

TESCO PROPERTY PARTNER (GP) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011

Registered Number: 4945955



# **TESCO PROPERTY PARTNER (GP) LIMITED**

## **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011**

The Directors present their report and the audited financial statements of Tesco Property Partner (GP) Limited (the "Company") and its subsidiaries (together the "Group") for the 52 week period ended 26 February 2011 (Prior period 52 weeks ended 27 February 2010)

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

The principal activity of the Company is to act as a holding company for the other entities in The Tesco Property Partner Limited Partnership Group. There has been no significant change in the nature or level of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

### **Results and dividends**

The results for the period show a pre-tax loss of £764 (2010 profit of £2) and sales of £nil (2010 £nil).

The Directors do not recommend a payment of a dividend for the period ended 26 February 2011 (2010 £nil).

The Group had net assets of £9,089 (2010 £12,603).

### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks relate to the carrying value of investments that this company holds.

To manage this risk the Company periodically reviews the financial statements of the entities the Company has investments in.

### **Charitable and political contributions**

There were no charitable or political donations for the period (2010 £nil).

### **Future outlook**

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

### **Key performance indicators (KPI's)**

Given the straight forward 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 (2010 £nil).

### **Supplier payment policy**

The Company does not have any direct supplier relationships.

## **TESCO PROPERTY PARTNER (GP) LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)**

#### **Employees**

The Company had no employees during the period (2010 none)

#### **Directors and their interests**

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

J Lloyd	
P Mamtora	(Appointed 16 August 2010)
J Mount	(Resigned 23 July 2010)
J Smith	(Resigned 30 June 2010)

None of the Directors had any disclosable interests in the Company during this 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 the Company) in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial period.

#### **Cautionary statement regarding forward-looking information**

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

## **TESCO PROPERTY PARTNER (GP) LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)**

#### **Statement of Directors' responsibilities**

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

The Companies Act 2006 requires the Directors to prepare financial statements for each financial period. 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). Under the Companies Act 2006, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period.

In preparing those 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

#### **Disclosure of information to auditors**

Each Director who is a director of the Company at the date of approval of this Annual Report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he 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.

#### **Independent auditors**

The independent auditors of the Company, PricewaterhouseCoopers LLP, are proposed for reappointment.

On behalf of the Board

22 NOV 2011

J Lloyd  
Director

Tesco Property Partner (GP) Limited  
Registered Number 4945955

Registered office Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TESCO PROPERTY PARTNER (GP) LIMITED**

**PricewaterhouseCoopers LLP**  
10 Bricket Road  
St Albans AL1 3JX  
Telephone +44 (0) 1727 844155  
Facsimile +44 (0) 1727 892333

We have audited the Group and Company financial statements of Tesco Property Partner (GP) Limited for the 52 weeks ended 26 February 2011 which comprise the Group Profit and Loss Account the Group and Company Balance Sheets the Group Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## **Respective responsibilities of Directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors and the overall presentation of the financial statements.

## **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and Company's affairs as at 26 February 2011 and of the Group's loss and cash flows for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

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

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



*Andrew Latham (Senior Statutory Auditor)*  
*For and on behalf of PricewaterhouseCoopers LLP*  
*Chartered Accountants and Statutory Auditors*  
*St Albans*

**23** August 2011

# TESCO PROPERTY PARTNER (GP) LIMITED

## GROUP PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011

	Notes	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 £
Interest receivable and similar income	3	-	2
Interest payable and similar charges	4	(764)	-
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(764)</b>	<b>2</b>
Tax on profit/(loss) on ordinary activities	5	(2,750)	(3,818)
<b>Loss for the financial period</b>	<b>9,10</b>	<b>(3,514)</b>	<b>(3,816)</b>

There are no recognised gains or losses other than those shown in the Profit and Loss Account above

There are no material differences between the loss on ordinary activities before taxation and the loss for the period stated above and their historical cost equivalents

