

TESCO ATRATO (GP) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
Registered Number: 06969536



TESCO ATRATO (GP) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their Report and the audited consolidated financial statements of Tesco Atrato (GP) Limited (the "Parent Company") and its subsidiaries (together the "Group") for the year ended 31 December 2018 (prior year: year ended 31 December 2017 ("2017")).

Business review and principal activity

The principal activity of the Parent 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 year and the Directors do not expect this to change significantly throughout the next financial year.

The financial statements of the Parent Company and the Group have been prepared in accordance with FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

Results and dividends

The results for the year show a profit before tax of £201 (2017: £nil) and a profit after tax of £290 (2017: £72). The Group has net assets at the year-end of £254,887 (2017: £254,597) and has net current assets at the year-end of £259,687 (2017: £259,397).

The Directors do not recommend a payment of a dividend for the year ended 31 December 2018 (2017: £nil).

Future developments

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

The Group's future developments form a part of the Tesco PLC Group's (the "PLC Group") long term strategy, which is discussed on pages 14 and 15 of the Tesco PLC Annual Report and Financial Statements 2019, which do not form a part of this Report.

Principal risks and uncertainties

From the perspective of the Group and the Parent Company, the principal risks relate to the carrying value of the investments that this Parent Company holds.

To manage the risk, the Group and the Parent Company periodically reviews the financial statements of the entities the Parent Company has investments in. As all other companies within the Group are dormant, the principal risks of the Parent Company are the sole risks to the Group.

No impairment losses were recognised during the period (2017: £nil).

Key performance indicators (KPIs)

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

The development, performance and position of the operations of the PLC Group's which includes the Parent Company and the Group, are discussed on pages 16 and 17 of the Tesco PLC Annual Report and Financial Statements 2019, which do not form a part of this Report.

Going concern

In order to form a view as to the most appropriate basis of preparation of these financial statements, the Directors consider that the Group has adequate resources to remain in operation for a period of at least 12 months from the date of signing the financial statements and have therefore continued to adopt the going concern basis in preparing the financial statements.

TESCO ATRATO (GP) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

Business risk

Uncertainty around the UK's departure from the EU continues to grow as a result of the ongoing political deadlock. A failure to prepare for all eventualities, and any resulting disruption, could have an adverse impact on our primary business, financial results and operations. The Tesco PLC Board will continue to assess and monitor the potential risks and impacts on the Company and its stakeholders as a whole, while taking appropriate mitigation measures to address challenges as appropriate.

Political donations

There were no political donations for the year (2017: £nil) and Group and the Parent Company did not incur any political expenditure (2017: £nil).

Research and development

The Group does not undertake any research and development activities (2017: none).

Financial risk management

From the perspective of the Group and the Parent Company, the principal risks and uncertainties are integrated with the principal risks of the PLC Group and are not managed separately. Accordingly, the principal risks and uncertainties of the PLC Group, which include the Parent Company, are discussed on pages 32 to 36 of the Tesco PLC Annual Report and Financial Statements 2019, which do not form a part of this Report.

Strategic report

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

Employees

The Group had no employees during the year (2017: none).

Directors

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

G Burnett
Tesco Services Limited
J Gibney

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

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 year and up to the date of signing the financial statements.

Disclosure of information to auditor

Each Director who is a Director of the Parent Company at the date of approval of this Report confirms that:

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

TESCO ATRATO (GP) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

Cautionary statement regarding forward-looking information

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

Directors' Responsibilities Statement

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

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), FRS 102 "The Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland" and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

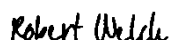
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply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

Independent auditor

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

This report was approved by the Board on 25 June 2019, and has been prepared in accordance with the small companies regime of the Companies Act 2006.

By order of the Board



Robert Welch
For and on behalf of Tesco Services Limited, Director
Tesco Atrato (GP) Limited
Registered Number: 06969536
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 TO THE MEMBERS OF TESCO ATRATO (GP) LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Group and the Parent Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Parent Company and the Group which comprise:

- the Group's Profit and Loss Account;
- the Group and Parent Company Balance Sheet;
- the Group and Parent Company Statement of Changes in Equity;
- the Group Statement of Cash flow;
- the Reconciliation of Net Cash flow to Movement in Net Debt; and
- the related notes 1 to 16.

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

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 TO THE MEMBERS OF TESCO ATRATO (GP) LIMITED (continued)

Other information (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year 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 Group and Parent Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Matters on which we are required to report by exception

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

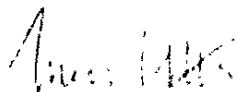
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 TO THE MEMBERS OF TESCO ATRATO (GP) LIMITED (continued)

Use of our report

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



Simon Letts FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
St Albans, United Kingdom
27 June 2019

TESCO ATRATO (GP) LIMITED**GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31 DECEMBER 2018**

		For the year ended 31 December 2018	For the year ended 31 December 2017
	Notes	£	£
Operating result	4	-	-
Interest receivable and similar income	5	201	-
Profit/result before tax		201	-
Tax credit on profit/result	6	89	72
Profit for the financial year		290	72

There are no material differences between the profit/result before tax and the profit for the year stated above and their historical cost equivalents.

All operations are continuing for the financial year.

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

The notes on pages 12 to 22 form an integral part of these financial statements.

