TESCO SARUM (GP) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

REGISTERED NUMBER: 07849882

TESCO SARUM (GP) LIMITED

DIRECTOR'S REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

The Directors present their Report and the audited consolidated financial statements of Tesco Sarum (GP) Limited (the "Parent Company") and its subsidiaries (together the "Group") for the 53 weeks ended 29 February 2020 (prior period: 52 weeks ended 23 February 2019 ("2019")).

Business review and principal activity

The principal activity of the Parent Company is to act as a holding company for the other entities in The Tesco Sarum Limited Partnership Group. The principal activity of The Tesco Sarum Limited Partnership is to carry out property investment in retail stores and mixed use units 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 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 the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102').

Results and dividends

The results for the 53 weeks ended 29 February 2020 show a profit before tax of £738 (2019: £370) and a profit after tax of £612 (2019: £308). The Group has net assets at the period end of £204,240 (2019: £203,628) and has net current assets at the period end of £208,220 (2019: £207,608).

The Group received distribution income of £nil (2019: £nil)

The Directors do not recommend payment of a dividend for the period ended 29 February 2020 (2019: £nil).

Future developments

The Group's future developments form a part of the Tesco PLC Group (the "PLC Group") long term strategy, which is discussed on page 5 of the Tesco PLC Annual Report and Financial Statements 2020, which does not form a part of this Report.

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

Principal risks and uncertainties

The Group companies within the Parent Company are dormant, the principal risks of the Parent Company are the sole risks to the Group.

From the perspective of the Parent Company the principal risks and uncertainties are integrated with the principal risks of Tesco PLC Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Tesco PLC Group which include the Parent Company and Group are discussed on pages 13 to 18 of the Tesco PLC Annual Report and Financial Statements 2020 which do not form a part of this Report.

No impairment losses were recognised during the period (2019: £nil).

The Parent Company's activities expose it to risks and uncertainties as summarised below and discussed in more details in the prospectus under the section risk factors. Risk management is predetermined based on the terms of the Prospectus and is also summarised below.

Business risk

Uncertainty around the UK's future trading relationship with the EU and a failure to prepare for all eventualities could have an adverse effect on our primary business, its financial results and operations. The PLC Group Board will continue to assess and monitor the potential risks and impacts on the Parent Company and its stakeholders as a whole, while taking mitigation measures to address challenges as appropriate.

Subsequent to the balance sheet date. the World Health Organisation declared a pandemic on 11 March. The nature of the Group's operations is such that COVID-19 does not have a material impact upon the business. because the investment in the Partnership is not considered impaired.

Going concern

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

The Directors consider that the Group is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

Events after the reporting period

Details of events after the reporting period can be found in Note 16 to the financial statements.

Political donations

There were no political donations for the period (2019: £nil) and the Parent Company did not incur any political expenditure (2019: £nil).

Research and development

The Group does not undertake any research and development activities (2019: none).

Financial risk management

The Group and Parent Company's activities are exposed to a number of financial instrument risks which includes credit risk and liquidity risk.

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 receivables of the Parent Company are primarily pertaining to receivables from Group undertakings, hence credit risk is determined to be low.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities. The payables of the Parent Company are primarily pertaining to payables to Group undertakings, the liquidity risk is determined to be low.

Strategic Report

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

Employees

The Group had no employees during the period (2019: none).

Directors

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

Tesco Services Limited
M&R Sarum 3 Limited
M&R Sarum 4 Limited
A Soni
J Gibney

None of the Directors had any disclosable interests in the Parent Company during the 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 their office, to the extent permitted by law.

TESCO SARUM (GP) LIMITED

DIRECTOR'S REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

Directors (continued)

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of the M&R Sarum 3 Limited and M&R Sarum 4 Limited in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which 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.

Disclosure of information to auditor

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

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

Cautionary Statement regarding forward-looking information

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

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual 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 period. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with FRS 102 "The Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland" and applicable law.

Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group's and Company's will continue in business.

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

TESCO SARUM (GP) LIMITED

DIRECTOR'S REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

Independent auditor

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

Approved by the Board on 21 August 2020, and signed on behalf of the Board by:

Robert Welch

Robert Welch
For and on behalf of Tesco Services Limited
Tesco Sarum (GP) Limited
Registered Number: 07849882
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 29 February 2020 and of the Group's profit for the period 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 which comprise:

- the Group Profit and Loss Account;
- the Group and Parent Company Balance Sheet;
- the Group and Parent Company Statement of Changes in Equity;
- the Group Cash Flow Statement; and
- the related Notes 1 to 16.

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

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Director's 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.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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.

Simon Letts FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St. Albans, United Kingdom
21 August 2020

TESCO SARUM (GP) LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

	Notes	**53 weeks ended 29 February 2020 £**	52 weeks ended 23 February 2019 £
Operating result	4		
Interest receivable and similar income	5	**738**	370
Profit before tax		**738**	370
Tax charge	6	**(126)**	(62)
Profit for the financial period		**612**	308

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

All operations are continuing for the current financial period.

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

The notes on pages 13 to 22 form part of these financial statements.

TESCO SARUM (GP) LIMITED

GROUP AND PARENT COMPANY BALANCE SHEETS AS AT 29 FEBRUARY 2020

		Group		Parent Company	
		29 February 2020	23 February 2019	**29 February 2020**	23 February 2019
	Notes	**£**	£	**£**	£
Fixed asset					
Investments	8	**20**	20	**220**	220
		20	20	**220**	220
Current assets					
Debtors: amounts falling due within one year	9	**4,000**	4,000	**1,000**	1,000
Deferred tax asset	7	**80**	206	**80**	206
Cash at bank and in hand		**295,959**	295,221	**295,758**	295,020
		300,039	299,427	**296,838**	296,226
Creditors: amounts falling due within one year	10	**(91,819)**	(91,819)	**(91,818)**	(91,818)
Net current assets		**208,220**	207,608	**205,020**	204,408
Total assets less current liabilities		**208,240**	207,628	**205,240**	204,628
Creditors: amounts falling due after more than one year	11	**(4,000)**	(4,000)	**(1,000)**	(1,000)
Net assets		**204,240**	203,628	**204,240**	203,628
Capital and reserves					
Called up share capital	13	**10,000**	10,000	**10,000**	10,000
Share premium		**192,842**	192,842	**192,842**	192,842
Profit and loss account		**1,398**	786	**1,398**	786
Total shareholders' funds		**204,240**	203,628	**204,240**	203,628

The Parent Company's total profit for the financial period ended 29 February 2020 is £612 (2019: £308).

