

TESCO ATRATO (GP) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 31 DECEMBER 2015
Registered Number: 06969536

FRIDAY



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TESCO ATRATO (GP) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

The Directors present their report and the audited consolidated financial statements of Tesco Atrato (GP) Limited (the "Company") and its subsidiaries (together the "Group") for the period ended 31 December 2015 (prior period ended 31 December 2014)

Business review and principal activities

The principal activity of the Company is to act as a holding company for the other entities in The Tesco Atrato Limited Partnership 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 Company have been prepared for the first time in accordance with FRS102. The impact of the change in accounting principles on transition has resulted in no change to the Shareholder funds.

Results and dividends

The results for the period show a loss before tax of £Nil (2014: £Nil).

The Directors do not recommend a payment of a dividend for the 52 weeks ended 31 December 2015 (2014: £nil).

Principal risks and uncertainties

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

Political donations

There were no political donations for the period (2014: none).

Future outlook

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

Key performance indicators (KPI's)

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

Research and development

The Company does not undertake any research and development activities (2014: none).

Employees

The Company had no employees during the period (2014: none).

Strategic report

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

TESCO ATRATO (GP) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2015 (continued)

Resignation and appointment of auditors

PricewaterhouseCoopers LLP ceased to hold office as company auditor at the end of their term in office. Deloitte LLP was appointed as company auditor on 2 October 2015.

Going concern

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

The Company has significant cash assets that greatly outweigh its liabilities. Having assessed the Group's future expected cash flows, the Directors believe that the Group 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:

G Burnett	
J Lloyd	(Resigned on 23 January 2015)
Tesco Services Limited	
J Gibney	(Appointed on 19 January 2015)
R Buchanan	(Resigned on 21 August 2015)

Save as set out below, none of the Directors had any disclosable interests in the 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 Company) in respect of liabilities incurred as a result of his 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.

TESCO ATRATO (GP) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2015 (continued)

Statement of Directors' responsibilities

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

The Companies Act 2006 requires the Company to prepare financial statements for each financial year. Under that law the Directors have prepared the Company financial statements for the first time in accordance with FRS102 (the Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland). Under the Companies Act 2006, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 Company will continue in business

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

Each Director who is a director of the Company at the date of approval of this Annual Report confirms that

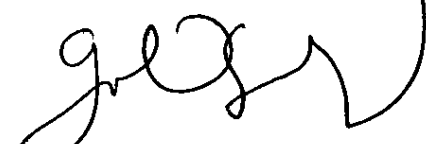
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- he/she has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors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

Auditors

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

On behalf of the Board on 8 September 2016



J. Gibney
Director

Tesco Atrato (GP) Limited

Registered Number 06969536

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

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF TESCO ATRATO (GP) LIMITED

We have audited the financial statements of Tesco Atrato (GP) Limited for the year ended 31 December 2015 which comprise the Group's Profit and Loss Account, the Group Statement of Comprehensive Income the Group and Company Balance Sheets, Statement of Changes in Shareholders Funds, the Group Cash Flow Statement, the Reconciliation of Net Cash Flows to Net Debt and the related notes 1 to 12. 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 group and company's affairs as at 31 December 2015 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Financial Reporting Standards 102 (FRS 102), and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 in preparing the Directors' Report or from the requirement to prepare a Strategic Report



Simon Letts FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

30 September 2016

TESCO ATRATO (GP) LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

	Notes	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Operating result	2	-	-
Result on ordinary activities before taxation		-	-
Tax on result on ordinary activities	3	(1,483)	(1,304)
Loss for the financial period	9	(1,483)	(1,304)

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
(Loss) / Profit for the period	(1,483)	(1,304)
Other comprehensive income		
Cash flow hedges		
Total comprehensive income for the year	(1,483)	(1,304)

There are no recognised gains or losses other than those shown in the Profit and Loss Account above and accordingly no separate Statement of Comprehensive Income has been produced

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

All operations are continuing for the financial period

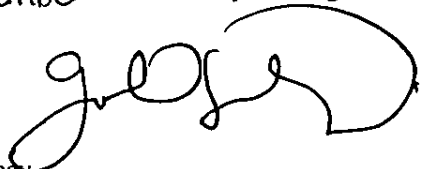
The notes on pages 9 to 13 form part of these financial statements

TESCO ATRATO (GP) LIMITED

BALANCE SHEETS AS AT 31 DECEMBER 2015

	Notes	Group		Company	
		31 December 2015 £	31 December 2014 £	31 December 2015 £	31 December 2014 £
Fixed assets					
Investments	4	200	200	203	203
Current assets					
Debtors Amounts falling due within one year	5	5,000	5,000	1,000	1,000
Cash at bank and in hand		247,232	248,536	247,229	248,533
		252,232	253,536	248,229	249,533
Creditors Amounts falling due within one year	6	(1,509)	(1,330)	(1,509)	(1,330)
Net current assets		250,723	252,206	246,720	248,203
Total assets less current liabilities		250,923	252,406	246,923	248,406
Creditors Amounts falling due after more than one year	7	(5,000)	(5,000)	(1,000)	(1,000)
Net assets		245,923	247,406	245,923	247,406
Capital and reserves					
Called up share capital	8	10,000	10,000	10,000	10,000
Share premium account		244,116	244,116	244,116	244,116
Profit and Loss account		(8,193)	(6,710)	(8,193)	(6,710)
Total shareholders' funds		245,923	247,406	245,923	247,406

