

**TESCO SARUM (GP) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018**  
**REGISTERED NUMBER: 07849882**

TUESDAY



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COMPANIES HOUSE

## **TESCO SARUM (GP) LIMITED**

### **DIRECTOR'S REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018**

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The Directors present their Annual report and the audited consolidated financial statements of Tesco Sarum (GP) Limited (the "Company") and its subsidiaries (together the "Group") for the 52 weeks ended 24 February 2018 (the prior financial period: 52 weeks ended 25 February 2017 ("2017")).

#### **Business review and principal activity**

The principal activity of the 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 Group have been prepared in accordance with FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

#### **Results and dividends**

The results for the period reflect a result before tax of £nil (2017: profit before tax of £250) and a profit after tax of £10 (2017: £180). The Group has net assets at the period end of £203,320 (2017: £203,310) with net current assets of £207,300 (2017: £207,290).

The Group received distribution income of £nil (2017: £250).

The Directors do not recommend payment of a dividend for the 52 weeks ended 24 February 2018 (2017: £nil).

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

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

#### **Business risk**

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

#### **Political donations**

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

#### **Future developments**

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

The Group and Company's future developments form a part of the Tesco PLC Group's long-term strategy, which is discussed on pages 8 to 9 of Tesco PLC Annual Report and Financial Statements 2018 which do not form part of this Report.

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

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

The development, performance and position of the operations of the Tesco PLC Group (the "Group"), which includes the Company, is discussed on pages 10 to 11 of the Tesco PLC Annual Report and Financial Statements 2018, which do not form part of this Report.

## **TESCO SARUM (GP) LIMITED**

### **DIRECTOR'S REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)**

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#### **Research and development**

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

#### **Employees**

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

#### **Strategic report**

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

#### **Going concern**

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

#### **Directors and their interest**

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

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 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.

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 for its Directors throughout the financial period and up to the date of signing the financial statements.

#### **Directors' Responsibilities Statement**

The Directors are responsible for preparing the Annual Report and the 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 Company and Group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under Company law the Directors must not approve the Group and company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

## TESCO SARUM (GP) LIMITED

### DIRECTOR'S REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

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#### Directors' Responsibilities Statement (continued)

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

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

#### Disclosure of information to auditor

Each Director who is a director of the 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 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 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.

#### 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 and signed on its behalf by:

16 August 2018

*Robert Welch*

R Welch, for and on behalf of Tesco Services Limited  
Director

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**

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

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent Company's affairs as at 24 February 2018 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.

We have audited the financial statements of Tesco Sarum (GP) Limited (the "parent Company") and its subsidiaries (the "group") which comprise:

- the Group Profit and Loss Account;
- the Group and Company Balance Sheet;
- the Group and Company Statement of Changes in Equity;
- the Group Cash Flow Statement; and
- the related Notes 1 to 13.

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

#### **Basis for opinion**

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

We are independent of the 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 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)**

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### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

In the light of the knowledge and understanding of the 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.

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

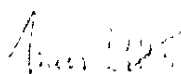
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**Matters on which we are required to report by exception**

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

We have nothing to report in respect of these matters.



Simon Letts FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
St. Albans, United Kingdom  
/ 7 August 2018

**TESCO SARUM (GP) LIMITED**

**GROUP PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018**

	Notes	52 weeks ended 24 February 2018 £	52 weeks ended 25 February 2017 £
<b>Operating result</b>	4		
Distribution received		-	250
<b>Result/(profit) before taxation</b>		-	250
Tax credit/(charge)	5	10	(70)
<b>Profit for the financial period</b>		10	180

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

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

All operations are continuing for the financial period.

The notes on pages 11 to 19 form part of these financial statements.



**TESCO SARUM (GP) LIMITED****GROUP & COMPANY BALANCE SHEETS AS AT 24 FEBRUARY 2018**

	Notes	Group		Company	
		24 February 2018 £	25 February 2017 £	24 February 2018 £	25 February 2017 £
<b>Fixed asset</b>					
Investments	6	20	20	220	220
		20	20	220	220
<b>Current assets</b>					
Debtors: amounts falling due within one year	7	4,000	4,000	1,000	1,000
Deferred tax asset	10	268	258	268	258
Cash at bank and in hand		294,851	294,851	294,650	294,650
		299,119	299,109	295,918	295,908
Creditors: amounts falling due within one year	8	(91,819)	(91,819)	(91,818)	(91,818)
<b>Net current assets</b>		<b>207,300</b>	<b>207,290</b>	<b>204,100</b>	<b>204,090</b>
<b>Total asset less current liabilities</b>		<b>207,320</b>	<b>207,310</b>	<b>204,320</b>	<b>204,310</b>
Creditors: amounts falling due after more than one year	9	(4,000)	(4,000)	(1,000)	(1,000)
<b>Net assets/ Total assets less current liabilities</b>		<b>203,320</b>	<b>203,310</b>	<b>203,320</b>	<b>203,310</b>
<b>Capital and reserves</b>					
Called up share capital	11	10,000	10,000	10,000	10,000
Share premium		192,842	192,842	192,842	192,842
Profit and loss account		478	468	478	468
<b>Total shareholders' funds</b>		<b>203,320</b>	<b>203,310</b>	<b>203,320</b>	<b>203,310</b>

The Company's profit for the period ended 24 February 2018 is £10 (2017: £180).