TESCO ATRATO (GP) LIMITED**GROUP AND PARENT COMPANY BALANCE SHEET AS AT 31 DECEMBER 2018**

	Notes	Group		Parent Company	
		31 December 2018 £	31 December 2017 £	31 December 2018 £	31 December 2017 £
Fixed assets					
Investments	7	200	200	203	203
		200	200	203	203
Current assets					
Deferred tax asset	8	15,037	13,222	15,037	13,222
Debtors: amounts falling due within one year	9	5,000	5,000	1,000	1,000
Cash at bank and in hand		241,401	242,760	241,398	242,757
		261,438	260,982	257,435	256,979
Creditors : amounts falling due within one year	10	(1,751)	(1,585)	(1,751)	(1,585)
Net current assets		259,687	259,397	255,684	255,394
Total assets less current liabilities		259,887	259,597	255,887	255,597
Creditors : amounts falling due after more than one year	11	(5,000)	(5,000)	(1,000)	(1,000)
Net assets		254,887	254,597	254,887	254,597
Capital and reserves					
Called up share capital	12	10,000	10,000	10,000	10,000
Share premium account		244,116	244,116	244,116	244,116
Profit and loss account		771	481	771	481
Total Shareholders' funds		254,887	254,597	254,887	254,597

The notes on pages 12 to 22 are an integral part of these financial statements.

The Parent Company's total profit for the financial year was £290 (2017: £72).

The financial statements on pages 7 to 22 were approved by the Board of Directors and authorised for issue on 25 June 2019. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime. They were signed on its behalf by:

Robert Welch

Robert Welch

For and on behalf of Tesco Services Limited, Director

Tesco Atrato (GP) Limited

Registered Number: 06969536

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

TESCO ATRATO (GP) LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018****GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital*	Share premium account	Profit and loss account	Total
	£	£	£	£
Balance as at 1 January 2017	10,000	244,116	409	254,525
Profit and total comprehensive income for the year	-	-	72	72
Balance as at 31 December 2017	10,000	244,116	481	254,597
Profit and total comprehensive income for the year	-	-	290	290
Balance as at 31 December 2018	10,000	244,116	771	254,887

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital*	Share premium account	Profit and loss account	Total
	£	£	£	£
Balance as at 1 January 2017	10,000	244,116	409	254,525
Profit and total comprehensive income for the year	-	-	72	72
Balance as at 31 December 2017	10,000	244,116	481	254,597
Profit and total comprehensive income for the year	-	-	290	290
Balance as at 31 December 2018	10,000	244,116	771	254,887

*See Note 12 for breakdown of the called up share capital.

The notes on pages 12 to 22 form an integral part of these financial statements.

TESCO ATRATO (GP) LIMITED**GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2018**

	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
		£	£
Net cash outflow from operating activities	13	(1,359)	(4,472)
Decrease in cash		(1,359)	(4,472)
Cash and cash equivalents at the beginning of the year		242,760	247,232
Cash and cash equivalents at the end of the year		241,401	242,760

The notes on pages 12 to 22 form an integral part of these financial statements.

TESCO ATRATO (GP) LIMITED**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT FOR
THE YEAR ENDED 31 DECEMBER 2018**

		For the year ended 31 December 2018	For the year ended 31 December 2017
	Notes	£	£
Decrease in cash and cash equivalents	13	(1,359)	(4,472)
Decrease in net debt		(1,359)	(4,472)
Opening net debt	14	242,760	247,232
Closing net debt		241,401	242,760

The notes on pages 12 to 22 form an integral part of these financial statements.

TESCO ATRATO (GP) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018****1. Statement of compliance**

The financial statements of Tesco Atrato (GP) Limited (the "Parent Company") and its subsidiaries (together the "Group") have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2. General information

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

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

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

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

3. Accounting policies**a.) Basis of consolidation**

The financial statements of the Parent Company and the Group have been prepared in accordance with FRS 102. The financial statements are also prepared in accordance with the Companies Act 2006 as applicable to entities reporting under FRS 102 (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.

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 Parent Company cash flow statement as this has been prepared on a Group basis.

The results of subsidiary undertakings acquired are included from the date of acquisition. Profits or loss on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

The Consolidated Group financial statements consists 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.

b.) Going concern

In order to form a view as to the most appropriate basis of preparation of these financial statements, the Directors consider that the Group has adequate resources to remain in operation for a period of at least 12 months from the date of signing the financial statements and have therefore continued to adopt the going concern basis in preparing the financial statements.

TESCO ATRATO (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

3. Accounting policies (continued)

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

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

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

Key sources of estimation uncertainty

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

Carrying value of investment

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

d.) Significant accounting policies

Investments

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

Impairment of investments

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

Financial instruments

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

Financial assets

Initial recognition and measurement

Financial assets within the scope of section 11 of FRS 102 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at transaction price including directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash, debtors and other receivables.

Subsequent measurement

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

TESCO ATRATO (GP) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (continued)****3. Accounting policies (continued)****d.) Significant accounting policies****Financial instruments (continued)*****Financial assets (continued)******Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at transaction price including directly attributable transaction costs and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the Profit and Loss Account. Losses arising from impairment are recognised in the Profit and Loss Account in other operating expenses.

Financial liabilities***Initial recognition and measurement***

Financial liabilities within the scope of section 11 of FRS 102 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at transaction cost and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

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

Loans and borrowings

Loans and borrowings are non-derivative financial liabilities with fixed or determinable payments. Such liabilities are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest (EIR) method. Amortised cost is calculated by taking into account transaction costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the Profit and Loss Account.

De-recognition of financial instruments

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

Investment income

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

Income taxes

Current tax, including United Kingdom corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Group relief on taxation

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.

TESCO ATRATO (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

3. Accounting policies (continued)

d.) Significant accounting policies

Deferred tax

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

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

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

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

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

Current tax and deferred tax for the year

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.

