

**TESCO AQUA (GP) LIMITED**

**ANNUAL REPORT AND UNAUDITED FINANCIAL  
STATEMENTS**

**FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021**

**REGISTERED NUMBER: 05721654**



## **TESCO AQUA (GP) LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)**

The Directors present their Report and the unaudited consolidated financial statements of Tesco Aqua (GP) Limited (the "Parent Company") and its subsidiaries (together the "Group") for the 52 weeks ended 27 February 2021 (prior period: 53 weeks ended 29 February 2020 ("2020")).

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

The principal activity of the Parent Company is to act as a holding Company for the Group. 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 financial statements of the Parent Company and the Group have been prepared in accordance with the International Financial Reporting Standard as adopted by the European Union ('IFRS').

In the prior financial period, Tesco Property Holdings (No 2) Limited was the immediate parent undertaking of the Parent Company. However, in the current period, the ordinary shares of the Parent Company were acquired by Tesco Stores Limited.

#### **Results and dividends**

The results for the 52 weeks ended 27 February 2021 show a profit before tax of £1,976 (2020: loss before tax of £748) and profit after tax of £1,976 (2020: loss after tax of £748).

The Group has net assets at the period end of £355,360 (2020: £353,384) and has net current assets at the period end of £63,860 (2020: £61,884).

The Directors do not recommend payment of a dividend for the 52 weeks ended 27 February 2021 (2020: £nil).

#### **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 Tesco PLC Group's (the "PLC Group") long term strategy, which is discussed on page 4 to 30 of Tesco PLC Annual Report and Financial Statements 2021, which do not form a part of this Report.

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

From the perspective of the Parent Company, the principal risks relate to the carrying value of investments that this Parent Company holds. To manage this risk, the Parent Company periodically reviews the financial statements of the entities the Parent Company has investments in. As all other companies within the Group are dormant, the principal risks of the Parent Company are the sole risks to the Group.

From the perspective of the Group, the principal risks and uncertainties of the Parent Company are integrated with the principal risks of the Tesco PLC Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Tesco PLC Group, which include the Parent Company, are discussed on pages 31 to 37 of the Tesco PLC Annual Report and Financial Statements 2021, which do not form a part of this Report.

No impairment losses were recognised during the period (2020: £nil).

#### **Business risk**

The ongoing development of the UK's trading relationship with the EU, subsequent to the end of the Brexit transition period during the year, and a failure to prepare all eventualities could have an adverse effect on our primary business, its financial results and operations. The Tesco PLC Board will continue to assess and monitor the potential risks and impacts on the Company and its stakeholders as a whole, while taking mitigation measures to address challenges as appropriate.

The Company's principal business relationships are with Tesco PLC Group companies which, by nature of their business, have continued to operate as essential businesses during the pandemic. This has served to mitigate some of the risk the Company is exposed to.

**TESCO AQUA (GP) LIMITED****DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021  
(continued)****Business risk (continued)**

The financial impact of the pandemic for the financial year upon the Tesco PLC Group companies is noted in the Tesco PLC Annual Report and Financial Statements 2021. The wider Tesco Group continues to assess, monitor and, where possible mitigate the risks and impacts of the pandemic upon the Company and its stakeholders, particularly as restrictions are eased in line with the UK Government roadmap.

**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 has adequate resources to remain in operation for a period of at least twelve months from the date of signing the financial statements and have therefore continued to adopt the going concern basis in preparing the financial statements. 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 16 to the financial statements.

**Political donations**

There were no political donations for the period (2020: £nil) and the Group and the Parent Company did not incur any political expenditure (2020: £nil).

**Research and development**

The Group and the Parent Company does not undertake any research and development activities (2020: none).

**Financial risk management**

The Group's and Parent Company's activities are exposed to a number of financial instrument risks which includes credit risk and liquidity risk.

*Credit risk*

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

*Liquidity risk*

Liquidity risk is the risk that the Group and the 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, the liquidity risk is determined to be low.

**Strategic report**

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

**Employees**

The Group and the Parent Company had no employees during the period (2020: none).

**Directors**

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

A Clark  
J Gibney  
Tesco Services Limited

## **TESCO AQUA (GP) LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)**

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#### **Directors (continued)**

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

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of the Tesco PLC Company Secretary (who is also a Director of Tesco Services Limited, which is appointed to the Board of the Parent Company) in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors and Officers may not be indemnified, Tesco PLC maintained a Directors' and Officers' liability insurance policy throughout the financial period and up to the date of signing the financial statements.

#### **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 prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Parent Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors on 06 July 2021 and signed on behalf of Board by:



Robert Welch

For and on behalf of Tesco Services Limited, Director

Tesco Aqua (GP) Limited

Registered Number: 05721654

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

**TESCO AQUA (GP) LIMITED****GROUP INCOME STATEMENT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021**

		<b>52 weeks ended 27 February 2021</b>	<b>53 weeks ended 29 February 2020</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Administrative expenses		<b>1,960</b>	(1,030)
<b>Operating income/(loss)</b>	<b>4</b>	<b>1,960</b>	(1,030)
Interest receivable and similar income	<b>5</b>	<b>16</b>	282
<b>Profit/(loss) before tax</b>		<b>1,976</b>	(748)
Tax on loss	<b>6</b>	-	-
<b>Profit/(loss) for the financial period</b>		<b>1,976</b>	(748)

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

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

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

The notes on pages 10 to 23 are an integral part of these financial statements.

# TESCO AQUA (GP) LIMITED

## GROUP AND PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 27 FEBRUARY 2021

		Group		Parent Company	
		27 February 2021	29 February 2020	27 February 2021	29 February 2020
	Notes	£	£	£	£
<b>Non-current assets</b>					
Investments	7	291,500	291,500	291,600	291,601
		<b>291,500</b>	<b>291,500</b>	<b>291,600</b>	<b>291,601</b>
<b>Current assets</b>					
Debtors: amounts falling due within one year	8	1,313	1,157	4,313	4,157
Cash at bank and in hand		62,703	62,687	59,090	59,074
		<b>64,016</b>	<b>63,844</b>	<b>63,403</b>	<b>63,231</b>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	9	(156)	(1,960)	(157)	(1)
<b>Net current assets</b>		<b>63,860</b>	<b>61,884</b>	<b>63,246</b>	<b>63,230</b>
<b>Total assets less current liabilities</b>		<b>355,360</b>	<b>353,384</b>	<b>354,846</b>	<b>354,831</b>
<b>Net assets</b>		<b>355,360</b>	<b>353,384</b>	<b>354,846</b>	<b>354,831</b>
<b>Capital and reserves</b>					
Called up share capital	11	2,102	2,102	2,102	2,102
Share premium		119,500	119,500	119,500	119,500
Profit and loss account		233,758	231,782	233,244	233,229
<b>Total equity</b>		<b>355,360</b>	<b>353,384</b>	<b>354,846</b>	<b>354,831</b>

The Parent Company's total profit before tax for the financial period was £15 (2020: £23,623).