The notes on pages 13 to 22 form part of these financial statements.

The financial statements on pages 8 to 22 were approved by the Board and authorised for issue on 21 August 2020. They were signed on its behalf by:

Robert Welch

Robert Welch
For and on behalf of Tesco Services Limited
Tesco Sarum (GP) Limited
Registered Number: 07849882
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

GROUP AND PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

	Called up Share Capital* £	Share premium £	Profit and loss account £	Total £
Balance as at 24 February 2018	10,000	192,842	478	203,320
Profit and total comprehensive income for the financial period	-	-	308	308
Balance as at 23 February 2019	10,000	192,842	786	203,628
Profit and total comprehensive income for the financial period	-	-	**612**	**612**
Balance as at 29 February 2020	**10,000**	**192,842**	**1,398**	**204,240**

*See Note 13 for a breakdown of the share capital.

The notes on pages 13 to 22 form part of these financial statements.

GROUP CASH FLOW STATEMENT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

	53 weeks ended 29 February 2020 £	52 weeks ended 23 February 2019 £
Cash flow from investing activities		
Interest received	**738**	370
Net cash flows from investing activities	**738**	370
Cash and cash equivalents at the start of the period	**295,221**	294,851
Cash and cash equivalents at the end of the period	**295,959**	295,221

The notes on pages 13 to 22 are an integral part of these financial statements.

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

	Notes	**53 weeks ended 29 February 2020 £**	52 weeks ended 23 February 2019 £
Increase in cash and cash equivalents	12	**738**	370
Opening net debt		**199,402**	199,032
Closing net debt		**200,140**	199,402

The notes on pages 13 to 22 are an integral part of these financial statements.

1. Statement of compliance

The financial statements of Tesco Sarum (GP) Limited (the "Parent Company") and its subsidiaries (together the "Group") have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 on a going concern basis under the historical cost convention.

2. General information

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

The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom. The nature of the Parent Company's and the Group's operations and its principal activities are set out in the Directors Report on pages 1 to 4. Details of the Parent Company's subsidiaries are set out in Note 8.

The financial statements of the Company for the 53 weeks period ended 29 February 2020 were approved by the Board of Directors on 21 August 2020 and the Balance Sheet was signed on the Board's behalf by Robert Welch.

The functional and presentational currency of the Parent Company and the Group is Pound Sterling (£) because that is the currency of the primary economic environment in which the Parent Company and the Group operates. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year, unless otherwise stated.

3. Accounting policies

a) Basis of consolidation

The Group financial statements consolidate the financial statements of the Parent Company and its subsidiary undertakings.

The financial period represents 53 weeks ended 29 February 2020 (prior financial period: 52 weeks ended 23 February 2019). For the subsidiaries, the financial period is also 53 weeks ended 29 February 2020 (prior financial period: 52 weeks ended 23 February 2019).

The results of subsidiary undertakings acquired are included from the date of acquisition until the date on which the Parent Company ceases to control the subsidiary. Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

As Consolidated Group Profit and Loss Account is published, a separate Profit and Loss Account for the Parent company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. The Group has taken the exemption to prepare a Parent Company Cash Flow Statement as this has been prepared on a Group basis.

b) Going concern

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

Therefore, the Directors consider that the Group is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

3. Accounting policies (continued)

c) Critical accounting judgements and key sources of estimation uncertainty

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

Refer Note 16 for details on the judgement of the impacts of COVID-19. There are no other judgements that have a significant effect on amounts recognised in the financial statements.

d) Significant accounting policies

The principal activity of the Parent Company is to act as a holding company for the other entities in The Tesco Sarum Limited Partnership Group. The principal activity of The Tesco Sarum Limited Partnership is to carry out property investment in retail stores and mixed use units for which a rental income is received.

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

Impairment of investments
At each Balance Sheet date, the Group and the Parent Company reviews the carrying amounts of 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 period in which it occurs.

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

Financial assets

Initial recognition and measurement

The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised on initial measurement at transaction price including directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash, trade and other receivables and unquoted financial investments.

Subsequent measurement

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

Debtors

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

3. Accounting policies (continued)

d) Significant Accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Initial recognition and measurement

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at transaction cost and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

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

Creditors

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

De-recognition of financial instruments

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

Investment income

Income received from investments is the cash distribution of the Parent Company's share of the profits in its fixed asset investments. Investment income is recognised when the Parent Company has the right to receive the distributions from its investments.

Income taxes

Current taxation

Current tax, including United Kingdom (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. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Profit and Loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Group tax relief

The Parent Company may receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the Profit and Loss Account.

3. Accounting policies (continued)

d) Significant Accounting policies (continued)

Income taxes (continued)

Deferred tax

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

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

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the 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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting 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 Group 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.

Cash at bank and in hand

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

4. Operating result

The Directors received no emoluments for their services to the Group (2019: £nil).

The Group and Parent Company had no employees during the period (2019: none).

The auditor's remuneration of £4,100 (2019: £4,100) for the current period and prior period was borne by The Tesco Sarum Limited Partnership. The non-audit fees for the period is £nil (2019: £nil)

5. Interest receivable and similar income

	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	£	£
Interest receivable on bank deposits	**738**	370
	738	370

6. Tax charge on profit

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

The standard rate of corporation tax in the UK at the balance sheet date is 19% from 1 April 2017, and 17% from 1 April 2020. This gives a corporation tax rate for the Company for the full period of 19% (2019: 19 %). Post the balance sheet date, legislation has been substantively enacted to repeal the reduction of the main corporation tax rate, thereby maintaining the current rate at 19%. These financial statements do not reflect the impact of this change as it was not substantively enacted by the balance sheet date

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 8.