The financial statements on pages 9 to 13 were approved by the Board of Directors and authorised for issue on 28 September 2016 They were signed on its behalf by


J Gibney
Director
Tesco Atrato (GP) Limited
Registered Number 06969536

TESCO ATRATO (GP) LIMITED

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS FUNDS AS AT 31 DECEMBER 2015

	Share Capital	Share premium account	Retained earnings	Total
	£	£	£	£
Balance as at 1 January 2014 (as previously reported)	10,000	244,116	(5,406)	248,710
Impact of change in accounting principles*	-	-	-	-
Balance as at 1 January 2014	10,000	244,116	(5,406)	248,710
Total comprehensive income for the period	-	-	(1,304)	(1,304)
Balance as at 31 December 2014	10,000	244,116	(6,710)	247,406
Total comprehensive income for the period	-	-	(1,483)	(1,483)
Balance as at 31 December 2015	10,000	244,116	(8,193)	245,923

*As there are no known changes due to the changes to FRS102, we have not prepared a reconciliation of changes made

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS FUNDS AS AT 31 DECEMBER 2015

	Share Capital	Share premium account	Retained earnings	Total
	£	£	£	£
Balance as at 1 January 2014 (as previously reported)	10,000	244,116	(5,406)	248,710
Impact of change in accounting principles*	-	-	-	-
Balance as at 1 January 2014	10,000	244,116	(5,406)	248,710
Total comprehensive income for the period	-	-	(1,304)	(1,304)
Balance as at 31 December 2014	10,000	244,116	(6,710)	247,406
Total comprehensive income for the period	-	-	(1,483)	(1,483)
Balance as at 31 December 2015	10,000	244,116	(8,193)	245,923

The notes on pages 13 to 17 form part of these financial statements

TESCO ATRATO (GP) LIMITED

GROUP CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Net cash outflow from operating activities	-	-
Returns on investments and servicing of finance		
Tax paid	(1,304)	(731)
Decrease in cash	(1,304)	(731)
Cash and cash equivalents at the start of the year	248,536	249,267
Cash and cash equivalents at the end of the year	247,232	248,536

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2015 £	2014 £
Decrease in cash	(1,304)	(731)
Decrease in net funds	(1,304)	(731)
Opening net funds	248,536	249,267
Closing net funds	247,232	248,536

TESCO ATRATO (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements are prepared on the going concern basis, in accordance with applicable United Kingdom accounting standards, under the historical cost convention and in accordance with the Companies Act 2006. The Company's principal accounting policies have been applied consistently during the period and are set out below.

The Consolidated Group financial statements consist of the financial statements of Tesco Atrato (GP) Limited and its 100% subsidiaries: Tesco Atrato (Nominee Holdco) Limited, Tesco Atrato (Nominee 1) Limited, Tesco Atrato (Nominee 2) Limited and Tesco Atrato Depot Propco Limited. Subsidiaries have been consolidated in the financial statements from the date that control commences until the date that control ceases.

Intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions are eliminated in preparing these group financial statements.

Basis of consolidation

The financial statements of Tesco Atrato (GP) Limited have been prepared for the first time in accordance with FRS102. The financial statements are also prepared in accordance with the Companies Act 2006 as applicable to entities reporting under FRS102 (and as required by the amended and restated Limited Partnership Agreement), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and are prepared under the historical cost convention.

There has been no impact on shareholder funds on the conversion from United Kingdom Generally Accepted Accounting Practice ("old UK GAAP"). The prior year figures have also been restated to conform to FRS102, thereby making a comparison between periods possible.

The impact of these changes resulting from the transition to FRS102 has resulted in no change to Shareholder funds.

As a Consolidated Group Profit and loss account is published, a separate Profit and Loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006. The Group has taken the exemption to prepare a company cash flow statement as this has been prepared on a group basis.

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 FRS102. 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 FRS102.

Investment income

Income received from investments is the cash distribution of the Company's share of the profits in its fixed asset investments. Investment income is recognised on cash receipts basis as there is no right to income other than as it is received.

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 FRS102, "Impairment of Fixed Assets and Goodwill". Any impairment is recognised in the Profit and Loss Account in the year in which it occurs.

TESCO ATRATO (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015 (continued)

ACCOUNTING POLICIES (continued)

Current taxation

The amount included in the Profit and Loss Account is based on the profit on ordinary activities before taxation and is calculated at current local tax rates, taking into account timing differences and the likelihood of realisation of deferred tax assets and liabilities. Current 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.

