



ATMORE INVESTMENTS LIMITED
DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

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COMPANIES HOUSE

GERALD EDELMAN
CHARTERED ACCOUNTANTS

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ATMORE INVESTMENTS LIMITED

COMPANY INFORMATION

Directors	M. Grodner A. Snowball D.J. Grodner
Secretary	D.J. Grodner
Company number	2436003
Registered office	St John's House Two Queen Square Liverpool L1 3EU
Auditors	Gerald Edelman 25 Harley Street London W1G 9BR
Business address	St John's House Two Queen Square Liverpool L1 3EU

ATMORE INVESTMENTS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Statement of total recognised gains and losses	6
Balance sheet	7
Notes to the financial statements	8 - 13

ATMORE INVESTMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2008

The directors present their report and financial statements for the year ended 31 March 2008.

Principal activities and review of the business

The principal activity of the company continued to be that of property investment.

A review of the group's business during the period and information relating to its financial and other instruments are given in the consolidated financial statements of the holding company, Atmore Properties Plc.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 April 2007:

M. Grodner
A. Snowball
D.J. Grodner

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Gerald Edelman be reappointed as auditors of the company will be put to the Annual General Meeting.

ATMORE INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware:

- (a) there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



M. Grodner
Director

31 October 2008

ATMORE INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ATMORE INVESTMENTS LIMITED

We have audited the financial statements of Atmore Investments Limited for the year ended 31 March 2008 set out on pages 5 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ATMORE INVESTMENTS LIMITED


INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF ATMORE INVESTMENTS LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Gerald Edelman

31 October 2008

Chartered Accountants
Registered Auditor

25 Harley Street
London
W1G 9BR

ATMORE INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £	2007 £
Turnover	2	1,345,145	1,271,679
Administrative expenses		<u>(193,733)</u>	<u>(386,646)</u>
Operating profit	3	1,151,412	885,033
Interest payable and similar charges	4	<u>(463,464)</u>	<u>(425,225)</u>
Profit on ordinary activities before taxation		687,948	459,808
Tax on profit on ordinary activities	5	<u>-</u>	<u>(133,566)</u>
Profit for the year	12	<u><u>687,948</u></u>	<u><u>326,242</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ATMORE INVESTMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008

	2008 £	2007 £
Profit for the financial year	687,948	326,242
Unrealised (deficit)/surplus on revaluation of properties	<u>(1,316,500)</u>	<u>963,500</u>
Total recognised gains and losses relating to the year	<u><u>(628,552)</u></u>	<u><u>1,289,742</u></u>

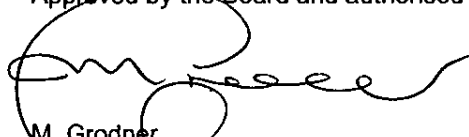
ATMORE INVESTMENTS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2008

	Notes	2008 £	£	2007 £	£
Fixed assets					
Tangible assets	6	16,014,501		17,331,000	
Current assets					
Debtors	7	4,453,891		4,459,247	
Cash at bank and in hand		308,504		161,163	
		4,762,395		4,620,410	
Creditors: amounts falling due within one year	8	(4,498,605)		(4,964,904)	
Net current assets/(liabilities)		263,790		(344,494)	
Total assets less current liabilities		16,278,291		16,986,506	
Creditors: amounts falling due after more than one year	9	(6,481,539)		(6,561,202)	
Provisions for liabilities and charges	10	(160,546)		(160,546)	
		9,636,206		10,264,758	
Capital and reserves					
Called up share capital	11	100		100	
Revaluation reserve	12	6,906,545		8,223,045	
Profit and loss account	12	2,729,561		2,041,613	
Shareholders' funds	13	9,636,206		10,264,758	

Approved by the Board and authorised for issue on 31 October 2008


M. Grodner
Director

ATMORE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold and long leasehold land and buildings.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents gross rents receivable and other property related income.

1.4 Investment properties

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been charged cannot be separately identified or quantified.