All operations are continuing for the financial period

The notes on pages 9 to 13 form part of these financial statements

# TESCO PROPERTY PARTNER (GP) LIMITED

## BALANCE SHEETS AS AT 26 FEBRUARY 2011

	Notes	Group		Company	
		26 February 2011 £	27 February 2010 £	26 February 2011 £	27 February 2010 £
<b>Fixed assets</b>					
Investments	6	1,000	1,000	51,001	51,001
<b>Current assets</b>					
Cash at bank and in hand		11,839	30,749	11,839	30,749
		11,839	30,749	11,839	30,749
Creditors – amounts falling due within one year	7	(3,750)	(19,146)	(53,751)	(69,147)
<b>Net current assets/(liabilities)</b>		<b>8,089</b>	<b>11,603</b>	<b>(41,912)</b>	<b>(38,398)</b>
<b>Net assets</b>		<b>9,089</b>	<b>12,603</b>	<b>9,089</b>	<b>12,603</b>
<b>Capital and reserves</b>					
Called up share capital	8	1,000	1,000	1,000	1,000
Profit and loss account	9	8,089	11,603	8,089	11,603
<b>Total equity shareholders' funds</b>	10	<b>9,089</b>	<b>12,603</b>	<b>9,089</b>	<b>12,603</b>

The financial statements on pages 6 to 13 were approved by the board of Directors on ~~22~~ 22nd February 2011 and were signed on its behalf by



Lloyd  
Director  
Tesco Property Partner (GP) Limited  
Registered Number 4945955

**TESCO PROPERTY PARTNER (GP) LIMITED**

**GROUP STATEMENT OF CASH FLOWS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011**

	Notes	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 £
<b>Cash generated from operations</b>	11	-	-
Interest paid		(764)	-
Interest received		-	2
Tax paid		(18,146)	-
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(18,910)</b>	<b>2</b>
<b>(Decrease)/increase in cash</b>	12,13	<b>(18,910)</b>	<b>2</b>



# **TESCO PROPERTY PARTNER (GP) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011**

### **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 2006. The Company's principal accounting policies have been applied consistently during the period and are set out below.

#### **Basis of consolidation**

The group financial statements consolidate the financial statements of the Company and of its subsidiary undertakings drawn up to 26 February 2011. 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 a 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 230 of the Companies Act 2006.

#### **Fixed asset investments**

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

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

At each balance sheet date the Company reviews the carrying amounts of the fixed assets to determine whether there is any need 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.

#### **Current 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.

### **2. OPERATING PROFIT**

The Directors received no emoluments for their services to the Company (2010: £nil).

The Company had no employees during the period (2010: none).

The auditors' remuneration for the current period and prior period was borne by The Tesco Property Partner Limited Partnership.

# TESCO PROPERTY PARTNER (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 £
Interest receivable on bank deposits	-	2
	-	2

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 £
Interest payable	764	-
	764	-

### 5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

#### Factors that have affected the tax charge

The standard rate of corporation tax in the UK is 28%

	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 £
<b>Current tax:</b>		
UK Corporation tax on result for the financial period	2,750	3,818
<b>Total current tax</b>	<b>2,750</b>	<b>3,818</b>
<b>Tax on profit on ordinary activities</b>	<b>2,750</b>	<b>3,818</b>

The tax assessed for the period is higher than (2010 higher than) the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are explained below

	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 £
<b>(Loss)/profit on ordinary activities before tax</b>	<b>(764)</b>	<b>2</b>
(Loss)/profit on ordinary activities multiplied by standard rate in the UK 28% (2010 28%)	(160)	1
Effects of		
Taxable share of partnership income	2,910	3,817
<b>Current tax charge for the financial period</b>	<b>2,750</b>	<b>3,818</b>

# TESCO PROPERTY PARTNER (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

### 6. INVESTMENTS

	Group £	Company £
<b>Cost</b>		
At 28 February 2010	1,000	51,001
Additions	-	-
<b>At 26 February 2011</b>	<b>1,000</b>	<b>51,001</b>
<b>Provision for impairment</b>		
At 28 February 2010	-	-
Provision for impairment	-	-
<b>At 26 February 2011</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>		
<b>At 26 February 2011</b>	<b>1,000</b>	<b>51,001</b>
At 28 February 2010	1,000	51,001

