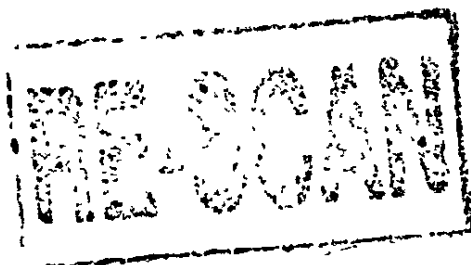


TESCO AQUA (GP) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2014

Registered Number: 5721654

THESE FINANCIAL STATEMENTS  
ACCOUNT FOR THE  
PART OF THE FINANCIAL STATEMENTS  
OF COMPANY  
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## **TESCO AQUA (GP) LIMITED**

### **GROUP STRATEGIC REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2014**

The Directors present their Group Strategic Report of Tesco Aqua (GP) Limited ("the Company") for the 52 weeks ended 31 December 2014

#### **Business review**

The principal activity of the Company is to act as a holding company for the other entities in The Tesco Aqua 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.

The financial statements of the Group and Company have been prepared for the first time in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. There is no impact resulting from the change in accounting principles on transition.

#### **Results and dividends**

The results for the period show other comprehensive income for the year, net of tax, of £54,071 (2013: £44,724). The Group has net assets at the period end of £249,123 (2013: £194,950).

The Directors do not recommend a payment of a dividend for the year ended 31 December 2014 (2013: £nil).

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

From the perspective of the Group, the principal risks relate to the carrying value of investments that the Group holds.

To manage this risk the Group periodically reviews the financial statements of the entities that it has investments in.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Tesco PLC Group (the "Group") and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Company, are discussed on pages 22 to 25 of the Tesco PLC Annual Report 2015 which does not form part of this Report.

#### **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.

The development, performance and position of the operations of the Tesco PLC Group (the "Group"), which includes the Company, is discussed on pages 10 to 11 of the Tesco PLC Annual Report 2015 which does not form part of this Report.

On behalf of the Board

24 June 2015



P. Moore, on behalf of  
Tesco Services Limited  
Director

Tesco Aqua (GP) Limited  
Registered Number 5721654  
Registered Office Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL

## **TESCO AQUA (GP) LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2014**

The Directors present their Report and the audited financial statements of Tesco Aqua (GP) Limited (the "Company") and Group for the 52 weeks to 31 December 2014 (prior period 52 weeks ended 31 December 2013)

#### **General information**

Tesco Aqua (GP) Limited is a limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 (Registration number 5721654)

#### **Political donations**

There were no political donations for the period (2013 £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

#### **Post balance sheet event**

On 20 March 2015 Tesco PLC acquired the 50% stake in Tesco Aqua (GP) Limited previously owned by The British Land Company PLC. As of this date the Group is therefore wholly owned by Tesco PLC

#### **Research and development**

The Company does not undertake any research and development activities (2013 none)

#### **Employees**

The Company had no employees during the period (2013 none)

#### **Going concern**

It is the current intention of the Company's ultimate parent undertaking to continue to finance the Company for the next year from the date of signing the balance sheet, so as to enable it to meet its liabilities as they fall due and to carry on its business without any significant curtailment of operations. Accordingly the accounts have been prepared on a going concern basis

#### **Directors**

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

A Clark	
J Gibney	(Appointed 19 January 2015)
Tesco Services Limited	(Appointed 23 January 2015)
S Barzycki	(Resigned 19 March 2015)
B Lewis	(Resigned 19 March 2015)
C Maudsley	(Resigned 19 March 2015)
J Hartley	(Resigned 29 August 2014)
J Lloyd	(Resigned 23 January 2015)
H Lu	(Resigned 24 October 2014)

Save as set out below, none of the Directors had any disclosable interests in the Company during this period

C Maudsley is a director of The British Land Company PLC ('British Land'), one of the Company's ultimate parent companies during the year, and as such his disclosable interest in British Land is declared in the financial statements of that company

## **TESCO AQUA (GP) LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)**

#### **Directors (continued)**

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the Tesco PLC appointed and the British Land Company PLC appointed directors listed above and 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 Tesco PLC appointed Directors may not be indemnified, Tesco PLC maintained a directors' and officers' liability insurance policy throughout the financial period and up to the date of signing the financial statements.

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

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 prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union 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 and the group will continue in business.


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

#### **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,
- he/she 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,
- this confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act.

On behalf of the Board 24 June 2015



P. Moore, on behalf of  
Tesco Services Limited  
Director

Tesco Aqua (GP) Limited  
Registered Number: 5721654  
Registered Office: York House, 45 Seymour Street, London, W1H 7LX

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

## Report on the financial statements

### Our opinion

#### In our opinion

- Tesco Aqua (GP) Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's profit and the group's and the company's cash flows for the 52 week period (the "period") then ended,
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union,
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

### What we have audited

Tesco Aqua (GP) Limited's financial statements comprise

- the balance sheet as at 31 December 2014,
- the group statement of comprehensive income for the period then ended,
- the group cash flow statement for the period then ended,
- the group statement of changes in equity for the period then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

### Opinion on matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### Other matters on which we are required to report by exception

#### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility  
**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration

specified by law are not made. We have no exceptions to report arising from this responsibility

### Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, 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) ("ISAs (UK & 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

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 group's and 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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report



David Beer (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans

24 June 2015

# TESCO AQUA (GP) LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 31 DECEMBER 2014

	Notes	52 weeks to 31 December 2014 £	52 weeks to 31 December 2013 £
Administrative expenses		(50)	(114)
<b>Operating loss</b>	2	(50)	(114)
Income received from investment		17,166	7,548
Interest receivable	3	5,109,702	4,980,252
Interest payable	4	(5,060,364)	(4,930,997)
<b>Profit on ordinary activities before taxation</b>		<b>66,454</b>	<b>56,689</b>
Tax on profit on ordinary activities	5	(12,382)	(11,965)
<b>Total comprehensive income for the financial period</b>		<b>54,072</b>	<b>44,724</b>

All operations are continuing for the financial period

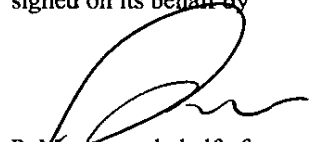
The notes on pages 9 to 14 form part of these financial statements