1.5 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision is made for the potential liability to the taxation which would arise in the event of the realisation of the investment property held at the balance sheet date at the amount at which it is stated in the financial statements. If the investment property was disposed of the taxation liability could amount to approximately £910,000 (2007 - £1,480,000).

1.6 Loan issue costs

In accordance with FRS 4 ("Capital Instruments") loan are included in the financial statements net of issue costs, which are amortised over the life of the loan.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

ATMORE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

3	Operating profit	2008	2007
		£	£
	Operating profit is stated after charging:		
	Cost of acquiring finance	5,439	4,966
	Auditors' remuneration	10,185	9,683
		<u> </u>	<u> </u>
4	Interest payable	2008	2007
		£	£
	On bank loans and overdrafts	463,464	425,225
		<u> </u>	<u> </u>
5	Taxation	2008	2007
		£	£
	Domestic current year tax		
	U.K. corporation tax	-	133,566
		<u> </u>	<u> </u>
	Current tax charge	-	133,566
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	687,948	459,808
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2007: 30.00%)	206,384	137,942
		<u> </u>	<u> </u>
	Effects of:		
	Capital allowances	(3,282)	-
	Group relief	(203,102)	-
	Other tax adjustments	-	(4,376)
		<u> </u>	<u> </u>
		(206,384)	(4,376)
		<u> </u>	<u> </u>
	Current tax charge	-	133,566
		<u> </u>	<u> </u>

ATMORE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

6 Tangible fixed assets

	Freehold investment properties £	Long leasehold investment properties £	Total £
Cost or valuation			
At 1 April 2007	14,306,001	3,025,000	17,331,001
Revaluation	(1,321,500)	5,000	(1,316,500)
	<u>12,984,501</u>	<u>3,030,000</u>	<u>16,014,501</u>
Net book value			
At 31 March 2008	<u>12,984,501</u>	<u>3,030,000</u>	<u>16,014,501</u>
At 31 March 2007	<u>14,306,000</u>	<u>3,025,000</u>	<u>17,331,000</u>

The company's properties have been valued by the directors on an open market basis as at 31 March 2008. The historical cost of properties at 31 March 2008 was approximately £9,100,000 (2007 - £9,100,000).

7 Debtors

	2008 £	2007 £
Trade debtors	82,062	145,415
Amounts owed by fellow subsidiary undertakings	4,354,850	4,268,294
Prepayments and accrued income	16,979	45,538
	<u>4,453,891</u>	<u>4,459,247</u>

8 Creditors: amounts falling due within one year

	2008 £	2007 £
Bank loans and overdrafts (note 9)	131,466	158,432
Trade creditors	32,542	19,807
Amounts owed to parent and fellow subsidiary undertakings	3,742,208	4,087,746
Corporation tax	-	133,566
Other taxes and social security costs	58,770	34,509
Other creditors	110	1,109
Accruals and deferred income	533,509	529,735
	<u>4,498,605</u>	<u>4,964,904</u>

ATMORE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

9 Creditors: amounts falling due after more than one year	2008	2007
	£	£
Bank loans	6,525,182	6,610,283
Less: unamortised finance costs	(43,643)	(49,081)
	<u>6,481,539</u>	<u>6,561,202</u>
Loan maturity analysis		
Between one and two years	131,467	163,932
Between two and five years	394,401	527,796
In five years or more	<u>5,999,314</u>	<u>5,918,555</u>

The bank loans and overdrafts are secured by a fixed charge over the company's investment properties and a floating charge over the remaining assets of the company.

