

**TESCO ATRATO (GP) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Registered Number: 06969536**



## **TESCO ATRATO (GP) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors present their Annual Report and the audited consolidated financial statements of Tesco Atrato (GP) Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2017 (the prior financial period being the year ended 31 December 2016 ("2016")).

#### **Business review and principal activities**

The principal activity of the Company is to act as a holding company for the other entities in The Tesco Atrato Limited Partnership Group. There has been no significant change in the nature or level of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

The financial statements of the Company have been prepared in accordance with FRS102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

#### **Results and dividends**

The results for the year reflect a profit before tax of £nil (2016: £nil) and a profit after tax of £72 (2016: £8,602). The Group has net assets at the year end of £254,597 (2016: £254,525).

The Directors do not recommend a payment of a dividend for the year ended 31 December 2017 (2016: £nil).

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

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

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

#### **Political donations**

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

#### **Future developments**

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

The development, performance and position of the operations of the Tesco PLC group, which includes the Company, is discussed on pages 8 to 9 of Tesco PLC Annual Report and Financial Statements 2018 which does not form part of this Report.

#### **Key performance indicators**

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

#### **Research and development**

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

#### **Employees**

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

#### **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.

## TESCO ATRATO (GP) LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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#### **Financial risk management**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Tesco PLC Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Tesco PLC Group, which include the Company, are discussed on pages 22 to 25 of the Tesco PLC Annual Report and Financial Statements 2018, which does not form part of this Report.

#### **Going concern**

The Directors consider that the Company has adequate resources to remain in operation for a period of at least 12 months from the date of signing and have therefore continued to adopt the going concern basis in preparing the financial statements.

#### **Directors and their interests**

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

G Burnett  
Tesco Services Limited  
J Gibney

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

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

## TESCO ATRATO (GP) LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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#### Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

#### Disclosure of information to auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors has 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 Company's auditors are aware of that information.

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

#### Auditors

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

On behalf of the Board 31 May 2018.

*Robert Welch*

Robert Welch

Director

Tesco Atrato (GP) Limited

Registered Number: 06969536

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

## INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 TO THE MEMBERS TESCO ATRATO (GP) LIMITED

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### Independent auditor's report to the members of Tesco Atrato (GP) Limited

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

##### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Company's affairs as at 31 December 2017 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 Tesco Atrato (GP) Limited (the 'parent Company') and its subsidiaries (the 'Group') which comprise:

- the Group's Profit and Loss account;
- the Group Statement of Comprehensive Income;
- the Group and Company Balance Sheets;
- the Group and Company Statement of Changes in Shareholders' Funds;
- the Group Cash Flow Statement; and
- the related notes 1 to 13.

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

##### Conclusions relating to going concern

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.

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

# INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 TO THE MEMBERS TESCO ATRATO (GP) LIMITED (continued)

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## **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 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 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.

## **Use of our report**

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

## **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 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.



Simon Letts FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
St Albans, United Kingdom  
31 May 2018

# INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 TO THE MEMBERS TESCO ATRATO (GP) LIMITED (continued)

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## **Responsibilities of Directors**

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In preparing the financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

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- the Directors' Report has been prepared in accordance with applicable legal requirements.


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- 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.

  
Simon Letts FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
St Albans, United Kingdom  
31 May 2018

**TESCO ATRATO (GP) LIMITED**  
**GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017**

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		<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Operating result	<b>3</b>	-	-
<b>Result before taxation</b>		-	-
Tax credit on result	<b>4</b>	<b>72</b>	<b>8,602</b>
<b>Profit for the financial year</b>		<b>72</b>	<b>8,602</b>

The notes on pages 13 to 21 form part of these financial statements.



## TESCO ATRATO (GP) LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
		£	£
<b>Profit for the year</b>		<b>72</b>	<b>8,602</b>
<i>Other comprehensive income</i>		-	-
<b>Total comprehensive income for the year</b>		<b>72</b>	<b>8,602</b>

There are no recognised income or expenses other than those shown in the Profit and Loss Account above.

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

All operations are continuing for the financial period.

The notes on pages 13 to 21 form part of these financial statements.