# TESCO AQUA (GP) LIMITED

## BALANCE SHEETS AS AT 31 DECEMBER 2014

		Group	Group	Company	Company
		31 December	31 December	31 December	31 December
		2014	2013	2014	2013
Notes		£	£	£	£
<b>Fixed assets</b>					
Investments	6	291,500	291,500	291,601	291,601
		<b>291,500</b>	<b>291,500</b>	<b>291,601</b>	<b>291,601</b>
<b>Current assets</b>					
Debtors Amounts falling due within one year	7	1,026,795	974,075	23,815	17,320
Debtors Amounts falling due after more than one year	8	487,501,000	487,501,000	-	-
Cash at bank and in hand		351,699	293,992	51,375	42,824
		<b>488,879,494</b>	<b>488,769,067</b>	<b>75,190</b>	<b>60,144</b>
Creditors Amounts falling due within one year	9	(1,048,437)	(992,080)	(21,400)	(20,995)
<b>Net current assets</b>		<b>487,831,057</b>	<b>487,776,987</b>	<b>53,790</b>	<b>39,149</b>
<b>Total assets less current liabilities</b>					
		<b>488,122,557</b>	<b>488,068,487</b>	<b>345,391</b>	<b>330,750</b>
Creditors Amounts falling due after more than one year	10	(487,873,537)	(487,873,537)	(374,537)	(374,537)
<b>Net assets/(liabilities)</b>		<b>249,020</b>	<b>194,950</b>	<b>(29,146)</b>	<b>(43,787)</b>
<b>Equity</b>					
Called up share capital	11	2,102	2,102	2,102	2,102
Share premium account		119,500	119,500	119,500	119,500
Profit and loss account		127,418	73,348	(150,748)	(165,389)
<b>Total equity</b>		<b>249,020</b>	<b>194,950</b>	<b>(29,146)</b>	<b>(43,787)</b>

The financial statements on pages 5 to 14 were approved by the Board of Directors on **24 June** 2015 and were signed on its behalf by

  
P. Moore, on behalf of  
Tesco Services Limited  
Director  
Tesco Aqua (GP) Limited  
Registered Number 5721654

# TESCO AQUA (GP) LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2014

	Called up share capital	Share premium account	Retained earnings	Total equity
	£	£	£	£
<b>Balance as at 1 January 2013</b>	<b>2,102</b>	<b>119,500</b>	<b>28,624</b>	<b>150,226</b>
Total comprehensive income for the period	-	-	44,724	44,724
<b>Balance as at 31 December 2013</b>	<b>2,102</b>	<b>119,500</b>	<b>73,348</b>	<b>194,950</b>
Total comprehensive income for the period	-	-	54,072	54,072
<b>Balance as at 31 December 2014</b>	<b>2,102</b>	<b>119,500</b>	<b>127,418</b>	<b>249,020</b>

## COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2014

	Called up share capital	Share premium account	Retained earnings	Total equity
	£	£	£	£
<b>Balance as at 1 January 2013</b>	<b>2,102</b>	<b>119,500</b>	<b>(170,787)</b>	<b>(49,185)</b>
Total comprehensive income for the period	-	-	5,398	5,398
<b>Balance as at 31 December 2013</b>	<b>2,102</b>	<b>119,500</b>	<b>(165,389)</b>	<b>(43,787)</b>
Total comprehensive income for the period	-	-	14,641	14,641
<b>Balance as at 31 December 2014</b>	<b>2,102</b>	<b>119,500</b>	<b>(150,748)</b>	<b>(29,146)</b>



**TESCO AQUA (GP) LIMITED**

**GROUP CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 31 DECEMBER 2014**

	Notes	52 weeks to 31 December 2014 £	52 weeks to 31 December 2013 £
<b>Cash flows from operating activities</b>			
Cash used in operations	12	(50)	(114)
Corporation tax paid		(8,613)	(11,528)
<b>Cash flows from investing activities</b>			
Distributions from Limited Partnership		17,165	7,548
<b>Cash flows from financing activities</b>			
Interest received		5,056,979	4,977,929
Interest paid		(5,007,774)	(4,928,808)
<b>Increase in cash</b>	13	<b>57,707</b>	<b>45,027</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2014 £	2013 £
Increase in cash	57,707	45,027
<b>Increase in net funds</b>	<b>57,707</b>	<b>45,027</b>
Opening net debt	(487,579,545)	(487,624,572)
<b>Closing net debt</b>	<b>(487,521,838)</b>	<b>(487,579,545)</b>

# **TESCO AQUA (GP) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014**

### **1. ACCOUNTING POLICIES**

#### **Basis of preparation of financial statements**

The financial statements of Tesco Aqua GP Limited have been prepared for the first time in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are also prepared in accordance with the Companies Act 2006 as applicable to entities reporting under IFRS and are prepared under the historical cost convention.

There is no impact on the comparative information as a result of the conversion from United Kingdom Generally Accepted Accounting Practice ("UK GAAP") to IFRS.

The financial statements are prepared on the going concern basis in accordance with the Companies Act 2006. The Company's principal accounting policies have been applied consistently during the period.

#### **Basis of consolidation**

The group financial statements consolidate the financial statements of the company and of its subsidiary undertakings drawn up to 31 December 2014. 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 408 of the Companies Act 2006.

#### **Going concern**

It is the current intention of the Company's ultimate parent undertaking to continue to finance the Company so as to enable it to meet its liabilities as they fall due and to carry on its business without any significant curtailment of operations for the foreseeable future. Accordingly the accounts have been prepared on a going concern basis.

#### **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**

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

#### **Interest payable and receivable**

Interest payable and receivable is calculated on an accruals basis.

#### **Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. The amount included in the Statement of Comprehensive Income is based on the profit 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.