The notes on pages 10 to 23 are an integral part of these financial statements.

For the 52 weeks ended 27 February 2021, the Parent Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

## **TESCO AQUA (GP) LIMITED**

### **GROUP AND PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 27 FEBRUARY 2021 (continued)**

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#### **Directors' responsibilities:**

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

- the members have not required the Parent Company to obtain an audit of its accounts for the period in question in accordance with section 476; and
- the Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 4 to 23 were approved by the Board and authorised for issue on 06 July 2021. They were signed on its behalf by:



Robert Welch

For and on behalf of Tesco Services Limited, Director

Tesco Aqua (GP) Limited

Registered Number: 05721654

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

**TESCO AQUA (GP) LIMITED****STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED  
27 FEBRUARY 2021****GROUP STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED  
27 FEBRUARY 2021**

	<b>Called up share capital*</b>	<b>Share premium</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 23 February 2019	2,102	119,500	232,530	354,132
Loss and total comprehensive loss for the financial period	-	-	(748)	(748)
Balance as at 29 February 2020	2,102	119,500	231,782	353,384
Loss and total comprehensive loss for the financial period	-	-	1,976	1,976
<b>Balance as at 27 February 2021</b>	<b>2,102</b>	<b>119,500</b>	<b>233,758</b>	<b>355,360</b>

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED  
27 FEBRUARY 2021**

	<b>Called up share capital*</b>	<b>Share premium</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 23 February 2019	2,102	119,500	209,606	331,208
Profit and total comprehensive income for the financial period	-	-	23,623	23,623
Balance as at 29 February 2020	2,102	119,500	233,229	354,831
Profit and total comprehensive income for the financial period	-	-	15	15
<b>Balance as at 27 February 2021</b>	<b>2,102</b>	<b>119,500</b>	<b>233,244</b>	<b>354,846</b>

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

The notes on pages 10 to 23 are an integral part of these financial statements.



**TESCO AQUA (GP) LIMITED****GROUP AND PARENT COMPANY CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021**

		<b>Group</b>	
		<b>52 weeks ended 27 February 2021</b>	<b>53 weeks ended 29 February 2020</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Net cash used in operating activities</b>	12	-	(1,187)
		-	(1,187)
<b>Cash flows from investing activities</b>			
Interest received		16	282
		16	282
<b>Cash used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	13	16	(905)
<b>Cash and cash equivalents at the beginning of the period</b>		62,687	63,592
<b>Cash and cash equivalents at the end of the period</b>		62,703	62,687

		<b>Parent Company</b>	
		<b>52 weeks ended 27 February 2021</b>	<b>53 weeks ended 29 February 2020</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Net cash used in operating activities</b>	12	-	(1,185)
		-	(1,185)
<b>Cash flows from investing activities</b>			
Dividend income		-	24,533
Loan (given)/received		-	(4,000)
Interest received		16	99
		16	20,652
<b>Cash used in financing activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>	13	16	19,467
<b>Cash and cash equivalents at the beginning of the period</b>		59,074	39,607
<b>Cash and cash equivalents at the end of the period</b>		59,090	59,074

The notes on pages 10 to 23 are an integral part of these financial statements.

**TESCO AQUA (GP) LIMITED****GROUP AND PARENT COMPANY RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021**

		<b>Group</b>	
		<b>52 weeks ended 27 February 2021</b>	<b>53 weeks ended 29 February 2020</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Decrease in cash and cash equivalents	13	16	(905)
Net movement in debt	13	1,804	(1,000)
<b>Decrease in net funds</b>		<b>1,820</b>	<b>(1,905)</b>
Opening net debt	13	60,727	62,632
<b>Closing net debt</b>		<b>62,547</b>	<b>60,727</b>

		<b>Parent Company</b>	
		<b>52 weeks ended 27 February 2021</b>	<b>53 weeks ended 29 February 2020</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Increase in cash and cash equivalents	13	16	19,467
Net movement in debt	13	-	-
<b>Increase in net funds</b>		<b>16</b>	<b>19,467</b>
Opening net funds	13	59,074	39,607
<b>Closing net funds</b>		<b>59,090</b>	<b>59,074</b>

The notes on pages 10 to 23 are an integral part of these financial statements

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

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#### 1. Statement of compliance

The financial statements of Tesco Aqua GP Limited (the "Parent Company") and its subsidiaries (together the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are also prepared in accordance with the Companies Act 2006 as applicable to entities reporting under IFRS and are prepared on a going concern basis under the historical cost convention.

#### 2. General information

The Parent Company is a private company, limited by shares and is incorporated and domiciled in England and Wales under the Companies Act 2006.

The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom. The nature of the Parent Company's operations and its principal activities are set out in the Directors' Report on pages 1 to 3. Details of the Parent Company's subsidiaries are set out in Note 7.

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 27 February 2021 (prior financial period: 53 weeks ended 29 February 2020). For the subsidiaries, the financial period is also 52 weeks ended 27 February 2021 (prior financial period: 53 weeks ended 29 February 2020).

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.

##### 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 has adequate resources to remain in operation for a period of at least twelve months from the date of signing the financial statements and have therefore continued to adopt the going concern basis in preparing the financial statements.

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. The estimates and underlying assumptions are reviewed on an ongoing basis.

## **TESCO AQUA (GP) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)**

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

##### **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is described below.

##### *Carrying value of investment*

For the carrying value of investments, management has assessed the underlying investment by reviewing its net assets as well as future expected cash flows to determine whether it supports the carrying value. There were no indicators of impairment based on the amount of the underlying instrument.

##### **Judgements**

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

#### **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 Parent Company elected to adopt the cost model for holding its investments as permitted under IFRS.

##### **Impairment of investments**

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

##### **Financial instruments**

##### **Financial assets**

##### *(i) Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### *(ii) Classification of financial assets*

Classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 3. Accounting policies (continued)

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

##### Financial instruments (continued)

##### *Financial assets (continued)*

The Parent Company classifies its financial assets in the following measurement categories:

- those measured at amortized cost,
- those to be measured subsequently at fair value, either through other comprehensive income (FVTOCI) or through profit or loss (FVTPL).

The Parent Company's financial assets comprise of 'Group and other receivables' and 'cash and cash equivalents' in the statement of financial position.

##### *Financial asset at amortised cost*

##### *(iii) Recognition and measurement*

A financial asset is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

##### *Financial asset at FVTOCI*

A 'financial asset' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

However, there are no instruments which have been classified under this category.

##### *Financial asset at FVTPL*

Any financial asset, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. FVTPL is a residual category for financial assets.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

##### *(iv) Impairment of financial assets*

##### Financial assets carried at amortised cost

The Parent Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 3. Accounting policies (continued)

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

##### Financial instruments (continued)

##### *Financial assets (continued)*

##### *(iv) Impairment of financial assets (continued)*

For debtors the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### *(v) Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Parent Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

##### *Financial liabilities*

##### *(i) Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

##### *(ii) Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The Parent Company does not have any financial liabilities which are subsequently re-measured at fair value through profit or loss.

##### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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.

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 3. Accounting policies (continued)

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

##### Financial instruments (continued)

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

##### *(iii) De-recognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

##### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Parent Company or the counterparty.

##### **Income taxes**

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

##### **Group relief on taxation**

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

##### **Deferred 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.

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 3. Accounting policies (continued)

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

##### Deferred tax (continued)

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

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

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

##### Investment income

Investment income is recognised when the Group and Parent Company has right to receive the distributions from its investments.

##### Cash at bank and in hand

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

#### 4. Operating result

The Directors received no emoluments for their services to the Parent Company (2020: £nil).

The Group and the Parent Company had no employees during the period (2020: none).

#### 5. Interest receivable and similar income

	52 weeks ended 27 February 2021	53 weeks ended 29 February 2020
	£	£
Interest receivable from bank deposits	16	282
<b>Total</b>	<b>16</b>	<b>282</b>



# TESCO AQUA (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

### 6. Tax charge on profit/(loss)

#### (a) Factors that have affected the tax charge

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% (2020: 19%).

At the Budget 2021 on 3 March 2021, the Government announced that the Corporation Tax rate will increase to 25% for companies with profits above £250,000 with effect from 1 April 2023, as well as announcing a number of other changes to capital allowances and treatment of losses. These changes were not substantively enacted or enacted at balance sheet date and the company has not undertaken a full analysis of the impact of the changes.

The share is representative of its holding within its investment, as shown in Note 7.

The tax charge relates to the General Partner's share of any taxable profit charge incurred within the Limited Partnership.

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

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

	52 weeks ended 27 February 2021	53 weeks ended 29 February 2020
	£	£
<b>Current tax:</b>		
UK Corporation tax on profit for the period	-	-
Adjustment in respect of prior periods	-	-
<b>Total current tax</b>	-	-
<b>Tax (charge)/credit in the Profit and Loss Account</b>	-	-

#### (c) Reconciliation of the effective tax charge

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

	52 weeks ended 27 February 2021	53 weeks ended 29 February 2020
	£	£
<b>Profit/(Loss) before tax</b>	<b>1,976</b>	<b>(748)</b>
Tax (charge)/credit at standard UK corporation tax rate of 19% (2020: 19%)	375	141
Effects of:		
Expenses not deductible for tax purposes	-	(2,711)
Adjustments in respect of prior periods	-	-
Group relief claimed without payment	(11,379)	10,425
Non-taxable income	(477)	-
Taxable share of partnership profit	11,481	(7,855)
<b>Total tax (charge)/credit</b>	-	-

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 7. Investments

	Group £	Parent Company £
<b>Cost</b>		
At 29 February 2020	495,037	495,137
At 27 February 2021	495,037	495,137
<b>Provision for impairment</b>		
At 29 February 2020	(203,537)	(203,537)
At 27 February 2021	(203,537)	(203,537)
<b>Net book value</b>		
At 29 February 2020	291,500	291,600
At 27 February 2021	291,500	291,600

The Directors believe that the carrying value of the investments is supported by their underlying net assets. The valuation of fixed asset investments is carried out annually by the Directors. 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.

Related Undertakings in accordance with The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008, information on the Parent Company's subsidiary and associated undertakings are set out below.

Details of the Parent Company's subsidiary undertakings as at 27 February 2021 are as follows:

Name of Entity	Registered office and country of incorporation	Share class	Direct/ Indirect holding	% Shares held	Nature of business
Tesco Aqua (Nominee Holdco) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom,	Ordinary	Direct	100%	Holding Company
Tesco Aqua (Nominee 1) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom,	Ordinary	Indirect	100%	Nominee Company
Tesco Aqua (Nominee 2) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom	Ordinary	Indirect	100%	Nominee Company
Tesco Aqua (Finco1) Limited (in liquidation)	1 More London Place, London SE1 2AF England and Wales	Ordinary	Direct	100%	Nominee Company

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 7. Investments (continued)

Details of Parent Company's and Group's other investments at the period end are as follows:

Other investments	Registered office address and country of incorporation	Type of entity	% interest held	Nature of business
The Tesco Aqua Limited Partnership	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom, England and Wales	Limited Partnership	0.2%	Property investment

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

	Group		Parent Company	
	27 February 2021	29 February 2020	27 February 2021	29 February 2020
	£	£	£	£
Amounts owed by group undertakings (refer Note 15)	1,313	1,000	4,313	4,000
Accrued interest	-	157	-	157
	<b>1,313</b>	<b>1,157</b>	<b>4,313</b>	<b>4,157</b>

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

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

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

	Group		Parent Company	
	27 February 2021	29 February 2020	23 February 2021	29 February 2020
	£	£	£	£
Amount owed to Tesco PLC	-	1,960	-	-
Amount owed to Tesco Red (GP) Limited	156	-	156	-
Amount owed to Tesco Aqua (Finco 1) Limited	-	-	1	1
	156	1,960	157	1

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

#### 10. Financial assets and liabilities

The Group holds the following financial instruments:

	27 February 2021	29 February 2020
<b>Financial assets</b>		
<b>Financial assets at amortised cost</b>		
Debtors: amounts falling due within one year	1,313	1,157
Cash and cash equivalents	62,703	62,687
<b>Financial liabilities</b>		
<b>Liabilities at amortised cost</b>		
Creditors: amounts falling due within one year	156	1,960

#### Fair value disclosures

Particulars	27 February 2021		29 February 2020	
	Carrying Amount	Fair value	Carrying amount	Fair Value
<b>Financial assets</b>				
Cash and cash equivalents	62,703	62,703	62,687	62,687
Debtors: amounts falling due within one year	1,313	1,313	1,157	1,157
<b>Financial liabilities</b>				
Creditors: amounts falling due within one year	156	156	1,960	1,960

**TESCO AQUA (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
27 FEBRUARY 2021 (continued)****10. Financial assets and liabilities (continued)****Fair value hierarchy**

Quantitative disclosures fair value measurement hierarchy as at 27 February 2021:

Particulars	Fair value measurement using		
	Quoted prices in active market	Significant observable inputs	Significant unobservable inputs
<b>Financial assets</b>			
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents	62,703	-	-
Debtors: amounts falling due within one year	-	1,313	-
<b>Financial liabilities</b>			
<b>Financial liabilities at amortised cost</b>			
Creditors: amounts falling due within one year	-	156	-

Quantitative disclosures fair value measurement hierarchy as at 29 February 2020:

Particulars	Fair value measurement using		
	Quoted prices in active market	Significant observable inputs	Significant unobservable inputs
<b>Financial assets</b>			
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents	62,687	-	-
Debtors: amounts falling due within one year	-	1,157	-
<b>Financial liabilities</b>			
<b>Financial liabilities at amortised cost</b>			
Creditors: amounts falling due within one year	-	1,960	-

**Credit risk**

Credit risk arises from cash and cash equivalents and financial instruments.