(b) Tax charge/(credit) in the Profit and Loss Account

The analysis of the charge/(credit) for the period is as follows:

	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	£	£
Current income tax:		
UK corporation tax on profit for the financial period	-	-
Total current income tax charge/(credit)	-	-
Deferred tax charge/(credit):		
- Current year	**141**	70
- Impact of rate change adjustment	**(15)**	(8)
- Adjustments in respect of prior periods	-	-
Total deferred tax charge/(credit)	**126**	62
Tax charge/(credit) in the Profit and Loss Account	**126**	62

6. Tax charge on profit (continued)

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

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

	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	£	£
Profit before tax	**738**	370
Tax charge at standard UK corporation tax rate of 19% (2019: 19%)	**141**	70
Effects of:		
- Adjustments in respect of prior periods	**-**	-
- Impact of rate change adjustment	**(15)**	(8)
Total tax charge/(credit)	**126**	62

7. Deferred tax asset

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

Deferred tax asset	**Short-term timing differences**	**Conversion adjustment**	**Accelerated capital allowance**	**Tax losses**	**Total**
	£				**£**
At 23 February 2019	**999**	**(56)**	**(1,829)**	**1,092**	**206**
Origination and reversal of temporary differences					
- In respect of the current period	**215**	**10**	**(149)**	**(217)**	**(141)**
- In respect of previous periods					
- Rate Change	**(23)**	**(1)**	**16**	**23**	**15**
At 29 February 2020	**1,191**	**(47)**	**(1,962)**	**898**	**80**

Deferred tax asset	**Short-term timing differences**	**Conversion adjustment**	**Accelerated capital allowance**	**Tax losses**	**Total**
	£				**£**
At 24 February 2018	824	(65)	(1,652)	1,161	268
Origination and reversal of temporary differences					
- In respect of the current period	195	10	(198)	(77)	(70)
- In respect of previous periods	-	-	-	-	-
- Rate Change	(20)	(1)	21	8	8
At 23 February 2019	999	(56)	(1,829)	1,092	206

7. Deferred tax asset (continued)

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

8. Investments

	Group	Parent Company
	£	£
Cost		
At 23 February 2019	20	220
At 29 February 2020	**20**	**220**
Net book value		
At 23 February 2019	20	220
At 29 February 2020	**20**	**220**

The Directors believe that the carrying value of the investments is supported by the underlying net assets as the subsidiaries holds the legal title and the economic rights to all the investment property leased by The Tesco Sarum Limited Partnership. In assessing the valuation of its fixed asset investments, the Directors review the underlying net assets of each subsidiary, its profit for the period as well as the future economic benefits to be generated from such net assets. In accordance with the Companies Act 2006 information on the Parent Company's and Group's investments are set out below.

Details of the Parent Company's subsidiary undertakings at the period end are as follows:

Subsidiary undertakings	Registered Office & country of incorporation	Share Class	% Ordinary Shares held	Direct/Indirect holding	Nature of business
Tesco Sarum (Nominee Holdco) Limited	Tesco House Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom	£ 1.00 Ordinary Shares	100%	Direct	Holding Company
Tesco Sarum (Nominee 1) Limited	Tesco House Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom	£ 1.00 Ordinary Shares	100%	Indirect	Nominee Company
Tesco Sarum (Nominee 2) Limited	Tesco House Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom	£ 1.00 Ordinary Shares	100%	Indirect	Nominee Company

Details of the Parent Company's and Group's other undertakings at the period end are as follows:

Investment in other undertakings	% Interest held	Nature of business	Registered office & country of incorporation
The Tesco Sarum Limited Partnership	0.1%	Property Investment	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

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

The Parent Company owns 100% investments in Tesco Sarum (Nominee Holdco) Limited (£200 Ordinary shares) and 0.1% equity investment in The Tesco Sarum Limited Partnership (£20 Partners' Capital).

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

9. Debtors: amounts falling due within one year

	Group		Parent Company	
	29 February 2020 £	23 February 2019 £	**29 February 2020 £**	23 February 2019 £
The Tesco Sarum Limited Partnership	**4,000**	4,000	**1,000**	1,000
	4,000	4,000	**1,000**	1,000

Amounts owed by The Tesco Sarum Limited Partnership are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

10. Creditors: amounts falling due within one year

	Group		Parent Company	
	29 February 2020 £	23 February 2019 £	**29 February 2020 £**	23 February 2019 £
Spen Hill Regeneration Limited	**1**	1	**-**	-
The Tesco Sarum Limited Partnership	**91,818**	91,818	**91,818**	91,818
	91,819	91,819	**91,818**	91,818

Amounts owed to The Tesco Sarum Limited Partnership and Spen Hill Regeneration Limited are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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

	Group		Parent Company	
	29 February 2020 £	23 February 2019 £	**29 February 2020 £**	23 February 2019 £
Tesco Property Finance 5 PLC	**4,000**	4,000	**1,000**	1,000
	4,000	4,000	**1,000**	1,000

On 31 January 2012, the Parent Company entered into a loan agreement with Tesco Property Finance 5 PLC. The loan is interest free, unsecured and is repayable within one month of 10 October 2041. No early repayment is permitted.

12. Analysis of changes in Net debt

	23 February 2019 £	Net cash flow	29 February 2020 £
Cash at bank and in hand	295,221	738	295,959
Creditors	(95,819)	-	(95,819)
	199,402	**738**	**200,140**

	24 February 2018 £	Net cash flow	23 February 2019 £
Cash at bank and in hand	294,851	370	295,221
Creditors	(95,819)	-	(95,819)
	199,032	370	199,402

13. Called up share capital

	Group and Parent Company	
	29 February 2020 £	23 February 2019 £
Allotted, called up and fully paid: 5,000 Ordinary 'A' shares of £1 each (2019: 5,000 Ordinary 'A' shares of £1 each)	**5,000**	5,000
Allotted, called up and fully paid: 5,000 Ordinary 'B' shares of £1 each (2019: 5,000 Ordinary 'B' shares of £1 each)	**5,000**	5,000
	10,000	10,000

'A' shares and 'B' shares each constitute a separate class of shares. Both classes of shares have the same rights and rank pari passu in all respects. The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

14. Ultimate parent undertaking and controlling party

Tesco Property Holdings (No. 2) Limited and Sarum (TCC) Limited are the Company's immediate parent undertakings, as part of a joint venture, each of which have 50% stake in the Parent Company

Tesco PLC and Mills & Reeve Trust Corporation Limited are the Parent Company's ultimate parent undertakings, as part of a joint venture. Tesco PLC is registered in England and Wales. Copies of the Tesco PLC Annual Report and financial statements are available from the Company Secretary at the registered office: Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom. Mills & Reeve Trust Corporation Limited is registered in England and Wales. Copies of Mills & Reeve Trust Corporation Limited financial statements can be obtained from the registered address: 1, St. James Court, Whitefriars, Norwich. NR3 1RU.