10 Provisions for liabilities

	Deferred tax liability
	£
Balance at 1 April 2007 & at 31 March 2008	<u>160,546</u>

The deferred tax liability is made up as follows:

	2008	2007
	£	£
Accelerated capital allowances	<u>160,546</u>	<u>160,546</u>

11 Share capital

	2008	2007
	£	£
Authorised		
1,000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

ATMORE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

12 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 April 2007	8,223,045	2,041,613
Profit for the year	-	687,948
Revaluation during the year	(1,316,500)	-
Balance at 31 March 2008	<u>6,906,545</u>	<u>2,729,561</u>

13 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit for the financial year	687,948	326,242
Other recognised gains and losses	(1,316,500)	978,500
Net (depletion in)/addition to shareholders' funds	(628,552)	1,304,742
Opening shareholders' funds	<u>10,264,758</u>	<u>8,960,016</u>
Closing shareholders' funds	<u>9,636,206</u>	<u>10,264,758</u>

14 Contingent liabilities

The company has given guarantees and charges over its properties in favour of other group companies in support of certain borrowings of those companies. At the balance sheet date the amount outstanding under these borrowings was approximately £42 million.

ATMORE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

15 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2008 Number	2007 Number
Adminstration	4	5
Employment costs	2008 £	2007 £
Wages and salaries	47,946	65,682
Social security costs	5,546	7,371
	53,492	73,053

16 Control

The ultimate parent company is Atmore Properties Plc, a company registered in England and Wales, and is controlled by Mr M. Grodner and his family interests.

17 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

THE TESCO BLUE LIMITED PARTNERSHIP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2008
REGISTERED NUMBER: LP11521

THE TESCO BLUE LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER

The partners' present their report and audited financial statements for the period ended 23 February 2008.

Business review and principal activities

The principal activity of the partnership is to carry out property investment.

The results for the period show a pre-tax loss of £3,700,928 (2007: £858,373). The partnership has net liabilities at the period end of £4,159,301 (2007: £458,373).

The partnership is expected to continue trading at a similar level for the foreseeable future.

Principal risks and uncertainties

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. These risks are discussed on page 15 of the Tesco PLC group annual report for the 52 weeks ending 23 February 2008 which does not form part of this report.

Key performance indicators

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

Research and development

The partnership does not undertake any research and development activities.

Employees

The partnership had no employees during the period (2007: none).

Partners

The partners, including the General Partner, Tesco Blue (GP) Limited, are set out in note 10 of the financial statements.

Statement of general partner's responsibilities

The General Partner is required under the supporting Limited Partnership Deed to prepare financial statements for each financial period in accordance with the requirements of the Limited Partnership Deed.

In preparing the financial statements the General Partner should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards as specified in accordance with the Limited Partnership Deed, have been followed, subject to any material departures disclosed and explained in the financial statements; and

THE TESCO BLUE LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER (continued)

- prepare financial statements on a going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The General Partner is responsible for keeping accounting records which are sufficient to show and explain the Partnership's transactions and to disclose with reasonable accuracy, at any time, the financial position of the Partnership and thus enabling the financial statements to comply with the Limited Partnership Deed. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud, errors and other irregularities.

The General Partner is required to act in the best interests of the partnership and to perform its obligations under the Management Deed. Other duties of the General Partner are detailed in the Limited Partnership Deed.

Disclosure of information to auditors


Each general partner who is a general partner at the date of approval of this report confirms that:

- so far as the general partner is aware, there is no relevant information of which the partnership's auditors are unaware; and
- each general partner has taken all the steps that he ought to have taken as a general partner to make himself aware of any relevant audit information and to establish that the partnership's auditors are aware of that information.

The financial statements have been prepared in accordance with part VII of the companies act as required under statutory instrument 93/1820

On behalf of Tesco Blue (GP) Limited

15th December 2008



Jonathan Lloyd
For and on behalf of
Tesco Blue (GP) Limited
General Partner
Registered number 5721650

INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF THE TESCO BLUE LIMITED PARTNERSHIP

PricewaterhouseCoopers LLP
10 Bricket Road
St Albans AL1 3JX
Telephone +44 (0) 1727 844155
Facsimile +44 (0) 1727 845039

We have audited the financial statements of the Tesco Blue Limited Partnership for the period ended 23 February 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the general partner

The General Partner's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of General Partner's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Partners as a body in accordance with the Limited Partnership Agreement, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Limited Partnership Agreement. We also report to you if, in our opinion, the General Partner's Report is not consistent with the financial statements, if the limited partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the General Partner's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the limited partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the limited partnership's affairs as at 23 February 2008 and of its loss for the period then ended; and
- have been properly prepared in accordance with the provisions of the Limited Partnership Agreement.