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

#### 1. ACCOUNTING POLICIES (continued)

##### Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to continue to provide funding for the Limited Partnership

#### 2. OPERATING LOSS

The Directors received no emoluments for their services to the Company or the Group (2013 £nil)

The Company had no employees during the period (2013 none)

The auditors' remuneration of £3,000 for the current and prior period was borne by The Tesco Aqua Limited Partnership

#### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 31 December 2014 £	52 weeks to 31 December 2013 £
Interest receivable from The Tesco Aqua Limited Partnership	5,109,702	4,980,252
	5,109,702	4,980,252

#### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 31 December 2014 £	52 weeks to 31 December 2013 £
Interest payable on other loans	(5,060,364)	(4,930,997)
	(5,060,364)	(4,930,997)

#### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

##### Factors that have affected the tax charge

The standard rate of Corporation Tax for small companies is 20% (2013 20%)

	52 weeks to 31 December 2014 £	52 weeks to 31 December 2013 £
Current tax.		
UK Corporation tax on profit for the period	12,382	11,947
Adjustments in respect of previous periods	-	18
Total current tax	12,382	11,965
Tax on profit on ordinary activities	12,382	11,965

# TESCO AQUA (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

### 5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

The tax assessed for the period is lower (2013 higher) than the standard rate of corporation tax for small companies in the UK of 20% (2013 20%). The differences are explained below

	52 weeks to 31 December 2014 £	52 weeks to 31 December 2013 £
<b>Profit on ordinary activities before tax</b>	<b>66,454</b>	<b>56,689</b>
Profit on ordinary activities multiplied by blended rate in the UK 20% (2013 20%)	13,291	11,338
Effects of		
Prior period items	-	18
Taxable share of partnership income	2,524	2,119
Non-taxable dividends	(3,433)	(1,510)
<b>Total tax expense reported in the statement of comprehensive income</b>	<b>12,382</b>	<b>11,965</b>

### 6. FIXED ASSET INVESTMENTS

	Group £	Company £
<b>Cost</b>		
At 1 January 2014	495,037	495,138
<b>At 31 December 2014</b>	<b>495,037</b>	<b>495,138</b>
<b>Provision for impairment</b>		
At 1 January 2014	(203,537)	(203,537)
<b>At 31 December 2014</b>	<b>(203,537)</b>	<b>(203,537)</b>
<b>Net book value</b>		
At 31 December 2014	291,500	291,601
At 31 December 2013	291,500	291,601

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

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

#### 6. FIXED ASSET INVESTMENTS (continued)

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

Subsidiary undertakings	Country of incorporation	% Shares held	Nature of business
Tesco Aqua (Nominee Holdco) Limited	England and Wales	100%	Holding company
Tesco Aqua (Nominee 1) Limited	England and Wales	100%	Nominee company
Tesco Aqua (Nominee 2) Limited	England and Wales	100%	Nominee company
Tesco Aqua (Finco 1) Limited	England and Wales	100%	Finance company

Details of the principal associates at the period end are as follows

Investments in associated companies	Country of incorporation	% Shares held	Nature of business
The Tesco Aqua Limited Partnership	England	0.2%	Property investment

#### 7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Group	Company	Company
	2014	2013	2014	2013
	£	£	£	£
Amounts owed by group undertakings	-	-	23,815	17,320
Prepayments and accrued income	1,026,795	974,075	-	-
	1,026,795	974,075	23,815	17,320

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

#### 8. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	Group	Company	Company
	2014	2013	2014	2013
	£	£	£	£
The Tesco Aqua Limited Partnership	487,500,000	487,500,000	-	-
Subordinated Loan due to The Tesco Aqua Limited Partnership	1,000	1,000	-	-
	487,501,000	487,501,000	-	-

The loan to The Tesco Aqua Limited Partnership of £487,500,000 incurs interest at a variable rate based on a 3-month average LIBOR + 0.51 basis points and is repayable on 20 October 2017

The loan to The Aqua Limited Partnership of £1,000 is repayable in October 2017. The loan is unsecured and non-interest bearing

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

#### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Group	Company	Company
	2014	2013	2014	2013
	£	£	£	£
Accruals and deferred income	1,017,178	964,589	-	-
Amounts owed to The Tesco Aqua Limited Partnership	18,877	18,877	18,876	18,877
Corporation tax	12,382	8,614	2,524	2,118
	1,048,437	992,080	21,400	20,995

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

#### 10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	Group	Company	Company
	2014	2013	2014	2013
	£	£	£	£
Loan with Tesco Aqua (Fincol) Limited	-	-	1,000	1,000
Amounts owed to Tesco PLC	373,537	373,537	373,537	373,537
Loans and debentures	487,500,000	487,500,000	-	-
	487,873,537	487,873,537	374,537	374,537

The loan from Tesco PLC of £373,537 is unsecured, interest free and repayable on 20 October 2017

The Tesco Aqua (Fincol) Limited loan is repayable in October 2017 This loan is interest free

The Loans and debenture is secured incur interest at a variable rate based on a 3-month average LIBOR + 0.50 basis points and are repayable on 20 October 2017

#### 11. CALLED UP SHARE CAPITAL

	Group	Company	Group	Company
	2014	2014	2013	2013
	£	£	£	£
Allotted, called up and fully paid				
1,051 Ordinary 'A' shares of £1 each	1,051	1,051	1,051	1,051
1,051 Ordinary 'B' shares of £1 each	1,051	1,051	1,051	1,051
	2,102	2,102	2,102	2,102

## TESCO AQUA (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

#### 12. CASH USED IN OPERATION

Reconciliation of operating loss to net cash used in operation

	31 December 2014 £	31 December 2013 £
Operating loss	(50)	(114)
Change in debtors	-	-
Change in creditors	-	-
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(50)</b>	<b>(114)</b>

#### 13. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2014 £	Cash flow £	31 December 2014 £
Cash at bank and in hand	293,992	57,707	351,699
Movement in loans	(487,873,537)	-	(487,873,537)
	(487,579,545)	57,707	(487,521,838)

#### 14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

As at the balance sheet date, the immediate parent undertakings of the Company were Tesco Property Holdings (No 2) Limited and British Land Aqua Partnership Limited

Following the transaction referred to in note 16, the Partnership's immediate parent undertaking is Tesco Property Holdings (No 2) Limited and its ultimate parent undertaking and controlling party is Tesco PLC, which is registered in England and Wales. Copies of the Tesco PLC financial statements can be obtained from the Company Secretary, Tesco PLC, Tesco House, Delemare Road, Cheshunt, Hertfordshire, EN8 9SL

#### 15. RELATED PARTY TRANSACTIONS

The Company received distributions from The Tesco Aqua Limited Partnership of £17,165 (2013 £7,548)

The Group received interest from The Tesco Aqua Limited Partnership for the 52 weeks ended 31 December 2014 of £5,056,979 (2013 £4,977,424)

The Group has interest receivable from The Tesco Aqua Limited Partnership at 31 December 2014 of £1,026,795 (2012 £974,072)