TESCO ATRATO (GP) LIMITED  
BALANCE SHEETS AS AT 31 DECEMBER 2017

		Group		Company	
	Notes	31 December 2017 £	31 December 2016 £	31 December 2017 £	31 December 2016 £
<b>Fixed assets</b>					
Investments	5	200	200	203	203
		<b>200</b>	<b>200</b>	<b>203</b>	<b>203</b>
<b>Current assets</b>					
Deferred tax asset	6	13,222	11,531	13,222	11,531
Debtors: Amounts falling due within one year	7	5,000	5,000	1,000	1,000
Cash at bank and in hand		242,760	247,232	242,757	247,229
		<b>260,982</b>	<b>263,763</b>	<b>256,979</b>	<b>259,760</b>
Creditors : Amounts falling due within one year	8	(1,585)	(4,438)	(1,585)	(4,438)
<b>Net current assets</b>		<b>259,397</b>	<b>259,325</b>	<b>255,394</b>	<b>255,322</b>
<b>Total assets less current liabilities</b>		<b>259,597</b>	<b>259,525</b>	<b>255,597</b>	<b>255,525</b>
Creditors : Amounts falling due after more than one year	9	(5,000)	(5,000)	(1,000)	(1,000)
<b>Net assets</b>		<b>254,597</b>	<b>254,525</b>	<b>254,597</b>	<b>254,525</b>
<b>Capital and reserves</b>					
Called up share capital	10	10,000	10,000	10,000	10,000
Share premium account		244,116	244,116	244,116	244,116
Profit and loss account		481	409	481	409
<b>Total shareholders' funds</b>		<b>254,597</b>	<b>254,525</b>	<b>254,597</b>	<b>254,525</b>

The notes on pages 13 to 21 are an integral part of these financial statements.

During the year the Company made a profit of £72 (2016: £8,602)

The financial statements on pages 6 to 21 were approved by the Board of Directors and authorised for issue on 31 May 2018. They were signed on its behalf by:

*Robert Welch*

Robert Welch

Director

Tesco Atrato (GP) Limited

Registered Number: 06969536

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

## TESCO ATRATO (GP) LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2017

	Called up share capital	Share premium account	Profit and loss account	Total
	£	£	£	£
Balance as at 1 January 2016	10,000	244,116	(8,193)	245,923
Total comprehensive income for the year	-	-	8,602	8,602
Balance as at 31 December 2016	10,000	244,116	409	254,525
Total comprehensive income for the year	-	-	72	72
<b>Balance as at 31 December 2017</b>	<b>10,000</b>	<b>244,116</b>	<b>481</b>	<b>254,597</b>

The notes on pages 13 to 21 form an integral part of these financial statements.

## TESCO ATRATO (GP) LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2017

	Called up share capital	Share premium account	Profit and loss account	Total
	£	£	£	£
Balance as at 1 January 2016	10,000	244,116	(8,193)	245,923
Total comprehensive income for the year	-	-	8,602	8,602
Balance as at 31 December 2016	10,000	244,116	409	254,525
Total comprehensive income for the year	-	-	72	72
<b>Balance as at 31 December 2017</b>	<b>10,000</b>	<b>244,116</b>	<b>481</b>	<b>254,597</b>

The notes on pages 13 to 21 form an integral part of these financial statements.

## TESCO ATRATO (GP) LIMITED

## GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
		£	£
<b>Net cash outflow from operating activities</b>		<b>(4,472)</b>	<b>-</b>
Decrease in cash		(4,472)	-
Cash and cash equivalents at the start of the period		247,232	247,232
<b>Cash and cash equivalents at the end of the period</b>		<b>247,760</b>	<b>247,232</b>

The notes on pages 13 to 21 form an integral part of these financial statements.

TESCO ATRATO (GP) LIMITED

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT FOR THE  
52 WEEKS ENDED 24 FEBRUARY 2018

		52 weeks ended 24 February 2018	52 weeks ended 25 February 2017
	Notes	£	£
Decrease in cash and cash equivalents	11	(4,472)	-
<b>Decrease in net funds</b>		<b>(4,472)</b>	<b>-</b>
Opening net funds	11	247,232	247,232
<b>Closing net funds</b>		<b>242,760</b>	<b>247,232</b>

The notes on pages 13 to 21 form an integral part of these financial statements.

## TESCO ATRATO (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. General information

Tesco Atrato (GP) Limited (the 'Company') is a private company incorporated in England and Wales under the Companies Act 2006 and limited by shares. The address of the registered office is given on page 3.

The functional currency of Tesco Atrato (GP) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates. The consolidated financial statements are also presented in Pounds Sterling.

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

#### 2. Accounting policies

##### Basis of preparation of financial statements

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

The Consolidated Group financial statements 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.

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

##### Basis of consolidation

The financial statements of Tesco Atrato (GP) Limited have been prepared 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 Company cash flow statement as this has been prepared on a Group basis.

