TEESPORT (GP) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

Registered Number: 06636155

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TEESPORT (GP) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

The Directors present their report and the financial statements of Teesport (GP) Limited (the "Company") for the 52 weeks ended 25 February 2017 (prior period: 52 weeks ended 27 February 2016).

Business review and principal activities

The principal activity of the Company is to invest into The Teesport Limited Partnership (the "Partnership"). There has been no significant change in the nature or level of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

Results and dividends

The results for the period show a result before taxation of £nil (2016: £nil).

The Directors do not recommend a payment of a dividend for the 52 weeks ended 25 February 2017 (2016: £nil).

The Company had net assets at the period end of £39,607 (2016: £39,633) and net current assets at the period end of £40,606 (2016: £40,632).

Principal risks and uncertainties, financial risk management

The principal risks and uncertainties other than the above company specific risk, are integrated with the principal risks of the Tesco PLC Group (the "Group") and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Company, are discussed on pages 26 to 30 of the Tesco PLC Group Annual Report and Financial Statements for the 52 weeks ended 25 February 2017 which does not form part of this Report.

Business risk

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

Political donations

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

Future developments

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

Key performance indicators (KPIs)

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

Research and development

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

Employees

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

Strategic Report

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

Going concern

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

The Company has significant cash assets that greatly outweigh its liabilities. Having assessed the Company's future expected cash flows, the Directors believe that the Company can continue to support itself. The Directors have therefore prepared the financial statements on a going concern basis.

Directors' and their interests

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

R Ager (Resigned on 22 March 2017)
R Smith
J Gibney
Tesco Services Limited

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

Directors' indemnities

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

Statement of Directors' responsibilities

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

The Companies Act 2006 requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the Company financial statements in accordance with FRS 102 (the Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland). Under the company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Disclosure of information to auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Auditor

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

On behalf of the Board on 16 August 2017

Robert Welch, for and on behalf of Tesco Services Limited
Director
Teesport (GP) Limited
Registered Number: 06636155
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA

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

We have audited the financial statements of Teesport (GP) Limited for the period ended 25 February 2017 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (Financial Reporting Standards – FRS 102), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 February 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Financial Reporting Standards and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEESPORT (GP) LIMITED (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the Directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

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

Date: 16 August 2017

TEESPORT (GP) LIMITED

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

	Notes	**52 weeks to 25 February 2017**	52 weeks to 27 February 2016
		£	£
Operating result	2	-	-
Income received from investment		-	-
Result before taxation		-	-
Tax on result on ordinary activities	3	**(26)**	(48)
Loss for the financial period		**(26)**	(48)

There are no recognised gains or losses in the current or prior period other than those shown in the profit and loss account above and accordingly no separate statement of comprehensive income has been prepared.

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

All operations are continuing for the financial period.

The notes on pages 9 to 15 form part of these financial statements.

TEESPORT (GP) LIMITED

BALANCE SHEET AS AT 25 FEBRUARY 2017

	Notes	**52 weeks to 25 February 2017**	52 weeks to 27 February 2016
		£	£
Fixed assets			
Investments	4	**1**	1
		1	1
Current assets			
Deferred tax asset	5	**349**	375
Cash at bank and in hand		**40,259**	40,259
		40,608	40,634
Creditors: amounts falling due within one year	6	**(2)**	(2)
Net current assets		**40,606**	40,632
Total assets less current liabilities		**40,607**	40,633
Creditors: amounts falling due after more than one year	7	**(1,000)**	(1,000)
Net assets		**39,607**	39,633
Capital and reserves			
Called up share capital	8	**3,000**	3,000
Share premium account		**29,360**	29,360
Profit and loss account		**7,247**	7,273
Total shareholders' funds		**39,607**	39,633

The financial statements on pages 6 to 15 were approved by the Board of Directors and authorised for issue on 16 August 2017. They were signed on its behalf by:

Robert Welch, for and on behalf of Tesco Services Limited
Director
Teesport (GP) Limited
Registered Number: 06636155
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA

TEESPORT (GP) LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 25 FEBRUARY 2017

	Called up share Capital	Share premium account	Profit and loss reserve	Total
	£	£	£	£
Balance as at 28 February 2015	**3,000**	**29,360**	**7,321**	**39,681**
Total comprehensive loss for the period	-	-	(48)	(48)
Balance as at 27 February 2016	**3,000**	**29,360**	**7,273**	**39,633**
Total comprehensive loss for the period	-	-	(26)	(26)
Balance as at 25 February 2017	**3,000**	**29,360**	**7,247**	**39,607**

The notes on pages 9 to 15 form part of these financial statements.