Cash at bank and in hand

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

4. Operating profit

The Directors received no emoluments for their services to the Group (2017: £nil).

The Group and Parent Company had no employees during the year (2017: none).

The auditor's remuneration of £9,396 (2017: £9,396) was borne by The Tesco Atrato Limited Partnership. The non-audit fees for the year is £nil (2017: £nil).

TESCO ATRATO (GP) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (continued)****5. Interest receivable and similar income**

	For the year ended 31 December 2018 £	For the year ended 31 December 2017 £
Interest receivable on bank deposits	201	-
	201	-

6. Tax credit on profit/result**(a) Factors that have affected the tax credit**

The standard rate of corporation tax in the UK is 19% from 1 April 2017, and 17% from 1 April 2020. This gives a corporation tax rate for the Parent Company for the full period of 19% (2017: 19.25%).

(b) Tax credit in the Profit and Loss Account

The analysis of the credit for the period is as follows:

	For the year ended 31 December 2018 £	For the year ended 31 December 2017 £
Current income tax:		
UK corporation tax on profit for financial period	1,726	1,601
Adjustments in respect of prior years	-	18
Total current tax charge	1,726	1,619
Deferred tax:		
Current year	(2,029)	(1,914)
Impact of rate change adjustment	214	223
Adjustments in respect of prior years	-	-
Total deferred tax credit	(1,815)	(1,691)
Total tax credit for the year in Profit and Loss Account	(89)	(72)

TESCO ATRATO (GP) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (continued)****6. Tax credit on profit/result (continued)****(c) Reconciliation of the effective tax credit**

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

	For the year ended 31 December 2018 £	For the year ended 31 December 2017 £
Profit before tax	201	-
Tax charge at standard UK corporation tax rate of 19% (2017: 19.25%)	38	-
Effects of:		
Adjustments in respect of prior periods	-	18
Impact of rate change adjustment	214	223
HMRC interest payable	-	33
Allowable share of commutation payments	(341)	(346)
Overall tax credit	(89)	(72)

(d) Current tax liabilities

Current tax liabilities were as follows:

	31 December 2018 £	31 December 2017 £
UK corporation tax payable	1,725	1,559
Total corporation tax payable	1,725	1,559

(e) Tax rate changes

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were enacted by the balance sheet date and therefore included in these financial statements. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised. 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 7.

TESCO ATRATO (GP) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (continued)****7. Investments**

	Group £	Parent Company £
Cost		
At 1 January 2018		
Investment in The Tesco Atrato Limited Partnership	200	200
Investment in Tesco Atrato (Nominee Holdco) Limited	-	2
Investment in Tesco Atrato Depot Propco Limited	-	1
At 31 December 2018	200	203
Net book value		
At 31 December 2017	200	203
At 31 December 2018	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.

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.

Subsidiary undertakings	Place of incorporation	Registered office address	Share class	% shares held	Direct/Indirect holding	Nature of business
Tesco Atrato (Nominee Holdco) Limited	England and Wales	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom	£1.00 Ordinary shares	100%	Direct	Holding company
Tesco Atrato (Nominee 1) Limited	England and Wales	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom	£1.00 Ordinary shares	100%	Indirect	Nominee company
Tesco Atrato (Nominee 2) Limited	England and Wales	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom	£1.00 Ordinary shares	100%	Indirect	Nominee company
Tesco Atrato Depot Propco Limited	England and Wales	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom	£1.00 Ordinary shares	100%	Direct	Nominee company

Other investments	Country of incorporation	Registered office address	Type of entity	% Interest held	Nature of business
The Tesco Atrato Limited Partnership	England and Wales	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom	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 Parent 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 YEAR ENDED
31 DECEMBER 2018 (continued)****8. Deferred tax asset**

The following are the major deferred tax assets recognised by the Group and Parent Company and movements thereon during the current and prior financial year 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:

Deferred tax asset	Short term timing differences £	Total £
At 1 January 2018	13,222	13,222
Origination and reversal of temporary differences		
- In respect of the current year	2,029	2,029
- In respect of prior years	-	-
- In respect of change in tax rates	(214)	(214)
At 31 December 2018	15,037	15,037

Deferred tax asset	Short term timing differences £	Total £
At 1 January 2017	11,531	11,531
Origination and reversal of temporary differences		
- In respect of the current year	1,914	1,914
- In respect of prior years	-	-
- In respect of change in tax rates	(223)	(223)
At 31 December 2017	13,222	13,222

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

TESCO ATRATO (GP) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (continued)****9. Debtors: amounts falling due within one year**

	Group		Parent Company	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	£	£	£	£
The Tesco Atrato Limited Partnership	5,000	5,000	1,000	1,000
	5,000	5,000	1,000	1,000

Amount owed by The Tesco Atrato Limited Partnership is interest free, have no fixed date of repayment and are repayable on demand.

10. Creditors: amounts falling due within one year

	Group		Parent Company	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	£	£	£	£
Tesco Property Holdings (No.2) Limited	26	26	26	26
Corporation tax	1,725	1,559	1,725	1,559
	1,751	1,585	1,751	1,585

Amounts owed to Tesco Property Holdings (No.2) Limited is interest free, have no fixed date of repayment and are repayable on demand.

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

	Group		Parent Company	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	£	£	£	£
Tesco Property Finance 2 PLC	5,000	5,000	1,000	1,000
	5,000	5,000	1,000	1,000

Amounts owed to Tesco Property Finance 2 PLC is interest free and repayment is due within one month of 13 October 2039. No early repayment is permitted.