##### Fixed asset investments

Fixed asset investments in subsidiaries and associates are stated at cost plus incidental expenses less where appropriate provisions for impairment. The Company elected to adopt the cost model for holding its fixed assets as permitted under Section 9 of FRS 102. The fair value of the assets as at the date of transition has been adopted as the deemed cost of the assets on transfer, as permitted under Section 35, paragraph 10 of FRS 102.

##### Investment income

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

## TESCO ATRATO (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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#### 2. Accounting policies (continued)

##### **Impairment of fixed assets**

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

The amount included in the Profit and Loss Account is based on the profit before taxation and is calculated at current local tax rates, taking into account timing differences and the likelihood of realisation of deferred tax assets and liabilities. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

##### **Current taxation**

##### **Deferred taxation**

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

##### **Current tax and deferred tax for the period**

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



**TESCO ATRATO (GP) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

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**2. Accounting policies (continued)**

**Going concern**

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

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

The preparation of financial statements requires management to make judgments, estimates and assumptions in applying the Company'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.

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

**3. Operating result**

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

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

The auditor's remuneration of £9,396 (2016: £9,396) was borne by The Tesco Atrato Limited Partnership.

**4. Tax on profit**

**(a) Factors that have affected the tax charge/(credit)**

The standard rate of corporation tax in the UK was 20% from 1 April 2015, and was changed from 20% to 19% from 1 April 2017.

This gives an overall blended corporation tax rate for the Company for the full year of 19.25%.

## TESCO ATRATO (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

**4. Tax on profit (continued)****(b) Tax charge/(credit) in the Statement of Comprehensive Income**

	For the year ended 31 December 2017 £	For the year ended 31 December 2016 £
<b>Current income tax:</b>		
UK corporation tax on profit for the year	1,601	2,929
UK corporation tax adjustment in respect of previous years	18	-
<b>Total current tax</b>	<b>1,619</b>	<b>2,929</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(1,914)	(3,288)
Effect of change in tax rates	223	1,007
Adjustments in respect of previous years	-	(9,250)
<b>Total deferred tax</b>	<b>(1,691)</b>	<b>(11,531)</b>
<b>Tax credit on profit</b>	<b>(72)</b>	<b>(8,602)</b>

**(c) Reconciliation of the tax charge/ (credit)**

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

	For the year ended 31 December 2017 £	For the year ended 31 December 2016 £
<b>Profit on before tax</b>	-	-
Tax on profit on at blended corporation tax rate of 19.25% (2016: 20%)	-	-
Effects of:		
Adjustments to tax charge in respect of previous years	18	(9,250)
Difference in tax rates between current and deferred	223	1,007
HMRC interest payable	33	-
Allowable share of commutation payments	(346)	(359)
<b>Total tax credit for the financial year</b>	<b>(72)</b>	<b>(8,602)</b>

## TESCO ATRATO (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

**4. Tax on profit (continued)****(d) 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 consolidated financial statements. Temporary differences have been re-measured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised. 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 5.

**5. Investments**

	<b>Group £</b>	<b>Company £</b>
<b>Cost</b>		
At 1 January 2017		
Investment in The Tesco Atrato Limited Partnership	<b>200</b>	<b>200</b>
Investment in Tesco Atrato (Nominee Holdco) Limited	-	<b>2</b>
Investment in Tesco Atrato Depot Propco Limited	-	<b>1</b>
At 31 December 2017	<b>200</b>	<b>203</b>
<b>Net book value</b>		
At 31 December 2017	<b>200</b>	<b>203</b>
At 31 December 2016	<b>200</b>	<b>203</b>

The Directors believe that the carrying value of the investments is supported by its 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.

## TESCO ATRATO (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

**5. Investments (continued)**

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, United Kingdom, AL7 1GA	£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, United Kingdom, AL7 1GA	£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, United Kingdom, AL7 1GA	£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, United Kingdom, AL7 1GA	£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, United Kingdom, AL7 1GA	Limited Partnership	0.1%	Property investment

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

## TESCO ATRATO (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

**6. Deferred tax asset**

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

<b>Deferred tax asset</b>	<b>Short term timing differences £</b>	<b>Total £</b>
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	-	-
Effect of change in tax rates	(223)	(223)
<b>At 31 December 2017</b>	<b>13,222</b>	<b>13,222</b>

