalf of the General Partner by:



01 August 2023

Simon Williams

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, AL7 1GA, United Kingdom

## **INDEPENDENT AUDITOR'S REPORT TO THE GENERAL PARTNER OF THE TESCO BLUE LIMITED PARTNERSHIP**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of The Tesco Blue Limited Partnership (the 'qualifying partnership'):

- give a true and fair view of the state of the qualifying partnership's affairs as at 25 February 2023 and of its loss for the 52 weeks period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Partner's Interest;
- the Cash Flow Statement;
- Reconciliation of Net Cash Flow to Movement in Net Debt; and
- the related notes 1 to 19.

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

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the qualifying partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the General Partner with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial

## **INDEPENDENT AUDITOR'S REPORT TO THE GENERAL PARTNER OF THE TESCO BLUE LIMITED PARTNERSHIP (continued)**

### **Other information (continued)**

statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact

We have nothing to report in this regard.

### **Responsibilities of General Partner**

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, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the qualifying partnership's industry and its control environment, and reviewed the qualifying partnership's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the general partners about their own identification and assessment of the risks of irregularities including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the qualifying partnership operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This includes the UK Companies Act as applied to qualifying partnerships; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the qualifying partnership's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as valuations specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud to be in respect of the valuation of investment properties and in response we performed the following specific procedures:

- we evaluated the design and implementation of the key controls related to the valuation of investment properties;
- we obtained and reviewed the property valuation reports prepared by a third party expert engaged by the qualifying partnership;

## **INDEPENDENT AUDITOR'S REPORT TO THE GENERAL PARTNER OF THE TESCO BLUE LIMITED PARTNERSHIP (continued)**

### **Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

- we engaged our valuation specialists to evaluate and determine the appropriateness of the valuation methods, as well as, reviewed the assumptions used within the valuation reports such as yield; and
- we reconciled the property valuation report to the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the 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 has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the qualifying partnership and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the General Partner's report.

### **Matters on which we are required to report by exception**

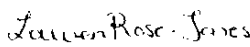
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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.

We have nothing to report in respect of these matters.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
6619250950405  
Lauren Rose Jones FCA (Statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Cardiff, United Kingdom  
1 August 2023

**THE TESCO BLUE LIMITED PARTNERSHIP****PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

	Notes	<b>52 weeks ended 25 February 2023</b>	52 weeks ended 26 February 2022
		<b>£</b>	<b>£</b>
Turnover		<b>31,011,519</b>	29,866,475
(Loss)/gain on revaluation of investment properties	8	<b>(37,920,000)</b>	38,390,000
Administrative expenses		<b>(513,662)</b>	(398,558)
<b>Operating (loss)/profit</b>	4	<b>(7,422,143)</b>	67,857,917
Interest receivable and similar income	5	<b>99,131</b>	255,838
Interest payable and similar costs	6	<b>(22,946,632)</b>	(22,391,985)
<b>(Loss)/profit before taxation</b>		<b>(30,269,644)</b>	45,721,770
Tax on (loss)/profit	7	-	-
<b>(Loss)/profit for the financial period</b>		<b>(30,269,644)</b>	45,721,770

All operations are continuing for the current and prior financial period.

The notes on pages 16 to 26 are an integral part of these financial statements.



**THE TESCO BLUE LIMITED PARTNERSHIP****STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED  
25 FEBRUARY 2023**

	<b>52 weeks ended 25 February 2023</b>	<b>52 weeks ended 26 February 2022</b>
	<b>£</b>	<b>£</b>
<b>(Loss)/profit for the financial period</b>	<b>(30,269,644)</b>	<b>45,721,770</b>
Other comprehensive income:		
<i>Cash Flow hedges</i>		
Gain arising in the period	<b>24,986,989</b>	<b>1,017,727</b>
<b>Total comprehensive (loss)/income for the financial period</b>	<b>(5,282,655)</b>	<b>46,739,497</b>

All operations are continuing for the current and prior financial period.


The notes on pages 16 to 26 are an integral part of these financial statements.