TEESPORT (GP) LIMITED

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

1. ACCOUNTING POLICIES

General information

Teesport (GP) Limited (the "Company") is a private company incorporated in England and Wales under the Companies Act and limited by shares.

The address of the registered office is Tesco House Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA.

The Company is exempt from the preparation of consolidated financial statements, as the Company's accounting records are consolidated within the financial statements of its immediate parent undertaking, Tesco Blue (GP) Limited, and also the Group financial statements. As such, these financial statements have been prepared on a standalone basis. The financial statements of the Group are publically available and can be obtained from the Company Secretary, as outlined in Note 9.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates.

Basis of accounting

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

The Company's principal accounting policies have been applied consistently during the period and are set out below.

Cash flow statement and related parties disclosures

The Company is a wholly owned subsidiary of Tesco Blue (GP) Limited and is included in the consolidated financial statements of Tesco Blue (GP) Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 Section 7 "Statement of cash flows" and disclosing details of transactions with fellow subsidiary entities.

Fixed asset investments

Fixed asset investments in subsidiaries and associates are stated at cost plus incidental expenses less where appropriate provisions for impairment. The Company elected to adopt the cost model for holding its fixed assets as permitted under Section 16 of FRS 102. The fair value of the assets as at the date of transition has been adopted as the deemed cost of the assets on transfer, as permitted under Section 35, paragraph 10 of FRS 102.

Impairment of fixed assets

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

1. ACCOUNTING POLICIES (continued)

Group tax relief

The Company may receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the profit and loss account.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax asset 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 are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

Current tax and deferred tax for the period

Current and deferred tax are recognised in the profit and loss account, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have assessed the appropriateness of using the going concern basis as set out in the Directors' Report on page 2.

1. ACCOUNTING POLICIES (continued)

Financial instruments

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

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

(i) Financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, 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. The Directors do not consider any of the estimates and judgements made within these financial statements as significant.

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 the carrying value of investments, management have assessed the underlying investment by reviewing its net asset as well as future expected cash flows to determine whether it supports the carrying value.

2. OPERATING RESULT

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

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

The auditor's remuneration in respect of audit services in the period amounted to £3,000 (2016: £3,000) which was borne by the Partnership.

3. TAX ON RESULT

Factors that have affected the tax charge

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

	52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
Current tax:		
United Kingdom corporation tax on result for the period	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	**6**	6
Effect of decrease in tax rate on opening liability	**20**	42
Adjustments in respect of previous periods	**-**	-
Total deferred tax	**26**	48
Total tax on result	**26**	48

3. TAX ON RESULT

The differences between the total charge shown above and the amount calculated by applying the blended rate of United Kingdom corporation tax to profit is as follows:

	52 weeks to 25 February 2017	52 weeks to 27 February 2016
	£	£
Result before tax	-	-
Tax on profit at blended corporation tax rate of 20% (2016: 20.1%)	-	-
Effects of:		
Expenses not deductible for tax purposes	**6**	6
Adjustments to tax charge in respect of previous periods	-	-
Impact of rate change	**20**	42
Current tax for the financial period	**26**	48

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017. This rate reduction was substantively enacted by the balance sheet date and therefore included in these financial statements. In addition, it was announced in the March 2016 Budget Statement that the main rate of corporation tax will be further reduced to 17% from 1 April 2020. This further rate reduction has not been substantively enacted at the balance sheet date and therefore not been reflected in these financial statements. Temporary differences have been re-measured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

4. FIXED ASSETS INVESTMENTS

	£
Cost	
At 27 February 2016	1
At 25 February 2017	**1**
Net book value	
At 25 February 2016	1
At 27 February 2017	**1**

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

In accordance with the Companies Act 2006 information on the Company's associated undertakings is set out below:

Associated undertakings	**Registered address**	**% Interest held**	**Direct/Indirect Holding**	**Nature of business**
The Teesport Limited Partnership	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA	0.1%	Direct	Property Investment

5. DEFERRED TAX ASSET

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

	Short-term timing differences	**Property related items**	**Total**
	£	£	£
At 27 February 2016	1,964	(1,589)	375
Origination and reversal of timing differences:			
- In respect of the current period	(54)	28	(26)
- Impact of rate change	-	-	-
At 25 February 2017	**1,910**	**(1,561)**	**349**

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	25 February 2017	27 February 2016
	£	£
Amounts due to The Teesport Limited Partnership	**2**	2

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

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

	25 February 2017	27 February 2016
	£	£
Amounts due to Tesco Property Finance 1 PLC	**1,000**	1,000

Amounts due to Tesco Property Finance 1 PLC are unsecured, interest free, and are repayable on 13 July 2039.

