

THE BIG FOOD GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019

Registered Number: 01529002



THE BIG FOOD GROUP LIMITED

STRATEGIC REPORT FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019

The Directors present their Strategic Report of The Big Food Group Limited (the “Company”) for the 47 weeks ended 24 February 2019 (prior period: 53 weeks ended 30 March 2018) (“2018”).

Business review and principal activity

The principal activity of the Company is that of an intermediate holding company and principal employer to the Booker Group’s defined benefit scheme.

On an IAS 19 basis, the pension deficit (net of deferred tax) has increased from £44.8m last period to £91.5m at the end of the current period. The movement during the period is primarily attributable due to a £40.9m remeasurement of the scheme and a £10.2m charge in relation to the equalisation of guaranteed minimum pensions (see Note 12 to the financial statements).

It is the view of the Directors that the Company will continue to act as a holding company and principal employer to the Booker Group’s defined benefit scheme for the foreseeable future.

Results and dividends

The results for the 47 weeks ended 24 February 2019 show the Company has made a loss after tax of £4.9m in the period (2018: profit of £1.9m).

The Directors do not recommend the payment of a dividend for the 47 weeks ended 24 February 2019 (2018: £nil).

Key Performance Indicators (KPI’s)

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

The development, performance and position of the operations of the Tesco PLC Group (the “Group”), which includes the Company, is discussed on pages 16 to 17 of the Tesco PLC Annual Report and Financial Statements 2019, which do not form a part of this Report.

Future developments

The Company will continue to act as an intermediate holding company for the foreseeable future. The Company’s future developments form a part of the Group’s long-term strategies, which are discussed on pages 14 and 15 of the Tesco PLC Annual Report and Financial Statements 2019, which does not form part of this Report.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Company, are discussed on pages 32 to 36 of the Tesco PLC Annual Report and Financial Statements 2019, which does not form part of this Report.

The main risks associated with the Company’s financial assets and liabilities are set out below:

THE BIG FOOD GROUP LIMITED

STRATEGIC REPORT FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019 (continued)

Business risk

Uncertainty around the UK's departure from the EU continues to grow as a result of the ongoing political deadlock. A failure to prepare for all eventualities, and any resulting disruption, could have an adverse impact on our primary business, financial results and operations. The Tesco PLC Board will continue to assess and monitor the potential risks and impacts on the Company and its stakeholders as a whole, while taking appropriate mitigation measures to address challenges as appropriate.

Financial risk management

The main risks associated with the Company's financial assets and liabilities are set out below:

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities. Since the creditors comprises amounts owed to Group undertakings, the liquidity risk is determined to be low.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Debtors comprises amounts owed by Group undertakings, hence credit risk is determined to be low.

Approved by the Board of Directors on 30 August 2019 and signed on behalf of the Board by:

DocuSigned by:

Veselin Bandev

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Veselin Bandev

Director

The Big Food Group Limited

Registered Number: 01529002

Registered Office: Equity House, Irthlingborough Road, Wellingborough, Northamptonshire, NN8 1LT

THE BIG FOOD GROUP LIMITED

DIRECTORS' REPORT FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019

The Directors present their Report, together with the audited financial statements of the Company for the 47 weeks ended 24 February 2019 (prior period: 53 weeks ended 30 March 2018) ("2018").

Results and dividends

This is discussed in the Strategic Report on page 1.

Future developments

This is discussed in the Strategic Report on page 1.

Going concern

The Directors consider that the Company has adequate resources to remain in operation for a period of at least twelve months and have therefore continued to adopt the going concern basis in preparing the financial statements. In coming to this conclusion, the Directors have considered the risks and uncertainties set out in the Strategic Report.

Events after the balance sheet date

Details of events after the reporting period can be found in Note 14 to the financial statements.

Political donations

There were no political donations for the period (2018: £nil) and the Company did not incur any political expenditure (2018: £nil).

Research and development

The Company does not undertake any research and development activities (2018: £nil).

Financial risk management

This is discussed in Strategic Report on page 2.

Employees

The Company had no employees during the period (2018: none)

Directors

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

Charles Wilson	(appointed 22 January 2019)
Veselin Bandev	(appointed 26 October 2018)
Jonathan Prentis	(resigned 26 October 2018)

None of the Directors had disclosable interests in the Company during this period.

