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TESCO PROPERTY PARTNER (NO 1) LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 26 FEBRUARY 2007

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DIRECTORS' REPORT

Directors' Report for the period ended 26 February 2007

The directors present their report and audited financial statements of Tesco Property Partner (No 1) Limited for the period ended 26 February 2007

Business review and principal activities

The principal activity of the company is to act as a holding company

The results for the period show a pre-tax profit of £nil (2006 £nil) The directors do not recommend the payment of a dividend

Future Outlook

The business performed in line with expectations during the year The directors envisage that it will continue to perform satisfactorily

Principle risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately These risks are discussed on page 16 of the Tesco PLC group annual report which does not form part of this report

Key performance indicators

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

Research and development

The company does not undertake any research and development activities

Employees

The company had no employees during the period (2006 nil)

Directors and their interests

The directors who served during the year were

J Lloyd
A T Higginson
N Mourant

None of the directors had any disclosable beneficial interests in the company

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there will be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Disclosure of information to auditors

Each director who is a director at the date of approval of this report confirms that

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

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board on 12th November 2007



Jonathan Lloyd
Director

Tesco Property Partner (No 1) Ltd
Registered Number 4945945

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TESCO PROPERTY PARTNER (NO1) LIMITED

We have audited the financial statements of Tesco Property Partner (No 1) Limited for the period ended 26 February 2007 which comprises 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 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 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 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 judgments 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.

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 26 February 2007 and of its results for the period then ended,
- the financial statements 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
St Albans

15th November 2007

TESCO PROPERTY PARTNER (NO 1) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 26 FEBRUARY 2007

	Note	2007 £	2006 £
Other operating income		-	-
GROSS PROFIT		-	-
Administrative expenses		-	-
OPERATING PROFIT	2	-	-
Distributions from joint venture		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Taxation on profit on ordinary activities	3	-	1,623,421
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	1,623,421
Dividends ordinary dividends on equity shares		-	-
RETAINED PROFIT FOR THE PERIOD		-	1,623,421

The company had no recognised gains or losses other than those reflected in the profit and loss account

Turnover and results are derived from continuing operations in the United Kingdom

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

TESCO PROPERTY PARTNER (NO 1) LIMITED

BALANCE SHEET AS AT 26 FEBRUARY 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Investments	4	1,000	1,000
CURRENT ASSETS			
Cash at bank		47,255	47,255
NET CURRENT ASSETS		47,255	47,255
Debtors (amounts falling due after more than one year)	5	20,354,151	20,844,154
TOTAL ASSETS LESS CURRENT LIABILITIES		20,402,406	20,892,409
CREDITORS (amounts falling due after more than one year)	6	(20,353,151)	(20,843,154)
NET ASSETS		49,255	49,255
CAPITAL AND RESERVES			
Called up share capital	7	2,000	2,000
Profit and loss account	8	47,255	47,255
EQUITY SHAREHOLDERS FUNDS	9	49,255	49,255

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

The financial statements on pages 5 to 10 were approved by the directors on 12th November 2007 and were signed on its behalf by



Jonathan Lloyd
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 FEBRUARY 2007

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements are prepared on the going concern basis in accordance with applicable United Kingdom accounting standards, under the historical cost convention, and in accordance with the Companies Act 1985

In accordance with FRS 2 "Accounting for Subsidiary Undertakings", group financial statements have not been prepared because the company is a wholly owned subsidiary of a body corporate, incorporated in England and Wales

Cash flow Statement

In accordance with FRS 1 "Cash Flow Statements (Revised)", the company, being the wholly owned subsidiary of another company which prepares a cash flow statement including the cash flows of this company, has not prepared such a statement itself

Changes in accounting policies

During the year, the company adopted the FRS 20 "Share-based Payment" in the preparation of the financial statements. The adoption of this standard did not have any impact on the shareholder's funds of the company

Interest payable and receivable

Interest payable and receivable is calculated on an accruals basis

Taxation

The amount included in the Profit and Loss account is based on the profit or loss on ordinary activities before taxation and is calculated at current local tax rates, taking into account timing differences and the likelihood of realisation of deferred tax assets and liabilities