**Liquidity risk**

Liquidity risk is managed by short-term and long-term cash flow forecasts.

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 11. Called up share capital

	Group and Parent Company	
	27 February 2021	29 February 2020
	£	£
Allotted, called up and fully paid		
1,051 Ordinary 'A' (2020: 1,051 Ordinary 'A' shares of £1 each) shares of £1 each	1,051	1,051
1,051 Ordinary 'B' (2020: 1,051 Ordinary 'B' shares of £1 each) shares of £1 each	1,051	1,051
	<b>2,102</b>	<b>2,102</b>

The Ordinary 'A' and Ordinary 'B' shares have attached to them full voting and dividend rights; they do not confer any rights of redemption.

#### 12. Net cash used in operating activities

Reconciliation of operating loss to net cash used in operations:

	Group	
	27 February 2021	29 February 2020
	£	£
Operating profit/(loss)	1,960	(1,030)
Tax paid	-	-
Increase in debtors	(156)	(1,157)
Increase in creditors	(1,804)	1,000
<b>Net cash used in operating activities</b>	<b>-</b>	<b>(1,187)</b>

Reconciliation of operating result/(loss) to net cash used in operations:

	Parent Company	
	27 February 2021	29 February 2020
	£	£
Operating result/(loss)	-	(1,029)
Increase in debtors	(156)	(157)
Increase in creditors	156	1
<b>Net cash used in operating activities</b>	<b>-</b>	<b>(1,185)</b>

**TESCO AQUA (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
27 FEBRUARY 2021 (continued)****13. Analysis of changes in net debt**

	<b>Group</b>		
	23 February 2019	Cash movement	Non-cash movement
	£	£	£
Cash at bank and in hand	63,592	(905)	-
Debt due within one year	(960)	-	(1,000)
	62,632	(905)	(1,000)
			29 February 2020
			£
			62,687
			(1,960)
			60,727

	29 February 2020	Cash movement	Non-cash movement	27 February 2021
	£	£	£	£
Cash at bank and in hand	62,687	16	-	62,703
Debt due within one year	(1,960)	-	1,804	(156)
	60,727	16	1,804	62,547

	<b>Parent Company</b>		
	23 February 2019	Cash movement	Non-cash movement
	£	£	£
Cash at bank and in hand	39,607	19,467	-
	39,607	19,467	-
			29 February 2020
			£
			59,074
			59,074

	29 February 2020	Cash movement	Non-cash movement	27 February 2021
	£	£	£	£
Cash at bank and in hand	59,074	16	-	59,090
	59,074	16	-	59,090

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

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

In the prior financial period, Tesco Property Holdings (No 2) Limited was the immediate parent undertaking of the Parent Company. However, in the current period, the ordinary shares of the Parent Company were acquired by Tesco Stores Limited.

The ultimate parent undertaking is Tesco PLC, which is incorporated in United Kingdom and registered in England and Wales. Copies of the Tesco PLC Annual Report and Financial Statements 2021 are available from the Company Secretary at the registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

#### 15. Related party transaction and balances

During the 52 week's period ended 27 February 2021 the Group and the Parent Company entered into transactions with related parties, in the ordinary course of business. Transactions entered into, and balances outstanding at 27 February 2021, are as follows:

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

Balances	2021		2020	
	Debtors £	Creditors £	Debtors £	Creditors £
Tesco Aqua Limited Partnership	1,000	-	1,000	-
Tesco Aqua (Nominee Holdco) Ltd	1,000	-	1,000	-
Tesco Aqua (Nominee 1) Ltd	1,000	-	1,000	-
Tesco Aqua (Nominee 2) Ltd	1,000	-	1,000	-
Tesco Aqua (Finco 1) Ltd	-	1	-	1
Tesco PLC	-	-	-	1,960
Tesco Red (GP)	-	-	156	-
Tesco Stores Limited	313	-	-	-

#### 16. Events after the reporting period

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



**TESCO AQUA (GP) LIMITED****PARENT COMPANY PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED  
27 FEBRUARY 2021**

	<b>52 weeks ended 27 February 2021</b>	<b>53 weeks ended 29 February 2020</b>
	<b>£</b>	<b>£</b>
Administrative expenses	<b>(1)</b>	(1,029)
<b>Operating loss</b>	<b>(1)</b>	(1,029)
Dividend income	-	24,553
Interest receivable and similar income	<b>16</b>	99
<b>Profit before tax</b>	<b>15</b>	23,623
Tax on profit	-	-
<b>Profit for the financial period</b>	<b>15</b>	23,623

This page does not form part of the unaudited financial statements.

THE TESCO AQUA LIMITED PARTNERSHIP  
ANNUAL REPORT AND UNAUDITED FINANCIAL  
STATEMENTS  
FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021  
REGISTERED NUMBER: LP011520



## **THE TESCO AQUA LIMITED PARTNERSHIP**

### **STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021**

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Tesco Aqua (GP) Limited (the "General Partner") presents its Strategic Report of The Tesco Aqua Limited Partnership ("the Partnership") for the 52 weeks ended 27 February 2021 (prior period: 53 weeks ended 29 February 2020 ("2020")).

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

The principal activity of the Partnership is to carry out property investment in retail stores and mixed use units 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 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 International Financial Reporting Standards ("IFRS") as adopted by the European Union.

#### **Results and distributions**

The results for the period show a profit before tax of £30,213,301 (2020: £20,669,443) and rental income of £39,999,894 (2020: £39,869,387).

The partnership has net assets of £100,532,385 at the period end (2020: £70,319,084) and net current assets of £17,584,610 (2020: net current liabilities of £12,352,980). Future rental income streams are guaranteed through an RPI linked swap to ensure that the partnership can meet its financial obligations.

The partnership did not distribute any profits in the current and previous periods.

#### **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 the Tesco PLC Group (the "Group"), which includes the Partnership, is discussed on page 11 of the Tesco PLC Annual Report and Financial Statements 2021, which do 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 30 of the Tesco PLC Annual Report and Financial Statements 2021, 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.

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

The Partnership's activities expose it to risks and uncertainties as summarised below. The Partnership's financial instruments comprise the Loans with other group companies.

The principal risks and uncertainties are related to property investment into the retail stores. 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 Tesco PLC Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Tesco PLC Group, which include the Partnership, are discussed on pages 31 to 37 of the Tesco PLC Annual Report and Financial Statements 2021, which do not form a part of this Report.

#### **Business risk**

The ongoing development of the UK's trading relationship with the EU, subsequent to the end of the Brexit transition period during the year, and a failure to prepare all eventualities could have an adverse effect on our primary business, its financial results and operations. The Group will continue to assess and monitor the potential risks and impacts on the Company and its stakeholders as a whole, while taking mitigation measures to address challenges as appropriate.