The Directors believe that the carrying value of the investments is supported by their underlying net assets

Details of the principal subsidiary undertakings at the period end are as follows

Subsidiary undertakings	Country of incorporation	% Shares held	Nature of business
Tesco Property (Nominees) Limited	England and Wales	100%	Holding company
Worple Road PLC	England and Wales	100%	Dormant company

Details of other investments at the period end are as follows

Investments in associated entities	Country of incorporation	% Interest held	Nature of business
The Tesco Property Limited Partnership	England	0.1%	Property investment

# TESCO PROPERTY PARTNER (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

### 7. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Amounts owed to group undertakings	-	-	50,001	50,001
Tesco PLC	1,000	1,000	1,000	1,000
Corporation tax	2,750	18,146	2,750	18,146
	3,750	19,146	53,751	69,147

Amounts owed to group undertakings and Tesco PLC are unsecured, interest free, have no fixed date of repayment and are repayable on demand

### 8. CALLED UP SHARE CAPITAL

	Group	Company
	2011	2011
	£	£
Allotted, called up and fully paid 500 Ordinary 'A' shares of £1 each	500	500
Allotted, called up and fully paid 500 Ordinary 'B' shares of £1 each	500	500
	1,000	1,000

### 9. RESERVES

	Group	Company
	Profit and loss reserve	Profit and loss reserve
	£	£
As at 28 February 2010	11,603	11,603
Loss for the financial period	(3,514)	(3,514)
As at 26 February 2011	8,089	8,089

### 10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AS AT 26 FEBRUARY 2011

	Group	Company	Group	Company
	2011	2011	2010	2010
	£	£	£	£
Loss for the financial period	(3,514)	(3,514)	(3,816)	(3,816)
Net reduction to shareholders' funds	(3,514)	(3,514)	(3,816)	(3,816)
Opening shareholders' funds	12,603	12,603	16,419	16,419
Closing shareholders' funds	9,089	9,089	12,603	12,603

# TESCO PROPERTY PARTNER (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

### 11. NET CASHFLOWS FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash inflow from operating activities

	2011 £	2010 £
Operating profit	-	-
Change in debtors	-	-
Change in creditors	-	-
<b>Net cash inflow from operating activities</b>	<b>-</b>	<b>-</b>

### 12. ANALYSIS OF CHANGES IN NET FUNDS

	28 February 2010 £	Cash flow	26 February 2011 £
Cash at bank and in hand	30,749	(18,910)	<b>11,839</b>
	30,749	(18,910)	<b>11,839</b>

### 13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2011 £	2010 £
(Decrease)/increase in cash	<b>(18,910)</b>	2
<b>Increase in net funds</b>	<b>(18,910)</b>	2
Opening net funds	<b>30,749</b>	30,747
<b>Closing net funds</b>	<b>11,839</b>	30,749

### 14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertakings are Tesco PLC and the Bellevale Properties Limited

The Company's ultimate parent undertakings are Tesco PLC and the Phoenix Group Holdings Limited. Tesco PLC is registered in England and Wales and copies of the Tesco PLC financial statements can be obtained from the Company Secretary, Tesco PLC, Tesco House, PO Box 18, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL. Phoenix Group Holdings Limited is registered in the Cayman Islands and copies of Phoenix Group Holdings Limited financial statements can be obtained from the Company Secretary, Phoenix Group Holdings Limited, 1<sup>st</sup> Floor, 32 Commercial Street, St Helier, JE2 3RU, Jersey.