The company is also subject to tax on the profits of the underlying partnership (The Tesco Property Limited Partnership)

2. OPERATING PROFIT

The directors received no emoluments in respect of their services to the company (2006 - £nil)

There were no employees of the company during the year (2006 - £nil)

Auditors remuneration for the year has been borne by another company

3. TAXATION

	2007 £	2006 £
(a) Analysis of credit in the year		
Current Tax		
UK corporation tax at 30% (2006 30%)	-	(1,623,421)
Tax on (profit) / loss on ordinary activities	-	(1,623,421)

The company's share of tax of the profit of the underlying partnership (Tesco Property Limited Partnership) is included above

(b) Factors affecting tax charge for the year

	2007 £	2006 £
The tax assessed for the year is lower than the standard rate of corporation		
Tax in the UK (30%) The difference are explained below		
Profit on ordinary activities before tax	-	-
Profit on ordinary activities multiplied by the standard rate	-	-
of Corporation Tax of 30% (2006 30%)		
Effects of:		
Prior year adjustment	-	(1,623,421)
Taxable share of partnership income	329,856	184,683
Group relief received without making payment	(329,856)	(184,683)
	-	(1,623,421)

The company is subject to transfer pricing legislation under which arms length terms are applied with UK connected parties. Any adjustments required under this legislation would not have any impact on the amount of tax payable as compensating payments will be made between the parties affected to restore them to their position before application of this legislation.

4. FIXED ASSET INVESTMENTS

	2007	2006
	Company	Company
	Shares in Group undertakings (a)	Shares in Group undertakings (a)
	£	£
At beginning of the period	1,000	1,000
At end of the period	1,000	1,000

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 FEBRUARY 2007
(CONTINUED)**

(a) The company's investments are

Investment	Business	Share of Equity capital	Country of incorporation
The Tesco Property Limited Partnership	Property investment	49.95%	Registered in England

5. DEBTORS DUE AFTER ONE YEAR

	2007 £	2006 £
Amount owed by group undertakings	20,354,151	20,844,151
	20,354,151	20,844,151

The amounts owed by group undertakings are unsecured, interest free and are repayable on the 28 February 2029

6. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £	2006 £
Amounts owed to Group undertakings	(20,353,151)	(20,843,154)
	(20,353,151)	(20,843,154)

Amounts owed to group undertakings are unsecured, interest free and repayable on 28 February 2029

7. CALLED UP SHARE CAPITAL

	2007 No.	2007 £	2006 No.	2006 £
Authorised, allotted, called up and fully paid Equity				
Ordinary Shares	2,000	2,000	2,000	2,000
Total	2,000	2,000	2,000	2,000

8. PROFIT AND LOSS RESERVE

Profit and Loss Reserve	2007 £	2006 £
As at start of period	47,255	(1,576,166)
Profit for the year	-	1,623,421
As at end of period	47,255	47,255

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 FEBRUARY 2007
(CONTINUED)****9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR
ENDED 26 FEBRUARY 2007**

	2007 £	2006 £
Opening shareholder's funds	49,255	(1,574,166)
Profit for the period	-	1,623,421
Closing shareholder's funds	49,255	49,255

10. ULTIMATE CONTROLLING PARTY

The immediate parent undertaking and the ultimate parent undertaking is Tesco PLC, which is incorporated in Great Britain and registered in England and Wales, and this 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.

11. RELATED PARTY TRANSACTIONS

Tesco Property Partner No 1 Limited is part of the Project Breakfast group structure. No transactions impacting the P&L were recorded with any related parties during the financial year. However, loan repayments have been made on amounts owed to Tesco PLC and loan repayments have been received on the amount owed by The Tesco Property Limited Partnership. The year end balances of these loans are as follows:

Amounts owed to Tesco PLC	£20,353,151
Amounts owed by The Tesco Property Limited partnership	£20,354,151

The terms and conditions of these balances can be found in notes 5 and 6.

12. POST BALANCE SHEET EVENT

A number of changes to the United Kingdom Corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes had not been substantively enacted at the Balance Sheet date and, therefore, are not included in these financial statements. This non-adjusting post Balance Sheet event has no material impact on the financial statements.