## THE TESCO AQUA LIMITED PARTNERSHIP

### STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

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#### **Business risk (continued)**

The Company's principal business relationships are with Tesco PLC Group companies which, by nature of their business, have continued to operate as essential businesses during the pandemic. This has served to mitigate some of the risk the Company is exposed to.

The financial impact of the pandemic for the financial year upon the Tesco PLC Group companies is noted in the Tesco PLC Annual Report and Financial Statements 2021. The wider Tesco Group continues to assess, monitor and, where possible mitigate the risks and impacts of the pandemic upon the Company and its stakeholders, particularly as restrictions are eased in line with the UK Government roadmap.

#### **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 who leases the property from the Limited Partnership, is determined to be low, yet the Partnership monitors the credit risk of Group (ultimate parent of Tesco Stores Limited) to ensure their ability to discharge their obligations as lessee.

##### *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 investment in the retail stores and the obligation to make repayments against the loans when due.

The Partnership manages this using a managing agent, who manages its occupational leases and actively manages the receipt of arrears for the Partnership.

##### *Interest rate risk*

Interest rate risk is the risk that the Partnership is exposed to movements in the yearly average GBP LIBOR, which could increase and cause difficulty in meeting its obligations if the level of interest is greater than the Partnership's rental income.

#### **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 AQUA LIMITED PARTNERSHIP**

### **STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)**

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#### **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.

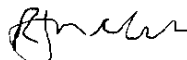
Those factors for example include the interests and views of our leaseholders, members of the Tesco Group and our relationship with our lenders. By considering the Limited Partnership's purpose, together with its strategic priorities and having a process in place for decision-making, we aim to make sure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

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, otherwise the Partnership has had no commercial business, and no employees or external customers 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 06 July 2021 and signed on behalf of the General Partner by:



Robert Welch, for and on behalf of Tesco Services Limited,  
Director, for and on behalf of the General Partner  
Tesco Aqua (GP) Limited,  
Registered Number: 05721654  
Registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

## **THE TESCO AQUA LIMITED PARTNERSHIP**

### **GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021**

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Tesco Aqua (GP) Limited (the "General Partner") presents its Report and the unaudited financial statements of The Tesco Aqua Limited Partnership (the "Partnership") for the 52 weeks ended 27 February 2021 (prior period: 53 weeks ended 29 February 2020 ("2020")). During the period, Tesco Aqua (GP) Limited acted as the General Partner and Tesco Aqua Unit Trust and Tesco Aqua (3LP) Limited acted as limited partners of the Partnership.

The Tesco Aqua Limited 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 amended and restated Limited Partnership Agreements (the "Limited Partnership Agreement") on the 5 October 2006, 5 December 2006, 20 March 2007 and 28 August 2009 and further amended by a Deed of Variation on 26 February 2010.

The Partnership shall continue for 21 years and 4 months from 22 September 2006. However, this term may be extended with the consent of the limited partners.

#### **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 Partnership will be able to continue its 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 trading or putting the Limited 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.

The loans from Tesco Corporate Treasury Services PLC to the Partnership were repayable on 23 February 2022. Subsequently in May 2021, the repayment date was further extended to 10 February 2025.

Whilst COVID-19 is a threat to many businesses, management's assessment is that demand for the Partnership's properties has not suffered, as primarily the tenants of the properties are grocery retailers, which have functioned as essential businesses throughout the pandemic and will continue to operate afterwards. The assessment is therefore that there is no threat to 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.

The General Partner has produced 18 month cash flow forecasts demonstrating the Partnership's ability to continue as a going concern.

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

Details of events after the reporting period can be found in Note 21 to the financial statements.

#### **Political donations**

There were no political donations for the period (2020: £nil) and the Partnership did not incur any political expenditure (2020: £nil).

#### **Research and development**

The Partnership does not undertake any research and development activities (2020: none).

## **THE TESCO AQUA LIMITED PARTNERSHIP**

### **GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (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 (2020: nil).

#### **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.

#### **Partners**

The partners, including the General Partner, Tesco Aqua (GP) Limited, are set out in Note 15 of the financial statements.

#### **Cautionary Statement regarding forward looking information**

Where this document contains forward-looking statements, these are made by the General Partners 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.

#### **Modern Slavery Act**

As per section 54(1) of the Modern Slavery Act 2015, our Slavery and Human Trafficking Statement is published annually on our Group website. The statement covers the activities of the Group and its subsidiaries and details policies, processes and actions we have taken to ensure that slavery and human trafficking are not taking place in our supply chains or any part of our own business.

#### **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 International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

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 they have been prepared in accordance with IFRS, as adopted by the EU, 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 General Partner is responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Partnership and to 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 TESCO AQUA LIMITED PARTNERSHIP**

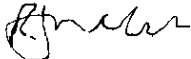
### **GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)**

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

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

Approved by the General Partner on 06 July 2021 and signed on behalf of the General Partner by:



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

Director, for and on behalf of the General Partner

Tesco Aqua (GP) Limited,

Registered Number: 05721654

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



## THE TESCO AQUA LIMITED PARTNERSHIP

### INCOME STATEMENT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

	Notes	52 weeks ended 27 February 2021	53 weeks ended 29 February 2020
		£	£
Rental income		39,999,894	39,869,387
Administrative expenses		(7,138,741)	(7,140,617)
<b>Operating profit</b>	5	<b>32,861,153</b>	32,728,770
Impairment reversal		7,411,023	-
Interest receivable and similar income	6	3,307	68,101
Interest payable and similar cost	7	(10,062,182)	(12,127,428)
<b>Profit before tax</b>		<b>30,213,301</b>	20,669,443
Tax on profit	8	-	-
<b>Profit for the financial period</b>		<b>30,213,301</b>	20,669,443

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

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

There is no other comprehensive income/(loss) in the periods presented; therefore no statement of comprehensive income has been prepared.

The notes on pages 13 to 26 are an integral part of these financial statements.

**THE TESCO AQUA LIMITED PARTNERSHIP****STATEMENT OF FINANCIAL POSITION AS AT 27 FEBRUARY 2021**

	Notes	27 February 2021	29 February 2020
		£	£
<b>Non-current assets</b>			
Investment properties	9	550,042,196	549,766,485
		550,042,196	549,766,485
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	628	761
Cash at bank and in hand		20,363,680	5,695,445
<b>Total current assets</b>		<b>20,364,308</b>	<b>5,696,206</b>
<b>Total assets</b>		<b>570,406,504</b>	<b>555,462,691</b>
<b>Current liabilities</b>			
Other payables	11	(2,778,698)	(18,048,186)
Borrowings: amounts falling due within one year	12	(1,000)	(1,000)
<b>Total current liabilities</b>		<b>(2,779,698)</b>	<b>(18,049,186)</b>
<b>Net current assets/(liabilities)</b>		<b>17,584,610</b>	<b>(12,352,980)</b>
<b>Non-current liabilities</b>			
Borrowings: amounts falling due after more than one year	13	(467,094,421)	(467,094,421)
		(467,094,421)	(467,094,421)
<b>Total liabilities</b>		<b>(469,874,119)</b>	<b>(485,143,607)</b>
<b>Total assets less total liabilities</b>		<b>100,532,385</b>	<b>70,319,084</b>
<b>Partners' interest</b>			
Partners' capital accounts	15	898,500	898,500
Profit and loss account	15	99,633,885	69,420,584
<b>Partners' interest</b>		<b>100,532,385</b>	<b>70,319,084</b>

The notes on pages 13 to 26 are an integral part of these financial statements.