### 15. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period

**TESCO PROPERTY PARTNER (GP) LIMITED**

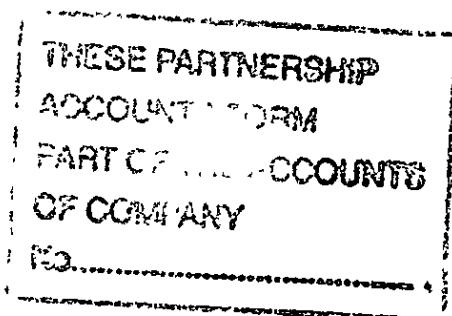
**COMPANY PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011**

	Notes	52 weeks to 26 February 2011 £
Interest paid and similar charges		(764)
<b>Loss on ordinary activities before taxation</b>		<b>(764)</b>
Tax on loss on ordinary activities		(2,750)
<b>Loss for the financial period</b>		<b>(3,514)</b>

This page does not form part of the audited financial statements

THE TESCO PROPERTY LIMITED PARTNERSHIP  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011

Registered Number: LP009052



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# **THE TESCO PROPERTY LIMITED PARTNERSHIP**

## **GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011**

Tesco Property Partner (GP) Limited (the "General Partner") presents its report and the audited financial statements of The Tesco Property Limited Partnership (the "Partnership") for the 52 week period ended 26 February 2011 (Prior period 52 week period ended 27 February 2010). During the period, Tesco Property Partner (GP) Limited acted as the General Partner and Tesco Property Partner (No 1) Limited and Dawberry Properties Limited acted as limited partners of the Partnership.

On the 28 March 2011 Dawberry Properties Limited transferred its interest in the Partnership to the Pearl Breakfast Unit Trust. From this date the immediate parent undertakings of the Partnership are Tesco Property Partner (No 1) Limited, the Pearl Breakfast Unit Trust and Tesco Property Partner (GP) Limited. The ultimate parent undertakings are Tesco PLC and Phoenix Group Holdings Limited.

Tesco Property Partner (GP) Limited is jointly owned by Tesco PLC and Belvale Properties Limited. Belvale Properties Limited is owned by Phoenix Group Holdings Limited.

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 18 September 2007.

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

The principal activity of the Partnership is to carry out property investment in thirty three retail stores and two distribution centres 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 comparative figures in the primary statements and notes have been restated to more fairly and accurately reflect payments to the partners.

The results for the period show a pre-tax profit of £13,857,205 (2010 £13,633,212) and rental income of £51,006,851 (2010 £51,006,850). During the period the Partnership distributed £nil (2010 restated £nil).

The Partnership had net assets of £315,186,905 (2010 restated £212,879,700).

### **Principal risks and uncertainties**

The principal risks and uncertainties are related to property investment into the retail stores and the obligation to make repayments against the loan. These risks include the exposure to fluctuations in the open market value of the investment properties.

The Partnership manages these risks by fixing the interest payable on borrowings to ensure that current and future cash flows are sufficient to meet the obligations to make repayments against the loan.

### **Charitable and political donations**

There were no charitable and political donations for the period (2010 £nil).

### **Future outlook**

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.

### **Key performance indicators**

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.

### **Research and development**

The Partnership does not undertake any research and development activities (2010 £nil).



## **THE TESCO PROPERTY LIMITED PARTNERSHIP**

### **GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (Continued)**

#### **Supplier payment policy**

The Partnership pays its suppliers directly

Tesco PLC, an ultimate parent entity of the Partnership, is a signatory to the Prompt Payment Code. More information about the Code can be found at [www.promptpaymentcode.org.uk](http://www.promptpaymentcode.org.uk). Payment terms and conditions are agreed with suppliers in advance. Tesco PLC has no trade creditors on its Balance Sheet. The Group pays its creditors on a pay on time basis which varies according to the type of product and territory in which the suppliers operate.

#### **Employees**

The Partnership had no employees during the period (2010: none)

#### **Partners**

The partners, including the General Partner, Tesco Property Partner (GP) Limited, are set out in note 13 of the financial statements.

#### **Interest in land**

As shown within the accounting policies, the Partnership's land and buildings are revalued periodically at open market value and are disclosed as such within the accounts.