**THE TESCO BLUE LIMITED PARTNERSHIP****BALANCE SHEET AS AT 25 FEBRUARY 2023**

	Notes	25 February 2023 £	26 February 2022 £
<b>Fixed assets</b>			
Investment properties	8	498,810,000	536,730,000
Investments		998	998
		<b>498,810,998</b>	536,730,998
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	238,651	39,581
Cash at bank and in hand		1,630,792	1,648,292
		<b>1,869,443</b>	1,687,873
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	10	(11,114,764)	(10,233,898)
<b>Net current liabilities</b>		<b>(9,245,321)</b>	(8,546,025)
<b>Total assets less current liabilities</b>		<b>489,565,677</b>	528,184,973
Creditors: amounts falling due after more than one year	11	(393,271,918)	(426,608,559)
<b>Net assets</b>		<b>96,293,759</b>	101,576,414
<b>Partners' interest</b>			
Partners' capital accounts	13	400,000	400,000
Cash flow hedge reserve	13	(124,054,081)	(149,041,070)
Profit and loss account	13	219,947,840	250,217,484
<b>Partners' interest</b>		<b>96,293,759</b>	101,576,414

The notes on pages 16 to 26 are an integral part of these financial statements.

The financial statements on pages 10 to 26 were approved by the General Partner and authorised for issue on 31 July 2023. They were signed on its behalf by:

 01 August 2023

Simon Williams  
 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, AL7 1GA, United Kingdom

**THE TESCO BLUE LIMITED PARTNERSHIP****STATEMENT OF CHANGES IN PARTNERS' INTEREST FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

	<b>Partners' capital accounts</b>	<b>Cash flow hedge reserve</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance as at 27 February 2021</b>	400,000	(150,058,797)	204,495,714	54,836,917
Profit for the financial period	-	-	45,721,770	45,721,770
Other comprehensive income for the financial period	-	1,017,727	-	1,017,727
Total comprehensive income for the financial period	-	1,017,727	45,721,770	46,739,497
<b>Balance as at 26 February 2022</b>	400,000	(149,041,070)	250,217,484	101,576,414
Loss for the financial period	-	-	(30,269,644)	(30,269,644)
Other comprehensive income for the financial period	-	24,986,989	-	24,986,989
Total comprehensive income/(loss) for the financial period	-	24,986,989	(30,269,644)	(5,282,655)
<b>Balance as at 25 February 2023</b>	<b>400,000</b>	<b>(124,054,081)</b>	<b>219,947,840</b>	<b>96,293,759</b>

The notes on pages 16 to 26 are an integral part of these financial statements.

**THE TESCO BLUE LIMITED PARTNERSHIP****CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

	Notes	52 weeks ended 25 February 2023	52 weeks ended 26 February 2022
		£	£
<b>Net cash flows from operating activities</b>	14	<b>30,490,653</b>	<b>29,517,639</b>
<b>Cash flow from investing activities</b>			
Interest received		46,936	308,372
<b>Net cash flow from investing activities</b>		<b>46,936</b>	<b>308,372</b>
<b>Cash flow from financing activities</b>			
Interest paid		(22,414,411)	(22,109,788)
Loan repayments		(8,140,678)	(7,548,612)
<b>Net cash used in financing activities</b>		<b>(30,555,089)</b>	<b>(29,658,400)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(17,500)</b>	<b>167,611</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>1,648,292</b>	<b>1,480,681</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1,630,792</b>	<b>1,648,292</b>

The notes on pages 16 to 26 are an integral part of these financial statements.

**THE TESCO BLUE LIMITED PARTNERSHIP****THE RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT  
FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

	Notes	52 weeks ended 25 February 2023	52 weeks ended 26 February 2022
		£	£
(Decrease)/increase in cash and cash equivalents	15	(17,500)	167,611
Decrease in debt	15	32,647,641	8,231,608
Opening net debt	15	(432,750,215)	(441,149,434)
<b>Closing net debt</b>		<b>(400,120,074)</b>	<b>(432,750,215)</b>

The notes on pages 16 to 26 are an integral part of these financial statements.

## **THE TESCO BLUE LIMITED PARTNERSHIP**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**

#### **1. Statement of compliance**

The financial statements of The Tesco Blue Limited Partnership (the "Partnership") have been prepared in accordance with FRS 102 (the Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland) and in accordance with the Companies Act 2006 as applied to qualifying Partnerships by the Partnerships (Accounts) Regulations 2008 (and as required by the amended and restated Limited Partnership Agreement dated 25 June 2009).

#### **2. 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 Agreement on 25 June 2009. The Partnership is limited by Partners' capital.

The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom. The nature of the Partnership's operations and its principal activity are set out in the Strategic Report on page 1.

The functional and presentational currency of the Partnership is Pound Sterling (£) because that is the currency of the primary economic environment in which the Partnership operates.

The financial statements are rounded off to the nearest Pound Sterling (£), except when otherwise stated.