The Group has a loan receivable from The Tesco Aqua Limited Partnership at 31 December 2014 of £487,500,000 (2013 £487,500,000)

There were no other related party transactions during the period

#### 16. POST BALANCE SHEET EVENTS

On 20 March 2015 Tesco Property Holdings (No 2) Limited acquired the 50% stake in Tesco Aqua (GP) Limited previously held by The British Land Company PLC. As of this date the Partnership is therefore a wholly owned subsidiary of Tesco PLC

THE TESCO AQUA LIMITED PARTNERSHIP  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2014

Registered Number: LP011520

THESE PARTNERSHIP  
ACCOUNTS FORM  
PART OF THE UNITS  
OF COMPANY  
No. 5721654

FRIDAY

LD2

02/10/2015  
COMPANIES HOUSE

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# **THE TESCO AQUA LIMITED PARTNERSHIP**

## **STRATEGIC REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2014**

The Partners present their Strategic Report of The Tesco Aqua Limited Partnership ("the Partnership") for the 52 weeks ended 31 December 2014

### **Review of the business**

The principal activity of the Partnership is to carry out property investment in retail stores for which a rental income is received. There has been no significant change in the nature or level of this activity during the period and the General Partner does not expect this to change significantly throughout the next financial period.

The financial statements of the Partnership have been prepared for the first time in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The impact of the change in accounting principles on transition has resulted in Partners' interests being restated by £104,728,688 as at 1 January 2013 and by £116,681,136 compared to those reported as at 31 December 2013.

### **Results**

The results for the period show total other comprehensive income for the year, net of tax, of £6,966,911 (2013 £33,395,231) and rental income of £34,820,242 (2013 £33,831,791). The Partnership has net liabilities at the period end of £897,120 (2013 net assets of £718,342).

During the period the Partnership distributed £8,582,373 (2013 £3,774,090).

### **Principal risks and uncertainties**

The principal risks and uncertainties are related to property investment into the retail stores and the obligation to make interest payments in respect of the loan.

The Partnership manages these risks by fixing the interest payable on borrowings to ensure that future cash flows are sufficient to meet the obligations under the loan agreement. See note 12 for further information with regard to the risks identified.

The property portfolio is managed to ensure its value is maximised.

### **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.

On behalf of the Partners

24 June 2015



P Moore, on behalf of  
Tesco Services Limited  
For and on behalf of  
General Partner  
Tesco Aqua (GP) Limited  
Registered Number 5721654  
Registered Office Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL

## **THE TESCO AQUA LIMITED PARTNERSHIP**

### **GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2014**

The Tesco Aqua Limited Partnership was established on 14 August 2006 and is registered as a limited partnership in England and Wales under the Limited Partnership Act 1907

Tesco Aqua GP Limited (the "General Partner") presents its report and the audited financial statements of The Tesco Aqua Limited Partnership (the "Partnership") for the 52 weeks ended 31 December 2014 (prior period 31 December 2013). During the period, Tesco Aqua (GP) Limited acted as the General Partner and Tesco Aqua (ILP) Limited and Tesco Aqua Unit Trust acted as limited partners of the Partnership.

At the Balance Sheet date, Tesco Aqua (GP) Limited was jointly owned by Tesco Property Holdings (No 2) Limited and British Land Aqua Partnership Limited. Tesco Aqua (ILP) Limited was owned by Tesco Property Holdings Limited and Tesco Aqua Unit Trust was owned by The British Land Company PLC.

Subsequent to the year end, on 20 March 2015, Tesco Property Holdings Limited acquired 80% of the units in the Tesco Aqua Unit Trust. The remaining 20% of the units in the Tesco Aqua Unit Trust were then acquired by Tesco Property Holdings (No 2) Limited. Tesco Property Holdings (No 2) Limited also acquired the 50% stake in Tesco Aqua (GP) Limited, previously held by The British Land Company PLC.

As at the date of signing this report, the Partnership is therefore a wholly owned subsidiary of Tesco PLC.

The Partnership was originally constituted under the Initial Partnership agreement, which was then superseded by the amended and restated Limited Partnership Agreement (the "Limited Partnership Agreement") on the 5 December 2006, 20 December 2006, 20 March 2007 and again on 28 August 2009.

#### **Political donations**

There were no political donations for the period (2013 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.

#### **Research and development**

The Partnership does not undertake any research and development activities (2013 none).

#### **Employees**

The Partnership had no employees during the period (2013 none).

#### **Partners**

The partners, including the General Partner, Tesco Aqua (GP) Limited, are set out in note 15 of the financial statements.

# THE TESCO AQUA LIMITED PARTNERSHIP

## GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2014

### Statement of General Partner's responsibilities in respect of the financial statements

The General Partners is responsible for preparing the Strategic Report and the General Partners Report and the financial statements in accordance with applicable law and regulations

The Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the partners to prepare financial statements for each financial year. Under that law the General Partner has prepared the Partnership financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). Under The Companies Act 2006 as applied to qualifying partnerships the General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the partnership for that period. In preparing these financial statements, the General Partner is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS, as adopted by the EU, 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 will continue in business

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions, 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 General Partner is required to act in the best interests of the Partnership and to perform its obligations under the Limited Partnership Agreement.

### 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,
- 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, and
- this confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act

The financial statements have been prepared in accordance with part 12 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 Aqua (GP) Limited

24 June 2015



P. Moore, on behalf of  
Tesco Services Limited  
For and on behalf of  
General Partner

Tesco Aqua (GP) Limited  
Registered Number 5721654  
Registered Office Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL

# THE TESCO AQUA LIMITED PARTNERSHIP

## INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF THE TESCO AQUA LIMITED PARTNERSHIP

### Report on the financial statements

#### Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2014 and of its loss and cash flows for the 52 week period (the "period") then ended,
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, 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

This opinion is to be read in the context of what we say in the remainder of this report

#### What we have audited

The financial statements, which are prepared by The Tesco Aqua Limited Partnership, comprise

- the Balance Sheet as at 31 December 2014,
- the income statement and statement of comprehensive income for the period then ended,
- the statement of cash flows for the period then ended,
- the statement of changes in equity for the period then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union

In applying the financial reporting framework, the general partners have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

#### Other matters on which we are required to report by exception

##### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility

##### General Partners' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of general partners' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