#### **Cautionary statement regarding forward-looking information**

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

# THE TESCO PROPERTY LIMITED PARTNERSHIP

## GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (Continued)

### Statement of Partners' Responsibilities in respect of the financial statements

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

Company law as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the partners to prepare financial statements for each financial year. Under that law the partners have prepared the partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law as applied to qualifying partnerships the partners 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 partners 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership and group will continue in business

The partners are responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and 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 applied to qualifying partnerships by the Regulations. They are also responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The partners are responsible for the maintenance and integrity of the partnership's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Disclosure of information to auditors

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 information of which the Partnership's auditors are unaware, and
- the General Partner has taken all the steps that ought to have been taken as a general partner to be 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 15 of the amended and restated Limited Partnership Agreement and part 15 of the Companies Act 2006 as required under statutory instrument 2008/569

On behalf of Tesco Property Partner (GP) Limited

22 NOV 2011



J Lloyd  
For and on behalf of  
General Partner  
Tesco Property Partner (GP) Limited  
Registered number 4945955  
Registered office Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL

**INDEPENDENT AUDITORS' REPORT TO THE  
PARTNERS OF THE TESCO PROPERTY  
LIMITED PARTNERSHIP**

PricewaterhouseCoopers LLP  
10 Bricket Road  
St Albans AL1 3JX  
Telephone +44 (0) 1727 844155  
Facsimile +44 (0) 1727 892333

We have audited the financial statements of The Tesco Property Limited Partnership for the 52 weeks ended 26 February 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of partners and auditors**

As explained more fully in the Statement of Partner's Responsibilities set out on page 4, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the partners of The Tesco Property Limited Partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, 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.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the qualifying partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the partners, and the overall presentation of the financial statements.

**Opinion on financial statements**

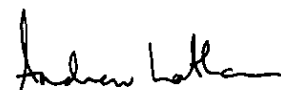
In our opinion the financial statements

- give a true and fair view of the state of the qualifying partnership's affairs as at 26 February 2011 and of its profit and cash flows for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

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

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

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



Andrew Latham (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans  
23 August 2011

# THE TESCO PROPERTY LIMITED PARTNERSHIP

## PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011

	Notes	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 £
Rental income		51,006,851	51,006,850
Administrative expenses		(417,115)	(471,985)
<b>Operating profit</b>	4	<b>50,589,736</b>	<b>50,534,865</b>
Interest receivable and similar income	5	2,355	4,567
Interest payable and similar charges	6	(36,734,886)	(36,906,220)
<b>Profit on ordinary activities before taxation</b>		<b>13,857,205</b>	<b>13,633,212</b>
Tax on profit on ordinary activities	7	-	-
<b>Profit for the financial period</b>	13,14	<b>13,857,205</b>	<b>13,633,212</b>

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents

All operations are continuing for the financial period

The notes on pages 9 to 14 form part of these financial statements

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011


	Notes	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 £
Profit for the financial period		13,857,205	13,633,212
Surplus on revaluation of properties	8,14	88,450,000	92,400,000
<b>Total recognised gain for the period</b>		<b>102,307,205</b>	<b>106,033,212</b>
Prior year adjustment	18	14,000,000	
<b>Total gains recognised since the last annual report and financial statements</b>		<b>116,307,205</b>	

# THE TESCO PROPERTY LIMITED PARTNERSHIP

## BALANCE SHEET AS AT 26 FEBRUARY 2011

	Notes	26 February 2011 £	27 February 2010 (restated) £
<b>Fixed assets</b>			
Investment properties	8	889,550,000	801,100,000
<b>Current assets</b>			
Debtors – amounts falling due within one year	9	34,428	320,631
Cash at bank and in hand		8,154,047	1,614,498
		8,188,475	1,935,129
Creditors – amounts falling due within one year	11	(8,654,074)	(8,752,945)
<b>Net current liabilities</b>		(465,599)	(6,817,816)
Debtors – due in more than one year	10	77,980,033	70,174,861
<b>Total assets less current liabilities</b>		967,064,434	864,457,045
Creditors – amounts falling due after more than one year	12	(651,877,529)	(651,577,345)
<b>Net assets</b>		315,186,905	212,879,700
<b>Partners' interest</b>			
Partners' capital accounts	13	3,000	3,000
Partners' current accounts	13	(8,714,948)	(8,714,948)
Revaluation reserve	14	214,550,000	126,100,000
Profit and loss reserve	14	109,348,853	95,491,648
<b>Partners' interest</b>		315,186,905	212,879,700

