

TESCO (OVERSEAS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019
Registered Number: 01611684



TESCO (OVERSEAS) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019

The Directors present their Report and the audited financial statements of Tesco (Overseas) Limited (the "Company") for the 52 weeks ended 23 February 2019 (prior period: 52 weeks ended 24 February 2018 ("2018")).

Business review and principal activity

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

Results and dividends

The results for the 52 weeks ended 23 February 2019 show a profit before tax of £40,367k (2018: loss before tax of £9,677k) and profit after tax of £29,639k (2018: loss after tax of £11,048k).

The Company has net assets of £688k at the period end (2018: £236,049k) and has net current liabilities of £8,312k at the period end (2018: £575,722k).

The Directors paid dividend for the 52 weeks ended 23 February 2019 of £265,000k (2018: £nil).

Future developments

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. The Company's future developments form a part of the Tesco PLC Group's ("Group") long term strategies, which are discussed on pages 14 and 15 of the Tesco PLC Annual Report and Financial Statements 2019, which do not form a part of this Report.

Principal risks and uncertainties

The principal activity of the Company is to act as a holding company and therefore its principal risks relate to the carrying value of the investments that the Company holds. To manage this risk, the Company reviews the performance of those companies in which it holds its investment.

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 2019, which do not form a part of this Report.

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.

Key performance indicators (KPIs)

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 Group which includes the Company, is discussed on pages 16 and 17 of the Tesco PLC Annual Report and Financial Statements 2019, which do not form a part of this Report.

TESCO (OVERSEAS) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019 (continued)

Going concern

It is the current intention of the Company's immediate 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 at least twelve months from the date of signing these financial statements.

Events after the Balance Sheet date

There were no material events after the balance sheet date.

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: none).

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.

The Company creditors are unsecured and interest bearing. Since the creditors predominantly 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 predominantly comprises amounts owed by Group undertakings, hence credit risk is determined to be low.

Strategic Report

The Directors have taken advantage of the exemption provided by section 414B of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 from preparing a strategic report.

Employees

The Company had no employees during the 52 weeks ended 23 February 2019 (2018: none).

Directors

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

M Snape (resigned 1 April 2018)
B Mistry (appointed 10 October 2018)
R Welch
Tesco Services Limited

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

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of the Tesco PLC Company Secretary (who is also a Director of Tesco Services Limited which is appointed to the Board of the Company) in respect of liabilities incurred as a result of their office, to the extent permitted by law.

TESCO (OVERSEAS) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019 (continued)

Directors (continued)

In respect of those liabilities for which Directors and Officers 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.

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 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 judgments and accounting estimates that are reasonable and prudent; 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.

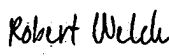
TESCO (OVERSEAS) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019 (continued)

Independent auditor

Deloitte LLP, having indicated its willingness to act as Auditor were appointed on 23 April 2019 under section 485 of the Companies Act 2006.

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

DocuSigned by:

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Robert Welch
Director

Tesco (Overseas) Limited

Registered number: 01611684

Registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO (OVERSEAS) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Tesco (Overseas) Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 23 February 2019 and of its profit 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 Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 15.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO (OVERSEAS) LIMITED (continued)

Other information (continued)

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 Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; 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 Directors' Report.

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:

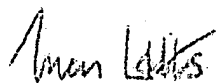
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO (OVERSEAS) LIMITED (continued)

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.



Simon Letts FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St. Albans, United Kingdom
2 September 2019

TESCO (OVERSEAS) LIMITED**PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019**

	Notes	52 weeks ended 23 February 2019 £'000	52 weeks ended 24 February 2018 £'000
Other expenses		(78)	-
Operating loss	5	(78)	-
Income from shares in group undertakings		851,744	-
Impairment of investments		(802,771)	-
Interest payable and similar costs	6	(8,528)	(9,677)
Profit/(loss) before tax		40,367	(9,677)
Tax charge on profit/(loss)	7	(10,728)	(1,371)
Profit/(loss) for the financial period		29,639	(11,048)

There are no material differences between the profit before tax and the profit for the financial period stated above and their historical cost equivalents.

All operations are continuing for the financial period.

There are no other comprehensive income in the periods presented; therefore no Statement of Comprehensive Income has been prepared. Total comprehensive income/(loss) is equal to profit/(loss) for the periods presented.

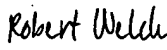
The notes on pages 11 to 18 form an integral part of the financial statements.