#### Responsibilities for the financial statements and the audit

##### Our responsibilities and those of the general partners

As explained more fully in the Statement of General Partner's responsibilities set out on page 4, the general partners 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinion, has been prepared for and only for the members of the qualifying 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 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

##### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 general partner, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the general partner's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report



David Beer (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans

24 June 2015

# THE TESCO AQUA LIMITED PARTNERSHIP

## INCOME STATEMENT FOR THE 52 WEEKS ENDED 31 DECEMBER 2014

	Notes	52 weeks to 31 December 2014 £	52 weeks to 31 December 2013 £ (note 18)
Rental income		34,820,242	33,831,791
Administrative expenses		(7,399,784)	(7,423,970)
<b>Operating profit</b>		<b>27,420,458</b>	<b>26,407,821</b>
Interest receivable and similar income	4	11,720	12,338
Interest payable and similar charges	5	(28,257,793)	(28,257,793)
<b>Loss on ordinary activities before taxation</b>		<b>(825,615)</b>	<b>(1,837,634)</b>
Tax expense	6	-	-
<b>Loss for the period</b>		<b>(825,615)</b>	<b>(1,837,634)</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 31 DECEMBER 2014

	Notes	52 weeks to 31 December 2014 £	52 weeks to 31 December 2013 £ (note 18)
<b>Loss for the period</b>		<b>(825,615)</b>	<b>(1,837,634)</b>
<b>Items that can be reclassified to profit or loss:</b>			
<i>Cash flow hedges</i>			
Gains/losses arising during the year		7,792,526	35,232,865
Tax on items relating to components of other comprehensive income			
Other comprehensive income for the year, net of tax		6,966,911	33,395,231
<b>Total comprehensive income for the year</b>		<b>6,966,911</b>	<b>33,395,231</b>

All operations are continuing for the financial period

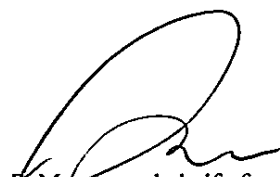
The notes on pages 10 to 19 form part of these financial statements

# THE TESCO AQUA LIMITED PARTNERSHIP

## BALANCE SHEET AS AT 31 DECEMBER 2014

		31 December 2014 £	31 December 2013 £ (note 18)	1 January 2013 £ (note 18)
	Notes			
<b>Non-current assets</b>				
Investment properties	7	619,979,374	627,114,687	634,250,000
<b>Current assets</b>				
Debtors amounts falling due within one year	8	252,885	252,885	252,885
Cash		11,425,603	13,149,775	11,064,066
		11,678,488	13,402,660	11,316,951
<b>Total assets</b>		<b>631,657,862</b>	<b>640,517,347</b>	<b>645,566,951</b>
<b>Current liabilities</b>				
Other payables	9	(15,532,905)	(15,240,195)	(14,933,866)
<b>Non-current liabilities</b>				
Borrowings	10	(555,318,780)	(555,062,987)	(554,807,196)
Derivative financial instruments	11	(61,703,297)	(69,495,823)	(104,728,688)
		(617,022,077)	(624,558,810)	(659,535,884)
<b>Total liabilities</b>		<b>(632,554,982)</b>	<b>(639,799,005)</b>	<b>(674,469,750)</b>
<b>Total assets less total liabilities</b>		<b>(897,120)</b>	<b>718,342</b>	<b>(28,902,799)</b>
<b>Partners' interests</b>				
Partners' capital accounts	13	898,500	898,500	898,500
Hedging reserve	13	(61,703,297)	(69,495,823)	(104,728,688)
Retained earnings	13	59,907,677	69,315,665	74,927,389
<b>Total partners' interests</b>		<b>(897,120)</b>	<b>718,342</b>	<b>(28,902,799)</b>

The financial statements on pages 6 to 19 were approved by the General Partner on **24 June** 2015 and were signed on its behalf by



P. Moore, on behalf of  
Tesco Services Limited  
For and on behalf of  
General Partner  
Tesco Aqua (GP) Limited  
Registered Number 5721654

# THE TESCO AQUA LIMITED PARTNERSHIP

## STATEMENT OF CHANGES IN PARTNERS' INTERESTS AS AT 31 DECEMBER 2014

	Notes	Partners' capital accounts	Hedging reserve	Investment properties revaluation reserve	Retained earnings	Total
		£	£	£	£	£
Balance as at 1 January 2013 (as previously reported)		898,500	-	80,377,675	(5,450,286)	75,825,889
Impact of change in accounting principles	18	-	(104,728,688)	(80,377,675)	80,377,675	(104,728,688)
<b>Balance as at 1 January 2013</b>		<b>898,500</b>	<b>(104,728,688)</b>	<b>-</b>	<b>74,927,389</b>	<b>(28,902,799)</b>
Total comprehensive income for the period		-	35,232,865	-	(1,837,634)	33,395,231
Distributions		-	-	-	(3,774,090)	(3,774,090)
<b>Balance as at 31 December 2013</b>		<b>898,500</b>	<b>(69,495,823)</b>	<b>-</b>	<b>69,315,665</b>	<b>718,342</b>
Total comprehensive income for the period		-	7,792,526	-	(825,615)	6,966,911
Distributions		-	-	-	(8,582,373)	(8,582,373)
<b>Balance as at 31 December 2014</b>		<b>898,500</b>	<b>(61,703,297)</b>	<b>-</b>	<b>59,907,677</b>	<b>(897,120)</b>

The notes on pages 10 to 19 form part of these financial statements

# THE TESCO AQUA LIMITED PARTNERSHIP

## STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2014

	Note	52 weeks to 31 December 2014 £	52 weeks to 31 December 2013 £
<b>Cash flows from operating activities</b>	14	<b>34,771,764</b>	<b>33,772,745</b>
Interest paid		(27,295,283)	(27,925,284)
<b>Cash flows from investing activities</b>			
Interest received		11,720	12,338
<b>Cash flows from financing activities</b>			
Partner distributions		(8,582,373)	(3,774,090)
<b>(Decrease)/Increase in cash</b>		<b>(1,724,172)</b>	<b>2,085,709</b>

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

	31 December 2014 £	31 December 2013 £
(Decrease)/Increase in cash	(1,724,172)	2,085,709
Non-cash movements	7,536,733	34,977,074
<b>Decrease in net debt</b>	<b>5,812,561</b>	<b>37,062,783</b>
Opening net debt	(611,409,035)	(648,471,818)
<b>Closing net debt</b>	<b>(605,596,474)</b>	<b>(611,409,035)</b>



# **THE TESCO AQUA LIMITED PARTNERSHIP**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014**

### **1. GENERAL INFORMATION**

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 superseded by the amended and restated Limited Partnership Agreement on 5 December 2006, 20 December 2006, 20 March 2007 and again on 28 August 2009.