TESCO ATRATO (GP) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (continued)****12. Called up share capital**

	Group		Parent Company	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	£	£	£	£
<i>Allotted, called up and fully paid</i>				
5,000 Ordinary 'A' shares of £1 each (2017: 5,000 'Ordinary A' share of £1 each)	5,000	5,000	5,000	5,000
<i>Allotted, called up and fully paid</i>				
5,000 Ordinary 'B' shares of £1 each (2017: 5,000 'Ordinary B' share of £1 each)	5,000	5,000	5,000	5,000
	10,000	10,000	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.

13. Net cash flows from operating activities

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

	For the year ended 31 December 2018	For the year ended 31 December 2017
	£	£
Profit before tax	201	-
Working capital movements:		
Decrease in creditors	(1,560)	(4,472)
Net cash inflow from operating activities	(1,359)	(4,472)

14. Analysis of changes in net debt

	1 January 2017 £	Net cash flow £	31 December 2017 £
Cash at bank and in hand	247,232	(4,472)	242,760
	247,232	(4,472)	242,760
	1 January 2018 £	Net cash flow £	31 December 2018 £
Cash at bank and in hand	242,760	(1,359)	241,401
	242,760	(1,359)	241,401

TESCO ATRATO (GP) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (continued)****15. Ultimate parent undertaking and controlling party**

Tesco Property Holdings (No.2) Limited and Atrato Keystone Estates Limited are the Company's immediate parent undertakings, as part of a joint venture.

Tesco PLC and Universities Superannuation Scheme Limited are the Parent Company's ultimate parent undertakings, as part of the joint venture. Tesco PLC is registered in England and Wales. Copies of the Tesco PLC Annual Report and Financial Statements 2019 are available from the Company Secretary at the registered office: Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

The Universities Superannuation Scheme Limited is registered in United Kingdom and copies of the Universities Superannuation Scheme Limited financial statements can be obtained from Company Secretary at: 2nd floor, Royal Liver Building, Liverpool, L3 1PY.

16. Related party transactions

During the year ended 31 December 2018 the Group have not entered into any transactions with related parties. Balances outstanding at 31 December 2018, are as follows:

Entity	Relationship	Balances
The Tesco Atrato Limited Partnership	Fellow joint venture of Tesco PLC.	£5,000 (2017: £5,000) owed by the partnership as at the year end.

TESCO ATRATO (GP) LIMITED

**PARENT COMPANY PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31 DECEMBER 2018**

	For the year ended 31 December 2018	For the year ended 31 December 2017
	£	£
Operating result	-	-
Result before tax	-	-
Interest receivable and similar income	201	-
Tax credit on profit/result	89	72
Profit for the financial year	290	72

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

THE TESCO ATRATO LIMITED PARTNERSHIP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
REGISTERED NUMBER: LP013577



THE TESCO ATRATO LIMITED PARTNERSHIP

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Tesco Atrato (GP) Limited (the "General Partner") present its Strategic Report of The Tesco Atrato Limited Partnership (the "Partnership") for the year ended 31 December 2018 (prior year: 31 December 2017 ("2017")).

Business review and principal activity

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 year and the General Partner does not expect this to change significantly throughout the next financial year.

The financial statements of the Partnership have been prepared in accordance with the Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland ('FRS 102').

Results and distributions

The results for the period show a total comprehensive income of £4,656,880 (2017: £16,581,878) and rental income of £38,064,984 (2017: £36,759,580).

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

The Partnership has net liabilities of £9,715,459 at the year-end (2017: £14,372,339) and net current liabilities of £10,097,114 (2017: £9,560,224). Future rental income streams are guaranteed through an RPI linked swap to ensure that the Partnership can meet its financial obligations, the General Partner believes that the Partnership will continue as a going concern.

Key performance indicators (KPIs)

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

The development, performance and position of the operations of the Tesco PLC Group (the "Group"), which includes the Partnership, is discussed on page 16 and 17 of the Tesco PLC Annual Report and Financial Statements 2019, which does not form a part of this Report.

Future developments

The Partnership's future developments form a part of the Group's long term strategy, which is discussed on pages 14 and 15 of the Tesco PLC Annual Report and Financial Statements 2019, which does not form a part of this Report. The Partnership's performance is expected to continue throughout the next financial year and it is anticipated that the current performance levels will be maintained.

Principal risks and uncertainties

The Partnership's activities expose it to risks and uncertainties as summarised below. The Partnership's financial instruments comprise solely the Partnership Loans and RPI Linked Swap arrangements.

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

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

From the perspective of the Partnership, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Partnership, are discussed on pages 32 to 36 of the Group Annual Report and Financial Statements 2019, which do not form a part of this Report.

Business risk

Uncertainty around the UK's departure from the EU continues to grow as a result of the ongoing political deadlock. A failure to prepare for all eventualities, and any resulting disruption, could have an adverse impact on our primary business, financial results and operations. The Tesco PLC Board and Universities Superannuation Scheme Limited, in its capacity as sole corporate trustee of Universities Superannuation Scheme, will continue to assess and monitor the potential risks and impacts on the Company and its stakeholders as a whole, while taking appropriate mitigation measures to address challenges as appropriate.

THE TESCO ATRATO LIMITED PARTNERSHIP

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

Financial risk management

Credit risk

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

Liquidity risk

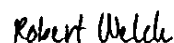
Liquidity risk is the risk that the Partnership will encounter difficulty in meeting its obligations associated with its financial liabilities. The principal risks and uncertainties are related to property investment in the retail stores/distribution centres and the obligation to make repayments against 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 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 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

Approved by the General Partner on 25 June 2019 and signed on behalf of the General Partner by:



Robert Welch
Tesco Services Limited, Director
For and on behalf of the General Partner
Tesco Atrato (GP) Limited
Registered Number: 06969536
Registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

THE TESCO ATRATO LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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 year ended 31 December 2018 (prior period: year ended 31 December 2017 ("2017")). During the year, Tesco Atrato (GP) Limited acted as the General Partner and Tesco Atrato (ILP) Limited and USS 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 Agreement (the "Limited Partnership Agreement") on 26 February 2010.