15. Related party transactions

During the 53 weeks period ended 29 February 2020 the Parent Company entered into transactions with related parties, in the ordinary course of business. Transactions entered into, and balances outstanding at 29 February 2020, are as follows:

Entity	Relationship	Transaction and Balances
The Tesco Sarum Limited Partnership	Investment in Partnership firm	At the period end the amount due to The Tesco Sarum Limited Partnership by Group is £91,818 (2019: £91,818) and amount of £4,000 (2019: £4,000) receivable from The Tesco Sarum Limited Partnership as at the period end. At the period end the amount due to The Tesco Sarum Limited Partnership by the Parent Company is £91,818 (2019: £91,818) and amount of £1,000 (2019: £1,000) receivable from The Tesco Sarum Limited Partnership as at the period end. The Group and Parent Company received distribution income of £nil (2019: £nil) from The Tesco Sarum Limited Partnership.

Reference to balance disclosed outstanding at the period end are disclosed in notes 9, 10 and 11.

16. Events after the reporting period

In light of the COVID-19 pandemic, the Company has considered whether any adjustments are required to reported amounts in the financial statements. As at the balance sheet date, no global pandemic had been declared, the UK was still in the 'containment' phase, large global share price falls had not yet occurred, and larger-scale outbreaks had not occurred in countries where the company operates. The full ramifications of COVID-19, and the extent of Government interventions in response, were not apparent.

Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11 March, the UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The first large falls in stock markets occurred in early March, and Tesco introduced a '3 items only' limit on purchases on 19 March in response to customer demand. The Company has therefore concluded that the necessity for large scale Government interventions in response to COVID-19 only became apparent after the balance sheet date and therefore that the consequences of such interventions represent non-adjusting post balance sheet events.

THE TESCO SARUM LIMITED PARTNERSHIP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

Registered Number: LP014787

7849882

THE TESCO SARUM LIMITED PARTNERSHIP

STRATEGIC REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

Tesco Sarum (GP) Limited (the "General Partner") presents its Strategic Report of The Tesco Sarum Limited Partnership (the "Partnership") for the 53 weeks ended 29 February 2020 (prior period: 52 weeks ended 23 February 2019 ("2019")).

Business review and principal activity

The principal activity of the Partnership is to carry out property investment in retail stores and mixed use units 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 the Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland ('FRS 102').

Results and distributions

The results for the period show a profit after tax of £12,134,281 (2019: £8,380,691), total comprehensive income of £31,321,559 (2019: £7,542,616) and rental income of £27,967,908 (2019: £26,538,281).

During the period the Partnership distributed £nil (2019: £nil).

The Partnership has net assets of £37,561,675 (2019: £6,240,116) at the period end and net current liabilities of £1,552,902 (2019: £1,660,526).

The General Partner does not consider this a going concern risk as future rental income streams are guaranteed through a Retail Price Index ("RPI") linked swap to ensure that the Partnership can meet its financial obligations. With the swap arrangement deemed to be commercially viable, the General Partner believes that the Partnership will continue as a going concern.

Key performance indicators (KPIs)

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

The development, performance and position of the operations of the Tesco PLC Group (the "Group"), which includes the Partnership, is discussed on page 12 of the Tesco PLC Annual Report and Financial Statements 2020 which does not form a part of this Report.

Future developments

The Partnership's future developments form a part of the Group's long term strategy, which is discussed on page 5 of the Tesco PLC Annual Report and Financial Statements 2020, which does not form a part of this Report. The Partnership's performance is expected to continue throughout the next financial period and it is anticipated that the current performance levels will be maintained.

Principal risks and uncertainties

The Partnership's activities expose it to risks and uncertainties as summarised below. The Partnership's financial instruments comprise the Partnership loan and an RPI linked swap arrangement.

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.

From the perspective of the Partnership, 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 Partnership, are discussed on pages 13 to 18 of the Tesco PLC Annual Report and Financial Statements 2020, which do not form part of this Report.

Business risk

Uncertainty around the UK's future trading relationship with the EU and a failure to prepare for all eventualities could have an adverse effect on our primary business, its financial results and operations. The Tesco PLC Board will continue to assess and monitor the potential risks and impacts on the Partnership and its stakeholders as a whole, while taking mitigation measures to address challenges as appropriate.

Subsequent to the balance sheet date, the World Health Organization declared a pandemic on 11 March. The Partnership is, by virtue of the tenants of its investment properties, exposed to the impact of the pandemic.

The Partnership's principal business relationships are with the Tesco PLC Group companies which, by nature of their business, continue to operate as essential businesses during the pandemic. This serves to mitigate some of the risk the Partnership is exposed to.

The full financial impact of the pandemic for 2020/21 is impossible to predict with a high degree of certainty. The General Partner continues to assess, monitor and, where possible mitigate the risks and impacts of the pandemic upon the Partnership and its stakeholders.

Financial risk management

The main risks associated with the Partnership's financial assets and liabilities are set out below:

Credit risk

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

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

Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting its obligations associated with its financial liabilities. The principal risks and uncertainties are related to property investment in the retail store and mixed use units; and the obligation to make repayments against the loans when due. These risks include the exposure to fluctuations in the fair market value and the occupancy of the investment properties.

The Partnership manages this using a managing agent, who manages its occupational leases and actively manages the receipt of arrears for the Partnership.

Cash flow risk

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

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires directors to have regard to, amongst other matters, the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made.

Those factors for example include the interests and views of our leaseholders, joint venture Partners, members of the Tesco Group and our relationship with our lenders. By considering the Limited Partnership's purpose, together with its strategic priorities and having a process in place for decision-making, we aim to make sure that decisions are consistent and appropriate in all the circumstances.

We delegate authority for day-to-day management of the Partnership to the General Partner's senior management. Board meetings are held periodically where the Partnership considers its activities and makes decisions. As a part of those meetings the Partners receive information in a range of different formats which includes information relevant to section 172 matters when making relevant decisions. For example, each year we make an assessment of the strength of the Partnership's balance sheet and future prospects relative to market uncertainties, ensuring that future liabilities can be met.

As a Limited Partnership, the principal activity of the Partnership is to carry out property investment in retail stores and mixed use units for which a rental income is received, the Partnership has had no commercial business, and no employees, customers or suppliers during the period and as such the breadth of stakeholder considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the Partnership. The Partnership's key stakeholders are its joint venture Partners, leaseholders, debtors and creditors.

In accordance with requirements this section 172(1) statement will be published on the Tesco PLC website at www.tescoplc.com.

