

TESCO NAVONA (1LP) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017
Registered Number: 07459436

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TESCO NAVONA (1LP) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

The Directors present their Annual Report and the audited financial statements of Tesco Navona (1LP) Limited (the "Company") for the 52 weeks ended 25 February 2017 (Prior period: 52 weeks ended 27 February 2016).

Review of the business

The principal activity of the Company is to act as the holding company for Tesco PLC's investment in The Tesco Navona Limited Partnership. There has been no significant change in the nature or level of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

Results and dividends

The results for the period also show a pre-tax result of £nil (2016: £nil) and a profit after tax of £99,832 (2016: profit after tax of £82,000).

The Company had net assets of £40,475 at the period end (2016: net liabilities of £59,357) and net current assets of £30,475 at the period end (2016: £nil).

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

Principal risks and uncertainties

The principal activity of the Company is to act as a holding company and therefore its principal risks relate to the carrying value of the investments that the Company holds. To manage this risk, the Company reviews the performance of those companies in which it holds its investments.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Tesco PLC Group (the "Group") and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Company, are discussed on pages 26 to 30 of the Tesco PLC Annual Report and Financial Statements 2017 which does not form part of this Report.

Business risk

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

Political donations

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

Future outlook

There has been no significant change in the nature or level of activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

The Company's future developments form a part of the Group's long term strategy which is discussed on pages 6 to 10 of the Tesco PLC Annual Report and Financial Statements 2017, which does not form part of this Report.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the accounts have been prepared on a going concern basis.

Research and development

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

TESCO NAVONA (1LP) LIMITED

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

Employees

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

Strategic Report

The Directors have taken advantage of the exemption provided by section 414B of the Companies Act 2006 from preparing the Strategic Report. Section 414B allows for small companies that would not be entitled to the exemption for being part of an ineligible group, to be exempt from the preparation of the Strategic Report.

Directors and their interests

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

A Clark

J Gibney

Tesco Services Limited

Directors' indemnities

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

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 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.

TESCO NAVONA (1LP) LIMITED

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

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

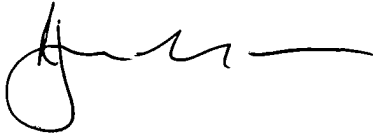
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have been deemed re-appointed as auditor under section 487(2) of the Companies Act 2006.

On behalf of the Board 15 August 2017.



Robert Welch, for and on behalf of Tesco Services Limited, Director
Tesco Navona (1LP) Limited

Registered Number: 07459436

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

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF TESCO NAVONA (1LP) LIMITED

We have audited the financial statements of Tesco Navona (1LP) Limited for the period ended 25 February 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF TESCO NAVONA
(ILP) LIMITED (continued)**

Matters on which we are required to report by exception

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

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

Rebecca Drew

Rebecca Drew (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

Date: 15 August 2017

TESCO NAVONA (ILP) LIMITED

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

| | Notes | 52 weeks to 25 February 2017 £ | 52 weeks to 27 February 2016 £ |
|---|-------|---|---|
| Operating result | | - | - |
| Result before taxation | 3 | - | - |
| Tax credit on result | 4 | 99,832 | 82,000 |
| Profit and total comprehensive income for the financial period | | 99,832 | 82,000 |

All operations are continuing for the financial period

The notes on pages 8 to 13 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

| | Called up share capital £ | Profit and loss account £ | Total shareholder's (deficit)/funds £ |
|---|------------------------------------|---------------------------------|--|
| At 28 February 2015 | 10,000 | (151,357) | (141,357) |
| Total comprehensive income for the period | - | 82,000 | 82,000 |
| At 27 February 2016 | 10,000 | (69,357) | (59,357) |
| Total comprehensive income for the period | - | 99,832 | 99,832 |
| At 25 February 2017 | 10,000 | 30,475 | 40,475 |

TESCO NAVONA (1LP) LIMITED

BALANCE SHEET AS AT 25 FEBRUARY 2017

| | | 25 February 2017 | 27 February 2016 |
|--|-------|---------------------|---------------------|
| | Notes | £ | £ |
| Fixed assets | | | |
| Investments | 5 | 10,000 | 10,000 |
| Current assets | | | |
| Deferred tax asset | 6 | 30,475 | - |
| Net current assets | | 30,475 | - |
| Total assets less current liabilities | | 40,475 | 10,000 |
| Non-current liabilities | | | |
| Deferred tax liability | 6 | - | (69,357) |
| Net assets/(liabilities) | | 40,475 | (59,357) |
| Capital and reserves | | | |
| Called up share capital | 7 | 10,000 | 10,000 |
| Profit and loss account | | 30,475 | (69,357) |
| Total shareholder's funds/(deficit) | | 40,475 | (59,357) |

The notes on pages 8 to 13 form part of these financial statements.

These financial statements on pages 6 to 13 were approved by the Board of Directors and authorised for issue on 15 August 2017 and were signed on its behalf by:



Robert Welch, for and on behalf of Tesco Services Limited, Director
Tesco Navona (1LP) Limited
Registered Number: 07459436

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

TESCO NAVONA (1LP) LIMITED

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

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Tesco Navona (1LP) Limited for the period ended 25 February 2017 were authorised for issue by the Board of Directors on 15 August 2017 and the balance sheet was signed on the Board's behalf by Robert Welch, for and on behalf of Tesco Services Limited. Tesco Navona (1LP) Limited is a private company limited by shares and incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) issued by the Financial Reporting Council and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention and the Companies Act 2006.