2. OPERATING RESULT

The Directors received no emoluments for their services to the Company (2014 £nil)

The Company had no employees during the period (2014 none)

The auditors' remuneration of £9,396 (2014 £7,688) for the current period and prior period was borne by The Tesco Atrato Limited Partnership

3. TAX ON RESULTS ON ORDINARY ACTIVITIES

Factors that have affected the tax charge

The standard rate of Corporation Tax for small companies is 20% (2014 20%)

	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Current tax		
UK Corporation tax on profit for the period	1,483	1,304
Adjustments in respect of previous periods	-	-
Total current tax	1,483	1,304

The tax assessed for the period is equal (2014 lower) to the standard rate of corporation tax for small companies in the UK of 20% (2014 20%). The differences are explained below

	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Profit on ordinary activities before tax	-	-
Profit on ordinary activities multiplied by small companies rate in the UK 20% (2014 20%)	-	-
Effects of		
Taxable share of partnership income	1,483	1,304
Current tax charge for the financial period	1,483	1,304

The tax charge relates to the General Partner's share of any taxable profit charge incurred within the Limited Partnership. The share is representative of its holding within its investment, as shown in note 4.

TESCO ATRATO (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015 (continued)

4. FIXED ASSET INVESTMENTS

	Group £	Company £
Cost		
At 1 January 2015	200	203
At 31 December 2015	200	203
Net book value		
At 31 December 2015		
At 31 December 2014	200	203

The Directors believe that the carrying value of the investments is supported by their underlying net assets as the subsidiaries hold the legal title and the economic rights to all the investment property leased by The Tesco Atrato Limited Partnership. Details of the principal subsidiary undertakings at the period end are as follows:

Related Undertakings – In accordance with The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008, information on the Company's subsidiary and associated undertakings are set out below. Details of the principal subsidiary undertakings at the period end are as follows:

Subsidiary undertakings	Country of incorporation	Share Class	% Shares held	Direct/Indirect Holding	Nature of business
Tesco Atrato (Nominee Holdco) Limited	England and Wales	£1 00 Ordinary shares	100%	Direct	Holding company
Tesco Atrato (Nominee 1) Limited	England and Wales	£1 00 Ordinary shares	100%	Indirect	Nominee company
Tesco Atrato (Nominee 2) Limited	England and Wales	£1 00 Ordinary shares	100%	Indirect	Nominee company
Tesco Atrato Depot Propco Limited	England and Wales	£1 00 Ordinary shares	100%	Direct	Nominee company

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

Investments in associated undertakings	Country of incorporation	Registered office address	Type of entity	% Interest held	Nature of business
The Tesco Atrato Limited Partnership	England	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA	Limited partnership	0.1%	Property investment

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

TESCO ATRATO (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015 (continued)

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
The Tesco Atrato Limited Partnership	5,000	5,000	1,000	1,000
	5,000	5,000	1,000	1,000

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Tesco Property Holdings (No 2) Limited	26	26	26	26
Corporation tax	1,483	1,304	1,483	1,304
	1,509	1,330	1,509	1,330

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

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Tesco Property Finance 2 PLC	5,000	5,000	1,000	1,000
	5,000	5,000	1,000	1,000

The amount owed to Tesco Property Finance 2 PLC is interest free and is repayable within one month of 13th October 2039. No early repayment is permitted.

TESCO ATRATO (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015 (continued)

8. CALLED UP SHARE CAPITAL

	Group	Company
	2015	2015
	£	£
Allotted, called up and fully paid 5,000 Ordinary 'A' shares of £1 each	5,000	5,000
Allotted, called up and fully paid 5,000 Ordinary 'B' shares of £1 each	5,000	5,000
	10,000	10,000

A' shares and 'B' shares each constitute a separate class of shares Both classes of shares have the same rights and rank pari passu in all respects

9. ANALYSIS OF CHANGES IN NET FUNDS

	1 January 2015 £	Cash flow	31 December 2015 £
Cash at bank and in hand	248,536	(1,304)	247,232
	248,536	(1,304)	247,232

10. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertakings are Tesco Property Holdings (No 2) Limited and Atrato Keystone Estates Limited

The Company's ultimate parent undertakings are Tesco PLC and Universities Superannuation Scheme Limited Tesco PLC is registered in England and Wales and copies of the Tesco PLC financial statements can be obtained from the Company Secretary, Tesco PLC Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA The Universities Superannuation Scheme Limited is registered in England and Wales and copies of the Universities Superannuation Scheme Limited financial statements can be obtained from 2nd Floor, Royal Liver Building, Liverpool, L3 1PY

11. RELATED PARTY TRANSACTIONS

Entity	Relationship	Transaction
Tesco Atrato Limited Partnership	Associate	£5,000 (2014 £5,000) owed by the partnership as at the period end

12 POST BALANCE SHEET EVENT

On 23rd June 2016, the United Kingdom voted to leave the European Union Whilst the result of the vote is not legally binding, it is anticipated that the United Kingdom will initiate the process of leaving the European Union This has to date created business uncertainty and may potentially impact upon property prices in the future

TESCO ATRATO (GP) LIMITED

**COMPANY PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED
31 DECEMBER 2015**

	Notes	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Result on ordinary activities before taxation		-	-
Tax on result on ordinary activities		(1,483)	(1,304)
Loss for the financial period		(1,483)	(1,304)

This page does not form part of the audited financial statements

THE TESCO ATRATO LIMITED PARTNERSHIP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

Registered Number: LP013577

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No 696536

PRINTED

LD2 *L5GMZCHF* 30/09/2016 #311
COMPANIES HOUSE

THE TESCO ATRATO LIMITED PARTNERSHIP

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

Tesco Atrato (GP) Limited (the “General Partner”) presents its Strategic Report of The Tesco Atrato Limited Partnership (“the Partnership”) for the 52 weeks ended 31 December 2015

Business review and principal activities

The principal activity of the Partnership is to carry out property investment in 15 retail stores and 2 distribution centres for which a rental income is received. There has been no significant change in the nature or level of this activity during the period and the General Partner does not expect this to change significantly throughout the next financial period.