Approved by the General Partner on 21 August 2020 and signed on behalf of the General Partner by:

Robert Welch

Robert Welch
Director, Tesco Services Limited
For and on behalf of the General Partner
Tesco Sarum (GP) Limited
Registered Number: 07849882

Registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United KingdomTesco Sarum (GP) Limited (the "General Partner") presents its Report and the audited financial statements of The Tesco Sarum Limited Partnership (the "Partnership") for the 53 weeks ended 29 February 2020 (prior period: 52 weeks ended 23 February 2019 ("2019")). During the period, Tesco Sarum (GP) Limited acted as the General Partner and The Master, Fellows and Scholars of Trinity College, Cambridge ("Trinity College, Cambridge") a body incorporated by Royal Charter and Tesco Sarum (1LP) Limited acted as limited partners of the Partnership.

The Partnership was originally constituted under an Initial Partnership Agreement, which was then superseded by the amended and restated Limited Partnership Agreement (the "Limited Partnership Agreement") on 31 January 2012.

THE TESCO SARUM LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

Results and distributions

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

Future development

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

Going concern

In order to form a view as to the most appropriate basis of preparation of these financial statements, the General Partner has assessed the likelihood of whether the Limited Partnership will be able to continue principal business over a period of at least twelve months from the date of signing the financial statements versus the likelihood of either intending to or being forced to either cease principal activities or putting the Partnership into liquidation.

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

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

The 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 reporting date the Partnership is in a net asset position yet a net current liability position. The General Partner does not consider this a going concern risk as future rental income streams are guaranteed through a RPI-linked swap to ensure that the Partnership can meet its financial obligations. The General Partner has produced 18 month cash flow forecasts demonstrating the Partnership's ability to continue as a going concern.

With the swap arrangement deemed to be commercially viable, the General Partner believes that the Partnership will continue as a going concern.

Whilst COVID-19 is a threat to many businesses, management's assessment is that demand for the Partnership's properties is not expected to suffer, as primarily the tenants of the properties are grocery retailers, which have functioned as essential businesses throughout the pandemic and will continue to operate afterwards. The assessment is therefore that there is no threat to Going Concern.

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

Events after the reporting period

Details of events after the reporting period can be found in Note 19 to the financial statements.

Political donations

There were no political donations for the period (2019: £nil) and the Partnership did not incur any political expenditure (2019: £nil).

THE TESCO SARUM LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

Research and development

The Partnership does not undertake any research and development activities (2019: none).

Financial risk management

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

Employees

The Partnership had no employees during the period (2019: none).

Partners

The Partners, including the General Partner are set out in Note 13 of the financial statement.

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 part 13 of the Limited Partnership Agreement 2012 and part 15 of the Companies Act 2006 as required under the Regulations.

Cautionary statement regarding forward looking information

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

General Partner's Responsibilities Statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, comprising FRS 102, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

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

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

THE TESCO SARUM LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

Independent Auditor

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

Approved by the General Partner on 21 August 2020 and signed on behalf of the General Partner by:

Robert Welch

Robert Welch
Director, Tesco Services Limited
For and on behalf of the General Partner
Tesco Sarum (GP) Limited
Registered Number: 07849882
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the qualifying Partnership's affairs as at 29 February 2020 and of its profit for the period 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 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 19.

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

Basis for opinion

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

We are independent of the qualifying partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 General Partner's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the qualifying Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

Other information

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

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

We have nothing to report in respect of these matters.

General Partner's Responsibilities Statement

As explained more fully in the General Partner's Responsibilities Statement, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner 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 General Partner is responsible for assessing the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the qualifying partnership's general partner, 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 general partner 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 general partner as a body, for our audit work, for this report, or for the opinions we have formed

Simon Letts FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
St. Albans, United Kingdom
21 August 2020

THE TESCO SARUM LIMITED PARTNERSHIP

PROFIT AND LOSS ACCOUNT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

	Notes	**53 weeks ended 29 February 2020**	52 weeks ended 23 February 2019
		£	£
Rental income		**27,967,908**	26,538,281
Gain on revaluation of investment properties	8	**11,000,000**	7,350,000
Administrative expenses		**(469,392)**	(401,873)
Operating profit	4	**38,498,516**	33,486,408
Interest receivable and similar income	5	**14,453**	8,224
Interest payable and similar costs	6	**(26,378,688)**	(25,113,941)
Profit before tax		**12,134,281**	8,380,691
Tax on profit	7	**-**	-
Profit for the financial period		**12,134,281**	8,380,691

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

All operations are continuing for the financial period.

The notes on pages 16 to 28 are an integral part of these financial statements.

THE TESCO SARUM LIMITED PARTNERSHIP

STATEMENT OF COMPREHENSIVE INCOME FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	£	£
Profit for the financial period	**12,134,281**	8,380,691
Other comprehensive income/(loss) :		
Cash flow hedges		
Gains/(losses) arising in the period	**19,187,278**	(838,075)
Total comprehensive income for the period	**31,321,559**	7,542,616

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

All operations are continuing for the financial period.

The notes on pages 16 to 28 are an integral part of these financial statements.

THE TESCO SARUM LIMITED PARTNERSHIP

BALANCE SHEET AS AT 29 FEBRUARY 2020

	Notes	29 February 2020	23 February 2019
		£	£
Non-current assets			
Investment properties	8	**502,310,000**	491,310,000
		502,310,000	491,310,000
Current assets			
Debtors: amounts falling due within one year	9	**108,788**	92,125
Cash at bank and in hand		**1,537,502**	1,333,191
		1,646,290	1,425,316
Current liabilities			
Creditors: amounts falling due within one year	10	**(3,199,192)**	(3,085,842)
Net current liabilities		**(1,552,902)**	(1,660,526)
Total assets less current liabilities		**500,757,098**	489,649,474
Creditors: amounts falling due after more than one year	11	**(463,195,423)**	(483,409,358)
Net assets		**37,561,675**	6,240,116
Partners' interest			
Partners' capital accounts	13	**20,020**	20,020
Cash flow hedge reserve	13	**(24,018,374)**	(43,205,652)
Profit and loss account	13	**61,560,029**	49,425,748
Partners' interest		**37,561,675**	6,240,116

The notes on pages 16 to 28 are an integral part of these financial statements.