Results and distributions

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

Future developments

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

Going concern

In order to form a view as to the most appropriate basis of preparation of these financial statements, the General Partner has assessed the likelihood of whether the Partnership will be able to continue principal activities over a period of at least twelve months from the date of signing the financial statements versus the likelihood of either intending to or being forced to either cease principal activities 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 Stores Limited and its ability to discharge its obligations under the Property Portfolio leases.

While the securitisation structure is credit-linked to Tesco PLC (Ultimate parent of TSL) 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 RPI linked derivative financial instrument to fix its cash inflows, thereby allowing the Partnership to meet its obligation whilst annual RPI increases to rental income are lower than expected.

The General Partner has noted that, at the reporting date the Partnership is in a net liability position and a net current liability position. The General Partner does not consider this a going concern risk as future rental income streams are guaranteed through an RPI linked swap to ensure that the Partnership can meet its financial obligations.

With the swap arrangement deemed to be commercially viable the General Partner believes that the Partnership will continue as a going concern. Therefore, the General Partner considers that the Partnership is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

Political donations

There were no political donations for the year (2017: £nil) and the Partnership did not incur any political expenditure (2017: £nil).

Research and development

The Partnership does not undertake any research and development activities (2017: none).

Financial risk management

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

Employees

The Partnership had no employees during the year (2017: nil).

THE TESCO ATRATO LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

Partners

The partners, including the General Partner, Tesco Atrato (GP) Limited, are set out in Note 13 of the financial statements.

Disclosure of information to auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. The financial statements have been prepared in accordance with section 12 of the Limited Partnership Agreement (2010) and part 15 of the Companies Act 2006 as required under the Regulations.

Cautionary Statement regarding forward looking information

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

General Partner's Responsibilities Statement

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

The Company law as applied to qualifying Partnerships by the Partnerships (Accounts) Regulations 2008 requires the Partnership to prepare financial statements for each financial year. Under that law the General Partner has prepare the partnership financial statements in accordance with FRS 102 (the financial reporting standards applicable in United Kingdom and The Republic of Ireland).

Limited Partnership Act 1907, as amended by the Company law, as applied to qualifying Partnerships, the General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

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

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

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

THE TESCO ATRATO LIMITED PARTNERSHIP

**GENERAL PARTNER'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018
(continued)**

Independent auditor

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

Approved by the General Partner on 25 June 2019 and signed on behalf of the General Partner by:

Robert Welch

Robert Welch
Tesco Services Limited, Director
For and on behalf of the General Partner
Tesco Atrato (GP) Limited
Registered Number: 06969536
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships.

We have audited the financial statements of the qualifying partnership which comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Partner's Interest;
- the Cash Flow Statement;
- the Reconciliation of Net Cash Flow to Movement in Net Debt; 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice)

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the General Partner's use of the going concern basis of accounting in preparation of the financial statements is not appropriate, or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the qualifying partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF THE TESCO ATRATO LIMITED PARTNERSHIP (continued)

Other information

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

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

We have nothing to report in respect of these matters.

General Partner's Responsibilities

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF THE TESCO ATRATO LIMITED PARTNERSHIP (continued)

Matters on which we are required to report by exception

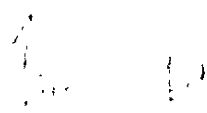
Under the Companies Act 2006 as applied to qualifying partnerships we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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


Simon Letts FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
St. Albans, United Kingdom
27 June 2019

THE TESCO ATRATO LIMITED PARTNERSHIP**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
		£	£
Rental income		38,064,984	36,759,580
Administrative expenses		(555,060)	(602,281)
Gain on revaluation of investment properties		7,960,000	17,390,000
Operating profit	4	45,469,924	53,547,299
Interest receivable and similar income	5	3,402,133	4,667,084
Interest payable and similar charges	6	(30,234,637)	(30,881,641)
Profit before tax		18,637,420	27,332,742
Tax on profit	7	-	-
Profit for the financial year		18,637,420	27,332,742

All operations are continuing for the financial year.

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

The notes on pages 15 to 28 form an integral part of the financial statements.

THE TESCO ATRATO LIMITED PARTNERSHIP**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 DECEMBER 2018**

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Profit for the financial year	18,637,420	27,332,742
Other comprehensive loss		
<i>Cash flow hedges</i>		
Change in the value of hedging instrument	(13,980,540)	(10,750,864)
Total comprehensive income for the year	4,656,880	16,581,878

All operations are continuing for the financial year.

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

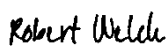
The notes on pages 15 to 28 form an integral part of the financial statements.