The results of the Company are included in the consolidated financial statements of Tesco PLC which are available from Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA.

The functional currency of Tesco Navona (1LP) Limited is considered to be pound sterling because that is the currency of the primary economic environment in which the Company operates.

2. ACCOUNTING POLICIES

Basis of preparation of financial statements

Tesco Navona (1LP) Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA.

The Company is a qualifying entity for the purposes of FRS 101. Note 8 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations.

The disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

- The requirements of paragraphs 10(d), 10(f), 39(c), 40(a) and 134-136 of IAS1 Presentation of financial statements;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Changes in accounting policy and disclosures

There are no IFRSs or IFRIC interpretations adopted for the first time in the current period which had a material impact on the Company.

TESCO NAVONA (ILP) LIMITED

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

2. ACCOUNTING POLICIES (continued)

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Fixed asset investments

Investments in subsidiaries and associates are stated at cost plus incidental expenses less where appropriate provisions for impairment.

Impairment of investments

The Company has determined its investment in each entity as a separate cash-generating unit for impairment testing. Where there are indicators of impairment, the Company performs an impairment test. Recoverable amounts for cash-generating units are based on the higher of value in use and fair value less costs of disposal. Value in use is calculated from cash flow projections generally over five years using data from the Company's latest internal forecasts, and extrapolated beyond five years using estimated long-term growth rates.

Financial instruments

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

Taxation

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

Group relief on taxation

The Company may receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the Statement of Comprehensive Income.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

TESCO NAVONA (1LP) LIMITED

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

2. ACCOUNTING POLICIES (continued)

Deferred tax (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to the sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: (a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described as above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The Directors do not consider that any of the estimates made within these financial statements are significant.

3. RESULT BEFORE TAXATION

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 £3,075 (2016: £3,075) for the current period was borne by Tesco Stores Limited.

TESCO NAVONA (1LP) LIMITED

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

4. TAX ON RESULT

Factors that have affected the tax charge

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax to 20% from 1 April 2015 to 31 March 2017 and to 19% from 1 April 2017 to 31 March 2020. The blended rate for the period is therefore 20%. From 1 April 2020, the rate will be reduced to 17%, in accordance with Finance Act 2016.

| | 52 weeks to 25 February 2017 | 52 weeks to 27 February 2016 |
|---|------------------------------------|------------------------------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax on result for the financial period | - | - |
| Total current tax | - | - |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (112,917) | (148,212) |
| Effect of decrease in tax rate on opening liability | 13,085 | 66,212 |
| Adjustments in respect of previous periods | - | - |
| Total deferred tax | (99,832) | (82,000) |
| Total income tax credit | (99,832) | (82,000) |

| | 52 weeks to 25 February 2017 | 52 weeks to 27 February 2016 |
|---|------------------------------------|------------------------------------|
| | £ | £ |
| Result before tax | - | - |
| Result multiplied by blended rate in the UK 20% (2016: 20.1%) | - | - |
| Effects of: | | |
| Expenses not deductible for tax purposes | 25,689 | (15,954) |
| Group relief (claimed)/surrendered without payment | 925,004 | 931,352 |
| Allowable share of commutation payment | (1,063,610) | (1,063,610) |
| Impact of rate change | 13,085 | 66,212 |
| Total income tax credit for the period | (99,832) | (82,000) |

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 substantively 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.

TESCO NAVONA (1LP) LIMITED

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

5. FIXED ASSET INVESTMENTS

| | Company £ |
|--------------------------------|---------------|
| Cost and net book value | |
| At 27 February 2016 | 10,000 |
| At 25 February 2017 | 10,000 |

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

Details of the principal associated undertaking at the period end are as follows:

| Associated undertaking | Registered office address | % Interest held | Direct/Indirect holding | Nature of business |
|--------------------------------------|---|-----------------|-------------------------|---------------------|
| The Tesco Navona Limited Partnership | Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA | 49.95% | Direct | Property investment |

6. DEFERRED TAX

| | Property related items £ | Short-term timing differences £ | Conversion adjustment £ | Total £ |
|--|-----------------------------------|--|-------------------------------|---------------|
| At 27 February 2016 | (344,141) | 341,310 | (66,526) | (69,357) |
| Origination and reversal of timing differences | | | | |
| In respect of the current period | (47,502) | 152,207 | 8,213 | 112,918 |
| Impact of rate change | 26,244 | (41,793) | 2,463 | (13,086) |
| At 25 February 2017 | (365,399) | 451,724 | (55,850) | 30,475 |

TESCO NAVONA (1LP) LIMITED

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

7. CALLED UP SHARE CAPITAL

| | 25 February 2017 £ | 27 February 2016 £ |
|-------------------------------------|--------------------------|--------------------------|
| Allotted, called up and fully paid: | | |
| 10,000 Ordinary shares of £1 each | 10,000 | 10,000 |

8. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Tesco Property Holdings Limited.

The Company's ultimate parent undertaking is Tesco PLC which is registered in England and Wales. The results of the Company are included in the consolidated financial statements of Tesco PLC, which is the smallest and largest group into which the company consolidates these financial statements. Copies of the Tesco PLC financial statements are available from its registered office: The Company Secretary, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA.

9. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.