8. CALLED UP SHARE CAPITAL

	25 February 2017	27 February 2016
	£	£
Allotted, called up and fully paid:		
3,000 (2016: 3,000) Ordinary shares of £1 each	**3,000**	3,000

9. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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

10. RELATED PARTY TRANSACTIONS

Transactions with other companies within the Group are not disclosed as the Company has taken advantage of the exemption under FRS 102 section 33.1A.

THE TEESPORT LIMITED PARTNERSHIP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

Registered Number: LP013061

THE TEESPORT LIMITED PARTNERSHIP

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

7 6636155

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

Business review and principal activities

The principal activity of the Partnership is to carry out property investment in one distribution centre 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.

Results and distributions

The results for the period show a total comprehensive loss of £18,971,459 (2016: total comprehensive income of £9,903,671) and rental income of £6,149,523 (2016: £6,094,159). During the period the Partnership distributed £nil (2016: £nil).

The Partnership has net liabilities of £3,772,554 at the period end (2016: net assets of £15,198,905) and net current liabilities of £9,334 (2016: net current assets of £33,715).

Future developments

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

Principal risks and uncertainties, financial risk management and objectives

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

Business risk

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk posed by the Partnership's sole customer, Tesco PLC, is determined to be low, yet the Partnership monitors the credit risk of Tesco PLC to ensure their ability to discharge their obligations as lessee.

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

Liquidity risk

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

Cash flow risk

The Partnership's activities expose it primarily to the financial risks of changes in RPI rates which could cause the Partnership difficulty in meeting its obligations if the RPI uplifts do not rise enough to enable the Partnership to meet its obligations under the loan agreement. See Note 13 for further information with regards to the risks identified. The Partnership uses RPI-rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Key performance indicators (KPIs)

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

On behalf of the General Partner 16 August 2017.

Tesco Services Limited, Director
Teesport (GP) Limited
Registered Number: 06636155
Registered Office: Tesco House. Shire Park. Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA

THE TEESPORT LIMITED PARTNERSHIP

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

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

Teesport (GP) Limited is wholly owned by Tesco Blue (GP) Limited. The Teesport Unit Trust is owned by the Tesco Blue Limited Partnership, the Tesco Blue Unit Trust and Tesco Blue (3LP) Limited.

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

The Company's future developments form a part of the Group's six strategic drivers, which are discussed on pages 6 to 10 of the Tesco PLC Annual Report and Financial Statements 2017, which do not form part of this report.

Future developments and financial risk management disclosures are strategic in nature and have been presented in the Strategic Report on page 1.

Results and dividends

Information regarding the Partnership's results and dividends are included in the Strategic Report on page 1.

Political donations

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

Going concern

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

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

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

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

With the swap arrangement deemed to be commercially viable, the General Partner believes that the Partnership will continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Research and development

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

Employees

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

Partners

The partners, including the General Partner are set out in Note 14 of the financial statements.

Auditor

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

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

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

The Companies Act 2006 as applied to qualifying Partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the Partnership to prepare financial statements for each financial period. Under that law the General Partner has prepared the Partnership financial statements in accordance with FRS 102 (the Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland). Under the Companies Act 2006, as applied to qualifying Partnerships, the General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Partnership will continue in business

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

Disclosure of information to auditor

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

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

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

On behalf of the General Partner 16 August 2017.

Tesco Services Limited, Director
Teesport (GP) Limited
Registered Number:06636155

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

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF THE TEESPORT LIMITED PARTNERSHIP

We have audited the financial statements of The Teesport Limited Partnership for the period ended 25 February 2017 which comprise Profit and Loss Account, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Partners' Interests, the Statement of Cash Flows, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Financial Reporting Standards 102), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the qualifying partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the qualifying partnership and the qualifying partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the General Partner and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the qualifying partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the General Partner; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the General Partner's Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the General Partner's Report have been prepared in accordance with applicable legal requirements