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

#### **3. Accounting policies**

##### **a) Basis of preparation**

The financial statements of the Partnership are prepared on the going concern basis under the historical cost convention, as modified by revaluation of certain investment properties, recognition of financial derivative instruments measured at fair value.

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 Balance Sheet and hedging reserve, per section 12 of FRS 102.

##### **b) 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 principal business over a period of at least twelve months from the date of signing the financial statements versus the likelihood of either intending to or being forced to either cease the business or put 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 Stores Limited and its ability to discharge its obligations under the Property Portfolio leases.

While the securitisation structure is credit-linked to Tesco PLC (ultimate parent of Tesco Stores Limited) 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 an RPI linked 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 certainty of cash flows are guaranteed by Tesco PLC. Further, any shortfalls in cash inflow as a result or suppressed RPI rates are mitigated through a swap arrangement that ensures that the Partnership has sufficient liquidity to meet its obligations.

## **THE TESCO BLUE LIMITED PARTNERSHIP**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)**

#### **3. Accounting policies (continued)**

##### **b) Going concern (continued)**

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 rental income streams that are also RPI-linked. The General Partner has produced 18 months cash flow forecasts from the Balance Sheet date demonstrating the Partnership's ability to continue as a going concern.

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.

##### **c) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements requires General Partner to make judgements, estimates and assumptions in applying the Partnership's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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

##### **d) Significant accounting policies**

###### **Investment properties**

The Partnership carries its investment property at fair value, with changes in fair value being recognised in profit or loss in accordance with FRS 102 section 16. The Partnership engaged independent valuation specialists to determine fair value at 25 February 2023.

The valuation is undertaken on an open market basis, deemed to be representative of fair value. 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 8.

No amortisation or depreciation is provided in respect of freehold or long leasehold properties. This is a 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 TESCO BLUE LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

#### 3. Accounting policies (continued)

##### d) Significant accounting policies (continued)

##### **Leases and rental income (continued)**

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 Balance Sheet.

The leases are subject to annual uplifts which are linked to the Retail Price Index (RPI), subject to a minimum annual increase of nil and a maximum annual increase of 5%. In line with the requirements of Section 20.25 of FRS 102, as the rental income has been structured to increase in line with the expected general inflation to compensate for the Partnership's expected inflationary cost increases, the Partnership has not recognised rental income from operating leases on a straight line basis. The Partnership operates within one business segment being that of the leasing of its investment properties with business principally transacted in the United Kingdom (UK).

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

##### **Financial instruments**

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

##### **Financial assets**

##### *Initial recognition and measurement*

The Partnership determines the classification of its financial assets at initial recognition. All financial assets are recognised on initial measurement at transaction price including directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Partnership commits to purchase or sell the asset. The Partnership's financial assets include cash, investments, debtors and other receivables.

##### *Subsequent measurement*

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

##### *Debtors*

Debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Profit and Loss Account. For a non-interest bearing debtor that is receivable within one year on normal business terms, amortised cost shall be measured at the undiscounted amount of the cash or other consideration expected to be received (i.e. net of impairment). Losses arising from impairment are recognised in the Profit and Loss Account in other operating expenses. Debtors include amounts owed by Group undertakings.

##### **Financial liabilities**

##### *Initial recognition and measurement*

The Partnership determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at transaction value and in the case of loans and borrowings, plus directly attributable transaction costs. The principal financial liabilities include loan, other payables and derivative financial instrument.



## THE TESCO BLUE LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

#### 3. Accounting policies (continued)

##### d) Significant accounting policies (continued)

##### Financial instruments (continued)

##### *Financial liabilities (continued)*

##### *Subsequent measurement*

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

##### *Creditors*

Creditors are non-derivative financial liabilities with fixed or determinable payments. Such liabilities are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method (EIR). Amortised cost is calculated by taking into account transaction costs that are an integral part of the EIR. For a non-interest bearing creditor that is payable within one year on normal business terms, amortised cost shall be measured at the undiscounted amount of the cash or other consideration expected to be paid. The EIR amortisation is included in interest expense in the Profit and Loss Account. Creditors include amounts owed to group undertakings.

##### *De-recognition of financial instruments*

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled; (b) the 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 expired.

##### *Offsetting*

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

##### *Derivative financial instruments and hedge accounting*

The Partnership uses derivative financial instruments to reduce its exposure to RPI rate movements. The Partnership does not hold or issue derivative financial instruments for speculative purposes; however, if derivatives do not qualify for hedge accounting they are accounted for as such.