For the period ended 27 February 2021, the Partnership was entitled to exemption from audit under section 479A of the Companies Act 2006 (the 'Act') relating to subsidiary companies.

## **THE TESCO AQUA LIMITED PARTNERSHIP**

### **STATEMENT OF FINANCIAL POSITION AS AT 27 FEBRUARY 2021 (continued)**

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#### General Partner's Responsibilities:

- the partners have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Act;
- the General Partner acknowledges his responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 7 to 26 were approved by the General Partner and authorised for issue on 06 July 2021. They were signed on its behalf by:



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

Tesco Aqua (GP) Limited, Director

Registered Number: 05721654

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

**THE TESCO AQUA LIMITED PARTNERSHIP****STATEMENT OF CHANGES IN PARTNER'S INTEREST FOR THE 52 WEEKS  
ENDED 27 FEBRUARY 2021**

	<b>Partners' capital accounts</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 23 February 2019	898,500	48,751,141	49,649,641
Profit and total comprehensive income for the financial period	-	20,669,443	20,669,443
<b>Balance as at 29 February 2020</b>	<b>898,500</b>	<b>69,420,584</b>	<b>70,319,084</b>
Profit and total comprehensive for the financial period	-	30,213,301	30,213,301
<b>Balance as at 27 February 2021</b>	<b>898,500</b>	<b>99,633,885</b>	<b>100,532,385</b>

The notes on pages 13 to 26 are an integral part of these financial statements.

**THE TESCO AQUA LIMITED PARTNERSHIP****CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021**

		<b>52 weeks ended 27 February 2021</b>	<b>53 weeks ended 29 February 2020</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Net cash flows from operating activities</b>	<b>16</b>	<b>40,163,284</b>	<b>39,393,870</b>
<b>Cash flows from investing activities</b>			
Interest received		3,307	68,101
<b>Net cash flows from investing activities</b>		<b>3,307</b>	<b>68,101</b>
<b>Cash flows from financing activities</b>			
Loan repayment		(14,884,211)	(30,000,000)
Interest paid		(10,614,145)	(11,686,431)
<b>Net cash flows from financing activities</b>		<b>(25,498,356)</b>	<b>(41,686,431)</b>
<b>Increase/(Decrease) in cash</b>		<b>14,668,235</b>	<b>(2,224,460)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>5,695,445</b>	<b>7,919,905</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>20,363,680</b>	<b>5,695,445</b>

**THE TESCO AQUA LIMITED PARTNERSHIP****RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT FOR  
THE 52 WEEKS ENDED 27 FEBRUARY 2021**

		<b>52 weeks ended 27 February 2021</b>	<b>53 weeks ended 29 February 2020</b>
	Notes	£	£
Increase/(decrease) in cash and cash equivalents	17	<b>14,668,235</b>	(2,224,460)
Net decrease in loans	17	<b>14,884,211</b>	30,000,000
Decrease in net debt	1 /	<b>29,552,446</b>	27,775,540
Opening net debt	17	<b>(476,283,187)</b>	(504,058,727)
Closing net debt		<b>(446,730,741)</b>	(476,283,187)

## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

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#### 1. Statement of compliance

The financial statements of The Tesco Aqua Limited Partnership (the "Partnership") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union 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).

#### 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 amended and restated Limited Partnership Agreement on 5 October 2006, 5 December 2006, 20 March 2007, 28 August 2009 and again on 26 February 2010. The Partnership is limited by Partners' capital.

The financial statements of the Partnership for the 52 weeks ended 27 February 2021 were approved by the General partners on 06 July 2021 and the Balance Sheet was signed on the Partner's behalf by Tesco Aqua (GP) Limited.

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

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

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 and the preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Partnership accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3c.

#### New and revised IFRS applied with no material effect on the financial statements

The amendments in below standards were adopted in the current period, and there is no impact on the financial statements upon their adoption.

- a. IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' to update a new definition of material in IAS 1. The amendments clarify the definition of "material" and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The new definition clarifies that, information is considered material if omitting, misstating, or obscuring such information, could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.
- b. IFRS 16 'Leases' providing lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

Other changes to standards, interpretations and amendments effective in the current period had no material impact on the Company financial statements.

## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

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#### 3. Accounting policies (continued)

##### 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 Partnership will be able to continue its 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 trading or putting the Limited 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.

The loans from Tesco Corporate Treasury Services PLC to the Partnership were repayable on 23 February 2022. Subsequently in May 2021, the repayment date was further extended to 10 February 2025.

Whilst COVID-19 is a threat to many businesses, management's assessment is that demand for the Partnership's properties has not suffered, as primarily the tenants of the properties are grocery retailers, which have functioned as essential businesses throughout the pandemic and will continue to operate afterwards. The assessment is therefore that there is no threat to 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.

The General Partner has produced 18 month cash flow forecasts demonstrating the Partnership's ability to continue as a going concern.

##### 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. For detail on the judgement of the impacts of COVID 19 refer to Note 21.

##### *Key sources of estimation uncertainty*

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

Investment properties are carried at cost less accumulated depreciation and any recognised impairment in value.

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

##### d. Significant accounting policies

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

Investment properties are carried at cost less accumulated depreciation and any recognised impairment in value. Investment properties are depreciated on a straight-line basis to their residual value over their anticipated useful economic life of 40 years.

###### **Leases and rental income**

The partnership exercises judgement in determining the classification of leases as finance or operating leases at inception of the lease. General Partner considers the likelihood of exercising break clauses or extension options in determining the lease term. Where the lease term constitutes substantially all of the economic life of the asset, or where the present value of minimum lease payments amount to substantially all of the fair value of the property, whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the lease is classified as a finance lease. All other leases are classified as operating leases.



## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

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#### 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 on straight line basis over the term of the lease, with rent received in advance being deferred on the Balance Sheet.

The leases are subject to annual uplifts which are linked to the RPI, subject to a minimum annual increase of nil and a maximum annual increase of 3.5%.

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

The Partnership operates within one business segment being that of the leasing of its investment properties with business principally transacted in the United Kingdom (UK).

##### Capital management policy

The Partnership's objectives when managing capital (defined as net debt plus equity) are to safeguard the Partnership's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, while maintaining a strong credit rating and headroom whilst optimising return to shareholders through an appropriate balance of debt and equity funding.