The financial statements on pages 6 to 14 were approved by the General Partner on 22 AUGUST 2011 and were signed on its behalf by

  
J. Lloyd  
For and on behalf of  
General Partner  
Tesco Property Partner (GP) Limited  
Registered number 4945955

# THE TESCO PROPERTY LIMITED PARTNERSHIP

## STATEMENT OF CASH FLOWS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011

	Notes	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 (restated) £
<b>Net cash inflow from operating activities</b>	15	<b>43,157,203</b>	<b>41,823,647</b>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(36,620,009)	(36,419,904)
Interest received		2,355	7,989
Decrease in borrowing		-	(14,000,000)
<b>Increase/(decrease) in cash equivalents</b>	17	<b>6,539,549</b>	<b>(8,588,268)</b>

# **THE TESCO PROPERTY LIMITED PARTNERSHIP**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011**

### **1. ORGANISATION AND CONTROL**

The Partnership was established on 18 November 2003 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 amended & restated Limited Partnership Agreement on 18 September 2007.

### **2. 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, as modified by the revaluation of investment properties and in accordance with the Companies Act 2006, as required by the Limited Partnership Agreement. The principal accounting policies are set out below.

#### **Prior year adjustment**

To more accurately reflect the amended & restated Limited Partnership Agreement the Partnership has adjusted how payments made to partners have been reflected within the financial statements. This had the effect of increasing net assets as at 27 February 2010 by £14,000,000. See note 18.

#### **Investment properties**

Investment properties are independently valued each period on an open market basis. Any surplus or deficit arising is taken to the revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to the profit and loss account.

In accordance with SSAP 19, no amortisation or depreciation is provided in respect of freehold or long leasehold properties. The departure from the requirements of the Companies Act 2006, which requires all properties to be depreciated, is, in the opinion of the General Partner, necessary to show a true and fair view. The financial effect of this departure cannot be reasonably quantified, as amortisation or depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

#### **Leases and rental income**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The properties owned by the Partnership are being leased out under 25 years operating leases. Rental income is recognised in the Profit and Loss Account on a straight-line basis over the life of the lease as rental income in accordance with SSAP 21. Annual uplifts are fixed at 2.5%. The difference between the rent received and the rental income per SSAP 21 is held on the balance sheet as a debtor. See note 10.

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

At each balance sheet date, the Partnership reviews the carrying amounts of the fixed assets to determine whether there is any need 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.

# THE TESCO PROPERTY LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

### 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 Property Partner (No 1) Limited	49.95%
Dawberry Properties Limited	49.95%
Tesco Property Partner (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

### Amortisation of loan arrangement fee

The costs associated with the raising of long term finance for the Partnership are added on to the loan to which they relate. The costs are being amortised on a straight-line basis, in line with the period over which the loan will be repaid.

## 3. PRINCIPAL ACTIVITY

The principal activity of the Partnership is to carry out property investment in thirty three retail stores and two distribution centres for which a rental income is received.

## 4. OPERATING PROFIT

	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 £
Operating profit is stated after charging		
Auditor's remuneration:		
Audit services	14,000	10,000

The General Partner received no emoluments for their services to the partnership (2010: £nil)

The Partnership had no employees during the period ended 26 February 2011 (2010: none)

## 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 £
Interest receivable on bank deposits	2,355	4,567
	2,355	4,567



# THE TESCO PROPERTY LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 £
Interest payable on other loans	(36,434,701)	(36,605,211)
Amortisation of loan issue costs	(300,185)	(301,009)
	<b>(36,734,886)</b>	<b>(36,906,220)</b>

The interest payable on other loans is related to the loan provided by Delamare Finance PLC

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

### 8. INVESTMENT PROPERTIES

	£
Valuation	
As at 28 February 2010	801,100,000
Revaluation	88,450,000
<b>As at 26 February 2011</b>	<b>889,550,000</b>