Derivative financial instruments are recognised and stated at fair value. Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are immediately recognised in Profit and Loss Account. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the item being hedged. In order to qualify for hedge accounting, the Partnership is required to document from inception the relationship between the item being hedged and the hedging instrument.

The Partnership is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is performed at each financial reporting date to ensure that the hedge remains highly effective. Furthermore, at the inception of the hedge the Partnership determines and documents causes for hedge ineffectiveness. Derivative financial instruments with maturity dates of more than one year from the Balance Sheet date are disclosed as non-current.

Note 12 sets out details of the fair value of the derivative instruments used for hedging purposes.

##### *Cash flow hedging*

Derivative financial instruments are classified as cash flow hedges when they hedge the Partnership's exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction. The effective element of any gain or loss from re-measuring the derivative instrument is recognised directly in other comprehensive income.

## THE TESCO BLUE LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

#### 3. Accounting policies (continued)

##### d) Significant accounting policies (continued)

##### Financial instruments (continued)

##### Cash flow hedging (continued)

The associated cumulative gain or loss is reclassified from other comprehensive income and recognised in the Profit and Loss Account in the same period or periods during which the hedged transaction affects the Profit and Loss Account.

The classification of the effective portion when recognised in Profit and Loss Account is the same as the classification of the hedged transaction. Any element of the re-measurement of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the Profit and Loss Account within interest income or expenses.

Hedge accounting is discontinued when the Partnership revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or if a voluntary de-designation takes place or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in Partners' Interest is retained in the Statement of Changes in Partners' Interest until the forecast transaction occurs or the original hedged item affects the Profit and Loss Account. If a forecast hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in the Statement of Changes in Partners' Interest is reclassified immediately to the Profit and Loss Account.

##### 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.

##### Cash and net debt

Cash at bank and in hand is cash balances with banks. Net debt is comprised of loans advanced to the Partnership and cash.

##### Interest payable and receivable

Interest payable and receivable is calculated on an accrual basis.

##### Allocation of profits and drawings

The net profits of the Partnership incurred in each period are divided between the 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.

## THE TESCO BLUE LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

#### 4. Operating (loss)/profit

The General Partner received no emoluments for its services to the Partnership (2022: £nil).

The auditor's remuneration in respect of audit services in the period amounted to £12,721 (2022: £11,460). The non-audit fees for the period is £nil (2022: £nil). The audit fees were borne on the Partnership's behalf by another Group company.

The Partnership had no employees during the period ended 25 February 2023 (2022: none).

#### 5. Interest receivable and similar income

	52 weeks ended 25 February 2023	52 weeks ended 26 February 2022
	£	£
Interest receivable on bank deposits	46,936	-
Income receivable on derivative instrument	52,195	255,838
	<b>99,131</b>	<b>255,838</b>

The income receivable on swaps is related to the RPI linked swap (refer to Note 12).

#### 6. Interest payable and similar costs

	52 weeks ended 25 February 2023	52 weeks ended 26 February 2022
	£	£
Interest payable on loan taken from Group undertaking	21,806,842	22,391,985
Interest payable on swap	1,139,790	-
	<b>22,946,632</b>	<b>22,391,985</b>

The interest payable on other loans is related to the loan provided by Tesco Property Finance 1 PLC (refer to Notes 10 and 11).

#### 7. Tax on (loss)/profit

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

#### 8. Investment properties

	25 February 2023	26 February 2022
	£	£
<b>Land and Building:</b>		
Valuation:		
Opening balance	536,730,000	498,340,000
Revaluation	(37,920,000)	38,390,000
<b>Closing balance</b>	<b>498,810,000</b>	<b>536,730,000</b>

The investment properties have been valued by Cushman & Wakefield LLP who is deemed to be a suitably qualified valuer by the General Partner on a fair value basis as at 25 February 2023. 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 an independent valuer, by applying an appropriate rental yield to the rentals earned by the investment properties. There are no lease incentives.

## THE TESCO BLUE LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

#### 8. Investment properties (continued)

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 lease guarantees; otherwise assuming vacant possession.

There has been a decline in the fair value of investment properties during the current year due to the weakening of the property investment market, which has led to increased yields.

The average yield across the portfolio is 6.33% (2022: 5.60%) with a rental income of £243.65 (2022: £232.05) 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.