The financial statements of the Partnership have been prepared for the first time in accordance with FRS102. The impact of the change in accounting principles on transition has resulted in Partners’ interests being restated by £120,189,122 as at 1 January 2014 and by £92,082,479 compared to those reported as at 31 December 2014.

Results and distributions

The results for the period show a total comprehensive income of £3,817,725 (2014 £52,201,616) and rental income of £35,623,870 (2014 £34,935,736). During the period the Partnership distributed £Nil (2014 £Nil).

The Partnership has net assets of £70,072,459 at the period end (2014 £66,254,734). With the swap arrangement deemed to be commercially viable, the General Partner believes that the Partnership will continue as a going concern.

Principal risks and uncertainties, financial risk management and objectives

The Partnership’s activities expose it to few risks and uncertainties as summarised 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 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 investment in the retail stores and the obligation to make repayments against the loans when due. The Partnership manages this through using a managing agent, who manages its occupational leases and actively manages the receipt of arrears for the Partnership.

Cash flow risk

The Partnership’s activities expose it primarily to the financial risks of changes in RPI-rates which could cause the Partnership difficulty in meeting its obligations if the level of RPI uplifts does not rise enough to enable the Partnership to meet its obligations under the loan agreement. See note 12 for further information with regards to the risks identified. The Partnership uses RPI-rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

THE TESCO ATRATO LIMITED PARTNERSHIP

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2015 (continued)

Key performance indicators (KPI's)

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 Tesco Atrato (GP) Limited 28 September 2016

Tesco Services Limited

For and on behalf of

General Partner

Tesco Atrato (GP) Limited

Registered Number 06969536

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

A handwritten signature in black ink, appearing to be 'J. J. J.', is positioned to the right of the company name and registration details.

THE TESCO ATRATO LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

Tesco Atrato (GP) Limited (the "General Partner") presents its report and the audited financial statements of The Tesco Atrato Limited Partnership (the "Partnership") for the 52 weeks ended 31 December 2015 (prior period 31 December 2014). During the period, Tesco Atrato (GP) Limited acted as the General Partner and Tesco Atrato (ILP) Limited and Tesco Atrato Unit Trust acted as limited partners of the Partnership.

The Partnership was originally constituted under an Initial Partnership Agreement, which was then superseded by the amended and restated Limited Partnership Deed (the "Limited Partnership Deed") on 26 February 2010.

Political donations

There were no political donations for the period (2014 £nil).

Future outlook

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.

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 putting the Partnership into liquidation.

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

While the securitisation structure is credit-linked to Tesco Plc and relies on rental receipts under the occupational lease, any changes in Tesco Plc's credit rating is not expected to directly impact the Partnerships' 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 certainty of cash flows are guaranteed by Tesco PLC. Further, any shortfalls in cash inflow as a result of suppressed RPI rates are mitigated through a swap arrangement that ensures that the Partnership has sufficient liquidity to meet its obligations.

The General Partner has noted that, at the balance sheet date, the Partnership is in a net current liability position. The General Partner does not consider this a going concern risk as liabilities are paid straight after the year end at agreed payment dates that ensure the Partnership can meet all its obligations.

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

Research and development

The Partnership does not undertake any research and development activities (2014 none).

Employees

The Partnership had no employees during the period (2014 none).

Partners

The partners, including the General Partner, Tesco Atrato (GP) Limited, are set out in note 17 of the financial statements.

THE TESCO ATRATO LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

Resignation and appointment of auditors

PricewaterhouseCoopers LLP ceased to hold office as auditor of the Partnership on 18 September 2015
Deloitte LLP were appointed as auditor with effect from 19 September 2015

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 year. Under that law the General Partner has prepared the Partnership financial statements for the first time in accordance with FRS102 (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 applied to qualifying partnerships by the Regulations. 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 auditors

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 Section 12 of the Limited Partnership Deed (2010) and Part 15 of the Companies Act 2006 as required under the Regulations.

On behalf of Tesco Atrato (GP) Limited 29 September 2016

Tesco Services Limited
For and on behalf of
General Partner

Tesco Atrato (GP) Limited
Registered Number 06969536

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



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

We have audited the financial statements of The Tesco Aqua Limited Partnership for the year ended 31 December 2015 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, The Reconciliation of Net Cash Flow Movement in Net Debt and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (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 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 31 December 2015 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Financial Reporting Standards 102 (FRS 102), and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships.