PricewaterhouseCoopers LLP
Chartered Accountants
St Albans

15th December 2008

THE TESCO BLUE LIMITED PARTNERSHIP

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 23 FEBRUARY 2008

	Notes	52 Weeks to 23 February 2008 £	28 Weeks to 24 February 2007 £
Rental income		11,561,936	4,413,103
Administrative expenses		(2,763,874)	(1,064,342)
Operating profit	3	8,798,062	3,348,761
Net interest payable	4	(12,498,990)	(4,207,134)
Loss before tax		(3,700,928)	(858,373)
Taxation	5	-	-
Loss for the financial period	11	(3,700,928)	(858,373)

There are no recognised gains or losses other than those reflected in the profit and loss account above.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents.

The notes on pages 7 to 10 form part of these financial statements

THE TESCO BLUE LIMITED PARTNERSHIP

BALANCE SHEET AS AT 23 FEBRUARY 2008

	Notes	23 February 2008 £	24 February 2007 £
Fixed assets			
Tangible fixed assets	6	233,951,879	236,655,071
Current assets			
Cash at bank		1,938,664	2,928,474
Debtors	7	193,715	60,125
		2,132,379	2,988,599
Creditors (amounts falling due within one year)	8	(50,200,695)	(50,059,179)
Net current liabilities		(48,068,316)	(47,070,580)
Creditors (amounts falling due after more than one year)	9	(190,042,864)	(190,042,864)
Net liabilities		(4,159,301)	(458,373)
Partners' interest			
Partners' capital accounts	10	400,000	400,000
Profit and loss reserve	11	(4,559,301)	(858,373)
Partners' interests	10	(4,159,301)	(458,373)

The financial statements on pages 5 to 10 were approved by the Partners 15th December 2008 and were signed on its behalf by:



Jonathan Lloyd
For and on behalf of
Tesco Blue (GP) Limited
General Partner

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2008

1. ORGANISATION AND CONTROL

The Partnership was established on 14 August 2006 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 superceded by the Amended and Restated Limited Partnership Deeds on 5 October 2006, and again on 5 December 2006.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared on the going concern basis in accordance with applicable United Kingdom accounting standards, under the historical cost convention, and in accordance with the Companies Act 1985, as required by the Limited Partnership Agreement. The principal accounting policies have been applied consistently during the period and are set out below.

The accounts have been prepared on a going concern basis as the Partnership is in receipt of a letter of financial support from its ultimate parent company.

Fixed assets

Fixed assets are carried at cost less accumulated depreciation and any recognised impairment in value.

Depreciation

Depreciation is provided on a straight-line basis over the anticipated useful economic lives of the assets. The following rates were applied for the company:
Freehold and leasehold buildings with greater than 40 years unexpired – at 2.5% of cost.

Impairment of fixed assets

Fixed assets are subject to review for impairment in accordance with FRS 11 “impairment of fixed assets and goodwill”. Any impairment is recognised in the profit and loss account in the period in which it occurs.

Leases

The properties owned by the Partnership are being leased out under 21 years and 4 months operating leases. Rental income is credited to the profit and loss account on a straight-line basis over the life of the lease. Annual uplifts are linked to the Retail Price Index (RPI), subject to a minimal annual increase of nil and a maximum annual increase of 3.5%.

Allocation of profits

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

Mr P Shirley is entitled to a priority return of 8.5% of the aggregate of his Partnership capital plus current account balance (assuming there is a sufficiency of profits) in the first six years and thereafter a pari passu share (0.10%).