Tesco PLC maintained a Directors' and Officers' liability insurance policy throughout the financial period and up to the date of signing the financial statements.

THE BIG FOOD GROUP LIMITED

DIRECTORS' REPORT FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019 (continued)

Disclosure of information to auditor

Each Director who is a Director of the Company at the date of approval of these financial statements confirms that:

- so far as the Directors are aware, there is no relevant information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Cautionary statement regarding forward-looking information

Where this document 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 factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement.

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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 Company and of the profit or loss of the Company 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 United Kingdom 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 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 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.

Independent auditor

Deloitte LLP, having indicated its willingness to continue in office, will be deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

Approval by the Board of Directors on 30 August 2019 and signed on behalf of the Board by:

DocuSigned by:

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Veselin Bandev

Director

The Big Food Group Limited

Registered Number: 01529002

Registered Office: Equity House, Irthlingborough Road, Wellingborough, Northamptonshire, NN8 1LT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BIG FOOD GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of The Big Food Group Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 24 February 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BIG FOOD GROUP LIMITED (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BIG FOOD GROUP LIMITED (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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;

We have nothing to report in respect of these matters.

Use of our report

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



Damian Sanders FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester

30 August 2019

THE BIG FOOD GROUP LIMITED
PROFIT AND LOSS ACCOUNT FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019

	Note	47 weeks ended 24 February 2019 £m	53 weeks ended 30 March 2018 £m
Management fees		5.4	4.0
Sundry income		-	0.1
Exceptional item	12e	(10.2)	-
Operating (loss)/profit		(4.8)	4.1
Net interest payable	12f	(1.0)	(1.9)
(Loss)/profit before tax		(5.8)	2.2
Tax credit/(charge)	6	0.9	(0.3)
(Loss)/profit for the period		(4.9)	1.9

STATEMENT OF COMPREHENSIVE (EXPENSE)/INCOME

	Note	47 weeks ended 24 February 2019 £m	53 weeks ended 30 March 2018 £m
(Loss)/profit for the period		(4.9)	1.9
Items that will not be reclassified to profit or loss			
Remeasurements of the pension scheme	12e	(40.9)	20.5
Tax on pension scheme remeasurements	9	7.1	(3.5)
Other comprehensive (expenses)/income for the period, net of tax		(33.8)	17.0
Total comprehensive (expense)/income for the period		(38.7)	18.9

There are no material differences between the loss before tax and the loss for the period stated above and their historical cost equivalents in the current and previous period.

All operations are continuing for the current and previous financial periods.

The notes on pages 11 to 21 form an integral part of these financial statements.

THE BIG FOOD GROUP LIMITED **BALANCE SHEET AS AT 24 FEBRUARY 2019**

	Note	24 February 2019 £m	30 March 2018 £m
Fixed assets			
Investments in subsidiaries	7	-	-
Current assets			
Debtors: amounts falling due within one year	8	287.2	287.2
Deferred tax: amounts falling due within one year	9	15.9	7.9
		<u>303.1</u>	<u>295.1</u>
Creditors: amounts falling due within one year	10	<u>(85.3)</u>	<u>(85.3)</u>
Net current assets		<u>217.8</u>	<u>209.8</u>
Net pension liability	12	<u>(91.5)</u>	<u>(44.8)</u>
Net assets		<u><u>126.3</u></u>	<u><u>165.0</u></u>
Capital and reserves			
Called up share capital	11	35.0	35.0
Merger reserve	11	330.4	330.4
Profit and loss account		<u>(239.1)</u>	<u>(200.4)</u>
Shareholders' funds		<u><u>126.3</u></u>	<u><u>165.0</u></u>

The notes on pages 11 to 21 form an integral part of these financial statements.