The notes on pages 11 to 19 form part of these financial statements.

The financial statements on pages 7 to 19 were approved by the Board of Directors and authorised for issue on 16 August 2018. They were signed on its behalf by:

*Robert Welch*

R Welch, for and on behalf of Tesco Services Limited  
Director

Tesco Sarum (GP) Limited

Registered Number: 07849882

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

**TESCO SARUM (GP) LIMITED**

**GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018**

	Called up Share Capital* £	Share premium £	Profit and loss account £	Total £
<b>Balance as at 28 February 2016</b>	10,000	192,842	288	203,130
Profit and total comprehensive income for the financial period	-	-	180	180
<b>Balance as at 25 February 2017</b>	10,000	192,842	468	203,310
Profit and total comprehensive income for the financial period	-	-	10	10
<b>Balance as at 24 February 2018</b>	10,000	192,842	478	203,320

\*See Note 11 for a breakdown of the share capital.

The notes on pages 11 to 19 form part of these financial statements.

**TESCO SARUM (GP) LIMITED****GROUP CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018**

	<b>52 weeks ended 24 February 2018 £</b>	<b>52 weeks ended 25 February 2017 £</b>
<b>Cash flow from investing activities</b>		
Increase in cash from distribution income received	-	250
<b>Net cash flows from investing activities</b>	-	250
<b>Cash and cash equivalents at the start of the period</b>	<b>294,851</b>	<b>294,601</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>294,851</b>	<b>294,851</b>

The notes on pages 11 to 19 are an integral part of these financial statements.

## **TESCO SARUM (GP) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018**

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#### **1. Statement of compliance**

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102) and the Companies Act 2006.

#### **2. General information**

The financial statements of Tesco Sarum (GP) Limited (the "Company") for the period ended 24 February 2018 were authorised for issue by the Board of Directors on 16 August 2018 and the balance sheet was signed on the Board's behalf by Robert Welch. Tesco Sarum (GP) Limited is a private company incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006 and limited by shares.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Directors' report on page 1.

The functional currency of Tesco Sarum (GP) Limited is considered to be Pound Sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in Pound Sterling.

#### **3. Accounting policies**

##### **a) Basis of consolidation**

The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and are prepared under the historical cost convention.

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

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.

As a Consolidated Group Cash flow statement is published, a separate Cash flow statement for the parent company is omitted from the group financial statements by virtue of FRS 102 Section 7 "Statement of cash flows" and disclosing details of transactions with fellow subsidiary entities.

##### **b) Going concern**

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

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

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

## **TESCO SARUM (GP) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)**

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

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

#### **d) Significant accounting policies**

The principal activity of the 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 Company elected to adopt the cost model for holding its fixed assets as permitted under Section 9 of FRS 102.

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

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

#### **Investment income**

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

#### **Current taxation**

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

#### **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.

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

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

## **TESCO SARUM (GP) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)**

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

##### **d) Significant accounting policies (continued)**

##### **Deferred tax (continued)**

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.

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

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

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

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

##### **Financial instruments**

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

##### **Financial assets**

##### *Initial recognition and measurement*

Financial assets within the scope of section 11 of FRS 102 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised 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 Company commits to purchase or sell the asset. The Company'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:

## TESCO SARUM (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

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#### 3. Accounting policies (continued)

##### d) Significant Accounting policies (continued)

##### Financial instruments (continued)

##### Financial assets (continued)

###### *Loans and receivables*

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

##### Financial liabilities

###### *Initial recognition and measurement*

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

###### *Subsequent measurement*

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

###### *Loans and borrowings*

Loans and borrowings are non-derivative financial liabilities with fixed or determinable payments. Such liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the Profit and Loss Account. Loan and other payables is carried as loans and borrowings.

##### De-recognition of financial instruments

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled; (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or (c) the Company, 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.

#### 4. Operating result

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

The Company had no employees during the period (2017: none).

The auditor's remuneration of £4,100 (2017: £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 (2017: £nil).

**TESCO SARUM (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
24 FEBRUARY 2018 (continued)****5. Tax on profit****Factors that have affected the tax charge/ (credit)**

The standard rate of corporation tax in the UK was 20% from 1 April 2016, and was changed from 20% to 19% from 1 April 2017.

This gives an overall blended corporation tax rate for the Company for the full period of 19.09% (2017: 20.00%).