In managing the Partnership's capital, it must adhere to capital requirement, where the value of external debt must not rise above 90% of the value of the investment property, nor must rental income fall below net interest payable. The Partnership is complying with its objectives through a fixed rental stream until maturity of the debt, thereby managing its cash flows. There have been no changes to how the Partnership manages its capital.

##### Amortisation of loan arrangement fee

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

##### Interest payable and receivable

Interest payable and receivable is calculated on an accrual basis.

##### Financial instruments

Financial assets

##### *(a) Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### *(b) Classification of financial assets*

Classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The company classifies its financial assets in the following measurement categories:

- those measured at amortized cost,
- those to be measured subsequently at fair value, either through other comprehensive income (FVTOCI) or through profit or loss (FVTPL).

## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

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#### 3. Accounting policies (continued)

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

##### Financial instruments (continued)

##### Financial assets (continued)

The Company's financial assets comprise of 'debtors and other receivables' and 'cash and cash equivalents' in the statement of financial position.

##### *(c) Recognition and measurement*

##### *Financial asset at amortised cost*

A financial asset is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

##### *Financial asset at FVTOCI*

A 'financial asset' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
- The asset's contractual cash flows represent SPPI.

However there are no instruments which have been classified under this category.

##### *Financial asset at FVTPL*

Any financial asset, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL. FVTPL is a residual category for financial assets.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

##### *(d) Impairment of financial assets*

##### Financial assets carried at amortised cost

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Partnership expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For debtors the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

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#### 3. Accounting policies (continued)

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

##### Financial instruments (continued)

##### Financial assets (continued)

##### *(e) Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

##### Financial liabilities

The company's financial liabilities include, 'Other payables', 'Interest bearing loans and borrowings' and 'other non-current/current financial liabilities'.

##### *(a) Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities comprises of other payables, loans and borrowings including bank overdrafts and other financial liabilities.

##### *(b) Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The company does not have any financial liabilities which are subsequently re-measured at fair value through profit or loss.

##### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

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#### 3. Accounting policies (continued)

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

##### Financial instruments (continued)

##### Financial liabilities (continued)

##### (c) De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

##### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported 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 realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

##### 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 identified 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 is represented by deposits held at call with banks. Any bank overdrafts are shown within borrowings. Net debt is comprised of loans advanced to the Partnership, the derivative used to manage the interest rate paid on the loans, cash and unamortised loan arrangement fees.

##### 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 Aqua (3LP) Limited	49.90%
Tesco Aqua Unit Trust	49.90%
Tesco Aqua (GP) Limited	0.20%

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 AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 4. Principal activity

The purpose of the partnership is to carry out property investment.

#### 5. Operating profit

	52 weeks ended 27 February 2021	53 weeks ended 29 February 2020
	£	£
<b>Operating profit is stated after charging</b>		
Depreciation charge of investment property (Note 9) owned assets	7,135,312	7,135,312
<b>Total</b>	<b>7,135,312</b>	<b>7,135,312</b>

The General Partner received no emoluments for its services to the Partnership (2020: £nil).

The Partnership had no employees during the year ended 29 February 2021 (2020: none).

#### 6. Interest receivable and similar income

	52 weeks ended 27 February 2021	53 weeks ended 29 February 2020
	£	£
Interest received on bank deposits	3,307	68,101
<b>Total</b>	<b>3,307</b>	<b>68,101</b>

#### 7. Interest payable and similar cost

	52 weeks ended 27 February 2021	53 weeks ended 29 February 2020
	£	£
Interest payable on loan	10,062,182	12,127,428
<b>Total</b>	<b>10,062,182</b>	<b>12,127,428</b>

The interest payable on loan is related to the loan provided by Tesco Corporate Treasury Services PLC.

#### 8. Tax on profit

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

## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 9. Investment properties

##### Cost:

At 29 February 2020	634,250,000
At 27 February 2021	<b>634,250,000</b>

##### Accumulated depreciation and impairment:

At 29 February 2020	84,483,515
Depreciation charge for the period	7,135,312
Impairment reversal	(7,411,023)
At 27 February 2021	<b>84,207,804</b>

##### Net book value:

At 29 February 2020	549,766,485
At 27 February 2021	<b>550,042,196</b>

The management has not carried out an updated independent valuation as at 27th February 2021 and 29th February 2020 and are not aware of any factors, given that all the properties are retail sites within the Tesco PLC Group, that would materially reduce the valuation.

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.

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

	27 February 2021	29 February 2020
	£	£
Amounts owed by Group undertakings	-	743
VAT	628	18
	<b>628</b>	<b>761</b>

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

#### 11. Other payables

	27 February 2021	29 February 2020
	£	£
Deferred Income	2,691,590	2,524,904
Loan interest due to Tesco Corporate Treasury Services PLC	87,108	639,071
Loan and other debt due to Tesco PLC	-	14,884,211
	<b>2,778,698</b>	<b>18,048,186</b>

## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 12. Borrowings: amounts falling due within one year

	27 February 2021	29 February 2020
	£	£
Subordinated Loan due to Tesco Aqua (Finco I) Limited	1,000	1,000
	<b>1,000</b>	<b>1,000</b>

#### 13. Borrowings: amounts falling due after more than one year

	27 February 2021	29 February 2020
	£	£
Loan and other debt due to Tesco Corporate Treasury Services PLC	467,094,421	467,094,421
	<b>467,094,421</b>	<b>467,094,421</b>

The loan with Tesco Corporate Treasury Services PLC is secured and incurs interest at a variable rate based on yearly GBP LIBOR+1.3% and was fully repayable by 23 February 2022. Subsequently in May 2021, the repayment date for the loan balance of £467,094,421 was extended to 10 February 2025 with an interest rate of 0.930600%. Interest due to Tesco Corporate Treasury Services PLC has been reclassified to loan debt.

#### 14. Financial assets and liabilities

The Partnership holds the following financial instruments:

##### Financial assets

##### Financial assets at amortised cost

	27 February 2021	29 February 2020
Debtors; amounts falling due within one year	628	761
Cash and cash equivalents	20,363,680	5,695,445

##### Financial liabilities

##### Liabilities at amortised cost

Borrowings: amounts falling due within one year	1,000	1,000
Borrowings: amounts falling due after more than one year	467,094,421	467,094,421
Trade and other payables	2,778,698	18,048,186

#### Fair value disclosures

The carrying amount and the fair value of the financial assets i.e. (Debtors and cash and cash equivalents) and financial liabilities i.e. (other payables and borrowings) are same.