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

Matters on which we are required to report by exception

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

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

Rebecca Drew

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

THE TEESPORT LIMITED PARTNERSHIP

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

	Notes	**52 weeks to 25 February 2017**	52 weeks to 27 February 2016
		£	£
Rental income		**6,149,523**	6,094,159
Administrative expenses		**(81,366)**	(99,227)
Gain on revaluation of investment property	8	**452,397**	3,002,395
Operating profit	4	**6,520,554**	8,997,327
Interest receivable and similar income	5	**908,323**	983,922
Interest payable and similar charges	6	**(5,665,077)**	(5,671,424)
Profit on ordinary activities before taxation		**1,763,800**	4,309,825
Tax on profit on ordinary activities	7	**-**	-
Profit for the financial period		**1,763,800**	4,309,825

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

	52 weeks to 25 February 2017	52 weeks to 27 February 2016
	£	£
Profit for the period	**1,763,800**	4,309,825
Other comprehensive income		-
Cash flow hedges		
(Losses)/gains arising in the period:	**(20,735,259)**	5,593,846
Total comprehensive (loss)/income for the period	**(18,971,459)**	9,903,671

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

All operations are continuing for the financial period.

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

THE TEESPORT LIMITED PARTNERSHIP

STATEMENT OF FINANCIAL POSITION AS AT 25 FEBRUARY 2017

	Notes	25 February 2017 £	27 February 2016 £
Fixed assets			
Investment properties	8	**94,281,477**	93,829,080
Current assets			
Debtors: amounts falling due within one year	9	**147,758**	161,752
Cash at bank and in hand		**359,387**	340,016
		507,145	501,768
Creditors: amounts falling due within one year	11	**(516,479)**	(468,053)
Net current (liabilities)/assets		**(9,334)**	33,715
Total assets less current liabilities		**94,272,143**	93,862,795
Debtors: amounts falling due after more than one year	10	**3,528,701**	2,093,965
Creditors: amounts falling due after more than one year	12	**(101,573,398)**	(80,757,855)
Net (liabilities)/assets		**(3,772,554)**	15,198,905
Partners' interests			
Partners' capital accounts	14	**2**	2
Hedge reserve	14	**(31,187,904)**	(10,452,645)
Profit and loss reserve	14	**27,415,348**	25,651,548
Partners' interests	14	**(3,772,554)**	**15,198,905**

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

They were signed on this behalf by:

Tesco Services Limited, Director

Teesport (GP) Limited

Registered Number: 066366155

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

THE TEESPORT LIMITED PARTNERSHIP

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

	Partners' capital accounts	Hedging reserve	Profit & loss reserve	Total
	£	£	£	£
Balance as at 28 February 2015	**2**	**(16,046,491)**	**21,341,723**	**5,295,234**
Total comprehensive income for the period		5,593,846	4,309,825	9,903,671
Balance as at 27 February 2016	**2**	**(10,452,645)**	**25,651,548**	**15,198,905**
Total comprehensive (loss)/income for the period		(20,735,259)	1,763,800	(18,971,459)
Balance as at 25 February 2017	**2**	**(31,187,904)**	**27,415,348**	**(3,772,554)**

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

THE TEESPORT LIMITED PARTNERSHIP

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

	Notes	**52 weeks to 25 February 2017**	52 weeks to 27 February 2016
		£	£
Cash flows from operating activities	15	**6,148,978**	6,069,896
Cash flows from investing activities			
Interest received		**922,317**	996.138
Interest paid		**(5,584,792)**	(5,584,793)
Cash flows from financing activities			
Loan provided		**(1,467,132)**	(1,375,531)
Loan repayments		**-**	(91,602)
Net increase in cash and cash equivalents		**19,371**	14,108
Cash and cash equivalents at the start of the period		**340,016**	325.908
Cash and cash equivalents at the end of the period		**359,387**	340.016

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

1. GENERAL INFORMATION

The Partnership was established on 3 July 2008 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 Deed on 25 June 2009.

The Partnership is limited by Partners' Capital.

The functional and presentational currency of the Partnership is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates.

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

2. ACCOUNTING POLICIES

Basis of accounting

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

The Partnership elected to adopt the fair value model for holding its Investment Property, as permitted under Section 16 of FRS 102. The Partnership has included the fair value of its hedging instruments within the statement of financial position and hedging reserve, per Section 12 of FRS 102.

Investment properties

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

The valuation is undertaken on an open market basis, deemed to be representative of fair value. The determined fair value of the investment property is most sensitive to the estimated yield. The key assumptions used to determine the fair value of investment property are further explained in Note 8.