Matters on which we are required to report by exception

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

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



Simon Letts FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

30 September 2016

THE TESCO ATRATO LIMITED PARTNERSHIP

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

	Notes	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Rental income		35,623,871	34,935,736
Administrative expenses		(507,985)	(560,094)
(Loss)/Gain on revaluation of investment property	7	(23,660,000)	15,620,000
Operating profit	3	11,455,886	49,995,642
Interest receivable and similar income	4	5,967,907	6,560,188
Interest payable and similar charges	5	(31,908,389)	(32,460,857)
(Loss)/ Profit on ordinary activities before taxation		(14,484,596)	24,094,973
Tax on profit on ordinary activities	6	-	-
(Loss)/ Profit for the financial period		(14,484,596)	24,094,973

STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
(Loss) / Profit for the period	(14,484,596)	24,094,973
Other comprehensive income		
<i>Cash flow hedges</i>		
Gains arising in the year	18,302,321	28,106,643
Total comprehensive income for the year	3,817,725	52,201,616

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

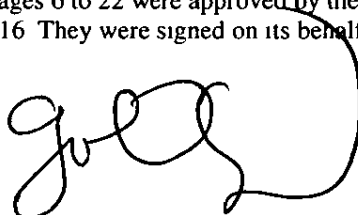
The notes on pages 10 to 22 form part of these financial statements

THE TESCO ATRATO LIMITED PARTNERSHIP

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	31 December 2015 £	31 December 2014 £
Fixed assets			
Investment properties	7	657,830,000	681,490,000
		657,830,000	681,490,000
Current assets			
Debtors amounts falling due within one year	8	1,508,965	1,537,779
Cash at bank and in hand		11,112,477	10,801,443
		12,621,442	12,339,222
Creditors amounts falling due within one year	9	(27,233,395)	(26,547,965)
Net current liabilities		(14,611,453)	(14,049,287)
Total assets less current liabilities		643,218,047	667,281,257
Creditors amounts falling due after more than one year	10	(573,145,588)	(601,026,523)
Net assets		70,072,459	66,254,734
Partners' interests			
Partners' capital accounts	12	20,200	20,200
Hedge reserve	12	(73,780,158)	(92,082,479)
Profit and loss reserve	12	143,832,417	158,317,013
Partners' interests	12	70,072,459	66,254,734

The financial statements on pages 6 to 22 were approved by the General Partner and authorised for issue on
28 September 2016 They were signed on its behalf by



Tesco Services Limited
For and on behalf of
General Partner
Tesco Atrato (GP) Limited
Registered Number 6969536

THE TESCO ATRATO LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' INTERESTS AS AT 31 DECEMBER 2015

	Partners' capital accounts	Hedging reserve	Revaluation Reserve	Profit & Loss Reserve	Total
Hedging reserve	£	£	£	£	£
Balance as at 1 January 2014 (as previously reported)	20,200		100,481,198	33,740,842	134,242,240
Impact of change in accounting principles	-	(120,189,122)	(100,481,198)	100,481,198	(120,189,122)
Balance as at 1 January 2014	20,200	(120,189,122)	-	134,222,040	14,053,118
Total comprehensive loss for the period	-	28,106,643	-	24,094,973	52,201,616
Balance as at 31 December 2014	20,200	(92,082,479)	-	158,317,013	66,254,734
Total comprehensive loss for the period	-	18,302,321	-	(14,484,596)	3,817,725
Balance as at 31 December 2015	20,200	(73,780,158)	-	143,832,417	70,072,459

The notes on pages 10 to 22 form part of these financial statements

THE TESCO ATRATO LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

	Notes	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Cash flows from operating activities	13	35,288,344	34,424,640
Cash flows from investing activities			
Interest received		6,039,381	6,739,497
Interest paid		(31,665,727)	(32,228,478)
Cash flows from financing activities			
Loan repayments		(9,350,964)	(8,805,845)
Net increase in cash and cash equivalents	14	311,034	129,814
Cash and cash equivalents at the start of the year		10,801,443	10,671,629
Cash and cash equivalents at the end of the year	14	11,112,477	10,801,443

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Increase in cash and cash equivalents		311,034	129,814
Loans repaid		9,350,964	8,805,845
Fair Value movement on derivative instrument		18,302,321	28,106,643
Decrease in net debt		27,964,319	37,042,302
Opening net debt		(608,287,084)	(645,329,386)
Closing net debt	14	(580,322,765)	(608,287,084)

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

1. ORGANISATION AND CONTROL

The Partnership was established on 5 August 2009 and is registered as a limited partnership in England and Wales under the Limited Partnership Act 1907. The Partnership was originally constituted under the Initial Partnership Agreement, which was then superseded by the Limited Partnership Deed on 26 February 2010.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements of The Tesco Atrato Limited Partnership have been prepared for the first time in accordance with FRS102 (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 Agreement). 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 impact of the conversion from United Kingdom Generally Accepted Accounting Practice ("old UK GAAP") on Partners' interests and profit is disclosed in note 19. Material differences compared with the accounting principles applied previously (old UK GAAP) are described below. The prior year figures have also been restated to conform to FRS102, thereby making a comparison between periods possible.

The Partnership also elected to adopt the fair value model for holding its Investment Property, as permitted under Section 16 of FRS102. 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 FRS102.