# THE TESCO AQUA LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

### 14. Financial assets and liabilities (continued)

#### Fair value hierarchy

Quantitative disclosures fair value measurement hierarchy as at 27 February 2021:

Particulars	Fair value measurement using		
	Quoted prices in active market	Significant observable inputs	Significant unobservable inputs
<b>Financial assets</b>			
<b>Financial assets at amortised cost</b>			
Debtors	-	628	-
Cash and cash equivalents	20,363,680	-	-
<b>Financial liabilities</b>			
<b>Financial liabilities at amortised cost</b>			
Other payables	-	2,778,698	-
Borrowings: amounts falling due within one year	-	1,000	-
Borrowings: amounts falling after more than one year	-	467,094,421	-

Quantitative disclosures fair value measurement hierarchy as at 29 February 2020:

Particulars	Fair value measurement using		
	Quoted prices in active market	Significant observable inputs	Significant unobservable inputs
<b>Financial assets</b>			
<b>Financial assets at amortised cost</b>			
Debtors	-	761	-
Cash at bank and in hand	5,695,445	-	-
<b>Financial liabilities</b>			
<b>Financial liabilities at amortised cost</b>			
Other payables	-	18,048,186	-
Borrowings: amounts falling due within one year	-	1,000	-
Borrowings: amounts falling after more than one year	-	467,094,421	-



## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 14. Financial assets and liabilities (continued)

The loans 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. There have been no transfers between levels in the fair value hierarchy.

Further details relating to these loans are given in Note 12 and 13.

The main financial risk faced by the Partnership relates to fluctuations in interest 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 Partnership Agreement. The outsourcing arrangements are monitored by the General Partner.

#### Interest rate risk

Interest rate risk arises from long-term borrowings. Debt issued at variable rates, as well as cash deposits exposes the partnership to cash flow interest rate risk. Debt issued at fixed rates exposes the Partnership to fair value risk. The management of these risks is outsourced as approved in the Partnership Agreement.

The calculation used in valuing the derivative financial statements by discounting future expected cash flows arising from estimation in future interest rates. This is compared against the interest derived from the floating debt instrument to derive either a financial asset or liability. The valuation assumptions for the Level 2 instrument include future expectations of the 3-month LIBOR as well as the appropriate discount factor to use in present valuing the derivative instruments. There has been no change to the valuation technique applied in the prior period.

#### 27 February 2021

	Fixed	Floating	Total
	£	£	£
Cash and cash equivalents	-	20,363,680	20,363,680
Other receivables	628	-	628
Bank and other borrowings	(1000)	(467,094,421)	(467,095,421)
	(372)	(446,730,741)	(446,731,113)

#### 29 February 2020

	Fixed	Floating	Total
	£	£	£
Cash and cash equivalents	-	5,695,445	5,695,445
Other receivables	761	-	761
Bank and other borrowings	(14,885,211)	(467,094,421)	(481,979,632)
	(14,884,450)	(461,398,976)	(476,283,426)

#### Credit risk

Credit risk arises from cash and cash equivalents, trade and other receivables and financial instruments. The management of these risks is outsourced as approved in the Partnership agreement. The counterparty exposure under derivative contracts is £nil (2020: £nil).

## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

#### 14. Financial assets and liabilities (continued)

##### 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 Partnership considers its maximum credit risk to be £469,874,119 (2020: £485,143,607), being the Partnership's total financial liabilities.

##### 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.

There is no netting off in relation to any of the above financial assets and liabilities. During the financial period, there were no transfers (2020: None) between Level 1, Level 2 or Level 3 fair value measurements.

#### 15. Cumulative partners accounts

Partners accounts as at 27 February 2021	Partners' capital accounts £	Profit and loss account £	Total £
Tesco Aqua (3LP) Limited	303,500	49,717,309	50,020,809
Tesco Aqua Unit Trust	303,500	49,717,309	50,020,809
Tesco Aqua (GP) Limited	291,500	199,267	490,767
<b>Total</b>	<b>898,500</b>	<b>99,633,885</b>	<b>100,532,385</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 amended and restated Limited Partnership Agreement (the "Limited Partnership Agreement") on the 5 December 2006, 20 December 2006, 20 March 2007 and again on 28 August 2009.

#### 16. Net cash flow from operating activities

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

	52 weeks ended 27 February 2021 £	53 weeks ended 29 February 2020 £
Operating profit	32,861,153	32,728,770
Adjustment for:		
Depreciation and impairment charge of investment properties	7,135,312	7,135,312
Movements for working capital:		
Change in debtors	133	115,049
Change in creditors	166,686	(585,261)
Net cash inflow from operating activities	<b>40,163,284</b>	<b>39,393,870</b>

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

## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

	29 February 2020	Cash movement	Non-cash movement	27 February 2021
	£	£	£	£
Cash at bank and in hand	5,695,445	14,668,235	-	20,363,680
Debt due within one year	(14,884,211)	14,884,211	-	-
Debt due after one year	(467,094,421)	-	-	(467,094,421)
	<b>(476,283,187)</b>	<b>29,552,446</b>	<b>-</b>	<b>(446,730,741)</b>

	23 February 2019	Cash movement	Non-cash movement	29 February 2020
	£	£	£	£
Cash at bank and in hand	7,919,905	(2,224,460)	-	5,695,445
Debt due within one year	-	-	(14,884,211)	(14,884,211)
Debt due after one year	(511,978,632)	30,000,000	14,884,211	(467,094,421)
	<b>(504,058,727)</b>	<b>27,775,540</b>	<b>-</b>	<b>(476,283,187)</b>

#### 18. Receivables under operating lease

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

	27 February 2021	29 February 2020
	£	£
Within 1 year	39,959,323	49,943,199
2 to 5 years	159,837,292	159,818,238
After 5 years	79,918,646	109,875,039
	<b>279,715,261</b>	<b>319,636,476</b>

The break clauses were not exercised and so the leases continue until January 2028.

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

The immediate parent undertakings of the Partnership are Tesco Aqua (3LP) Limited, Tesco Aqua Unit Trust and Tesco Aqua (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 2021 are available from the Company Secretary at its registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

#### 20. Related party transactions and balances

**THE TESCO AQUA LIMITED PARTNERSHIP****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
27 FEBRUARY 2021 (continued)**

During the 52 weeks period ended 27 February 2021 the Partnership entered into transactions with related parties, in the ordinary course of business. Transactions entered into, and balances outstanding at 27 February 2021, are as follows:

<b>Transactions</b>	<b>2021 £</b>		<b>2020 £</b>	
	<b>Income</b>	<b>Expense</b>	<b>Income</b>	<b>Expense</b>
Tesco Stores Limited	39,999,894	-	39,869,387	-
Tesco Corporate Treasury Services PLC	-	10,062,182	-	12,127,428

<b>Balances</b>	<b>2021 £</b>		<b>2020 £</b>	
	<b>Debtors</b>	<b>Creditors</b>	<b>Debtors</b>	<b>Creditors</b>
Tesco Stores Limited	2,691,590	-	2,524,903	437
Tesco PLC	-	-	-	14,884,211
Tesco Corporate Treasury Services PLC	-	467,094,421	-	467,094,421
Tesco Corporate Treasury Services PLC	-	87,108	-	639,071

**21. Events after the reporting period**

In May 2021, the repayment date for the loan balance of £467,094,421 payable to Tesco Corporate Treasury Services PLC was extended to 10 February 2025 with an interest rate of 0.930600%.