<b>Deferred tax asset</b>	<b>Short term timing differences £</b>	<b>Total £</b>
At 1 January 2016	-	-
Origination and reversal of temporary differences		
- In respect of the current year	3,288	3,288
- In respect of prior years	9,250	9,250
Effect of change in tax rates	(1,007)	(1,007)
<b>At 31 December 2016</b>	<b>11,531</b>	<b>11,531</b>

**7. Debtors: Amounts falling due within one year**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
The Tesco Atrato Limited Partnership	5,000	5,000	1,000	1,000
	<b>5,000</b>	<b>5,000</b>	<b>1,000</b>	<b>1,000</b>

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

## TESCO ATRATO (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

**8. Creditors: Amounts falling due within one year**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Tesco Property Holdings (No.2) Limited	26	26	26	26
Corporation tax	1,559	4,412	1,559	4,412
	<b>1,585</b>	<b>4,438</b>	<b>1,585</b>	<b>4,438</b>

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

**9. Creditors: Amounts falling due after more than one year**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Tesco Property Finance 2 PLC	5,000	5,000	1,000	1,000
	<b>5,000</b>	<b>5,000</b>	<b>1,000</b>	<b>1,000</b>

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.

**10. Called up share capital**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
<i>Allotted, called up and fully paid</i>				
5000 Ordinary 'A' shares of £1 each	5,000	5,000	5,000	5,000
<i>Allotted, called up and fully paid</i>				
5000 Ordinary 'B' shares of £1 each	5,000	5,000	5,000	5,000
	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>

'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.

## TESCO ATRATO (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

**11. Analysis of changes in net debt**

	1 January 2016 £	Net cash flow £	31 December 2016 £
Cash at bank and in hand	247,232	-	247,232
	247,232	-	247,232

	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

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

**13. Related party transactions**

Entity	Relationship	Transaction
The Tesco Atrato Limited Partnership	Fellow joint venture of Tesco PLC.	£5,000 (2016: £5,000) owed by the partnership as at the period end.

TESCO ATRATO (GP) LIMITED

COMPANY PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

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	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
	<b>£</b>	<b>£</b>
Result before taxation	-	-
Tax credit on result	72	8,602
Profit for the financial period	72	8,602

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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 2017  
REGISTERED NUMBER: LP013577

THESE PARTNERSHIP  
ACCOUNTS FORM  
PART OF THE ACCOUNTS  
OF COMPANY  
No. 06909536



COMPANIES HOUSE

## **THE TESCO ATRATO LIMITED PARTNERSHIP**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

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 2017 (the prior financial period being the year ended 31 December 2016 ("2016")).

#### **Business review and principal activities**

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

*The financial statements of the Partnership have been prepared in accordance with FRS 102.*

#### **Results and distributions**

The results for the period show a profit before tax of **£27,332,742** (2016: loss of £610,332) and rental income of **£36,759,580** (2016: £ 36,032,458). During the period the Partnership distributed **£nil** (2016: £nil).

The Partnership has net liabilities of **£14,372,339** at the period end (2016: net liabilities of £30,954,217). With the swap arrangement deemed to be commercially viable and there will be sufficient cash flows in future to cover obligations as they arise, the General Partner believes that the Partnership will continue as a going concern.

#### **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.

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

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

#### **Business risk**

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

#### **Credit risk**

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

#### **Liquidity risk**

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting its obligations associated with its financial liabilities. The principal risks and uncertainties are related to property investment in the retail stores and the obligation to make repayments against the loans when due. The Partnership manages this through using a managing agent, who manages its occupational leases and actively manages the receipt of arrears for the Partnership.

#### **Cash flow risk**

*The Partnership's activities expose it primarily to the financial risks of changes in RPI 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 11 for further information with regards to the risks identified. The Partnership uses RPI-rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.*

## **THE TESCO ATRATO LIMITED PARTNERSHIP**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

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

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

On its behalf the General Partner 31 May 2018

*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 2017**

Tesco Atrato (GP) Limited (the "General Partner") presents its annual report and the audited financial statements of The Tesco Atrato Limited Partnership (the "Partnership") for the year ended 31 December 2017 (prior period: year ended 31 December 2016 (2016)). During the period, Tesco Atrato (GP) Limited acted as the General Partner and Tesco Atrato (ILP) Limited and USS Atrato Unit Trust acted as limited partners of the Partnership.

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

#### **Results and distributions**

This is discussed in the Strategic Report on page 1.

#### **Financial risk management**

This is discussed in the Strategic Report on page 1.