The financial statements on pages 10 to 28 were approved by the General Partner and authorised for issue on 21 August 2020. They were signed on its behalf by:

Robert Welch

Robert Welch
Director, Tesco Services Limited
For and on behalf of the General Partner
Tesco Sarum (GP) Limited
Registered Number: 07849882
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

THE TESCO SARUM LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' INTERESTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

	Partners' capital accounts	Cash flow hedge reserve	Profit and loss account	Total
	£	£	£	£
Balance as at 24 February 2018	20,020	(42,367,577)	41,045,057	(1,302,500)
Profit for the financial period	-	-	8,380,691	8,380,691
Other comprehensive loss for the period	-	(838,075)	-	(838,075)
Total comprehensive income for the period	-	(838,075)	8,380,691	7,542,616
Balance as at 23 February 2019	20,020	(43,205,652)	49,425,748	6,240,116
Profit for the period	-	-	**12,134,281**	**12,134,281**
Other comprehensive income for the period	-	**19,187,278**	-	**19,187,278**
Total comprehensive income for the period	-	**19,187,278**	**12,134,281**	**31,321,559**
Balance as at 29 February 2020	**20,020**	**(24,018,374)**	**61,560,029**	**37,561,675**

The notes on pages 16 to 28 are an integral part of these financial statements.

THE TESCO SARUM LIMITED PARTNERSHIP

CASH FLOW STATEMENT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

	Notes	**53 weeks ended 29 February 2020**	52 weeks ended 23 February 2019
		£	£
Net cash inflow from operating activities	14	**27,124,326**	26,315,903
Cash flow from investing activities			
Interest received		**14,453**	244,586
Net cash flow from investing activities		**14,453**	244,586
Cash flow from financing activities			
Loan repayments		**(1,128,704)**	(1,083,357)
Interest paid		**(25,805,764)**	(25,240,106)
Net cash used in financing activities		**(26,934,468)**	(26,323,463)
Net increase in cash and cash equivalents		**204,311**	237,026
Cash and cash equivalents at the beginning of the period		**1,333,191**	1,096,165
Cash and cash equivalents at the end of the period		**1,537,502**	1,333,191

The notes on pages 16 to 28 are an integral part of these financial statements.

THE TESCO SARUM LIMITED PARTNERSHIP

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

	Notes	**53 weeks ended 29 February 2020**	52 weeks ended 23 February 2019
		£	£
Increase in cash and cash equivalents	15	**204,311**	237,026
Decrease in net debt	15	**19,743,058**	135,085
Decrease in net debt		**19,947,369**	372,111
Opening net debt	15	**(482,733,604)**	(483,105,715)
Closing net debt		**(462,786,235)**	(482,733,604)

The notes on pages 16 to 28 are an integral part of these financial statements.

THE TESCO SARUM LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

1. Statement of compliance

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

2. General information

The Partnership was established on 1 December 2011 and is registered as a Limited Partnership in England and Wales under the Limited Partnership Act 1907. The Partnership was originally constituted under the Initial Partnership Agreement which was then superseded by the Limited Partnership Agreement on 31 January 2012. The Partnership is limited by Partners' Capital.

The functional and presentational currency of the Partnership is pound Sterling (£) because that is the currency of the primary economic environment in which the Partnership operates.

The financials are rounded off to the nearest Pound Sterling (£), except when otherwise stated.

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

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

3. Accounting policies

a) Basis of preparation

The financial statements of the Partnership on the going concern basis and are prepared under the historical cost convention, as modified by the revaluation of certain investment properties, recognition of financial derivative instruments measured at fair value.

The Partnership elected to adopt the fair value model for holding its investment property, as permitted under Section 16 of FRS 102. The Partnership has included the fair value of its hedging instruments within the Balance Sheet and hedging reserve, per Section 12 of FRS 102.

b) Going concern

In order to form a view as to the most appropriate basis of preparation of these financial statements, the General Partner has assessed the likelihood of whether the Limited Partnership will be able to continue principal business over a period of at least twelve months from the date of signing the financial statements versus the likelihood of either intending to or being forced to either cease trading or putting the Partnership into liquidation.

The Partnership has prepared cashflow forecast to display that it can meet it's obligation as and when they fall due. 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 the Group (ultimate parent of Tesco Stores Limited) and relies on rental receipts under the occupational lease, any changes in the Group'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 an RPI linked derivative financial instrument to fix its cash inflows, thereby allowing the Partnership to meet its obligation whilst annual RPI increases to rental income are lower than expected.

THE TESCO SARUM LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

3. Accounting policies (continued)

b) Going concern (continued)

The certainty of cash flows are guaranteed by the Tesco PLC. Further, any shortfalls in cash inflow as a result or suppressed RPI rates are mitigated through a swap arrangement that ensures that the Partnership has sufficient liquidity to meet its obligations.

The General Partner has noted that, at the reporting date the Partnership is in a net asset position yet a net current liability position. The General Partner does not consider this a going concern risk as future rental income streams are guaranteed through an RPI-linked swap to ensure that the Partnership can meet its financial obligations. The General Partner has produced 18 month cash flow forecasts demonstrating the Partnership's ability to continue as a going concern.

With the swap arrangement deemed to be commercially viable, the General Partner believes that the Partnership will continue as a going concern.

Whilst COVID-19 is a threat to many businesses, management's assessment is that demand for the Partnership's properties is not expected to suffer, as primarily the tenants of the properties are grocery retailers, which have functioned as essential businesses throughout the pandemic and will continue to operate afterwards. The assessment is therefore that there is no threat to Going Concern.

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

c) Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the 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.

Key sources of estimation uncertainty

The estimation of future RPI rates impact upon the valuation of the derivative instrument. Management has applied their own internal estimations of future RPI movements. This has been benchmarked against market-data for accuracy and is in line with the methodologies used by the 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 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 the 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 other judgements and estimates that have a significant effect on amounts recognised in the financial statements.

d) Significant accounting policies

Investment properties

The Partnership carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Partnership engaged independent valuation specialists to determine fair value at 29 February 2020.

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Investment properties (continued)

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

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

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

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

Financial instruments

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

Financial assets

Initial recognition and measurement

The Partnership determines the classification of its financial assets at initial recognition. All financial assets are initially measured and recognised at transaction price including directly attributable transaction costs.

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

Subsequent measurement

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

Debtors

Debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method (EIR), less impairment. Amortised cost is calculated by taking into account any

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Debtors (continued)

discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Profit and Loss Account. Losses arising from impairment are recognised in the Profit and Loss Account in other operating expenses. Cash, debtors and other receivables are carried as debtors.

Initial recognition and measurement

The Partnership determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at transaction value and in the case of loans and borrowings, plus directly attributable transaction costs. The principal financial liabilities include loan, other payable and derivative financial instrument.

Subsequent measurement

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

Creditors

Creditors are financial liabilities with fixed or determinable payments that are not quoted in an active market. Such liabilities are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest expense in the Profit and Loss Account. Loan are classified within creditors.