The financial statements on pages 8 to 21 were approved by the Board of Directors and authorised for issue on 30 August 2019. They were signed on its behalf by

DocuSigned by:

Veselin Bandev

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Veselin Bandev

Director

The Big Food Group Limited

Registered Number: 01529002

Registered Office: Equity House, Irthlingborough Road, Wellingborough, Northamptonshire, NN8 1LT

THE BIG FOOD GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019

	Note	Share capital £m	Merger reserve £m	Profit and loss account £m	Total equity £m
At 24 March 2017		35.0	330.4	(219.3)	146.1
Profit for the period		-	-	1.9	1.9
Remeasurements of the pension scheme	12e	-	-	20.5	20.5
Tax on pension scheme remeasurements	9	-	-	(3.5)	(3.5)
At 30 March 2018		35.0	330.4	(200.4)	165.0
Loss for the period		-	-	(4.9)	(4.9)
Remeasurements of the pension scheme	12e	-	-	(40.9)	(40.9)
Tax on pension scheme remeasurements	9	-	-	7.1	7.1
At 24 February 2019		<u>35.0</u>	<u>330.4</u>	<u>(239.1)</u>	<u>126.3</u>

The notes on pages 11 to 21 form an integral part of these financial statements.

THE BIG FOOD GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of The Big Food Group Limited (the "Company") for the 47 weeks ended 24 February 2019 were approved by the Board of Directors on 30 August 2019 and the Balance Sheet was signed on the Board's behalf by Veselin Bandev.

Following the merger between Booker Group and Tesco PLC on 5 March 2018, the period end was changed to become in line with Tesco PLC financial reporting. As the current period comprises 47 weeks and the prior period comprises 53 weeks, the amounts presented in the financial statements are not entirely comparable.

The Big Food Group Limited is a private company limited by shares and incorporated and domiciled in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101").

The financial statements have been prepared under the historical cost convention and the Companies Act 2006, modified to include certain items at fair value. The Company's financial statements are presented in Pound Sterling, which is the currency of the primary economic environment in which the Company operates, and all values are rounded to the nearest hundred thousand, except when otherwise indicated.

2. General information

The Company is a private company limited by shares and is incorporated in England and Wales under the Companies Act 2006. The address of the registered office is Equity House, Irthlingborough Road, Wellingborough, Northamptonshire, NN8 1LT, United Kingdom. The nature of the Company's operations and its principal activity are set out in the Strategic Report on page 1.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and to the preceding period, unless otherwise stated.

3. Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" issued by the Financial Reporting Council.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is a qualifying entity for the purposes of FRS 101. Note 13 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

THE BIG FOOD GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019

3. Accounting policies (continued)

a) Basis of preparation (continued)

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with Customers;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of
 - (i) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (ii) paragraph 118(e) of IAS 38 Intangible Assets.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements because it is included in the group accounts of Tesco PLC. The group accounts of Tesco PLC are available to the public and can be obtained as set out in Note 13.

b) Adoption of new IFRS

The Company has adopted all mandatory standards, interpretations and amendments that were effective for the current financial year. These include IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. In addition, the Company has early adopted IFRS 16 'Leases'. None of these changes had a material impact on the financial statements.

c) Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing these financial statements. Thus they continue to adopt the going concern basis in preparing the financial statements.

THE BIG FOOD GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019

3. Accounting policies (continued)

d) Critical accounting judgements and key sources of estimation uncertainty

Estimates

The preparation of accounts in accordance with generally accepted accounting principles requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Some of these policies require a high level of judgement and the Directors believe that the most critical accounting policies and significant areas of judgement and estimation arise from the accounting for:

- IAS19 'Employee benefits'. The present value of the post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of post-employment benefit obligations. Key assumptions and sensitivities for post-employment benefit obligations are disclosed in Note 12.

Judgements

The Directors believe that there are no critical accounting judgements.

e) Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Management fees

The Company recharges the employer pension contributions paid into the defined benefit scheme to another Group undertaking.

THE BIG FOOD GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019

3. Accounting policies (continued)

e) Significant accounting policies (continued)

Taxation

Current tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Profit and Loss Account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that that the Company will be required to settle that tax.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets (excluding goodwill) and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the Profit and Loss Account, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity. Deferred tax assets are only recognised to the extent that, following an assessment of the quantum and timing of future taxable profits, it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and the amount which is recognised is increased or reduced to the extent that it is then probable or no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends to settle its current tax assets and liabilities on a net basis.

Group relief on taxation

The Company may receive or surrender group relief from Group companies without payment and consequently there may be no tax charge in the Profit and Loss Account.