### **2. ACCOUNTING POLICIES**

#### **Basis of preparation of financial statements**

The financial statements of The Tesco Aqua Limited Partnership have been prepared for the first time in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are also prepared in accordance with the Companies Act 2006 as applicable to entities reporting under IFRS (and as required by the amended and restated Limited Partnership Agreement) and are prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

The impact of the conversion from United Kingdom Generally Accepted Accounting Practice ("UK GAAP") on Partners' interests and profit is disclosed in note 18. Material differences compared with the accounting principles applied previously (UK GAAP) are described below. The prior year figures have also been restated to conform to IFRS, thereby making a comparison between periods possible.

On transition from UK GAAP to IFRS the Partnership has recognised the fair value of the swap that has always been in place to fix the interest rate payable on the £487.5m loan advanced to the Partnership. A hedging reserve has therefore also been recognised for the first time.

The Partnership also elected to adopt the cost model for holding its Investment Property, as permitted under IAS 40. The fair value of the assets as at the date of transition has been adopted as the deemed cost of the assets on transfer, as permitted under IFRS 1.

The impact of these changes resulting from the transition to IFRS has resulted in Partners' interests being restated by £104,728,688 as at 1 January 2013 and by £116,681,136 compared to those reported as at 31 December 2013.

#### **Investment properties**

Investment properties are carried at cost less accumulated depreciation and any recognised impairment in value. Freehold buildings are depreciated on a straight-line basis to their residual value over its anticipated useful economic life, over 40 years.

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

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

The properties owned by the Partnership are being leased out under operating leases. Rental income is recognised in the Profit and Loss Account when earned, with rent received in advance being deferred on the balance sheet.

The leases are subject to annual uplifts which are linked to the Retail Price Index (RPI), subject to a minimum annual increase of 0% and a maximum annual increase of 3.5%.

#### **Amortisation of loan arrangement fee**

The costs associated with the raising of long term finance for the Partnership are netted off against 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.

## **THE TESCO AQUA LIMITED PARTNERSHIP**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)**

#### **2. ACCOUNTING POLICIES (continued)**

##### **Capital management**

The Partnership's objectives when managing capital is to safeguard the Partnership's ability to continue as a going concern and maximise value, both income and capital, to the Partners

##### **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 Aqua (ILP) Limited	49.90%
Tesco Aqua Unit Trust	49.90%
Tesco Aqua (GP) Limited	0.20%

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

##### **Financial assets**

The Partnership classifies its financial assets as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets and comprise other receivables and cash and cash equivalents in the Balance Sheet.

##### **Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Partnership designates hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction as cash flow hedges.

The Partnership documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Partnership also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of hedged items.

The fair values of the derivative instruments used for hedging purposes are disclosed in note 11. Movements on the hedging reserve within total comprehensive income are shown in the Statement of Changes in Partners' Interests. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months.

The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognised in other comprehensive income.

##### **Cash and net debt**

Cash is represented by deposits held at call with banks. Any bank overdrafts are shown within borrowings.

Net debt is comprised of loans advanced to the Partnership, the derivative used to manage the interest rate paid on the loans, cash and unamortised loan arrangement fees.

# THE TESCO AQUA LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

### 3. OPERATING PROFIT

	52 weeks to 31 December 2014 £	52 weeks to 31 December 2013 £
<b>Operating profit is stated after charging</b>		
Depreciation of investment property (note 7)		
- owned assets	7,135,313	7,135,313
<b>Services provided by the Partnership's auditor</b>		
Fees payable for the audit	15,313	12,500

There were no employees of the Partnership during the period (2013 none)

The General Partner received no emoluments in respect of its services to the Partnership (2013 £nil)

### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 22 Feb 2014 £	52 weeks to 23 Feb 2013 £
Interest receivable on bank deposits	11,720	12,338

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 22 Feb 2014 £	52 weeks to 23 Feb 2013 £
Interest payable on loans	(28,002,002)	(28,002,002)
Amortisation of loan issue costs	(255,791)	(255,791)
	(28,257,793)	(28,257,793)

### 6. TAX EXPENSE

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 AQUA LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

### 7. INVESTMENT PROPERTIES

	Total £
<b>Cost</b>	
At 1 January 2014	634,250,000
<b>At 31 December 2014</b>	<b>634,250,000</b>
<b>Accumulated depreciation</b>	
At 1 January 2014	7,135,313
Charge for the period	7,135,313
<b>At 31 December 2014</b>	<b>14,270,626</b>
<b>Net book value (c)</b>	
<b>At 31 December 2014</b>	<b>619,979,374</b>
At 31 December 2013	627,114,687

The estimated fair value of the Partnership's investment property is £683,700,000 (2013 £674,300,000). This fair value has been determined by an independent valuer, by applying an appropriate rental yield to the rentals earned by the investment properties. The fair value measurement would be classified as Level 3 within the fair value hierarchy as defined by IFRS 13.

### 8. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £	2013 £
Amounts owed by related parties	252,458	252,458
Prepayments and accrued income	427	427
	<b>252,885</b>	<b>252,885</b>

Included within amounts owed by related parties are amounts that are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 9. OTHER PAYABLES

	2014 £	2013 £
Accrued interest	5,523,681	5,446,964
Other taxation - VAT	1,760,205	1,723,256
Accruals	83,482	92,701
Deferred income	8,165,537	7,977,274
	<b>15,532,905</b>	<b>15,240,195</b>

# THE TESCO AQUA LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

### 10. BORROWINGS

	2014 £	2013 £
Loan and other debt due to Tesco PLC	34,192,105	34,192,105
Loan and other debt due to The British Land Company PLC	34,192,105	34,192,105
Loan and other debt due to Tesco Aqua (Finco1) Limited	486,933,570	486,677,777
Subordinated Loan due to Tesco Aqua (Finco1) Limited	1,000	1,000
	<b>555,318,780</b>	<b>555,062,987</b>

The loan with Tesco Aqua (Finco1) Limited is secured and incurs interest at a variable rate based on a 3-month average LIBOR +51 basis points and is repayable on 20 October 2017. The total value of the loan is £487,500,000 and unamortised issue costs of £566,430 have been netted off the total value of the loan.