The Partnership has included the fair value of its hedging instruments within the balance sheet and hedging reserve, per Section 12 of FRS102.

Investment properties

The Partnership carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Partnership engaged independent valuation specialists to determine fair value at 31 December 2015.

The valuation is undertaken on an open market basis. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 7.

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

Leases and rental income

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

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES (continued)

The properties owned by the Partnership are being leased out under operating leases. Rental income is recognised in the Profit and Loss Account when earned, with rent received in advance being deferred on the balance sheet.

The leases are subject to annual uplifts which are linked to the Retail Price Index (RPI), subject to a minimum annual increase of nil and a maximum annual increase of 5% thereafter.

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.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES (continued)

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

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

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

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

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

(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 in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship

(iii) Fair value measurement

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

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

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

Hedge accounting

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

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

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES (continued)

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 in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Partnership revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity 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 Balance Sheet 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 FRS102, "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 the partners in the following proportions:

Tesco Atrato (1LP) Limited	49.95%
Tesco Atrato Unit Trust	49.95%
Tesco Atrato (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.

Interest payable and receivable

Interest payable and receivable is calculated on an accruals basis.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Partnership's accounting policies, which are described in note 1, 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.

For 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 instrument. A credit-risk is also applied to the counterparty in estimating the valuation of the derivative instrument.

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.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

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. OPERATING PROFIT

The General Partner received no emoluments in respect of its services to the Partnership (2014: £nil). There were no employees of the Partnership during the period (2014: none).

The auditor's remuneration in respect of audit services in the period amounted to £7,517 (2014: £13,838).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Interest income from derivative financial instrument	5,964,135	6,556,030
Interest received on bank deposits	3,772	4,158
	5,967,907	6,560,188

The interest on other loans is related to the interest rate swap based on the loan from Tesco Property Finance 2 PLC.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Interest payable on other loans	31,557,176	32,109,644
Amortisation of loan issue costs	351,213	351,213
	31,908,389	32,460,857

The interest payable on other loans is related to the loan provided by Tesco Property Finance 2 PLC, who in turn holds a back-to-back arrangement with Tesco PLC. Tesco PLC holds 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 Tesco Atrato Partnership Limited.

Both the interest rate 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.

6. 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 members.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

7. INVESTMENT PROPERTIES

	Investment Properties £
Valuation	
As at 1 January 2014	681,490,000
Revaluation	(23,660,000)
As at 31 December 2015	657,830,000

The investment properties have been valued by Cushman & Wakefield LLP who is deemed to be a suitably qualified valuer of the General Partner on the basis of fair value value at 31 December 2015. The valuation was carried out in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (RICS).

The General Partner is of the opinion that there are no factors indicating the fair value of the investment properties has changed significantly up until 31 December 2015. This fair value has been determined by an independent valuer, by applying an appropriate rental yield to the rentals earned by the investment properties. There are no lease incentives.

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

The average yield across the portfolio is 5.14% with a rental income of £143.48 per square metre.

There were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal, nor were there any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2015 £	31 December 2014 £
Accrued interest receivable	1,287,310	1,366,327
Tesco Atrato Unit Trust	221,655	171,452
	1,508,965	1,537,779

Amounts owed by Tesco Atrato Unit Trust are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2015 £	31 December 2014 £
VAT	1,784,241	1,744,601
Accrued interest payable	6,980,458	7,106,553
Accruals and deferred income	8,533,868	8,340,847
Amounts owed to Partnership undertakings	5,000	5,000
Tesco Property Finance 2 PLC	9,929,828	9,350,964
	27,233,395	26,547,965

Amounts owed to Partnership undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The names of all Partnership undertakings are disclosed in note 17. The loan from Tesco Property Finance 2 PLC incurs interest at a fixed rate of 6.0517% and is repayable in instalments. The loan is secured on the Partnership's investment properties. The amount above reflects the amounts of principle that are due for repayment within the next 12 months from 31 December 2015.

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

	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Tesco Property Finance 2 PLC	499,365,430	508,944,044
Back-to-back swap arrangement	73,780,158	92,082,479
	573,145,588	601,026,523

The total value of the loan is £517,655,084 and unamortised issue costs of £8,359,826 have been netted off the total value of the loan. The loan from Tesco Property Finance 2 PLC incurs interest at a fixed rate of 6.0517% and is to be repaid by October 2039. The loan is secured on the Partnership's investment properties.

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

11. 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 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 Retail Price Index 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

11. FINANCIAL INSTRUMENTS (Continued)

During 2015 and 2014, net debt was managed using derivative instruments to hedge RPI rate risk as follows

	2015			2014		
	Fixed £	Floating £	Total £	Fixed £	Floating £	Total £
Cash and cash equivalents	11,112,477	-	11,112,477	10,081,443	-	10,081,443
Other receivables	1,508,964	-	1,508,964	1,537,779	-	1,537,779
Bank and other Borrowings	(517,655,084)	-	(517,655,084)	(527,006,048)	-	(527,011,048)
Back-to-back swap arrangement		(73,780,158)	(73,780,158)		(92,082,479)	(92,082,479)
	(505,033,643)	(73,780,158)	(578,813,801)	(515,386,826)	(92,082,479)	(607,474,305)

Credit risk

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

The counterparty exposure under derivative contracts is £73,780,158 (2014 £92,082,479)

The Partnership considers its maximum credit risk to be £600,378,983 (2014 £627,574,488), 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 sensitivity analysis has been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt and derivatives portfolio are all constant.