Investments

Investments in subsidiaries are held at historical cost less any provision for impairment. All investments are assessed for impairment on an annual basis, or when an indicator of impairment arises as per IAS 36.

Pension

The Company is the sponsoring employer of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit obligation of the plan to participating entities, the net defined benefit obligation of the pension plan is recognised fully by the sponsoring employer, which is the Company.

For defined benefit plans, obligations are measured at discounted present value (using the projected unit credit method) while plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the Profit and Loss Account; service costs are spread systematically over the expected service lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income/(Loss).

4. Auditor's remuneration

The Auditor's remuneration for the current and prior period of £2,000 (2018: £500) was borne by another Group company for auditing the financial statements of the Company.

There were no non-audit fees payable to the Company's auditor in the current or prior period.

THE BIG FOOD GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019

5. Staff costs and Directors' remuneration

(a) Employee information

The Company had no employees throughout this or the previous period, other than the Directors.

(b) Directors' remuneration

No remuneration or fees were paid by the company to any of its Directors during this or the previous period in respect of services to the company. The Directors of the company were remunerated by other Group undertakings for their services to the Group as a whole. It is not practicable to allocate their remuneration in respect of each of the subsidiaries.

6. Tax credit/(charge)

(a) Factors that have affected the tax credit/(charge)

The standard rate of corporation tax in the UK is 19% from 1 April 2017, and 17% from 1 April 2020. This gives a corporation tax rate for the Company for both periods of 19%.

(b) Tax credit/(charge) in the Profit and Loss Account	2019 £m	2018 £m
Current income tax:		
UK corporation tax	-	-
Deferred tax:		
Movement in pension scheme deferred tax asset	0.9	(0.3)
Total tax credit/(charge) for the period	0.9	(0.3)

(c) Reconciliation of the tax credit/(charge)

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

(Loss)/profit before tax	(5.8)	2.2
Tax on (loss)/profit at 19% (2018: 19%)	1.1	(0.4)
Non-taxable income	-	0.1
Non-deductible expenses	(0.2)	-
Total tax credit/(charge) for the period	0.9	(0.3)

(d) Tax rate changes

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were enacted by the Balance Sheet date and therefore included in these financial statements. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

THE BIG FOOD GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 47 WEEKS ENDED 24 FEBRUARY 2019

7. Investments in subsidiaries

	£m
Cost	
At start and end of period	90.0
	<u><u> </u></u>
Provision	
At start and end of period	90.0
	<u><u> </u></u>
Net book value	
At start and end of period	-
	<u><u> </u></u>

The Company's related undertakings at 24 February 2019 are as follows:

Name of company	Principal activities	Ownership	Incorporation
BF Limited *	Holding company	100%	England and Wales
Giant Booker Limited	Holding company	100%	England and Wales
IRTH (15) Limited	Finance company	100%	England and Wales
IRTH (19) Limited	Finance company	100%	England and Wales
Booker Cash & Carry Limited	Dormant	100%	England and Wales
J Smylie & Sons (IOM) Limited	Property company	100%	Isle of Man

* Direct subsidiary of The Big Food Group Limited

Registered office information:

For those companies registered in England and Wales, the registered office is Equity House, Irthingborough Road, Wellingborough, Northamptonshire, NN8 1LT.

For J Smylie & Sons (IOM) Ltd the registered office is PO Box 237, Peregrine House, Peel Road, Douglas, Isle of Man, IM99 1SU.

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8. Debtors: amounts falling due within one year	2019	2018
	£m	£m
Amounts due from Group undertakings	287.2	287.2

Amounts due from Group undertakings are all unsecured, interest free and repayable on demand.

9. Debtors: amounts falling due outside one year	2019	2018
	£m	£m
Deferred tax		
At start of period	7.9	11.7
Credit/(charge) to Profit and Loss account	0.9	(0.3)
Credit/(charge) to equity	7.1	(3.5)
At end of period	15.9	7.9

10. Creditors: amounts falling due within one year	2019	2018
	£m	£m
Amounts owed to Group undertakings	85.3	85.3

Amounts owed to Group undertakings are all unsecured, interest free and repayable on demand.