The Tesco PLC and The British Land Company PLC loans, and the Tesco Aqua (Finco 1) Limited subordinated loan are repayable in January 2017.

### 11. FINANCIAL LIABILITIES

	2014 £	2013 £
<b>Non-current</b>		
Interest rate swap	61,703,297	69,495,823
<b>Loans</b>		
Non-current	555,318,780	555,062,987

#### Loans

Loans comprise the following

	2014 £	2013 £
£487,500,000 variable fixed rate loan 2017	487,500,000	487,500,000
£34,192,105 interest free partner loan 2017	34,192,105	34,192,105
£34,192,105 interest free partner loan 2017	34,192,105	34,192,105
£1,000 interest free subordinated loan 2017	1,000	1,000
	<b>555,885,210</b>	<b>555,885,210</b>
Less unamortised loan arrangement fees	(566,430)	(822,223)
	<b>555,318,780</b>	<b>555,062,987</b>

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

Further details relating to these loans are given in note 10.

## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

#### 12. FINANCIAL INSTRUMENTS

The main financial risk faced by the Partnership relates to fluctuations in interest rates, the risk of default by counterparties to financial transactions, and the availability of funds to meet business needs. The management of these risks is outsourced as approved in the Partnership agreement. The outsourcing arrangements are monitored by the General Partner.

##### *Interest rate risk*

Interest rate risk arises from long-term borrowings. Debt issued at variable rates, as well as cash deposits exposes the Partnership to cash flow interest rate risk. Debt issued at fixed rates exposes the Group to fair value risk. The management of these risks is outsourced as approved in the Partnership agreement.

During 2014 and 2013, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	Fixed £	2014 Floating £	Total £	Fixed £	2013 Floating £	Total £
Cash and cash equivalents	11,425,603	-	11,425,603	13,149,775	-	13,149,775
Other receivables	252,885	-	252,885	252,885	-	252,885
Bank and other borrowings	(68,385,210)	(487,500,000)	(555,885,210)	(68,385,210)	(487,500,000)	(555,885,210)
Interest rate swaps	(487,500,000)	487,500,000	-	(487,500,000)	487,500,000	-
	(544,206,722)	-	(544,206,722)	(542,482,550)	-	(542,482,550)

##### *Credit risk*

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

The counterparty exposure under derivative contracts is £61,703,297 (2013: £69,495,823).

The Partnership considers its maximum credit risk to be £624,389,445 (2013: £631,821,731), being the Company's total financial liabilities.

##### *Liquidity risk*

Liquidity risk is managed by short-term and long-term cash flow forecasts.

The Partnership is not exposed to any foreign currency volatility.

##### *Sensitivity analysis*

The sensitivity analysis has been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt and derivatives portfolio are all constant and on the basis of the hedge designations in place at 31 December 2014.

# THE TESCO AQUA LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

### 12. FINANCIAL INSTRUMENTS (continued)

It should be noted that the sensitivity analysis reflects the impact on income and equity due to all financial instruments held at the balance sheet dates. It does not reflect any change in sales or costs that may result from changing interest or exchange rates.

The following table shows the illustrative effect on the Income Statement and equity that would result from changes in UK interest rates.

	2014		2013	
	Income Gain	Equity Gain	Income Gain	Equity Gain
	£	£	£	£
1% increase in GBP interest rates	117	117	123	123

A decrease in interest rates would have the opposite effect to the impact in the table above.

#### Capital Risk

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

#### Financial assets and liabilities by category

The accounting classifications of each class of financial asset and liability as at 31 December 2014 and 31 December 2013 are as follows:

	Loans and receivables / other financial liabilities	Fair value through profit or loss	Total
	£	£	£
<b>At 31 December 2014</b>			
Cash and cash equivalents	11,425,603	-	11,425,603
Other receivables	252,885	-	252,885
Long-term borrowings	(555,318,780)	-	(555,318,780)
Derivatives – interest rate swaps	-	(61,703,297)	(61,703,297)
Other payables	(7,367,368)	-	(7,367,368)
	<b>(551,007,660)</b>	<b>(61,703,297)</b>	<b>(612,710,957)</b>
<b>At 31 December 2013</b>			
Cash and cash equivalents	13,149,775	-	13,149,775
Other receivables	252,885	-	252,885
Long-term borrowings	(555,062,987)	-	(555,062,987)
Derivatives – interest rate swaps	-	(69,495,823)	(69,495,823)
Other payables	(7,262,921)	-	(7,262,921)
	<b>(548,923,248)</b>	<b>(69,495,823)</b>	<b>(618,419,071)</b>

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

## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

#### 13. CUMULATIVE PARTNERS' ACCOUNTS

Partners' Accounts as at 31 Dec 2014	Capital Contributions £	Hedging Reserve £	Retained earnings £	Distributions in the year £	Total £
Tesco Aqua 1LP Limited	303,500	(30,789,945)	34,176,535	(4,282,604)	(592,514)
Tesco Aqua Unit Trust	303,500	(30,789,945)	34,176,535	(4,282,604)	(592,514)
Tesco Aqua (GP) Limited	291,500	(123,407)	136,980	(17,165)	287,908
<b>Total</b>	<b>898,500</b>	<b>(61,703,297)</b>	<b>68,490,050</b>	<b>(8,582,373)</b>	<b>(897,120)</b>

The Partnership was formed on 14 August 2006. The Partnership was originally constituted under the Initial Partnership Agreement, which was then superseded by the amended and restated Limited Partnership Agreement on 28 August 2009, with capital injections totalling £898,500.

Tesco Aqua (1LP) Limited owns 49.90%, Tesco Aqua Unit Trust owns 49.90% and Tesco Aqua (GP) Limited owns 0.2% of the Partnership.

#### 14. CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash inflow from operating activities

	31 December 2014 £	31 December 2013 £
Operating profit	27,420,458	26,407,821
Depreciation of investment properties	7,135,313	7,135,313
Change in debtors	-	-
Change in creditors	215,993	229,611
<b>Net cash inflow from operating activities</b>	<b>34,771,764</b>	<b>33,772,745</b>

#### 15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertakings of the Partnership are Tesco Aqua (1LP) Limited, Tesco Aqua Unit Trust and Tesco Aqua (GP) Limited.