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

	52 weeks ended 24 February 2018 £	52 weeks ended 25 February 2017 £
<b>Current income tax:</b>		
UK Corporation tax on profit for the period	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(10)	70
Effect of changes in tax rates	-	-
<b>Total deferred tax</b>	(10)	70
<b>Tax (credit)/ charge on profit</b>	(10)	70

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

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

	52 weeks ended 24 February 2018 £	52 weeks ended 25 February 2017 £
<b>Profit before tax</b>	-	250
Tax on profit at blended corporation tax rate of 19.09% (2017: 20.00%)	-	50
Effects of:		
Group relief surrendered without payment	-	11
Adjustments in respect of previous periods	(10)	-
Rate changes on deferred tax	-	17
Deferred tax movement	-	(8)
<b>Total tax (credit)/ charge for the financial period</b>	(10)	70



**TESCO SARUM (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
24 FEBRUARY 2018 (continued)****5. Tax on profit (continued)****(c) Tax rate changes**

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were enacted by the Balance Sheet date and therefore included in these consolidated financial statements. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised. The tax charge relates to the General Partner's share of any taxable profit charge incurred within the Limited Partnership.

The share is representative of its holding within its investment, as shown in Note 6.

**6. Investments**

	Group £	Company £
<b>Cost</b>		
At 25 February 2017	20	220
At 24 February 2018	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.

Details of the 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

**TESCO SARUM (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
24 FEBRUARY 2018 (continued)****6. Investments (continued)**

Details of the 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 Company's financial statements sent to the registrar under section 444 of the Companies Act 2006.

The 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).

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

	Group		Company	
Note	24 February 2018	25 February 2017	24 February 2018	25 February 2017
	£	£	£	£
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

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

	Group		Company	
	24 February 2018	25 February 2017	24 February 2018	25 February 2017
	£	£	£	£
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 are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**TESCO SARUM (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
24 FEBRUARY 2018 (continued)****9. Creditors: amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>24 February 2018</b>	<b>25 February 2017</b>	<b>24 February 2018</b>	<b>25 February 2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Tesco Property Finance 5 PLC	<b>4,000</b>	<b>4,000</b>	<b>1,000</b>	<b>1,000</b>
	<b>4,000</b>	<b>4,000</b>	<b>1,000</b>	<b>1,000</b>

On 31 January 2012, the 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.

**10. Deferred tax asset**

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

<b>Deferred tax asset</b>	<b>Short-term timing differences</b>	<b>Conversion adjustment</b>	<b>Accelerated capital allowance</b>	<b>Tax losses</b>	<b>Total</b>
	<b>£</b>				<b>£</b>
At 25 February 2017	<b>668</b>	<b>(74)</b>	<b>(1,451)</b>	<b>1,115</b>	<b>258</b>
Origination and reversal of temporary differences	-	-	-	-	-
- In respect of the current period	<b>176</b>	<b>10</b>	<b>(226)</b>	<b>40</b>	-
- In respect of previous periods	-	-	-	<b>10</b>	<b>10</b>
- Rate Change	<b>(20)</b>	<b>(1)</b>	<b>25</b>	<b>(4)</b>	-
<b>At 24 February 2018</b>	<b>824</b>	<b>(65)</b>	<b>(1,652)</b>	<b>1,161</b>	<b>268</b>

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

**TESCO SARUM (GP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
24 FEBRUARY 2018 (continued)****11. Called up share capital**

	<b>Group and Company</b>	
	<b>24 February 2018</b>	<b>25 February 2017</b>
	<b>£</b>	<b>£</b>
Allotted, called up and fully paid:		
5,000 Ordinary 'A' shares of £1 each (2017: 5,000)	5,000	5,000
Allotted, called up and fully paid:		
5,000 Ordinary 'B' shares of £1 each (2017: 5,000)	5,000	5,000
	<b>10,000</b>	<b>10,000</b>

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

**12. 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.

Tesco PLC and Mills & Reeve Trust Corporation Limited are the Company's ultimate parent undertakings, as part of a joint venture. Tesco PLC is registered in England and Wales and copies of the Tesco PLC Annual Report and financial statements can be obtained 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 and copies of Mills & Reeve Trust Corporation Limited financial statements can be obtained from its registered address: 1, St. James Court, Whitefriars, Norwich, NR3 1RU, United Kingdom.

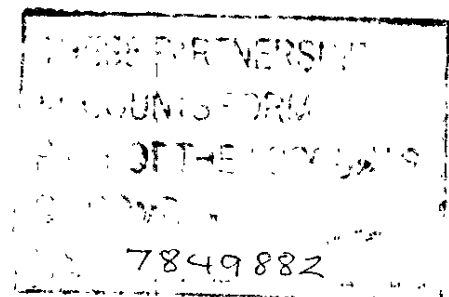
**13. Related party transactions**

During the 52 week's period ended 24 February 2018 the company entered into transactions with related parties, in the ordinary course of business. Transactions entered into, and balances outstanding at 24 February 2018, are as follows:

<b>Entity</b>	<b>Relationship</b>	<b>Transaction</b>
The Tesco Sarum Limited Partnership	Investment in Partnership firm	At the period end the amount due to The Tesco Sarum Limited Partnership is £91,818 (2017: £91,818) & amount of £4,000 (2017:£4,000) receivable from The Tesco Sarum Limited Partnership as at the period end. Company received distribution income of £nil (2017: £250) from The Tesco Sarum Limited Partnership.