The investment properties have been valued by Knight Frank LLP who is deemed to be a suitably qualified valuer of the General Partner on the basis of open market value at 31 December 2010. The valuation was carried out in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (RICS)

### 9. DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	26 February 2011 £	27 February 2010 £
Prepayments and accrued income	-	6,482
Accrued interest receivable	-	350
VAT	34,428	313,799
	<b>34,428</b>	<b>320,631</b>

### 10. DEBTORS - DUE IN MORE THAN ONE YEAR

	26 February 2011 £	27 February 2010 £
SSAP 21 debtor	77,980,033	70,174,861
	<b>77,980,033</b>	<b>70,174,861</b>

The difference between the rent received and the rental income per SSAP 21 has resulted in a debtor balance in the current and prior year. See the leases and rental income accounting policy in Note 2

# THE TESCO PROPERTY LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

### 11. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	26 February 2011 £	27 February 2010 £
Accrued interest payable	5,202,843	5,388,150
Accruals	234,404	424,705
Deferred rental income	3,134,136	2,940,090
Tesco Stores Limited	82,691	-
	<b>8,654,074</b>	<b>8,752,945</b>

The balance payable to Tesco Stores Limited is unsecured, interest free and repayable on demand

### 12. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	26 February 2011 £	27 February 2010 (restated) £
Loan and other debt due to Delamare Finance PLC	628,164,305	627,864,121
Loan and other debt due to Tesco Property Partner (No 1) Limited	12,954,154	12,954,154
Loan and other debt due to Dawberry Properties Limited	10,759,070	10,759,070
	<b>651,877,529</b>	<b>651,577,345</b>

The loan from Delamare Finance PLC is secured by a charge over the investment property. The loan is repayable in instalments commencing the 5 January 2016 until 19 February 2029. The loan incurs fixed interest at 5.76%

The Tesco Property Partner (No 1) Limited and Dawberry Properties Limited loans are repayable in 2029. These loans are interest free and unsecured.

On the 28 March 2011 Dawberry Properties Limited transferred its participation in the Partnership to the Pearl Breakfast Unit Trust. At this date the balance due to Dawberry Properties Limited became due to the Pearl Breakfast Unit Trust.

### 13. CUMULATIVE PARTNERS' ACCOUNTS

Partners Accounts as at 26 February 2011	Capital Contributions £	Current account £	Revaluation Reserve £	Profit and loss account at 27 February 2010 (restated) £	Profit for the period £	Total £
Dawberry Properties Limited	1,000	-	107,167,725	47,698,078	6,921,673	163,788,476
Tesco Property Partner (No 1) Limited	1,000	(8,706,233)	107,167,725	47,698,078	6,921,673	153,082,243
Tesco Property Partner (GP) Limited	1,000	(8,715)	214,550	95,492	13,859	316,186
<b>Total</b>	<b>3,000</b>	<b>(8,714,948)</b>	<b>214,550,000</b>	<b>95,491,648</b>	<b>13,857,205</b>	<b>315,186,905</b>

The Partnership was formed on 18 November 2003. The Partnership was originally constituted under the Initial Partnership Agreement, which was then superseded by the Amended & Restated Limited Partnership Deeds on 18 September 2007, with capital injections totalling £3,000.

As at 26 February 2011 Tesco Property Partner (No 1) Limited owns 49.95%, Dawberry Properties Limited owns 49.95%, and Tesco Property Partner (GP) Limited owns 0.1% of the Partnership.