Following the transaction referred to in note 17, the Partnership's ultimate parent undertaking and controlling party is Tesco PLC, which is registered in England and Wales.

#### 16. RELATED PARTY TRANSACTIONS

During the 52 weeks ended December 2014 the partnership received rental income from Tesco Stores Limited of £34,820,242 (2013: £33,831,791).

During the 52 weeks ended 31 December 2014 management fees of £140,694 (2013: £139,159) were paid to Spenn Hill Management Limited, a subsidiary of Tesco PLC in respect of property management and accounting, and £10,000 (2013: £10,000) was paid to British Land Property Management Limited, a subsidiary of British Land Company PLC in respect of secretarial fees.

During the 52 weeks ended 31 December 2014 interest of £5,056,390 (2013: £4,977,424) was paid to Tesco Aqua (Fincol) Limited.

At 31 December 2014 The Tesco Aqua Limited Partnership had a loan payable to Tesco Aqua (Fincol) Limited of £487,500,000 (2013: £487,500,000), and interest payable on that loan totalled £1,026,795 (2013: £974,072).



## THE TESCO AQUA LIMITED PARTNERSHIP

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

#### 17. POST BALANCE SHEET EVENTS

On 20 March 2015 wholly owned subsidiaries of Tesco PLC acquired all of the units in the Tesco Aqua Unit Trust, in addition to the 50% stake in Tesco Aqua (GP) Limited, from The British Land Company PLC. As of this date the Partnership is therefore a wholly owned subsidiary of Tesco PLC. As part of this transaction the £34,192,105 loan due from the Partnership to The British Land Company PLC at the Balance Sheet date was novated to Tesco PLC with no changes to the terms of the loan.

#### 18. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2014, the comparative information presented in these financial statements for the year ended 31 December 2013 and in the preparation of an opening IFRS balance sheet at 31 December 2012 (the Company's date of transition).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to IFRS has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

##### Reconciliation of equity

		31 December 2012			31 December 2013		
		UK GAAP	Effect of transition to IFRSs	IFRS	UK GAAP	Effect of transition to IFRSs	IFRS
	Note	£	£	£	£	£	£
<b>Non-current assets</b>							
Investment properties	a	634,250,000	-	634,250,000	674,300,000	(47,185,313)	627,114,687
<b>Current assets</b>							
Debtors amounts falling due within one year		252,885	-	252,885	252,885	-	252,885
Cash		11,064,066	-	11,064,066	13,149,775	-	13,149,775
<b>Total assets</b>		<b>645,566,951</b>	<b>-</b>	<b>645,566,951</b>	<b>687,702,660</b>	<b>(47,185,313)</b>	<b>640,517,347</b>
<b>Current liabilities</b>							
Other payables		(14,933,866)	-	(14,933,866)	(15,240,195)	-	(15,240,195)
<b>Non-current liabilities</b>							
Borrowings		(554,807,196)	-	(554,807,196)	(555,062,987)	-	(555,062,987)
Derivative financial instruments	b	-	(104,728,688)	(104,728,688)	-	(69,495,823)	(69,495,823)
<b>Total liabilities</b>		<b>(569,741,062)</b>	<b>(104,728,688)</b>	<b>(674,469,750)</b>	<b>(570,303,182)</b>	<b>(69,495,823)</b>	<b>(639,799,005)</b>
<b>Net assets/(liabilities)</b>		<b>75,825,889</b>	<b>(104,728,688)</b>	<b>(28,902,799)</b>	<b>117,399,478</b>	<b>(116,681,136)</b>	<b>718,342</b>
<b>Partners' Interests</b>							
Partners' Capital Accounts		898,500	-	898,500	898,500	-	898,500
Revaluation reserve	b	80,377,675	(80,377,675)	-	120,427,675	(120,427,675)	-
Hedging reserve	a	-	(104,728,688)	(104,728,688)	-	(69,495,823)	(69,495,823)
Retained earnings	b	(5,450,286)	80,377,675	74,927,389	(3,926,697)	73,242,362	69,315,665
<b>Total equity</b>		<b>75,825,889</b>	<b>(104,728,688)</b>	<b>(28,902,799)</b>	<b>117,399,478</b>	<b>(116,681,136)</b>	<b>718,342</b>

- a The Partnership elected to adopt the cost model for holding its Investment Property, as permitted under IAS 40. The fair value of the assets as at the date of transition has been adopted as the deemed cost of the assets on transfer, as permitted under IFRS 1.
- b On transition from UK GAAP to IFRS the Partnership has recognised the fair value of the swap that has always been in place to fix the interest rate payable on the £487.5m loan advanced to the Partnership. A hedging reserve has therefore also been recognised for the first time.

# THE TESCO AQUA LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2014 (continued)

### 18. EXPLANATION OF TRANSITION TO IFRS (continued)

#### Reconciliation of total comprehensive income

		52 weeks to 31 December 2013		
	Note	UK GAAP £	Effect of transition to IFRSs £000	IFRS £000
Rental income		33,831,791	-	33,831,791
Administrative expenses	a	(288,657)	(7,135,313)	(7,423,970)
<b>Operating profit</b>	<b>a</b>	<b>33,543,134</b>	<b>(7,135,313)</b>	<b>26,407,821</b>
Interest receivable and similar income		12,338	-	12,338
Interest payable and similar charges		(28,257,793)	-	(28,257,793)
<b>Profit/(loss) on ordinary activities before tax</b>	<b>a</b>	<b>5,297,679</b>	<b>(7,135,313)</b>	<b>(1,837,634)</b>
Tax expense		-	-	-
<b>Profit/(loss) after tax but before gain on cash flow hedge</b>	<b>a</b>	<b>5,297,679</b>	<b>(7,135,313)</b>	<b>(1,837,634)</b>
Gain arising during the year on cash flow hedge	b	-	35,232,865	35,232,865
<b>Total comprehensive income for the year</b>	<b>a, b</b>	<b>5,297,679</b>	<b>28,097,552</b>	<b>33,395,231</b>

- a Adopting the cost model for Investment Property, as permitted under IAS 40, results in a depreciation charge for the year under IFRS
- b Recognition of the fair value of the swap results in other comprehensive income recognised with regard to the movements in fair value year on year