#### **Political donations**

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

#### **Future Developments**

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

#### **Going concern**

In order to form a view as to the most appropriate basis of preparation of these financial statements, the General Partner has assessed the likelihood of whether the Partnership will be able to continue trading over 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 and relies on rental receipts under the occupational lease, any changes in Tesco PLC's credit rating is not expected to directly impact the Partnership's ability to repay the Partnership Loan and consequently the Partnership's ability to repay the loans and its administrative costs. The Partnership has also entered into a derivative financial instrument to fix its cash inflows, thereby allowing the Partnership to meet its obligation whilst annual RPI increases to rental income are lower than expected. The certainty of cash flows are guaranteed by Tesco PLC. Further, any shortfalls in cash inflow as a result or suppressed RPI rates are mitigated through a swap arrangements that ensures that the Partnership has sufficient liquidity to meet its obligations.

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

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

#### **Research and Development**

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

#### **Employees**

The Partnership had no employees during the year (2016: nil).

#### **Partners**

The partners, including the General Partner, Tesco Atrato (GP) Limited, are set out in note 12 of the financial statements.

## **THE TESCO ATRATO LIMITED PARTNERSHIP**

### **GENERAL PARTNER'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

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#### **Auditors**

Deloitte LLP have been appointed by consent of the members.

#### **General Partners' responsibilities statement**

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

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

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

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

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

#### **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 Deed and part 15 of the Companies Act 2006 as required under the Regulations.

On behalf of the General Partner 31 May 2018.

*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**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE TESCO ATRATO LIMITED PARTNERSHIP**

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

##### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2017 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 Tesco Atrato Limited Partnership (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 17.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

- the members' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the members have 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.

## **THE TESCO ATRATO LIMITED PARTNERSHIP**

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

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#### **Other information**

The members 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.

#### **Responsibilities of members**

As explained more fully in the members' responsibilities statement, the members 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 members 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 members are responsible for assessing the [group's and of the parent] 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 members 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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

## **THE TESCO ATRATO LIMITED PARTNERSHIP**

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

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#### **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 Partners 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 Partners 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 members' report.

##### **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 members' 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.



Simon Letts FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
St. Albans, United Kingdom  
31 May 2018



**THE TESCO ATRATO LIMITED PARTNERSHIP****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017**

		<b>31 December 2017</b>	<b>31 December 2016</b>
	Notes	£	£
Rental Income		<b>36,759,580</b>	36,032,458
Administrative expenses		<b>(602,281)</b>	(509,704)
Gain/(loss) on revaluation of investment properties		<b>17,390,000</b>	(17,050,000)
<b>Operating profit</b>	<b>3</b>	<b>53,547,299</b>	18,472,754
Interest receivable and similar income	<b>4</b>	<b>4,667,084</b>	5,548,512
Interest payable and similar charges	<b>5</b>	<b>(30,881,641)</b>	(24,631,598)
<b>Profit/(loss) on before taxation</b>		<b>27,332,742</b>	(610,332)
Tax on loss	<b>6</b>	-	-
<b>Profit/(loss) for the financial year</b>		<b>27,332,742</b>	(610,332)

All amounts are derived from continuing operations.

There are no material difference between the profit/(loss) before taxation and the profit/(loss) for the financial year stated above and their historical cost equivalents.

The notes on pages 14 to 25 form an integral part of the financial statements.

**THE TESCO ATRATO LIMITED PARTNERSHIP****STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>31 December 2017</b>	31 December 2016
	<b>£</b>	<b>£</b>
Profit/(loss) for the year	<b>27,332,742</b>	(610,332)
Other comprehensive income:		
<i>Cash flow hedges</i>		
Change in the value of hedging instrument	<b>(10,750,864)</b>	(100,416,344)
<b>Total comprehensive income/(loss) for the year</b>	<b>16,581,878</b>	(101,026,676)

All amounts are derived from continuing operations.

There are no material difference between the profit/(loss) before taxation and the profit/(loss) for the financial year stated above and their historical cost equivalents.

The notes on pages 14 to 25 form an integral part of the financial statements.