Reference to balance disclosed outstanding at the period end are disclosed in notes 7,8 & 9.

THE TESCO SARUM LIMITED PARTNERSHIP  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018  
Registered Number: LP014787



## **THE TESCO SARUM LIMITED PARTNERSHIP**

### **STRATEGIC REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018**

Tesco Sarum (GP) Limited (the "General Partner") presents its Strategic Report of The Tesco Sarum Limited Partnership (the "Partnership") for the 52 weeks ended 24 February 2018 (prior period: 52 weeks ended 25 February 2017 ("2017")).

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

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 FRS 102.

#### **Results and distributions**

The results for the period show a total comprehensive income of £13,782,184 (2017: total comprehensive loss of £39,169,097) and rental income of £25,558,063 (2017: £24,965,171).

During the period the Partnership distributed £nil (2017: £250,000).

The Partnership has net liabilities of £1,302,500 (2017: £15,084,684) at the period end and net current liabilities of £2,144,084 (2017: £1,946,400).

#### **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, which includes the Partnership, is discussed on pages 10 to 11 of the Tesco PLC Annual Report and Financial Statements 2018 which do not form a part of this Report.

#### **Future developments**

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

The Partnership's future developments form a part of the Tesco PLC Group's (the "Group") long term strategy, which is discussed on pages 8 and 9 of the Tesco PLC Annual Report and Financial Statements 2018, which do not form a part of this report.

#### **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 22 to 25 of the Tesco PLC Annual Report and Financial Statements 2018, which do not form part of this Report.

## THE TESCO SARUM LIMITED PARTNERSHIP

### STRATEGIC REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018

(continued)

#### **Business risk**

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

#### **Financial risk management**

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk posed by the Partnership's sole customer, Tesco Stores Limited, is determined to be low, yet the Partnership monitors the credit risk of 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 derivative contract to fix its cash inflows so that it is able to meet its fixed-rate interest and capital repayments along with its administrative costs.

##### *Liquidity risk*

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting its obligations associated with its financial liabilities. The principal risks and uncertainties are related to property investment in the retail 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.

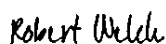
The Partnership manages this through using a managing agent, who manages its occupational leases and actively manages the receipt of arrears for the Partnership.

##### *Cash flow risk*

The Partnership's activities expose it primarily to the financial risks of changes in RPI rates which could cause the Partnership difficulty in meeting its obligations if the level of RPI uplifts does not rise enough to enable the Partnership to meet its obligations under the loan agreement. See note 11 for further information with regards to the risks identified. The Partnership uses RPI rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Approved and signed on behalf of the General Partner

16 August 2018



R Welch, for and on behalf of Tesco Services Limited

Director, 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**

### **GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018**

Tesco Sarum (GP) Limited (the "General Partner") presents its Annual Report and the audited financial statements of The Tesco Sarum Limited Partnership (the "Partnership") for the 52 weeks ended 24 February 2018 (prior period: 52 weeks ended 25 February 2017 ("2017")). 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 Deed (the "Limited Partnership Deed") on 31 January 2012.

#### **Future development**

Future development and Financial risk management disclosures are strategic in nature and have been presented in the Strategic Report on page 1.

#### **Results and distributions**

This is discussed 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 trading over the foreseeable future versus the likelihood of either intending to or being forced to either cease trading or putting the Partnership into liquidation.

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

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

The General Partner has noted that, at the reporting period end date the Partnership is in a net liability position. The General Partner does not consider this a going concern risk as future rental income streams are guaranteed through an RPI-linked swap to ensure that the Partnership can meet its financial obligations. With the swap arrangement deemed to be commercially viable, the General Partner believes that the Partnership will continue as a going concern.

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

#### **Political donations**

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

#### **Research and development**

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

#### **Employees**

The Partnership had no employees during the period (2017: none).

#### **Financial risk management**

This is discussed in the Strategic Report on page 2.

#### **Partners**

The Partners, including the General Partner are set out in Note 12 of the financial statements.



## THE TESCO SARUM LIMITED PARTNERSHIP

### GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

#### 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 Companies Act 2006 as applied to qualifying Partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the Partnership to prepare financial statements for each financial 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 Companies Act 2006, as applied to qualifying Partnerships, the General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

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

#### 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.

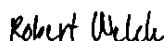
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. The financial statements have been prepared in accordance with part 13 of the Limited Partnership Deed 2012 and part 15 of the Companies Act 2006 as required under the Regulations.

#### 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 and signed on behalf of the General Partner

16 August 2018.



R Welch, for and on behalf of Tesco Services Limited

Director, 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 THE TESCO SARUM LIMITED PARTNERSHIP**

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

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying Partnership's affairs as at 24 February 2018 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 of The Tesco Sarum Limited Partnership (the 'qualifying partnership') which comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Partner's Interest;
- the Cash Flow Statement;
- the Reconciliation of Net Cash Flow to Movement in Net Debt; and
- the related notes 1 to 17.