It should be noted that the sensitivity analysis reflects the impact on income and equity due to all financial instruments held at the balance sheet dates. It does not reflect any change in sales or costs that may result from changing interest or exchange rates.

The following table shows the illustrative effect on the Profit & Loss and equity that would result from changes in UK RPI rates.

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 Retail Price Index and this gives rise to inherent uncertainty as to their fair value.

	2015		2014	
	Income Gain £	Equity Gain £	Income Gain £	Equity Gain £
1% increase in UK RPI rates	-	-	-	-

As the RPI rates are hedged at a fixed rate, any increase or decrease will have nil impact.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

Capital Risk

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 or other stakeholders, while maintaining a strong credit rating and headroom whilst optimising return to shareholders 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 31 December 2015 and 31 December 2014 are as follows

	Loans and receivables / other financial liabilities £	Fair value through profit or loss £	Total £
At 31 December 2015			
Cash and cash equivalents	11,112,477	-	11,112,477
Other receivables	1,508,964	-	1,508,964
Long-term borrowings	(517,655,084)	-	(517,655,084)
Derivatives – Back to back arrangement	-	(73,780,158)	(73,780,158)
Other payables	(17,303,567)	-	(17,303,567)
	(522,337,210)	(73,780,158)	(596,117,368)
At 31 December 2014			
Cash and cash equivalents	10,801,443	-	10,801,443
Other receivables	1,537,779	-	1,537,779
Long-term borrowings	(527,006,048)	-	(527,006,048)
Derivatives – Back to back arrangement	-	(92,082,479)	(92,082,479)
Other payables	(17,197,001)	-	(17,197,001)
	(531,863,827)	(92,082,479)	(623,946,306)

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

12. CUMULATIVE PARTNERS' ACCOUNTS

Partners' Accounts as at 31 December 2015	Capital Contributions £	Hedging reserve £	Profit and loss reserve £	Total £
Tesco Atrato (ILP) Limited	10,090	(36,853,189)	71,844,292	35,001,193
Tesco Atrato Unit Trust	10,090	(36,853,189)	71,844,292	35,001,193
Tesco Atrato (GP) Limited	20	(73,780)	143,833	70,073
Total	20,200	(73,780,158)	143,832,417	70,072,459

The Partnership was formed on 5 August 2009. The Partnership was originally constituted under the Initial Partnership Agreement, which was then superseded by the Limited Partnership Deed on 26 February 2010, with capital injections totalling £20,200. Tesco Atrato (ILP) Limited owns 49.95%, Tesco Atrato Unit Trust owns 49.95%, and Tesco Atrato (GP) Limited owns 0.10% of the Partnership.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

13. NET CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash inflow from operating activities

	52 weeks to 31 December 2015 £	52 weeks to 31 December 2014 £
Operating profit	11,455,886	49,995,642
Reversal of fair value movement on investment property	23,660,000	(15,620,000)
Change in Debtors	(50,203)	(38,651)
Change in Creditors	222,661	87,649
Net cash inflow from operating activities	35,288,344	34,424,640

14. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2015 £	Cash flow £	Non-cash movements £	31 December 2015 £
Cash at bank and in hand	10,801,443	311,034	-	11,112,477
Debt due within one year	(9,350,964)	(578,864)	-	(9,929,828)
Debt due after one year	(609,737,563)	9,929,828	(18,302,321)	(581,505,414)
	(608,287,084)	9,661,998	(18,302,321)	(580,322,765)

15. RECEIVABLES UNDER OPERATING LEASE

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

	31 December 2015 £	31 December 2014 £
Within 1 year	35,895,297	35,534,260
2 to 5 years	143,581,188	142,137,040
After 5 years	675,439,638	704,180,294
	854,916,124	881,851,594

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertakings of the Partnership are Tesco Atrato (ILP) Limited, Tesco Atrato Unit Trust and Tesco Atrato (GP) Limited

The ultimate parent undertakings are Tesco PLC and Universities Superannuation Scheme Limited. Tesco PLC is registered in England and Wales and copies of the Tesco PLC financial statements can be obtained from the Company Secretary, Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA. Universities Superannuation Scheme Limited is registered in England and Wales and copies of the Universities Superannuation Scheme Limited financial statements can be obtained from the Company Secretary, Universities Superannuation Scheme Limited, 3rd Floor, Royal Liver Building, Liverpool, L3 1PY.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