**THE TESCO ATRATO LIMITED PARTNERSHIP****BALANCE SHEET AS AT 31 DECEMBER 2017**

		<b>31 December 2017</b>	<b>31 December 2016</b>
	Notes	£	£
<b>Non-current assets</b>			
Investment properties	7	<b>658,170,000</b>	640,780,000
		<b>658,170,000</b>	640,780,000
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	<b>286,167</b>	1,437,286
Cash at bank		<b>11,704,505</b>	11,376,117
		<b>11,990,672</b>	12,813,403
Creditors: amounts falling due within one year	9	<b>(21,550,896)</b>	(20,630,630)
<b>Net current liabilities</b>		<b>(9,560,224)</b>	(7,817,227)
<b>Total assets less current liabilities</b>		<b>648,609,776</b>	632,962,773
Creditors: amounts falling due after more than one year	10	<b>(662,982,115)</b>	(663,916,990)
<b>Net liabilities</b>		<b>(14,372,339)</b>	(30,954,217)
<b>Partners' interest</b>			
Partners' capital accounts	12	<b>20,200</b>	20,200
Hedging reserve	12	<b>(184,947,366)</b>	(174,196,502)
Profit and loss reserve	12	<b>170,554,827</b>	143,222,085
<b>Partners' interest</b>		<b>(14,372,339)</b>	(30,954,217)

The financial statements on pages 8 to 25 were approved by the General Partners and authorised for issue on 31 May 2018. 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 PARTNER'S INTERESTS AS AT 31 DECEMBER 2017**

	<b>Partners' capital accounts</b>	<b>Hedge reserve</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2016	20,200	(73,780,158)	143,832,417	70,072,459
Loss for the financial year	-	(100,416,344)	(610,332)	(101,026,076)
<b>At 31 December 2016</b>	<b>20,200</b>	<b>(174,196,502)</b>	<b>143,222,085</b>	<b>(30,954,217)</b>
(Loss)/profit for the financial year	-	(10,750,864)	27,332,742	16,581,878
<b>At 31 December 2017</b>	<b>20,200</b>	<b>(184,947,366)</b>	<b>170,554,827</b>	<b>(14,372,339)</b>

The notes on pages 14 to 25 form part of these financial statements.

**THE TESCO ATRATO LIMITED PARTNERSHIP****CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

		<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Cash flow from operating activities</b>	<b>13</b>	<b>36,403,780</b>	<b>35,639,950</b>
		<b>36,403,780</b>	<b>35,639,950</b>
<b>Cash flow from investing activities</b>			
Interest received		<b>4,958,842</b>	<b>5,657,923</b>
		<b>4,958,842</b>	<b>5,657,923</b>
<b>Cash flow from financing activities</b>			
Loan repayments		<b>(10,152,593)</b>	<b>(9,929,828)</b>
Interest paid		<b>(30,881,641)</b>	<b>(31,104,405)</b>
		<b>(41,034,234)</b>	<b>(41,034,233)</b>
<b>Net increase in cash and cash equivalents</b>	<b>14</b>	<b>328,388</b>	<b>263,640</b>
Cash and cash equivalents at the start of the year		<b>11,376,117</b>	<b>11,112,477</b>
Cash and cash equivalents at the end of the year	<b>14</b>	<b>11,704,505</b>	<b>11,376,117</b>

**THE TESCO ATRATO LIMITED PARTNERSHIP****RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

		31 December 2017	31 December 2016
	Notes	£	£
Increase in cash and cash equivalents	14	328,388	263,640
Loans repaid	14	10,152,593	9,929,828
Fair value movement on derivative instrument	14	(9,864,723)	(100,924,355)
<b>(Increase)/Decrease in net debt</b>		<b>616,258</b>	<b>(90,730,887)</b>
Opening net debt	14	(662,693,826)	(571,962,939)
<b>Closing net debt</b>		<b>(662,077,568)</b>	<b>(662,693,826)</b>

## **THE TESCO ATRATO LIMITED PARTNERSHIP**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **1. 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 Deed on 26 February 2010.

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

The functional currency of the Partnership is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the Partnership operates

#### **2. Accounting policies**

##### **Basis of preparation**

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

The Partnership elected to adopt the fair value method for holding its Investment Property, as permitted under Section 16 of FRS 102. The fair value of the assets as at the date of transition was adopted as the deemed cost of the assets on transfer, as permitted under Section 35, paragraph 10 of FRS 102.

The Partnership has included the fair value of its hedging instruments within the Statement of Financial Position and hedging reserve, per Section 12 of FRS 102.

The general partner has, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operation existence for a period of at least 12 months from the date of signing in the financial statements; thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is continued in the general partners report on page 3.

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

In the application of the Partnership's accounting policies, which are described in Note 2, the General Partner is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

For the derivative instrument, management has applied its 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 that have a significant effect on amounts recognised in the financial statements.