11. Capital and reserves	2019	2018
	£m	£m
Called up share capital		
Allotted, called up and fully paid		
350,385,320 ordinary shares of £0.10 each	35.0	35.0

Merger reserve

The merger reserve represents the adjustment to reserves following acquisitions made a number of years ago.

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12. Post-employment benefits

The Booker Pension Scheme ('the Scheme') is a funded defined benefit pension arrangement based on final salary and was closed to new entrants in 2001 with benefits ceasing to accrue from 2002. However, active members' benefits retain a link to their final salaries. The assets of the Scheme are held in separate trustee-administered funds to meet future benefit payments. The Scheme is established under trust law and complies with all relevant UK legislation. The Trustees are responsible for running the Scheme in line with the Trust Deed and Rules and for complying with UK pension's legislation. They are required to oversee the administration of the Scheme, arrange timely and correct payment of benefits and manage the Scheme's funding and investments.

The information disclosed below is in respect of the whole of the plan for which the Company is the sponsoring employer. The benefit obligations as at 24 February 2019 have been calculated by an independent actuary on an IAS 19 basis using the results of the 31 March 2016 triennial actuarial valuation which has then been updated to 24 February 2019. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

(a) Major assumptions used by the actuary

	2019	2018
Discount rate	2.58%	2.70%
RPI inflation	3.11%	3.10%
CPI inflation	2.11%	2.10%
Rate of increase in salaries	2.11%	2.10%
Pension increases in payment	3.07%	3.10%

The following table illustrates the expectation of life of an average member retiring at age 65 at the reporting date and a member reaching age 65 at the reporting date +25 years. A comparison between the two retiree dates illustrates the expected improvements in mortality over the next 25 years.

		2019	2018
Retiring at reporting date at age 65:	Male	21.8	21.5
	Female	24.0	23.7
Retiring at reporting date +25 years at age 65:	Male	23.6	22.9
	Female	25.9	25.3

The average duration of the defined benefit obligation is 16 years.

(b) The amounts recognised in the balance sheet

	2019 £m	2018 £m
Equities	48.3	120.1
Bonds	239.7	306.9
Property	50.4	48.3
Cash	21.3	0.7
Other (alternative assets)	127.2	60.9
Other Liability Driven Investments (LDI)	129.2	98.0
Fair value of Scheme assets	616.1	634.9
Present value of Scheme liabilities	(707.6)	(679.7)
Net liability	(91.5)	(44.8)

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12. Post-employment benefits (continued)

Where relevant, the bid value of the assets was provided by each of the various fund managers in which the scheme invests in. The LDI investment provides a long term expected return in line with equities but with asset value movements which respond to changes in bond yields and inflation expectations – this helps smooth the funding level compared to holding a traditional equity investment. All scheme assets have quoted prices in active markets. The scheme does not hold any of the Company's financial instruments or property as plan assets.

(c) Movement in the fair value of the scheme assets

	2019 £m	2018 £m
At start of period	634.9	645.0
Employer contributions	5.4	4.0
Interest income	16.5	17.2
Return on assets (less amount included in interest income)	(5.2)	10.0
Benefits paid	(35.5)	(41.3)
At end of the period	<u>616.1</u>	<u>634.9</u>

(d) Movement in the present value of the defined benefit obligation

	2019 £m	2018 £m
At start of period	(679.7)	(712.4)
Interest cost	(17.5)	(19.1)
Past service cost – plan amendments	(10.2)	-
Remeasurement gains/(losses):		
From changes in financial assumptions	(9.4)	8.4
From changes in demographic assumptions	(7.4)	5.1
From experience adjustments	(18.9)	(3.0)
Benefits paid	35.5	41.3
At end of the period	<u>(707.6)</u>	<u>(679.7)</u>

(e) Movement in the net defined benefit liability

	2019 £m	2018 £m
At start of period	(44.8)	(67.4)
Employer contributions	5.4	4.0
Net interest charge recognised in the Profit and Loss Account	(1.0)	(1.9)
Exceptional charge recognised in the Profit and Loss Account	(10.2)	-
Total remeasurements included in statement of other comprehensive income	(40.9)	20.5
At end of the period	<u>(91.5)</u>	<u>(44.8)</u>

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12. Post-employment benefits (continued)

On 26 October 2018 a High Court judgement was handed down regarding the Lloyds Banking Group's defined benefit pension scheme which affects many pension schemes in the UK. The judgement concluded that schemes should be amended to ensure that members who have guaranteed minimum pensions (GMPs) receive the same benefits regardless of their gender. This change impacts GMP benefits accrued between 1990 and 1997. The trustees of the scheme are considering the impact of the judgement on scheme liabilities and individual members, and at 24 February this work is ongoing.