De-recognition of financial instruments

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

Offsetting

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

Derivative financial instruments and hedge accounting

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

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

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

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities **(continued)**

Derivative financial instruments and hedge accounting (continued)

remains highly effective. Furthermore, at the inception of the hedge the Partnership determines and documents causes for hedge ineffectiveness.

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

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

Cash flow hedging

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

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

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

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

Fair value measurement

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

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

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.

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Cash and net debt

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

Interest payable and receivable

Interest payable and receivable is calculated on an accrual basis.

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 Sarum (1LP) Limited	49.95%
Trinity College, Cambridge	49.95%
Tesco Sarum (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.

4. Operating profit

The General Partner received no emoluments for its services to the Partnership (2019: £nil).

The auditor's remuneration in respect of audit services in the period amounted to £22,475 (2019: £22,475). The non-audit fees for the period is £nil (2019: £nil).

The Partnership had no employees during the period (2019: none).

5. Interest receivable and similar income

	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	£	£
Interest received on bank deposits	**14,453**	8,224
Total	**14,453**	8,224

6. Interest payable and similar costs

	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	£	£
Interest payable on other loans	**25,521,144**	25,095,284
Amount payable on derivative financial instrument	**857,544**	18,657
Total	**26,378,688**	25,113,941

The interest payable on other loans is related to the loan provided by Tesco Property Finance 5 PLC which in turn holds a back-to-back arrangement with Tesco PLC (refer to Note 10 and Note 11).

The amount payable on derivative financial instrument is related to RPI linked swap with Tesco Property Finance 5 PLC, which 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 Sarum Partnership Limited (refer to Note 10 and Note 11).

THE TESCO SARUM LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

7. Tax (credit)/charge on profit

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

8. Investment properties

Land and buildings	**29 February 2020**	23 February 2019
	£	£
Valuation:		
Opening balance	**491,310,000**	483,960,000
Revaluation	**11,000,000**	7,350,000
Closing balance	**502,310,000**	491,310,000

The investment properties have been valued by Cushman & Wakefield LLP who is deemed to be a suitably qualified valuer of the General Partner on a fair value basis at 29 February 2020. The valuation was carried out in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (RICS).

This fair value has been determined by an independent valuer, by applying an appropriate rental yield to the rentals earned by the investment properties.

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 5.59% (2019: 5.57%) with a rental income of £285.65 (2019: £278.31) per square metre of gross internal floor area.

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.

9. Debtors: amounts falling due within one year

	29 February 2020	23 February 2019
	£	£
Amounts owed by Tesco Sarum (GP) Limited	**91,818**	91,818
VAT asset	**16,703**	-
Prepayments and accrued income	**267**	307
Total	**108,788**	92,125

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

10. Creditors: amounts falling due within one year

	29 February 2020	23 February 2019
	£	£
Accruals and deferred income	**2,066,878**	2,421,402
Tesco Property Finance 5 PLC	**1,128,314**	657,437
Tesco Sarum (Nominee Holdco) Limited	**1,000**	1,000
Tesco Sarum (Nominee 1) Limited	**1,000**	1,000
Tesco Sarum (Nominee 2) Limited	**1,000**	1,000
Tesco Sarum (GP) Limited	**1,000**	1,000
VAT	**-**	3,003
Total	**3,199,192**	3,085,842

Amounts owed to associated entities are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The loan from Tesco Property Finance 5 PLC incurs interest at a fixed rate of 5.6611% and is repayable in instalments. The loan is secured on the Partnership's investment properties (refer to Note 12).

11. Creditors: amounts falling after more than one year

	29 February 2020	23 February 2019
	£	£
Tesco Property Finance 5 PLC	**439,004,530**	440,132,903
RPI linked derivative instrument	**24,190,893**	43,276,455
Total	**463,195,423**	483,409,358

The loan principal at the date of issue was £450,500,000 and the loan issue costs were £5,423,848. The total value of the loan, net of loan issue costs, as at 29 February 2020 is £440,132,844 (2019: £440,790,340)

The loan from Tesco Property Finance 5 PLC incurs interest at a fixed rate of 5.6611% and is to be repaid by 13 October 2041. The loan is secured on the Partnership's investment properties.

12. Financial instruments

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

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

RPI rate risk

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

12. Financial instruments (continued)

RPI rate risk (continued)

During 2020 and 2019, net debt was managed using derivative instruments to hedge RPI rate risk as follows:

	29 February 2020			23 February 2019		
	Fixed	**Floating**	**Total**	Fixed	Floating	Total
	£	**£**	**£**	£	£	£
Cash and cash equivalents		**1,537,502**	**1,537,502**	-	1,333,191	1,333,191
Other receivables	**108,788**	**-**	**108,788**	92,125	-	92,125
Bank and other borrowings	**(440,132,844)**	**-**	**(440,132,844)**	(440,790,340)	-	(440,790,340)
RPI linked derivative instrument	**-**	**(24,190,893)**	**(24,190,893)**	-	(43,276,455)	(43,276,455)
Other payables	**(2,070,878)**	**-**	**(2,070,878)**	(2,428,405)	-	(2,428,405)
	(442,094,934)	**(22,653,391)**	**(464,748,325)**	(443,126,620)	(41,943,264)	(485,069,884)

Credit risk

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

The counterparty exposure under derivative contracts is £24,190,893 (2019: £43,276,455).

The Partnership considers its maximum credit risk to be £466,394,615 (2019: £486,495,200), being the Partnership's total financial assets.