#### 9. Debtors: amounts falling due within one year

	25 February 2023	26 February 2022
	£	£
Amounts owed by Tesco Property Finance 1 PLC	237,776	12,161
VAT	512	27,112
Prepayments	363	308
	<b>238,651</b>	<b>39,581</b>

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

#### 10. Creditors: amounts falling due within one year

	25 February 2023	26 February 2022
	£	£
Deferred income	2,368,790	2,172,436
Accruals	267,026	271,514
Loan from Tesco Property Finance 1 PLC	8,478,948	7,789,948
	<b>11,114,764</b>	<b>10,233,898</b>

For details of loan from Tesco Property Finance 1 PLC, refer to Note 11.

#### 11. Creditors: amounts falling due after more than one year

	25 February 2023	26 February 2022
	£	£
Loan from Tesco Property Finance 1 PLC	263,704,464	272,245,022
Loan from Teesport Limited Partnership	5,350,000	5,350,000
RPI linked derivative instrument	124,217,454	149,013,537
	<b>393,271,918</b>	<b>426,608,559</b>

Amounts owed to the Teesport Limited Partnership undertakings are unsecured and interest free and are repayable in 2039. The loan from Tesco Property Finance 1 PLC is secured over the Property Portfolio and 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 2023 is £272,183,412 (2022: £280,034,970).

The Partnership holds a back-to-back arrangement with Tesco Property Finance 1 PLC, which holds a RPI linked derivative arrangement externally (refer to Note 12). All arrangements have been set up to manage the cash flow fluctuations generated from the cash inflows of the Partnership.

## THE TESCO BLUE LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

#### 12. Financial instruments

The Partnership holds a back-to-back arrangement with Tesco Property Finance 1 PLC, which holds an 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 Agreement. 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

The Partnership's debt is issued at fixed rates with the principal repayments increasing over the term of the loan. Cash inflows are subject to annual uplifts in RPI that may not cover the Partnership's cash outflows. This exposes the Partnership to RPI rate risk which is managed through the use of derivative instruments.

#### Credit risk

Credit risk arises from cash at bank and in hand, debtors and other receivables and financial instruments. The management of these risks is outsourced as approved in the Limited Partnership Agreement.

#### 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.

The counterparty exposure under derivative contracts is £124,217,454 (2022: £149,013,537).

The Partnership considers its maximum liquidity risk to be £401,999,893 (2022: £434,670,021), being the Partnership's total financial liabilities.

#### 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.

#### 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.

## THE TESCO BLUE LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

#### 12. Financial instruments (continued)

##### Financial assets and liabilities by category

The accounting classifications of each class of financial asset and liability as at 25 February 2023 and 26 February 2022 are as follows:

	Loans and receivables/ other financial liabilities	Fair value through other comprehensive income	Total
	£	£	£
<b>At 25 February 2023</b>			
Cash at bank and in hand	1,630,792	-	1,630,792
Other receivables	238,651	-	238,651
Other borrowings	(277,533,413)	-	(277,533,413)
RPI linked derivative instruments	-	(124,217,454)	(124,217,454)
Other payables	(267,026)	-	(267,026)
	(275,930,996)	(124,217,454)	(400,148,450)
<b>At 26 February 2022</b>			
Cash at bank and in hand	1,648,292	-	1,648,292
Other receivables	39,581	-	39,581
Other borrowings	(285,384,970)	-	(285,384,970)
RPI linked derivative instruments	-	(149,013,537)	(149,013,537)
Other payables*	(271,514)	-	(271,514)
	(283,968,611)	(149,013,537)	(432,982,148)

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

\*The prior period amount for other payables has been restated to exclude deferred income, which does not meet the definition of financial liabilities under FRS 102.

#### 13. Cumulative Partners' account

Partners' accounts as at 25 February 2023	Partners' capital accounts £	Cash flow hedge reserve £	Profit and loss account £	Total £
Tesco Blue (3LP) Limited	172,500	(61,965,014)	109,863,946	48,071,432
Tesco Blue Unit Trust	172,500	(61,965,014)	109,863,946	48,071,432
Tesco Blue (GP) Limited	55,000	(124,053)	219,948	150,895
<b>Total</b>	<b>400,000</b>	<b>(124,054,081)</b>	<b>219,947,840</b>	<b>96,293,759</b>

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 Agreement 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.

The Limited Partnership reserves are as follows:

- Partners' capital accounts represent capital contributed by the partners in the Limited Partnership.
- Cash flow hedge reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective.
- Profit and loss account represent cumulative profits or losses, net of distribution paid.