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

#### **Basis for opinion**

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

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

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

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

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

We have nothing to report in respect of these matters.

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

### **Other information**

The general partners 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 General Partner's**

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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

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

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

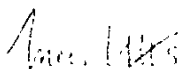
In the light of the knowledge and understanding of the qualifying partnership and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the members' report.

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.



Simon Letts FCA (senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
St. Albans, United Kingdom  
17 August 2018

**THE TESCO SARUM LIMITED PARTNERSHIP****PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018**

	Notes	52 weeks ended 24 February 2018 £	52 weeks ended 25 February 2017 £
Rental income		25,558,063	24,965,171
Gain/(loss) on revaluation of investment properties	7	8,850,000	(5,570,000)
Administrative expenses		(399,675)	(352,052)
<b>Operating profit</b>	3	<b>34,008,388</b>	<b>19,043,119</b>
Interest receivable and similar income	4	918,497	1,826,155
Interest payable and similar costs	5	(25,151,868)	(25,204,988)
<b>Profit/(loss) before taxation</b>		<b>9,775,017</b>	<b>(4,335,714)</b>
Tax (credit)/charge		-	-
<b>Profit/(loss) for the financial period</b>		<b>9,775,017</b>	<b>(4,335,714)</b>

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

All operations are continuing for the financial period.

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

**THE TESCO SARUM LIMITED PARTNERSHIP**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED**  
**24 FEBRUARY 2018**

	<b>52 weeks ended 24 February 2018</b>	<b>52 weeks ended 25 February 2017</b>
	<b>£</b>	<b>£</b>
<b>Profit/(loss) for the financial period</b>	<b>9,775,017</b>	<b>(4,335,714)</b>
Cash flow hedges		
Gains/(losses) arising in the period	<b>4,007,167</b>	<b>(34,833,383)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>13,782,184</b>	<b>(39,169,097)</b>

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

All operations are continuing for the financial period.

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

**THE TESCO SARUM LIMITED PARTNERSHIP**  
**BALANCE SHEET AS AT 24 FEBRUARY 2018**

	Notes	24 February 2018 £	25 February 2017 £
<b>Fixed assets</b>			
Investment properties	7	483,960,000	475,110,000
		<u>483,960,000</u>	<u>475,110,000</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	91,818	256,684
Cash at bank and in hand		1,096,165	903,145
		<u>1,187,983</u>	<u>1,159,829</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	9	(3,332,067)	(3,106,229)
<b>Net current liabilities</b>		<u>(2,144,084)</u>	<u>(1,946,400)</u>
<b>Total assets less current liabilities</b>		<b>481,815,916</b>	<b>473,163,600</b>
Creditors: Amounts falling due after one year	10	(483,118,416)	(488,248,284)
<b>Net liabilities</b>		<u>(1,302,500)</u>	<u>(15,084,684)</u>
<b>Partners' interest</b>			
Partners' capital accounts	12	20,020	20,020
Cash flow hedge reserve	12	(42,367,577)	(46,374,744)
Profit and loss account	12	41,045,057	31,270,040
<b>Partners' interest</b>		<u>(1,302,500)</u>	<u>(15,084,684)</u>

The financial statements on pages 8 to 25 were approved by the General Partner and authorised for issue on 16 August 2018. They were signed on its behalf by:

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

*Robert Welch*

R Welch, for and on behalf of Tesco Services Limited

Director, 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 52 WEEKS ENDED  
24 FEBRUARY 2018**

	Partners' capital accounts	Cash flow hedge reserve	Profit and loss account	Total
	£	£	£	£
<b>Balance as at 28 February 2016</b>	20,020	(11,541,361)	35,855,754	24,334,413
Loss for the period	-	-	(4,335,714)	(4,335,714)
Other comprehensive loss for the period	-	(34,833,383)	-	(34,833,383)
<b>Total comprehensive loss for the period</b>	-	(34,833,383)	(4,335,714)	(39,169,097)
Distributions	-	-	(250,000)	(250,000)
<b>Balance as at 25 February 2017</b>	<b>20,020</b>	<b>(46,374,744)</b>	<b>31,270,040</b>	<b>(15,084,684)</b>
Profit for the period	-	-	9,775,017	9,775,017
Other comprehensive income for the period	-	4,007,167	-	4,007,167
<b>Total comprehensive loss for the period</b>	-	4,007,167	9,775,017	13,782,184
Distributions	-	-	-	-
<b>Balance as at 24 February 2018</b>	<b>20,020</b>	<b>(42,367,577)</b>	<b>41,045,057</b>	<b>(1,302,500)</b>

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



**THE TESCO SARUM LIMITED PARTNERSHIP****CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018**

	Notes	52 weeks ended 24 February 2018 £	52 weeks ended 25 February 2017 £
<b>Net cash inflow from operating activities</b>	13	25,328,374	24,775,583
<b>Cash flow from investing activities</b>			
Interest received		1,043,286	1,888,523
<b>Cash flow from financing activities</b>			
Interest paid		(25,151,868)	(25,225,097)
Distribution paid		-	(250,000)
Loan repayments		(1,026,772)	(953,542)
<b>Net cash flows from financing activities</b>		<b>(26,178,640)</b>	<b>(26,428,639)</b>
<b>Net increase in cash and cash equivalents</b>		<b>193,020</b>	<b>235,467</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>903,145</b>	<b>667,678</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1,096,165</b>	<b>903,145</b>