17. RELATED PARTY TRANSACTIONS AND BALANCES

Entity	Relationship	Transaction
Tesco Stores Limited	Subsidiary of parent undertaking	The Partnership recognised rental income of £35,623,870 (2014 £34,935,736)
Spen Hill Management Limited	Subsidiary of parent undertaking	Paid expenses of £306,694 (2014 £300,654) in the period for property management services
Tesco Atrato Unit Trust	Subsidiary of parent undertaking	Paid expenses on behalf of the Tesco Atrato Unit Trust of £50,202 (2014 £38,741) Also £221,655 (2014 £171,452) is owed as at the period end
Tesco Atrato (Nominee Holdco) Limited	Subsidiary	£1,000 (2014 £1,000) owed to the Tesco Atrato (Nominee Holdco) Limited
Tesco Atrato (Nominee 1) Limited	Subsidiary	£1,000 (2014 £1,000) owed to the Tesco Atrato (Nominee 1) Limited
Tesco Atrato (Nominee 2) Limited	Subsidiary	£1,000 (2014 £1,000) owed to the Tesco Atrato (Nominee 2) Limited
Tesco Atrato Depot Propco Limited	Subsidiary	£1,000 (2014 £1,000) owed to the Tesco Atrato Depot Propco Limited
Tesco Atrato (GP) Limited	Parent entity	£1,000 (2014 £1,000) owed to the Tesco Atrato (GP) Limited

Reference to balances outstanding at year end are disclosed in note 10

18. POST BALANCE SHEET EVENTS

On 23 June 2016, the United Kingdom voted to leave the European Union. Whilst the result of the vote is not legally binding, it is anticipated that the United Kingdom will initiate the process of leaving the European Union. This has to date created business uncertainty and may potentially impact upon property prices in the future.

19. EXPLANATION OF TRANSITION TO FRS102

As stated in note 2, these are the Partnerships' first financial statements prepared in accordance with FRS102.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the 52 weeks ending 31 December 2015, the comparative information presented in these financial statements for the 52 weeks ending 31 December 2014 and in the preparation of the opening reserves sheet at 1 January 2014 (the Partnership's date of transition).

In preparing its opening FRS102 balance sheet, the Partnership has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from old UK GAAP to FRS102 has affected the Partnership's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2015

Reconciliation of the Balance Sheet

	Note	31 December 2013			31 December 2014		
		Old UK GAAP	Effect of transition to FRS102	FRS102	Old UK GAAP	Effect of transition to FRS102	FRS102
Non-current assets							
Investment properties	b,c	661,739,695	4,130,305	665,870,000	677,519,242	3,970,758	681,490,000
Debtors amounts falling due after one year	c	4,130,305	(4,130,305)	-	3,811,302	(3,811,302)	
Current assets							
Debtors amounts falling due within one year		1,678,349	-	1,678,349	1,697,235	(159,456)	1,537,779
Cash		10,671,629	-	10,671,629	10,801,443		10,801,443
Total assets		678,219,978	-	678,219,978	693,829,222	-	693,829,222
Liabilities							
Creditors amounts falling due within one year		(26,033,942)		(26,033,942)	(26,547,965)		(26,547,965)
Creditors amounts falling due after more than one year	b	(517,943,796)	(120,189,122)	(638,132,918)	(508,944,044)	(92,082,479)	(601,026,523)
Total liabilities		(543,977,738)	(120,189,122)	(664,166,860)	(535,492,009)	(92,082,479)	(627,574,488)
Net assets/(liabilities)		134,242,240	(120,189,122)	14,053,118	158,337,213	(92,082,479)	66,254,734
Partners' Interests							
Partners' Capital Accounts		20,200		20,200	20,200		20,200
Hedging reserve	b		(120,189,122)	(120,189,122)		(92,082,479)	(92,082,479)
Revaluation reserve	a	100,481,198	(100,481,198)	-	116,260,745	(116,260,745)	
Retained earnings	a	33,740,842	100,481,198	134,222,040	42,056,268	116,260,745	158,317,013
Total equity		134,242,240	(120,189,122)	14,053,118	158,337,213	(92,082,479)	66,254,734

- a On transition to FRS102, the investment property was transferred at its fair value as at transition date. At this point, the Revaluation reserve was transferred to Retained Earnings with all future revaluations now flowing through the Profit and Loss.
- b On transition to FRS102, we have brought the derivative financial instrument onto the balance sheet, measured at fair value through the Profit & Loss.
- c Upon transition, the straight-lining debtor is no longer applied with rental uplifts incurred in the period that they arise. The previous straight-lining debtor is now moved back into the investment property value.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 31 DECEMBER 2015

Reconciliation of total Profit and Loss

		52 weeks to 31 December 2014		
	Note	Old UK GAAP	Effect of transition to FRS102	FRS102
		£	£	£
Rental income	b	34,776,191	159,547	34,935,738
Administrative expenses		(560,094)		(560,094)
Gain on revaluation of investment properties	a	-	15,620,000	15,620,000
Operating profit		34,126,097	15,779,547	49,995,644
Interest receivable		6,560,187		6,560,187
Interest payable		(32,460,858)		(32,460,858)
Profit/(loss) on ordinary activities before tax		8,315,426	15,779,547	24,094,973
Tax expense		-		
Profit/(loss) after tax but		8,315,426	15,779,547	24,094,973

- a Revaluations in investment properties are now accounted for through the Profit and Loss accounts
- b Upon transition, the straight-lining debtor is no longer applied with rental uplifts incurred in the period that they arise