The balance of the profits are then shared between the other partners as follows:

Tesco Blue (ILP) Limited (Founder Limited Partner)	49.95%
Tesco Blue Unit Trust	49.95%
Tesco Blue (GP) Limited (General Partner)	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.

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2008 (continued)

2. ACCOUNTING POLICIES (continued)

Interest payable and receivable

Interest payable and receivable is calculated on an accruals basis.

Cash flow statement

The company is a wholly owned subsidiary of Tesco PLC and is included in the consolidated financial statements of Tesco PLC, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.

3. OPERATING PROFIT

The General Partner received no emoluments in respect of their services to the Partnership.

There were no employees of the Partnership during the period (2007: none).

The depreciation charge in the period amounted to £2,732,333 (2007: £1,043,007).

The auditor's remuneration in respect of audit services in the period amounted to £18,000 (2007: £15,000).

4. NET INTEREST PAYABLE

	52 Weeks to 23 February 2008 £	28 Weeks to 24 February 2007 £
Interest receivable	(189,057)	(99,350)
Loan Interest payable	12,688,047	4,306,484
	12,498,990	4,207,134

5. TAXATION

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

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2008 (continued)

6. FIXED ASSETS

	Land & buildings including long leasehold assets
	£
Cost	
At 23 February 2007	237,698,078
Additions	29,141
At 24 February 2008	237,727,219
Accumulated depreciation	
At 23 February 2007	1,043,007
Charge for the period (a)	2,732,333
At 24 February 2008	3,775,340
Net book value	
At 24 February 2008	233,951,879
At 23 February 2007	236,655,071

(a) Land amounting to £128,144,765 is not depreciated.

7. DEBTORS

	2008 £	2007 £
Other receivables	3,074	996
Amounts owed from group undertakings	184,722	47,098
Accrued interest receivable	5,919	12,031
	193,715	60,125

Amounts owed from group undertakings are unsecured, interest free and repayable on demand.

8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Accrued interest payable	1,716,894	1,598,607
Other accruals	18,000	21,199
Loan from Tesco PLC	47,510,716	47,510,716
Deferred income	955,085	928,657
	50,200,695	50,059,179

The loan from Tesco PLC is interest free and repayable on demand.

9. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	2008 £	2007 £
Loan from Tesco Blue (Finco 1) Limited	190,042,864	190,042,864
	190,042,864	190,042,864

The loan from Tesco Blue (Finco 1) Limited incurs interest at a variable rate based on the 3-month average LIBOR + 0.81% per annum and is repayable on 9 October 2017.

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2008 (continued)

10. CUMULATIVE PARTNERS ACCOUNTS

Partners Accounts as at 23 February 2008	Capital Contributions £	Total loss to 23 February 2008 £	Total £
Tesco Blue (ILP) Limited	135,000	(2,277,371)	(2,142,371)
Tesco Blue Unit Trust	135,000	(2,277,371)	(2,142,371)
Tesco Blue (GP) Limited	55,000	(4,559)	50,441
Mr P Shirley	75,000	-	75,000
Total	400,000	(4,559,301)	(4,159,301)

The Partnership was formed on 14 August 2006. The Partnership was originally constituted under the Initial Partnership Agreement, which was then superceded by the Amended and Restated Limited Partnership Deeds on 5 December 2006, with capital injections totalling £400,000.

Refer to note 2 (accounting policies) regarding the allocation of profits.

11. RESERVES

	2008 £	Profit and loss reserve 2007 £
As at start of period	(858,373)	-
Loss for the period	(3,700,928)	(858,373)
As at end of period	(4,559,301)	(858,373)

12. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Partnership's ultimate parent undertaking and controlling party is Tesco PLC, which is incorporated in Great Britain and registered in England and Wales, and which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the group financial statements can be obtained from the Company Secretary, Tesco PLC, Tesco House, PO Box 18, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL.

13. RELATED PARTY TRANSACTIONS

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption under Financial Reporting Standard 8 "Related Party Disclosures", as the consolidated financial statements of Tesco PLC in which the companies, are included are available at the address above.