# THE TESCO PROPERTY LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

### 14. RESERVES

	Revaluation reserve £	Profit and loss reserve (restated) £
As at 28 February 2010	126,100,000	95,491,648
Revaluation	88,450,000	-
Profit for the financial period	-	13,857,205
<b>As at 26 February 2011</b>	<b>214,550,000</b>	<b>109,348,853</b>

### 15. NET CASHFLOWS FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash inflow from operating activities

	26 February 2011 £	27 February 2010 £
Operating profit	50,589,736	50,534,865
Change in debtors	(7,518,969)	(8,941,610)
Change in creditors	86,436	230,392
<b>Net cash inflow from operating activities</b>	<b>43,157,203</b>	<b>41,823,647</b>

### 16. ANALYSIS OF CHANGES IN NET DEBT

	27 February 2010 (restated) £	Net Cash flow £	26 February 2011 £
Cash at bank and in hand	1,614,498	6,539,549	8,154,047
Loans falling due after more than one year	(656,213,224)	-	(656,213,224)
	(654,598,726)	6,539,549	(648,059,177)

The prior period loan balance has been restated to exclude capitalised loan issue costs of £4,635,879 included in the prior period long term debt balance per note 12 to correctly reflect the gross debt position of the Partnership

### 17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	52 weeks to 26 February 2011 £	52 weeks to 27 February 2010 (restated) £
Increase/(decrease) in cash at bank and in hand	6,539,549	(8,588,268)
Decrease in borrowing	-	14,000,000
<b>Reduction/(increase) in net debt</b>	<b>6,539,549</b>	<b>5,411,732</b>
Opening net debt	(654,598,726)	(660,010,458)
<b>Closing net debt</b>	<b>16 (662,059,177)</b>	<b>(654,598,726)</b>

The prior period loan balance has been restated to exclude capitalised loan issue costs of £4,635,879 included in the prior period long term debt balance per note 12 to correctly reflect the gross debt position of the Partnership

## **THE TESCO PROPERTY LIMITED PARTNERSHIP**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)**

#### **18. PRIOR YEAR ADJUSTMENT**

The comparative figures in the balance sheet, cash flow statement and related notes have been restated to more fairly and accurately reflect payments to the partners in accordance with the Limited Partnership Deed

The effect of the restatement is to reflect payments previously shown as distributions paid totalling £14,000,000 in the financial statements for the 52 weeks ended 27 February 2010 as a reduction in the intercompany creditors. The adjustment has therefore reduced the loan due to Tesco Property Partner (No 1) Limited from £19,954,154 to £12,954,154 and the loan due to Dawberry Properties Limited from £17,759,070 to £10,759,070. The profit and loss reserve increased by £14,000,000 from £95,491,648 to £109,348,853 and net assets were increased by the same.

#### **19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertakings of the Partnership are Tesco Property Partner (No 1) Limited, Dawberry Properties Limited and Tesco Property Partner (GP) Limited.

The ultimate parent undertakings are Tesco PLC and Phoenix Group Holdings Limited. Tesco PLC is registered in England and Wales and copies of the Tesco PLC financial statements can be obtained from the Company Secretary, Tesco PLC, Tesco House, PO Box 18, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL. Phoenix Group Holdings Limited is registered in the Cayman Islands and copies of the Phoenix Group Holdings Limited financial statements can be obtained from the Company Secretary, Phoenix Group Holdings Limited, 1<sup>st</sup> Floor, 32 Commercial Street, St Helier, JE2 3RU, Jersey.

#### **20. RELATED PARTY TRANSACTIONS**

During the 52 weeks ended 26 February 2011 the Partnership received rental income from Tesco Stores Limited and Tesco Distribution Limited of £43,201,679 (2010: £42,337,291). During the period the Partnership was also paid £82,691 in error by Tesco Stores Limited. At the balance sheet date this balance is outstanding within current liabilities.

There were no further related party transactions.

#### **21. POST BALANCE SHEET EVENTS**

On the 24 March 2011 the Partnership paid Tesco Property Partner (No 1) Limited and Dawberry Properties Limited £4,000,000 each in part payment for the loan notes due to these companies.

On the 28 March 2011 Dawberry Properties Limited transferred its participation in the Partnership to the Pearl Breakfast Unit Trust. From this date the immediate parent undertakings of the Partnership are Tesco Property Partner (No 1) Limited, the Pearl Breakfast Unit Trust and Tesco Property Partner (GP) Limited. The ultimate parent undertakings going forward are Tesco PLC and Phoenix Group Holdings Limited.