## THE TESCO ATRATO LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

#### 2. Accounting policies (continued)

##### 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 2017.

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

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

##### Leases and rental income

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The properties owned by the Partnership are being leased out under operating leases. Rental income is recognised in the Profit and Loss Account when earned, with rent received in advance being deferred on the balance sheet. 100% of the rental income generated during the period was generated in the United Kingdom by letting out properties which are all located in the United Kingdom.

The Limited 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.

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

##### Financial instruments

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

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

##### (i) Financial assets and liabilities

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

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

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

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



## **THE TESCO ATRATO LIMITED PARTNERSHIP**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

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

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

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

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

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

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

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

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

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

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

#### **(ii) Derivative financial instruments**

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

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

#### **(iii) Fair value measurement**

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

## THE TESCO ATRATO LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

#### 2. Accounting policies (continued)

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

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

#### (iv) Hedge accounting

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

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

#### Cash flow hedges

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

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

#### Impairment of fixed assets

At each Statement of Financial Position date, the Partnership reviews the carrying amounts of the fixed assets to determine whether there is any need for impairment in accordance with Section 27 of FRS 102, "Impairment of Assets". Any impairment is recognised in the Profit and Loss Account in the period in which it occurs.

#### Allocation of profits and drawings

The net profits of the Partnership incurred in each period are divided between 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 period are borne by the partners in the same proportion that they share the balance of the net profits of the Partnership.

#### Interest payable and receivable

Interest payable and receivable is calculated on an accruals basis.

## THE TESCO ATRATO LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

#### 3. Operating profit

The General Partner received no emoluments in respect of its services to the Partnership (2016: £nil). The Partnership had no employees during the period (2016: none).

The auditor's remuneration in respect of audit services in the period amounted to £7,517 (2016: £7,517).

#### 4. Interest receivable and similar income

	31 December 2017	31 December 2016
Interest income from derivative financial instrument	4,667,084	5,545,028
Interest received on bank deposits	-	3,484
	<b>4,667,084</b>	<b>5,548,512</b>

The interest income from derivative financial instrument is related to the RPI linked swap.

#### 5. Interest payable and similar charges

	31 December 2017	31 December 2016
Interest payable on other loans	30,881,641	24,631,598
	<b>30,881,641</b>	<b>24,631,598</b>

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.

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

#### 6. Tax on Profit/(Loss) on Ordinary Activities

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

#### 7. Investment Properties

	31 December 2017	31 December 2016
Valuation:		
Opening balance	640,780,000	657,830,000
Revaluation	17,390,000	(17,050,000)
Closing balance	<b>658,170,000</b>	<b>640,780,000</b>

## THE TESCO ATRATO LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

#### 7. 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 2017. The valuation was carried out in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (RICS).

The General Partner is of the opinion that there are no factors indicating the fair value of the investment properties has changed significantly. 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 5.26 % with a rental income of £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 or enhancements.

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

	31 December 2017	31 December 2016
Accrued interest receivable*	-	1,177,899
Tesco Atrato Unit Trust	286,167	259,387
	<u>286,167</u>	<u>1,437,286</u>

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

In the prior financial year, accrued interest receivable of £1,177,899 (shown above) was also included in the value of the back-to-back swap arrangement shown in note 10. This has been corrected in the current year, where the accrued interest receivable has only been included in the value of the back-to-back swap arrangement shown in note 10.

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

	31 December 2017	31 December 2016
VAT	1,854,260	1,784,991
Accruals and deferred Income	8,892,038	8,688,046
Amounts owed to Group undertakings	5,000	5,000
Tesco Property Finance 2 PLC	10,799,598	10,152,593
	<u>21,550,896</u>	<u>20,630,630</u>

## THE TESCO ATRATO LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

#### 9. 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 2017.

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.

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

	31 December 2017	31 December 2016
Tesco Property Finance 2 PLC	478,920,890	489,720,488
Back-to-back swap arrangement	184,061,225	174,196,502
	<b>662,982,115</b>	<b>663,916,990</b>

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.

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.

#### 11. Financial Instruments

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

#### 11. Financial Instruments (continued)

## THE TESCO ATRATO LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (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 2017 and 2016, net debt was managed using derivative instruments to hedge RPI rate risk as follows:

	As at 31 December 2017			As at 31 December 2016		
	Fixed	Floating	Total	Fixed	Floating	Total
	£	£	£	£	£	£
Cash and cash equivalents	11,704,505	-	11,704,505	11,376,117	-	11,376,117
Other receivables	286,167	-	286,167	1,437,286	-	1,437,286
Long term borrowings	(489,720,488)	-	(489,720,488)	(499,873,081)	-	(499,873,081)
Back-to-back swap arrangements	- (184,061,225)	(184,061,225)		- (174,196,502)	(174,196,502)	
	(477,729,816)	(184,061,225)	(661,791,041)	(487,059,678)	(174,196,502)	(661,256,180)

#### Credit risk

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

The counterparty exposure under derivative contracts is £184,061,225 (2016: £174,196,502).