THE TESCO ATRATO LIMITED PARTNERSHIP**BALANCE SHEET AS AT 31 DECEMBER 2018**

	Notes	31 December 2018	31 December 2017
		£	£
Fixed assets			
Investment properties	8	666,130,000	658,170,000
		<u>666,130,000</u>	<u>658,170,000</u>
Current assets			
Debtors: amounts falling due within one year	9	312,698	286,167
Cash at bank		12,196,818	11,704,505
		<u>12,509,516</u>	<u>11,990,672</u>
Current liabilities			
Creditors: amounts falling due within one year	10	(22,606,630)	(21,550,896)
Net current liabilities		<u>(10,097,114)</u>	<u>(9,560,224)</u>
Total assets less current liabilities		<u>656,032,886</u>	<u>648,609,776</u>
Creditors: amounts falling due after more than one year	11	(665,748,345)	(662,982,115)
Net liabilities		<u>(9,715,459)</u>	<u>(14,372,339)</u>
Partners' interest			
Partners' capital accounts	13	20,200	20,200
Hedging reserve	13	(198,927,906)	(184,947,366)
Profit and loss account	13	189,192,247	170,554,827
Partners' interest		<u>(9,715,459)</u>	<u>(14,372,339)</u>

The notes on pages 15 to 28 are an integral part of these financial statements.

The financial statements on pages 9 to 28 were approved by the General Partner and authorised for issue on 25 June 2019. They were signed on its behalf by:

Robert Welch 
 Tesco Services Limited
 For and on behalf of the General Partner
 Tesco Atrato (GP) Limited
 Registered Number: 06969536
 Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

THE TESCO ATRATO LIMITED PARTNERSHIP**STATEMENT OF CHANGES IN PARTNERS' INTERESTS FOR THE YEAR ENDED
31 DECEMBER 2018**

	Partners' capital accounts	Hedge reserve	Profit and loss account	Total
	£	£	£	£
Balance as at 1 January 2017	20,200	(174,196,502)	143,222,085	(30,954,217)
Profit for the financial year	-	-	27,332,742	27,332,742
Other comprehensive loss for the year	-	(10,750,864)	-	(10,750,864)
Total comprehensive income/(loss) for the year	-	(10,750,864)	27,332,742	16,581,878
Balance as at 31 December 2017	20,200	(184,947,366)	170,554,827	(14,372,339)
Profit for the financial year	-	-	18,637,420	18,637,420
Other comprehensive loss for the year	-	(13,980,540)	-	(13,980,540)
Total comprehensive income/(loss) for the year	-	(13,980,540)	18,637,420	4,656,880
Balance as at 31 December 2018	20,200	(198,927,906)	189,192,247	(9,715,459)

The notes on pages 15 to 28 form an integral part of these financial statements.

THE TESCO ATRATO LIMITED PARTNERSHIP**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Net cash inflow from operating activities	14	37,850,890	36,403,780
		37,850,890	36,403,780
Cash flow from investing activities			
Interest received		3,675,658	4,958,842
		3,675,658	4,958,842
Cash flow from financing activities			
Loan repayments		(10,799,598)	(10,152,593)
Interest paid		(30,234,637)	(30,881,641)
		(41,034,235)	(41,034,234)
Net increase in cash and cash equivalents	15	492,313	328,388
Cash and cash equivalents at the beginning of the year		11,704,505	11,376,117
Cash and cash equivalents at the end of the year	15	12,196,818	11,704,505

THE TESCO ATRATO LIMITED PARTNERSHIP**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT FOR
THE YEAR ENDED 31 DECEMBER 2018**

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
		£	£
Increase in cash and cash equivalents	15	492,313	328,388
Loans repaid	15	10,799,958	10,152,593
Fair value movement of derivative instrument	15	(14,254,065)	(9,864,723)
(Increase)/Decrease in net debt		(2,961,794)	616,258
Opening net debt	15	(662,077,568)	(662,693,826)
Closing net debt		(665,039,362)	(662,077,568)

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Statement of compliance

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

2. General information

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 Agreement on 26 February 2010. The Partnership is limited by Partners' capital.

The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom. The nature of the Partnership's operations and its principal activity are set out in the Strategic Report on pages 1 to 2.

The functional and presentational currency of the Partnership is considered to be Pound Sterling (£) because that is the currency of the primary economic environment in which the Partnership operates. The financials are rounded to the nearest Pound Sterling (£), except when otherwise stated.

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

3. Accounting policies

a) Basis of preparation

The financial statements of the Partnership 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 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 Balance Sheet and hedging reserve, per Section 12 of FRS 102.

b) Going concern

In order to form a view as to the most appropriate basis of preparation of these financial statements, the General Partner has assessed the likelihood of whether the Limited Partnership will be able to continue principal business over a period of at least twelve months from the date of signing the financial statements versus the likelihood of either intending to or being forced to either cease 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 Stores Limited and its ability to discharge its obligations under the property portfolio leases.

While the securitisation structure is credit-linked to Tesco PLC (ultimate parent of Tesco Stores Limited) and relies on rental receipts under the occupational lease, any changes in Tesco PLC's (ultimate parent of Tesco Stores Limited) 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 RPI linked derivative financial instrument to fix its cash inflows, thereby allowing the Partnership to meet its obligation whilst annual RPI increases to rental income are lower than expected.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

3. Accounting policies (continued)

b) Going concern (continued)

The General Partner has noted that, at the reporting date the Partnership is in a net liability position and a net current liability position. The General Partner does not consider this a going concern risk as future rental income streams are guaranteed through an RPI linked swap to ensure that the Partnership can meet its financial obligations.

With the swap arrangement deemed to be commercially viable the General Partner believes that the Partnership will continue as a going concern. Therefore, the General Partner considers that the Partnership is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

c) Critical accounting judgements and key sources of estimation uncertainty

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

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

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 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.

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

d) Significant accounting policies

Investment properties

The Partnership carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Partnership engaged independent valuation specialists to determine fair value at 31 December 2018.

The valuation is undertaken on an open market basis deemed to represent at fair value. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in Note 8.