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

**THE TESCO SARUM LIMITED PARTNERSHIP**

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

		52 weeks ended 24 February 2018	52 weeks ended 25 February 2017
	Notes	£	£
Increase in cash and cash equivalents	14	193,020	235,467
Decrease in net debt	14	1,026,772	973,651
Opening net debt	14	(441,997,324)	(443,206,442)
Closing net debt		(440,777,532)	(441,997,324)

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

## **THE TESCO SARUM LIMITED PARTNERSHIP**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018**

#### **1. General information**

The Tesco Sarum Limited Partnership (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 Deed on 31 January 2012. The Partnership is limited by Partners' Capital.

The financial statements of the Partnership for the 52 week period ended 24 February 2018 were approved by the General Partner on 16 August 2018 and the Balance sheet was signed on the General Partner's behalf by Robert Welch.

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

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

##### **a) Basis of preparation**

The financial statements of 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). The financial statements of the Partnership are prepared on the going concern basis under the historical cost convention, as modified by revaluation of certain investment properties, recognition of financial derivative instrument 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 trading over the foreseeable future versus the likelihood of either intending to or being forced to either cease trading or putting the Partnership into liquidation.

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

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

The General Partner has noted that, at the reporting period end date the Partnership is in a net liability position. The General Partner does not consider this a going concern risk as future rental income streams are guaranteed through an RPI-linked swap to ensure that the Partnership can meet its financial obligations. With the swap arrangement deemed to be commercially viable, the General Partner believes that the Partnership will continue as a going concern.

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

## THE TESCO SARUM LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

#### 2. Accounting policies (continued)

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

The preparation of financial statements requires management to make judgements, estimates and assumptions in applying the Partnership's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The general partner does not consider that there are any critical judgements or key sources of estimation uncertainty within the financial statements.

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.

The estimation of future RPI rates impact upon the valuation of the derivative instrument. Management has applied their own internal estimations of future RPI movements. This has been benchmarked against market data for accuracy and is in line with the methodologies used by Tesco PLC in valuing their derivative instrument.

The leases on Tesco stores 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%. Whereas the leases on non-Tesco store mixed use units are payable at the rates initially set up in the lease agreement which shows incremental trend over the life of the lease.

For investment properties, determining the value requires an estimation of expected open-market rental income as well as an expected yield to calculate its fair value.

There are no judgements and 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 24 February 2018.

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 7.

###### *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.

A number of the leases are subject to annual uplifts which are linked to the Retail Price Index (RPI), subject to a minimum annual increase of 0% and a maximum annual increase of 5% thereafter.

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.

In line with FRS 102 Section 20.25b the Partnership has not accounted for rental income on a straight-line basis 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 TESCO SARUM LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

#### 2. Accounting policies (continued)

##### d) Significant accounting policies (continued)

###### Financial instruments

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

###### *Financial assets*

###### *Initial recognition and measurement*

Financial assets within the scope of section 11 of FRS 102 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Partnership determines the classification of its financial assets at initial recognition. All financial assets are initially measured and recognised at transaction price (including 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 and short-term deposits, trade and other receivables, loan notes, quoted and unquoted financial instruments, and derivative financial instruments.

###### *Subsequent measurement*

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

###### *Loans and receivables*

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

###### *Financial liabilities*

###### *Initial recognition and measurement*

Financial liabilities within the scope of section 11 of FRS 102 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Partnership determines the classification of its financial liabilities at initial recognition. All financial liabilities are initially measured and recognised at transaction price (including transaction costs).

###### *Subsequent measurement*

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

###### *Loans and borrowings*

Loans and borrowings are non-derivative financial liabilities with fixed or determinable payments 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 (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement. Losses arising from impairment are recognised in the income statement in other operating income. Loans are classified within loans and borrowings.

## THE TESCO SARUM LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

#### 2. Accounting policies (continued)

##### d) Significant accounting policies (continued)

##### Financial instruments (continued)

###### *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.

###### *Derivative financial instruments and hedge accounting*

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

Note 11 sets out details of the fair 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 finance income or costs.

Hedge accounting is discontinued when the 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 Equity 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 Equity is reclassified to the Profit and Loss Account.

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

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

## THE TESCO SARUM LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

#### 2. Accounting policies (continued)

##### d) Significant accounting policies (continued)

##### Financial instruments (continued)

##### *Fair value measurement*

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

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

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

##### Cash 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.

##### 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 (ILP) 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.

##### Interest payable and receivable

Interest payable and receivable is calculated on an accruals basis.

#### 3. Profit/(loss) before taxation

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

The Auditor's remuneration in respect of audit services in the period amounted to £22,475 (2017: £10,250). The non-audit fees for the period is £nil (2017: £nil).