Leases and rental income

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

The lease is subject to annual uplifts which are linked to the RPI, subject to a minimum annual increase of 0% and a maximum annual increase of 5%.

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

2. ACCOUNTING POLICIES (continued)

Financial instruments

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

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

(i) Financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets and liabilities

Financial assets are derecognised when and only when; (a) the contractual rights to the cash flows from the financial asset expire or are settled; (b) the Partnership transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or (c) the Partnership, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Derivative financial instruments

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

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

(iii) Fair value measurement

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

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

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

(iv) Hedge accounting

The Partnership designates certain derivatives as hedging instruments in cash flow. At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Partnership determines and documents causes for hedge ineffectiveness. Note 13 sets out details of the fair values of the derivative instruments used for hedging purposes.

(v) Cash flow hedges

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

2. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(v) Cash flow hedges (continued)

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

Impairment of fixed assets

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

Allocation of profits and drawings

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

Teesport Unit Trust	99.90%
Teesport (GP) Limited	0.10%

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

Going concern

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

Interest payable and receivable

Interest payable and receivable is calculated on an accruals basis.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Partnership's accounting policies, which are described in this note, the General Partner is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

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

2. ACCOUNTING POLICIES (continued)

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.

3. PRINCIPAL ACTIVITY

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

4. OPERATING PROFIT

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

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

The auditor's remuneration in respect of audit services in the period amounted to £9,150 (2016: £9,150)

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 25th February 2017	52 weeks to 27th February 2016
	£	£
Interest receivable on other loans	**907,659**	982,843
Interest receivable on bank deposits	**664**	1,079
Total	**908,323**	983,922

The interest receivable on other loans is related to the interest rate swap based on the loan provided by Tesco Property Finance 1 PLC (refer to Note 13).

6. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 25th February 2017	52 weeks to 27th February 2016
	£	£
Interest payable on other loans	**5,665,077**	5,671,424
Total	**5,665,077**	5,671,424

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

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

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

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.

8. INVESTMENT PROPERTIES

	25th February 2017 £	27th February 2016 £
Valuation:		
As at the beginning of the period	**93,829,080**	90,826.685
Revaluation	**452,397**	3,002,395
As at the end of the period	**94,281,477**	93.829.080

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

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

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

The average net initial yield is 6.15%, with an average rental income of £70.16 per square metre of gross internal floor area. There were no restrictions on the realisibility 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 of enhancements.

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	25th February 2017 £	27th February 2016 £
Accrued interest receivable	**115,271**	129,265
Lease incentive debtor	**32,485**	32,485
Teesport (GP) Limited	**2**	2
	147,758	161,752

Amounts owed by Teesport (GP) Limited are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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

	25th February 2017 £	27th February 2016 £
Loan to The Tesco Blue Limited Partnership	**2,842,663**	1,375,531
Lease incentive debtor	**686,038**	718,434
	3,528,701	2.093.965

The loan to The Tesco Blue Limited Partnership is interest free and is repayable in instalments.

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

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	25th February 2017	27th February 2016
	£	£
Accruals and deferred income	**516,479**	468,053
	516,479	468,053

The name of all Partnership undertakings is disclosed in Note 17.

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

	52 weeks to 25 February 2017	52 weeks to 27 February 2016
	£	£
Loan from Tesco Property Finance 1 PLC	**70,385,494**	70,305,210
Back- to- back swap arrangement	**31,187,904**	10,452,645
	101,573,398	80,757,855

The loan from Tesco Property Finance 1 PLC incurs interest at a fixed rate of 7.6227% and has a maturity period to 2039. The loan principal at the date of issue was £85,021,944 and the loan issue costs were £3,005,976. The total value of the loan, net of loan issue costs, as at 25 February 2017 is £70,385,494 (2016: £70,305,210)

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

13. FINANCIAL INSTRUMENTS

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

RPI rate risk

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

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

13. FINANCIAL INSTRUMENTS (continued)

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

	2017			2016		
	Fixed	**Floating**	**Total**	Fixed	Floating	Total
	£	**£**	**£**	£	£	£
Cash and cash equivalents	**359,387**	**-**	**359,387**	340,016	-	340,016
Other receivables	**3,676,458**		**3,676,458**	2,255,717	-	2,255,717
Bank and other Borrowings	**(70,385,494)**		**(70,385,494)**	(70,305,210)	-	(70,305,210)
Back-to-back swap arrangement		**(31,187,904)**	**(31,187,904)**	-	(10,452,645)	(10,452,645)
Other payables	**(516,479)**		**(516,479)**	(468,053)	-	(468,053)
Total	**(66,866,128)**	**(31,187,904)**	**(98,054,032)**	(68,177,530)	(10,452,645)	(78,630,175)

Credit risk

Credit risk arises from the total liabilities and financial instruments. The management of these risks is outsourced as approved in the Limited Partnership Agreement.