No amortisation or depreciation is provided in respect of freehold or long leasehold properties. 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.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Leases and rental income

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

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

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

The Partnership has not accounted for rental income on a straight-line basis as required by Section 20.25 of FRS 102 as the rental income has been structured to increase in line with the expected general inflation to compensate for the Partnership's expected inflationary cost increases.

A number of 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%.

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

Financial instruments

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

Financial assets

Initial recognition and measurement

Financial assets within the scope of section 11 of FRS 102 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Partnership determines the classification of its financial assets at initial recognition. All financial assets are recognised on initial measurement at transaction price including directly attributable transaction costs.

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

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Profit and Loss Account. Losses arising from impairment are recognised in the Profit and Loss Account in other operating expenses. Cash, investments, debtors and other receivables are carried as loans and receivables.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of section 11 of FRS 102 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge at fair value, as appropriate. The Partnership determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at transaction value and in the case of loans and borrowings, plus directly attributable transaction costs. The principal financial liabilities include loan, creditors and other payables and derivative financial instrument.

Subsequent measurement

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

Loans and borrowings

Loans and borrowings are financial liabilities with fixed or determinable payments. Such liabilities are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account transaction costs that are an integral part of the EIR. The EIR amortisation is included in interest expense in the Profit and Loss Account. Loans are classified within loans and borrowings.

De-recognition of financial instruments

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

Offsetting

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

Derivative financial instruments and hedge accounting

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

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

The Partnership is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is performed at each financial reporting date to ensure that the hedge remains highly effective. Furthermore, at the inception of the hedge the Partnership determines and documents causes for hedge ineffectiveness.

Derivative financial instruments with maturity dates of more than one year from the Balance Sheet date are disclosed as non-current.

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

Cash flow hedging

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

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

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

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

Fair value measurement

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

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

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Fair value measurement (continued)

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

Cash and net debt

Cash is represented by balance with banks and cash in hand. Net debt is comprised of loans advanced to the Partnership and cash.

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 FRS 102, "Impairment of Assets". Any impairment is recognised in the Profit and Loss Account in the year in which it occurs.

Allocation of profits and drawings

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

Tesco Atrato (ILP) Limited	49.95%
USS Atrato Unit Trust	49.95%
Tesco Atrato (GP) Limited	0.10%

Any net losses of the Partnership in each year 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 accrual basis.

4. Operating profit

The General Partner received no emoluments in respect of its services to the Partnership (2017: £nil).

The Partnership had no employees during the year ended 31 December 2018 (2017: none).

The auditor's remuneration in respect of audit services in the year amounted to £7,517 (2017: £7,517). The non-audit fees for the year is £nil (2017: £nil).

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

5. Interest receivable and similar income

	Year ended 31 December 2018	Year ended 31 December 2017
Interest income from derivative financial instrument	3,396,421	4,667,084
Interest received on bank deposits	5,712	-
	<u>3,402,133</u>	<u>4,667,084</u>

The interest income from derivative financial instrument is related to the RPI linked swap (refer Note 12).

6. Interest payable and similar charges

	Year ended 31 December 2018	Year ended 31 December 2017
Interest payable on other loans	30,234,637	30,881,641
	<u>30,234,637</u>	<u>30,881,641</u>

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 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 Tesco Atrato Partnership Limited.

7. Tax on profit/(loss)

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

	31 December 2018	31 December 2017
Land and building		
Valuation:		
Opening balance	658,170,000	640,780,000
Revaluation	7,960,000	17,390,000
Closing balance	<u>666,130,000</u>	<u>658,170,000</u>

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

8. Investment properties (continued)

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 at 31 December 2018. 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 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 5.68% (2017: 5.26%) with a rental income of £265 42 (2017: £256.93) 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 of enhancements.

9. Debtors: amounts falling due within one year

	31 December 2018	31 December 2017
Amounts owed by Tesco Atrato Unit Trust	312,698	286,167
	312,698	286,167

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

10. Creditors: amounts falling due within one year

	31 December 2018	31 December 2017
Loan from Tesco Property Finance 2 PLC	11,487,835	10,799,598
Accruals and deferred income	9,198,772	8,892,038
VAT	1,915,023	1,854,260
Amounts owed to Group undertakings	5,000	5,000
	22,606,630	21,550,896

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

10. Creditors: amounts falling due within one year (continued)

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. 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 principal that are due for repayment within the next 12 months from 31 December 2018.

As the loan from Tesco Property Finance 2 PLC has been calculated using the effective interest rate method, any accrued interest payable is included within the amounts payable to Tesco Property Finance 2 PLC.

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

	31 December 2018	31 December 2017
Loan from Tesco Property Finance 2 PLC	467,433,055	478,920,890
Back-to-back swap arrangement	198,315,290	184,061,225
	665,748,345	662,982,115

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.

As the loan from Tesco Property Finance 2 PLC has been calculated using the effective interest rate method, any accrued interest payable is included within the amounts payable to Tesco Property Finance 2 PLC.

12. Financial instruments

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

The main financial risk faced by the Partnership relates to fluctuations in RPI rates, the risk of default by counterparties to financial transactions, and the availability of funds to meet business needs. The management of these risks is outsourced as approved in the 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.

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

12. Financial instruments (continued)

RPI rate risk

RPI rate risk arises from long-term borrowings. Debt is 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.

During 2018 and 2017, net debt was managed using derivative instruments to hedge RPI rate risk as follows:

	As at 31 December 2018			As at 31 December 2017		
	Fixed	Floating	Total	Fixed	Floating	Total
	£	£	£	£	£	£
Cash and cash equivalents	12,196,818	-	12,196,818	11,704,505	-	11,704,505
Other receivables	312,698	-	312,698	286,167	-	286,167
Borrowings	(478,920,890)	-	(478,920,890)	(489,720,488)	-	(489,720,488)
Back-to-back swap arrangements	-	(198,315,290)	(198,315,290)	-	(184,061,225)	(184,061,225)
	(466,411,374)	(198,315,290)	(664,726,664)	(477,729,816)	(184,061,225)	(661,791,041)

Credit risk

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

The counterparty exposure under derivative contracts is £198,315,290 (2017: £184,061,225).