Liquidity risk

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

Sensitivity analysis

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

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

THE TESCO SARUM LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

12. Financial instruments (continued)

Capital risk

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

Financial assets and liabilities by category

The accounting classifications of each class of financial asset and liability as at 29 February 2020 and 23 February 2019 are as follows:

	Loans and receivables/other financial liabilities	**Fair value through other comprehensive income**	**Total**
	£	**£**	**£**
At 29 February 2020			
Cash and cash equivalents	**1,537,502**	**-**	**1,537,502**
Other receivables	**108,788**	**-**	**108,788**
Long-term borrowings	**(440,132,844)**	**-**	**(440,132,844)**
Derivatives - Back to back arrangement	**-**	**(24,190,893)**	**(24,190,893)**
Other payables	**(2,070,878)**	**-**	**(2,070,878)**
	(440,557,432)	**(24,190,893)**	**(464,748,325)**

	Loans and receivables/ other financial liabilities	**Fair value through other comprehensive income**	**Total**
At 23 February 2019			
Cash and cash equivalents	1,333,191	-	1,333,191
Other receivables	92,125	-	92,125
Long-term borrowings	(440,790,340)	-	(440,790,340)
Derivatives - Back to back arrangement	-	(43,276,455)	(43,276,455)
Other payables	(2,428,405)	-	(2,428,405)
	(441,793,429)	(43,276,455)	(485,069,884)

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

THE TESCO SARUM LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

13. Cumulative partners account

Partners Accounts as at 29 February 2020	Partners' capital accounts £	Cash flow hedge reserve £	Profit and loss Account £	Total £
Tesco Sarum (1LP) Limited	**10,000**	**(11,997,190)**	**30,749,265**	**18,762,075**
Trinity College, Cambridge	**10,000**	**(11,997,190)**	**30,749,265**	**18,762,075**
Tesco Sarum (GP) Limited	**20**	**(23,994)**	**61,499**	**37,525**
Total	**20,020**	**(24,018,374)**	**61,560,029**	**37,561,675**

The Partnership was formed on 1 December 2011. The Partnership was originally constituted under the Initial Partnership Agreement, which was then superseded by the Limited Partnership Agreement on 31 January 2012, with capital injections totalling £20,000.

Tesco Sarum (1LP) Limited owns 49.95%, Trinity College, Cambridge owns 49.95% and Tesco Sarum (GP) Limited owns 0.1% of the Partnership.

14. Net cash flows from operating activities

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

	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	£	£
Operating profit	**38,498,516**	33,486,408
Adjustment for:		
(Gain) on revaluation of investment property	**(11,000,000)**	(7,350,000)
Working capital movements:		
(Increase) in debtors	**(16,663)**	(307)
(Decrease)/Increase in creditors	**(357,527)**	179,802
Net cash inflow from operating activities	**27,124,326**	26,315,903

15. Analysis of changes in net debt

	24 February 2018 £	Cash movement £	Non-cash movement*	23 February 2019 £
Cash at bank and in hand	1,096,165	237,026	-	1,333,191
Debt due within one year	(1,083,464)	1,067,006	(640,979)	(657,437)
Debt due after more than one year	(483,118,416)	-	(290,242)	(483,409,358)
	(483,105,715)	1,304,032	(931,921)	(482,733,604)

	23 February 2019 £	**Cash movement £**	**Non-cash movement***	**29 February 2020 £**
Cash at bank and in hand	**1,333,191**	**204,311**	**-**	**1,537,502**
Debt due within one year	**(657,437)**	**1,128,705**	**(1,599,582)**	**(1,128,314)**
Debt due after more than one year	**(483,409,358)**	**-**	**20,213,935**	**(463,195,423)**
	(482,733,604)	**1,333,016**	**18,614,353**	**(462,786,235)**

*Non-cash adjustments represent effective interest rate adjustments to the Loan from Tesco Property Finance 5 PLC and adjustments to fair values of Back-to-back arrangement falling due more than one year. The presentation of Analysis of changes in net debt has been changed to include borrowings and derivatives as part of debt movement, in line with FRS 102. This did not impact the balance sheet and profit and loss account presented.

16. Receivables under operating lease

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

	29 February 2020	23 February 2019
	£	£
Not later than one year	**28,099,640**	27,687,473
After one year but not more than five years	**25,867,066**	52,085,328
After five years	-	-
	53,966,706	79,772,801

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

17. Ultimate parent undertaking and controlling party

The partners of the Partnership are Tesco Sarum (1LP) Limited, Trinity College, Cambridge and Tesco Sarum (GP) Limited.

The Partnership's ultimate joint venture partners are Tesco PLC and Trinity College, Cambridge. Tesco PLC is registered in England and Wales and copies of the Tesco PLC Annual Report and Financial Statements 2020 are available from the Company Secretary at the registered office: Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA United Kingdom.

Trinity College, Cambridge is registered with the Charities Commission in England and Wales and copies of the Trinity College, Cambridge financial statements can be obtained from Trinity College, Trinity Street, Cambridge, United Kingdom, CB2 1TQ.

18. Related party transactions and balance

During the 53 weeks period ended 29 February 2020 the Partnership entered into transactions with related parties, in the ordinary course of business. Transactions entered into, and balances outstanding at 29 February 2020, are as follows:

Entity	Relationship	Transaction and balances
Tesco Stores Limited	Subsidiary of parent undertaking	The Partnership recognised rental income of £27,967,908 (2019: £26,538,281)
Spen Hill Management Limited	Subsidiary of parent undertaking	Recognised expenses of £217,551 (2019: £208,766) in the period for property management services. Amount payable at the end of the period £127,998 (2019: £nil).
Tesco Sarum (GP) Limited	General Partner	Amount receivable at period end £91,818 (2019: £91,818). The Partnership owed Tesco Sarum (GP) Limited at period end £1,000 (2019: £1000)
Tesco Sarum (Nominee Holdco) Limited	Subsidiary of parent undertaking	The Partnership owed Tesco Sarum (Nominee Holdco) Limited at period end £1,000 (2019: £1000)
Tesco Sarum (Nominee 1) Limited	Subsidiary of parent undertaking	The Partnership owed Tesco Sarum (Nominee 1) Limited at period end £1,000 (2019: £1000)
Tesco Sarum (Nominee 2) Limited	Subsidiary of parent undertaking	The Partnership owed Tesco Sarum (Nominee 2) Limited at period end £1,000 (2019: £1000)

THE TESCO SARUM LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

18. Related party transactions and balance (continued)

References to balances outstanding at period end are disclosed in Note 9, 10 and 11.

19. Events after the reporting period

In light of the COVID-19 pandemic, the Company has considered whether any adjustments are required to reported amounts in the financial statements. As at the balance sheet date, no global pandemic had been declared, the UK was still in the 'containment' phase, large global share price falls had not yet occurred, and larger-scale outbreaks had not occurred in countries where the company operates. The full ramifications of COVID-19, and the extent of Government interventions in response, were not apparent.

Subsequent to the balance sheet date, the World Health Organization declared a pandemic on 11 March, the UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The first large falls in stock markets occurred in early March, and Tesco introduced a '3 items only' limit on purchases on 19 March in response to customer demand. The Company has therefore concluded that the necessity for large scale Government interventions in response to COVID-19 only became apparent after the balance sheet date and therefore that the consequences of such interventions represent non-adjusting post balance sheet events