The Partnership had no employees during the period (2017: none).

## THE TESCO SARUM LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

#### 4. Interest receivable and similar income

	52 weeks ended 24 February 2018	52 weeks ended 25 February 2017
	£	£
Other income	-	250,000
Interest received on bank deposits	815	2,027
Income from derivative financial instrument	917,682	1,574,128
<b>Total</b>	<b>918,497</b>	<b>1,826,155</b>

In the prior year, the Partnership received £250,000 as it provided consent to Tesco Stores Limited to grant a lease to transfer part of a freehold property.

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

#### 5. Interest payable and similar charges

	52 weeks ended 24 February 2018	52 weeks ended 25 February 2017
	£	£
Interest payable on other loans	25,151,868	25,204,988
<b>Total</b>	<b>25,151,868</b>	<b>25,204,988</b>

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. 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 9 and Note 10).

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

#### 6. Tax on profit

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.

#### 7. Investment properties

	24 February 2018	25 February 2017
	£	£
<b>Land and buildings</b>		
Valuation:		
As at the beginning of the period	475,110,000	480,680,000
Revaluation	8,850,000	(5,570,000)
<b>As at the end of the period</b>	<b>483,960,000</b>	<b>475,110,000</b>

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 24 February 2018. The valuation was carried out in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (RICS).



## THE TESCO SARUM LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

#### 7. Investment properties (continued)

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 5.12% with a rental income of £266.17 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.

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

	24 February 2018	25 February 2017
	£	£
Accrued swap income receivable	-	164,183
Amounts owed by Tesco Sarum (GP) Limited	91,818	91,818
Prepayments and accrued income	-	270
VAT	-	413
	<b>91,818</b>	<b>256,684</b>

Amounts owed by associated entities are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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

	24 February 2018	25 February 2017
	£	£
Accruals and deferred income	2,241,595	2,075,300
Tesco Property Finance 5 PLC	1,083,464	1,026,929
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	3,008	-
	<b>3,332,067</b>	<b>3,106,229</b>

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 11).

## THE TESCO SARUM LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

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

	24 February 2018	25 February 2017
	£	£
Tesco Property Finance 5 PLC	440,790,233	441,873,540
RPI linked derivative instrument	42,328,183	46,374,744
	<b>483,118,416</b>	<b>488,248,284</b>

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 24 February 2018 is £441,873,697 (2017: £442,900,469).

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.

The Partnership holds a back-to-back arrangement with Tesco PLC, who holds a RPI-linked derivative arrangement externally.

Both the swap and the loan are considered to be Level 2 financial liabilities under the fair value hierarchy, being that they are based on inputs other than quoted prices that are observable either directly or indirectly.

#### 11. Financial instruments

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

**THE TESCO SARUM LIMITED PARTNERSHIP****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
24 FEBRUARY 2018 (continued)****11. Financial instruments (continued)****RPI rate risk (continued)**

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

	24 February 2018			25 February 2017		
	Fixed	Floating	Total	Fixed	Floating	Total
	£	£	£	£	£	£
Cash and cash equivalents	-	1,096,165	1,096,165	-	903,145	903,145
Other receivables	91,818	-	91,818	256,684	-	256,684
Bank and other borrowings	(441,873,697)	-	(441,873,697)	(442,900,469)	-	(442,900,469)
RPI linked derivative instrument	-	(42,328,183)	(42,328,183)	-	(46,374,744)	(46,374,744)
Other payables	(2,248,603)	-	(2,248,603)	(2,079,300)	-	(2,079,300)
	<b>(444,030,482)</b>	<b>(41,232,018)</b>	<b>(485,262,500)</b>	<b>(444,723,085)</b>	<b>(45,471,599)</b>	<b>(490,194,684)</b>

**Credit risk**

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

The counterparty exposure under derivative contracts is £42,328,183 (2017: £46,374,744).

The Partnership considers its maximum credit risk to be £486,450,483 (2017: £491,354,513), being the Partnership's total financial liabilities.

**Liquidity risk**

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

**Sensitivity analysis**

The swap valuations above, based on the discounted expected future cash flows associated with the swaps, are linked to future inflation levels as referenced by the Retail Price Index (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.

**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 members, 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.

# THE TESCO SARUM LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

### 11. Financial instruments (continued)

#### Financial assets and liabilities by category

The accounting classifications of each class of financial asset and liability as at 24 February 2018 and 25 February 2017 are as follows:

	Loans and receivables/other financial liabilities	Fair value through other comprehensive income	Total
	£	£	£
<b>At 24 February 2018</b>			
Cash and cash equivalents	1,096,165	-	1,096,165
Other receivables	91,818	-	91,818
Long-term borrowings	(441,873,697)	-	(441,873,697)
Derivatives - Back to back arrangement	-	(42,328,183)	(42,328,183)
Other payables	(2,248,603)	-	(2,248,603)
	<b>(442,934,317)</b>	<b>(42,328,183)</b>	<b>(485,262,500)</b>