The Partnership considers its maximum credit risk to be £684,533,010 (2016: £684,547,620), 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 Statement of Financial Position dates. It does not reflect any change in sales or costs that may result from changing interest or exchange rates.

## THE TESCO ATRATO LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

#### 11. Financial Instruments (continued)

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.

#### 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 2017 and 31 December 2016 are as follows:

	Loans and receivables/ other financial liabilities	Fair value through other comprehensive income	Total
<b>At 31 December 2017</b>			
Cash and cash equivalent	11,704,505	-	11,704,505
Other receivables	286,167	-	286,167
Long term 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)
	<b>(488,481,114)</b>	<b>(184,061,225)</b>	<b>(672,542,339)</b>
<b>At 31 December 2016</b>			
Cash and cash equivalent	11,376,117	-	11,376,117
Other receivables	1,437,286	-	1,437,286
Long term borrowings	(499,873,081)	-	(499,873,081)
Derivatives back-to-back arrangement	-	(174,196,502)	(174,196,502)
Other payables	(10,478,037)	-	(10,478,037)
	<b>(497,537,715)</b>	<b>(174,196,502)</b>	<b>(671,734,217)</b>

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 2017 (continued)

#### 12. Cumulative partners account

Partners Accounts as at 31 December 2017	Partners' capital accounts	Hedging reserve	Profit and Loss reserve	Total
	£	£	£	£
Tesco Atrato (ILP) Limited	10,090	(92,381,209)	85,192,136	(7,178,983)
USS Atrato Unit Trust	10,090	(92,381,209)	85,192,136	(7,178,983)
Tesco Atrato (GP) Limited	20	(184,948)	170,555	(14,373)
<b>Total</b>	<b>20,200</b>	<b>(184,947,366)</b>	<b>170,554,827</b>	<b>(14,372,339)</b>

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

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

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

	31 December 2017	31 December 2016
	£	£
Operating profit	53,547,299	18,472,754
Reversal of fair value movement on investment property	(17,390,000)	17,050,000
Change in Debtors	(26,781)	(37,732)
Change in creditors	273,262	154,928
<b>Net cash inflow from operating activities</b>	<b>36,403,780</b>	<b>35,639,950</b>



## THE TESCO ATRATO LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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

	1 January 2016	Net cash flow	Non cash movement	31 December 2016
	£	£	£	£
Cash at bank and in hand	11,112,477	263,640	-	11,376,117
Debt due within one year	(9,929,828)	9,929,828	(10,152,953)	(10,152,953)
Debt due after one year	(573,145,588)	-	(90,771,402)	(663,916,990)
	(571,962,939)	10,193,468	(100,924,355)	(662,693,826)

	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)

#### 15. Receivables under operating lease

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

	31 December 2017	31 December 2016
Within 1 year	37,728,248	36,395,193
2 to 5 years	150,912,994	145,580,772
After 5 years	634,473,686	648,450,964
	823,114,928	830,426,929

## THE TESCO ATRATO LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

#### 16. 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 and copies of the Tesco PLC financial statements can be obtained from the Company Secretary, Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, 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, Universities Superannuation Scheme Limited, 3rd Floor, Royal Liver Building, Liverpool, L3 1PY.

#### 17. Related Party Transactions and balances

Entity	Relationship	Transaction
Tesco Stores Limited	Subsidiary of joint venture partner	The Partnership recognised rental income of £ 36,759,580 (2016: £36,032,458)
Spen Hill Management Limited	Subsidiary of joint venture partner	Paid expenses of £ 313,018 (2016: £ 311,581) in the period for property management services
Tesco Atrato Unit Trust	Subsidiary of joint venture partner	Paid expenses on behalf of the Tesco Atrato Unit Trust of £26,780 (2016: £37,732). Also £286,167 (2016: £259,387) is owed as at the period end.
Tesco Atrato (GP) Limited	General partner	£ 1,000 (2016: £1,000) owed to the Tesco Atrato (GP) Limited
Tesco Property Finance 2 PLC	Subsidiary of joint venture partner	Loan repayable of £489,720,486 (2016: £499,873,081).