## THE TESCO BLUE LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

#### 14. Net cash flows from operating activities

Reconciliation of operating profit to net cash inflows from operating activities is shown below:

	52 weeks ended 25 February 2023	52 weeks ended 26 February 2022
	£	£
Operating (loss)/profit	(7,422,143)	67,857,917
Working capital movements:		
Increase in debtors	(199,070)	(534)
Increase in creditors	191,866	50,256
Adjustment for:		
Loss/(gain) on revaluation of investment property	37,920,000	(38,390,000)
<b>Net cash inflow from operating activities</b>	<b>30,490,653</b>	<b>29,517,639</b>

#### 15. Analysis of changes in net debt

	26 February 2022	Net cash flow	Non-cash movement*	25 February 2023
	£	£	£	£
Cash at bank and in hand	1,648,292	(17,500)	-	1,630,792
Debt due within one year	(7,789,948)	8,140,678	(8,829,678)	(8,478,948)
Debt due after one year	(426,608,559)	-	33,336,641	(393,271,918)
	<b>(432,750,215)</b>	<b>8,123,178</b>	<b>24,506,963</b>	<b>(400,120,074)</b>

	27 February 2021	Net cash flow	Non-cash movement*	26 February 2022
	£	£	£	£
Cash at bank and in hand	1,480,681	167,611	-	1,648,292
Debt due within one year	(7,204,811)	7,548,612	(8,133,749)	(7,789,948)
Debt due after one year	(435,425,304)	-	8,816,745	(426,608,559)
	<b>(441,149,434)</b>	<b>7,716,223</b>	<b>682,996</b>	<b>(432,750,215)</b>

\*Non-cash adjustments represent effective interest rate adjustments to the Loan from Tesco Property Finance 1 PLC and adjustments to fair values of Back-to-back arrangements falling due after more than one year.

#### 16. Receivables under operating lease

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

	25 February 2023	26 February 2022
	£	£
Due within one year	31,583,872	30,079,878
After one year but not more than five years	126,335,489	120,319,513
After five years	365,664,763	378,332,033
	<b>523,584,124</b>	<b>528,731,424</b>

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

Tesco Stores Ltd is the sole tenant of the Partnership, with rental payments guaranteed by Tesco PLC. The 30 year leases, on full repairing and insuring terms, are due to expire in 2039. The tenant has the option to take 3 further leases of the premises, each for a period of 10 years at market rent.

## THE TESCO BLUE LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023 (continued)

#### 17. Ultimate parent undertaking and controlling party

The partners of the Partnership are Tesco Blue (3LP) Limited, Tesco Blue Unit Trust and Tesco Blue (GP) Limited. Tesco Pension Trustees Limited owns 99.90% of Tesco Blue Unit Trust and is a joint shareholder (holding 50%) 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 immediate controlling party of the Partnership is Tesco Blue (GP) Limited.

The ultimate parent undertaking is Tesco PLC, which is registered in England and Wales. Copies of the Tesco PLC Annual Report and Financial Statements 2023 are available from the Company Secretary at the registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

#### 18. Related party transactions and balances

During the 52 weeks period ended 25 February 2023 the Partnership entered into transactions with related parties, in the ordinary course of business. Transactions entered into and balances outstanding at 25 February 2023, are as follows:

Transactions	Nature of transactions	2023		2022	
		Income £	Expense £	Income £	Expense £
Tesco Stores Limited	Rental income	31,011,519	-	29,866,475	-
Spen Hill Management Limited	Property Management Fees	-	285,955	-	269,751
Tesco Property Finance 1 PLC	Swap income	52,195	-	255,838	-
	Swap expense	-	1,139,790	-	-
	Interest on loan	-	22,946,632	-	22,475,099

Balances	Nature of balances	2023		2022	
		Debtors £	Creditors £	Debtors £	Creditors £
Teesport Limited Partnership	Loan payable	-	5,350,000	-	5,350,000
Spen Hill Management Limited	Other creditors	-	143,319	-	159,871
Tesco Property Finance 1 PLC	Other debtors	237,776	-	12,161	-
	Swap*	-	124,217,454	-	149,013,537
	Loan payable	-	272,183,413	-	280,034,970

All related party transactions are with General Partner of Partnership and subsidiaries of the ultimate parent undertaking.

Reference to balances outstanding at the period end are disclosed in Notes 9, 10 and 11.

\*Swap balances between the Partnership and Tesco Property Finance 1 PLC have been included for the current and prior period.

#### 19. Events after the reporting period

There are no material events since the Balance Sheet date which require disclosure.