In consultation with independent actuaries, the Company has estimated the financial effect of equalising benefits is to increase the pension deficit by £10.2m. This has been recognised as a past service cost, and is presented as an exceptional item in the Profit and Loss Account.

(f) Amounts recognised in the Profit and Loss Account

	2019 £m	2018 £m
Exceptional charge for GMP equalisation charge (see note 12e)	<u>10.2</u>	<u>-</u>
Expected return on pension scheme assets	17.5	17.2
Interest on pension scheme liabilities	<u>(16.5)</u>	<u>(19.1)</u>
Net interest expense on defined benefit obligation	<u>(1.0)</u>	<u>(1.9)</u>

(g) Risks associated with defined benefit pension schemes

The Company bears a number of risks in relation to the Scheme, which are described below:

Investment Risk

The Scheme's accounting liabilities are calculated using a discount rate set with reference to corporate bond yields. If the return on the Scheme's assets underperform this rate, the accounting deficit will increase. If the Scheme's assets underperform the expected return for the funding valuation, this may require additional contributions to be made.

Interest Rate Risk

A decrease in corporate bond yields will increase the accounting deficit under IAS 19. Similarly, a decrease in gilt yields will have an adverse impact on the funding position of the Scheme. This may lead to additional contributions to be made.

Inflation Risk

The Scheme's benefit obligations are linked to inflation. A higher rate of expected long-term inflation will therefore lead to higher liabilities, both for the IAS 19 and funding liability. If the Scheme's funding liability increases, this may require additional contributions to be made.

Life Expectancy Risk:

The Scheme's obligations are to provide benefits for the life of the member and so increases in life expectancy will lead to higher liabilities.

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NOTES TO THE FINANCIAL STATEMENTS
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12. Post-employment benefits (continued)

(h) Sensitivities

The sensitivity of significant assumptions upon the Scheme defined benefit obligations are detailed below:

Financial assumptions – Increase/(decrease) in defined benefit obligation	Discount rate	Inflation rate
Impact of 0.1% increase of the assumption	-1.7%	1.1%
Impact of 0.1% decrease of the assumption	1.7%	-1.1%
Impact of 1.0% increase of the assumption	-15.1%	11.3%
Impact of 1.0% decrease of the assumption	19.8%	-9.6%

Mortality assumptions – Increase/(decrease) in UK defined benefit obligation

Impact of 1 year increase in longevity	4.3%
Impact of 1 year decrease in longevity	-4.3%

Sensitivities are calculated by changing the relevant assumption whilst holding all other assumptions constant. The sensitivities reflect the range of recent assumption movements, and illustrate that the financial assumption sensitivities do not move in a linear fashion. Movements in the defined benefit obligation from discount rate and inflation rate changes may be partially offset by movements in assets.

(i) Contributions to be paid

The last actuarial funding valuation was carried out 31 March 2016 triennial of the Scheme, which revealed a shortfall of £41.1m at this date. This shortfall is expected to be recovered through Company deficit contributions of £5.4m per annum payable for six years with effect from 1 April 2017 and the returns achievable on the assets of the Scheme. The 31 March 2019 triennial valuation is currently in progress.

13. Ultimate Group undertaking

The Company's immediate parent undertaking is Giant Bidco Limited, whose registered office is Equity House, Irthlingborough Road, Wellingborough, Northamptonshire, NN8 1LT.

The Company's ultimate parent undertaking and controlling party is Tesco PLC, which is registered in England and Wales, and which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of the Tesco PLC Annual Report and financial statements are available from the Company Secretary at the registered office address: Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

14. Events after Balance Sheet date

There have been no material events since the Balance Sheet date which require disclosing.