The Partnership considers its maximum credit risk to be £688,354,975 (2017: £684,533,010), 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 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.

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 YEAR ENDED 31 DECEMBER 2018 (continued)

12. Financial instruments (continued)

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 2018 and 31 December 2017 are as follows:

	Loans and receivables/ other financial liabilities	Fair value through other comprehensive income	Total
At 31 December 2018			
Cash and cash equivalents	12,196,818	-	12,196,818
Other receivables	312,698	-	312,698
Borrowings	(478,920,890)	-	(478,920,890)
Derivatives back-to-back arrangement	-	(198,315,290)	(198,315,290)
Other payables	(11,118,795)	-	(11,118,795)
	(477,530,169)	(198,315,290)	(675,845,459)
At 31 December 2017			
Cash and cash equivalents	11,704,505	-	11,704,505
Other receivables	286,167	-	286,167
Borrowings	(489,720,488)	-	(489,720,488)
Derivatives back-to-back arrangement	-	(184,061,225)	(184,061,225)
Other payables	(10,751,298)	-	(10,751,298)
	(488,481,114)	(184,061,225)	(672,542,339)

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

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

13. Cumulative partners account

Partners as at 31 December 2018	Accounts as at 31 December 2018	Partners' capital accounts	Hedging reserve	Profit and Loss account	Total
		£	£	£	£
Tesco Atrato (ILP) Limited		10,090	(99,364,489)	94,501,528	(4,852,871)
USS Atrato Unit Trust		10,090	(99,364,489)	94,501,528	(4,852,871)
Tesco Atrato (GP) Limited		20	(198,928)	189,191	(9,717)
Total		20,200	(198,927,906)	189,192,247	(9,715,459)

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 Agreement on 26 February 2010, with capital injections totalling £20,200. Tesco Atrato (ILP) Limited owns 49.95%, USS Atrato Unit Trust owns 49.95%, and Tesco Atrato (GP) Limited owns 0.10% of the Partnership.

14. Net cash flows from operating activities

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

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Operating profit	45,469,924	53,547,299
Reversal of fair value movement on investment property	(7,960,000)	(17,390,000)
Change in debtors	(26,531)	(26,781)
Change in creditors	367,497	273,262
Net cash inflow from operating activities	37,850,890	36,403,780

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued).

15. Analysis of changes in net debt

	1 January 2018	Net cash flow	Non cash movement	31 December 2018
	£	£	£	£
Cash at bank and in hand	11,704,505	492,313	-	12,196,818
Debt due within one year	(10,799,598)	10,799,598	(11,487,835)	(11,487,835)
Debt due after one year	(662,982,115)	-	(2,766,230)	(665,748,345)
	(662,077,568)	11,292,271	(14,254,065)	(665,039,362)

	1 January 2017	Net cash flow	Non cash movement	31 December 2017
	£	£	£	£
Cash at bank and in hand	11,376,117	328,388	-	11,704,505
Debt due within one year	(10,152,953)	10,152,593	(10,799,598)	(10,799,958)
Debt due after one year	(663,916,990)	-	934,875	(662,982,115)
	(662,693,826)	10,480,981	(9,864,723)	(662,077,568)

16. Receivables under operating lease

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

	31 December 2018	31 December 2017
Within 1 year	39,510,474	37,728,248
2 to 5 years	155,378,373	150,912,994
After 5 years	616,513,590	634,473,686
	811,402,437	823,114,928

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

THE TESCO ATRATO LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

17. Ultimate parent undertaking and controlling party

The Partners of the Partnership are Tesco Atrato (ILP) Limited, USS Atrato Unit Trust and Tesco Atrato (GP) Limited.

The ultimate joint venture partners are Tesco PLC and Universities Superannuation Scheme Limited. Tesco PLC is registered in England and Wales. Copies of the Tesco PLC Annual Report and Financial Statements 2019 are available from the Company Secretary at the registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

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 at: Universities Superannuation Scheme Limited, Royal Liver Building, Liverpool, L3 1PY.

18. Related party transactions and balances

The Partnership has taken advantage of the exemption under paragraph 33.9 of FRS 102 not to disclose transactions with fellow wholly owned subsidiaries.

During the year ended 31 December 2018 the Partnership entered into transactions with other related parties, in the ordinary course of business. Transactions entered into, and balances outstanding at 31 December 2018, are as follows:

Entity	Relationship	Transactions and balances
Tesco Stores Limited	Subsidiary of joint venture partner	The Partnership recognised rental income of £38,064,985 (2017: £36,759,580).
Spen Hill Management Limited	Subsidiary of joint venture partner	Paid expenses of £327,397 (2017: £313,018) in the year for property management services.
Tesco Atrato Unit Trust	Subsidiary of joint venture partner	Paid expenses on behalf of the Tesco Atrato Unit Trust of £5,891 (2017: £26,780). Also £292,058 (2017: £286,167) is owed as at the year end.
Tesco Atrato (GP) Limited	General partner	£1,000 (2017: £1,000) owed to the Tesco Atrato (GP) Limited.
Tesco Property Finance 2 PLC	Subsidiary of joint venture partner	Loan repayable of £478,920,890 (2017: £489,720,486).

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