The counterparty exposure under derivative contracts is £31,187,904 (2016: £10,452,645).

The Partnership considers its maximum credit risk to be £102,089,876 (2016: £81,225,908), being the Partnership's total financial liabilities.

Liquidity risk

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

Sensitivity analysis

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

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

13. FINANCIAL INSTRUMENTS (continued)

Capital risk

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

Financial assets and liabilities by category

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

	Loans and receivables / other financial liabilities	Fair value through profit or loss	Total
	£	£	£
At 25 FEBRUARY 2017			
Cash and cash equivalents	**359,387**	-	**359,387**
Other receivables	**3,676,458**	-	**3,676,458**
Long-term borrowings	**(70,385,494)**	-	**(70,385,494)**
Derivatives – Back to back arrangement	-	**(31,187,904)**	**(31,187,904)**
Other payables	**(516,479)**	-	**(516,479)**
	(66,866,128)	**(31,187,904)**	**(98,054,032)**
At 27 FEBRUARY 2016			
Cash and cash equivalents	340,016	-	340,016
Other receivables	2,255,717	-	2,255,717
Long-term borrowings	(70,305,210)	-	(70,305,210)
Derivatives – Back to back arrangement	-	(10,452,645)	(10,452,645)
Other payables	(468,053)	-	(468,053)
	(68,177,530)	(10,452,645)	(78,630,175)

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

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

14. CUMULATIVE PARTNERS' ACCOUNTS

Partners' Accounts as at 25 February 2017	Capital contributions	Hedging reserve	Profit and loss reserve	Total
	£	£	£	£
Teesport Unit Trust	1	(31,156,716)	27,387,932	(3,768,783)
Teesport (GP) Limited	1	(31,188)	27,416	(3,771)
Total	**2**	**(31,187,904)**	**27,415,348**	**(3,772,554)**

The Partnership was formed on 3 July 2008. The Partnership was originally constituted under the Initial Partnership Agreement, which was then superseded by the Third Amended & Restated Limited Partnership Agreement on 25 June 2009, with capital injections totalling £2.

The Teesport Unit Trust owns 99.90% and Teesport (GP) Limited owns 0.10% of the Partnership.

15. NET CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash inflow from operating activities

	52 weeks to 25 February 2017	52 weeks to 27 February 2016
	£	£
Operating profit	**6,520,554**	8,997,327
Reversal of fair value movement on investment property	**(452,397)**	(3,002,395)
Change in debtors	**32,396**	33,596
Change in creditors	**48,425**	41,368
Net cash inflow from operating activities	**6,148,978**	6,069,896

16. RECEIVABLES UNDER OPERATING LEASE

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

	25th February 2017	27th February 2016
	£	£
Within 1 year	**6,241,904**	6,162,680
2 to 5 years	**24,967,615**	24,650,718
After 5 years	**109,727,893**	114,497,862
	140,937,412	145,311,260

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

17. ULTIMATE PARENT UNDERTAKING

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

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

18. RELATED PARTY TRANSACTIONS AND BALANCES

Entity	Relationship	Transaction
Tesco Stores Limited	Subsidiary of parent undertaking	The Partnership recognised rental income of £6,149,523 (2016: £6,094,159).
Spen Hill Management Limited	Subsidiary of parent undertaking	Paid expenses of £9,265 (2016: £17,889) in the period for property management services.
Tesco Property Finance 1 PLC	Subsidiary of parent undertaking	The Partnership recognised swap income of £907,659 (2016: £982,843) and paid interest of £5,665,077 (2016: £5,564,149). The loan amounts due at period end from the Partnership amounted to £70,385,494 (2016: £70,305,210). The Partnership paid £76,000 (2016: £50,549) to Tesco Property Finance 1 PLC for ongoing fees for the period.
The Tesco Blue Limited Partnership	Subsidiary of parent undertaking	The loan amounts due from The Tesco Blue Limited Partnership at the period end amounted to £2,842,663 (2016: £1,375,531 was due to The Tesco Blue Limited Partnership).

Reference to balances outstanding at period end are disclosed in notes 10 & 12.

There were no further related party transactions.