	Loans and receivables/ other financial liabilities	Fair value through other comprehensive income	Total
<b>At 25 February 2017</b>			
Cash and cash equivalents	903,145	-	903,145
Other receivables	256,684	-	256,684
Long-term borrowings	(442,900,469)	-	(442,900,469)
Derivatives - Back to back arrangement	-	(46,374,744)	(46,374,744)
Other payables	(2,079,300)	-	(2,079,300)
	<b>(443,819,940)</b>	<b>(46,374,744)</b>	<b>(490,194,684)</b>

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

### 12. Cumulative partners account

Partners Accounts as at 24 February 2018	Partners' capital accounts £	Cash flow hedge reserve £	Profit and loss Account £	Total £
Tesco Sarum (1LP) Limited	10,000	(21,162,605)	20,502,006	(650,599)
Trinity College, Cambridge	10,000	(21,162,605)	20,502,006	(650,599)
Tesco Sarum (GP) Limited	20	(42,367)	41,045	(1,302)
<b>Total</b>	<b>20,020</b>	<b>(42,367,577)</b>	<b>41,045,057</b>	<b>(1,302,500)</b>

## THE TESCO SARUM LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

#### 12. Cumulative partners account (continued)

Partners Accounts as at 25 February 2017	Partners' capital accounts £	Cash flow hedge reserve £	Profit and loss Account £	Total £
Tesco Sarum (1LP) Limited	10,000	(23,164,185)	15,619,385	(7,534,800)
Trinity College, Cambridge	10,000	(23,164,185)	15,619,385	(7,534,800)
Tesco Sarum (GP) Limited	20	(46,374)	31,270	(15,084)
<b>Total</b>	<b>20,020</b>	<b>(46,374,744)</b>	<b>31,270,040</b>	<b>(15,084,684)</b>

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 Deed 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.

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

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

	52 weeks ended 24 February 2018 £	52 weeks ended 25 February 2017 £
Operating profit	34,008,388	19,043,119
Adjustment for:		
Gain/(Loss) on revaluation of investment property	(8,850,000)	5,570,000
Working capital movements:		
Change in debtors	683	(39)
Change in creditors	169,303	162,503
<b>Net cash inflow from operating activities</b>	<b>25,328,374</b>	<b>24,775,583</b>

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

	27 February 2016 £	Net Cash flow £	25 February 2017 £
Cash at bank and in hand	667,678	235,467	903,145
Debt due within one year	(904,480)	(122,449)	(1,026,929)
Debt due after more than one year	(442,969,640)	1,096,100	(441,873,540)
	<b>(443,206,442)</b>	<b>1,209,118</b>	<b>(441,997,324)</b>

	25 February 2017 £	Net Cash flow £	24 February 2018 £
Cash at bank and in hand	903,145	193,020	1,096,165
Debt due within one year	(1,026,929)	(56,535)	(1,083,464)
Debt due after more than one year	(441,873,540)	1,083,307	(440,790,233)
	<b>(441,997,324)</b>	<b>1,219,792</b>	<b>(440,777,532)</b>

## THE TESCO SARUM LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018 (continued)

#### 15. Receivables under operating lease

	24 February 2018	25 February 2017
	£	£
Total future minimum lease receivables under non-cancellable operating leases are as follows:		
Not later than one year	26,462,019	25,469,634
After one year but not more than five years	77,283,596	99,854,921
After five years	-	-
	<b>103,745,615</b>	<b>125,324,555</b>

#### 16. Ultimate parent undertaking and controlling party

The partners of the Partnership are Tesco Sarum (ILP) 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 financial statements can be obtained from its registered office: Company Secretary, 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.

#### 17. Related party transactions and balances

During the 52 weeks' period ended 24 February 2018 the Partnership entered into transactions with related parties, in the ordinary course of business. Transactions entered into, and balances outstanding at 24 February 2018, are as follows:

Entity	Relationship	Transaction and balances
Tesco Stores Limited	Subsidiary of parent undertaking	The Partnership recognised rental income of £25,558,063 (2017: £24,965,171)
Spen Hill Management Limited	Subsidiary of parent undertaking	Recognised expenses of £197,397 (2017: £155,627) in the period for property management services.
Tesco Sarum (GP) Limited	General Partner	Amount receivable at period end £91,818 (2017: £91,818). The Partnership owed Tesco Sarum (GP) Limited at period end £1,000 (2017: £1000)
Tesco Sarum (Nominee Holdco) Limited	Subsidiary of parent undertaking	The Partnership owed Tesco Sarum (Nominee Holdco) Limited at period end £1,000 (2017: £1000)
Tesco Sarum (Nominee 1) Limited	Subsidiary of parent undertaking	The Partnership owed Tesco Sarum (Nominee 1) Limited at period end £1,000 (2017: £1000)
Tesco Sarum (Nominee 2) Limited	Subsidiary of parent undertaking	The Partnership owed Tesco Sarum (Nominee 2) Limited at period end £1,000 (2017: £1000)

References to balances outstanding at period end are disclosed in Note 8 and Note 9.