TESCO (OVERSEAS) LIMITED**BALANCE SHEET AS AT 23 FEBRUARY 2019**

	Notes	23 February 2019 £'000	23 February 2018 £'000
Fixed assets			
Investments	8	9,000	811,771
		9,000	811,771
Current assets			
Cash at bank and in hand		152	54
Debtors: amounts falling due within one year	9	62,634	-
		62,786	54
Current liabilities			
Creditors: amounts falling due within one year	10	(71,098)	(575,776)
Net current liabilities		(8,312)	(575,722)
Total assets less current liabilities		688	236,049
Net assets		688	236,049
Capital and reserves			
Called up share capital	11	-	8,948
Share premium		-	351,890
Profit and loss account		688	(124,789)
Total shareholders' funds		688	236,049

The notes on pages 11 to 18 form an integral part of the financial statements.

The financial statements on pages 8 to 18 were approved by the Board and authorised for issue on 30 August 2019. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime. They were signed on its behalf by:

DocuSigned by:

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 Robert Welch

Director

Tesco (Overseas) Limited

Registered Number: 01611684

Registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

TESCO (OVERSEAS) LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED
23 FEBRUARY 2019**

	Called up share capital ⁽ⁱ⁾ £'000	Share premium £'000	Profit and loss account £'000	Total £'000
Balance as at 25 February 2017	8,948	351,890	(113,741)	247,097
Loss and total comprehensive loss for the financial period	-	-	(11,048)	(11,048)
Balance as at 24 February 2018	8,948	351,890	(124,789)	236,049
Profit and total comprehensive income for the financial period	-	-	29,639	29,639
Dividends paid ⁽ⁱⁱ⁾	-	-	(265,000)	(265,000)
On account of capital reduction ⁽ⁱⁱⁱ⁾	(8,948)	(351,890)	360,838	-
Balance as at 23 February 2019	-	-	688	688

⁽ⁱ⁾ See Note 11 for a breakdown of the Called up share capital.

⁽ⁱⁱ⁾ During the 52 weeks ended 23 February 2019 dividend paid is £29.62 per share.

⁽ⁱⁱⁱ⁾ On 19 February 2019, share premium of £351,890,179 and 8,947,672 of the issued £1 ordinary shares were cancelled and extinguished, with a corresponding increase in the Profit and Loss Account of £360,837,851.

The notes on pages 11 to 18 form an integral part of the financial statements.

TESCO (OVERSEAS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019

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

The financial statements of Tesco (Overseas) Limited (the "Company") for the 52 weeks ended 23 February 2019 were authorised for issue by the Board of Directors on 30 August 2019 and the Balance Sheet was signed on the Board's behalf by Robert Welch.

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.

The functional currency of Tesco (Overseas) Limited is considered to be Pound Sterling (£) because that is the currency of the primary economic environment in which the Company operates and the financial statements are presented in Pound Sterling. The values are rounded to the nearest thousand Pound (£'000) except when otherwise stated.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Tesco PLC. The Company's results are included in the consolidated financial statements of Tesco PLC, which are available from Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

2. General information

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom. The nature of the Company's operations and its principal activity are set out in the Directors' 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 in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" issued by the Financial Reporting Council and the requirements of the Companies Act 2006.

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 12 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with EU-adopted IFRS may be obtained.

New and revised IFRS applied with no material effect on the financial statements

The following standards were adopted in the current period, and further details on the impact on the Company financial statements are given in Note 15:

- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from Contracts with customers'

Other changes to standards, interpretations and amendments effective in the current period have not had a material impact on the Company financial statements.

TESCO (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED
23 FEBRUARY 2019 (continued)****3. Accounting policies (continued)****(a) Basis of preparation (continued)**

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- 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 paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- 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 a party to the transaction is wholly owned by such a member.

(b) Going concern

It is the current intention of the Company's immediate 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 at least twelve months from the date of signing these financial statements.

(c) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

There are no judgements that have a significant effect on amounts recognised in the financial statements.

Key sources of estimation uncertainty

Critical estimate and assumption that is applied in the preparation of the financial statements include:

Impairment

Where there are indicators of impairment or reversals of previous impairment for investments in subsidiaries, joint ventures, associates or other investments, management performs an impairment test for the investment based on the higher of value in use and fair value less costs of disposal.

(d) Significant accounting policies**Investments**

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

TESCO (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED
23 FEBRUARY 2019 (continued)**

3. Accounting policies (continued)**(d) Significant accounting policies (continued)****Taxation***Income tax*

Current tax, including United Kingdom (UK) corporation tax and foreign 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 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 additional tax liability has been identified and it is probable that the Company will be required to settle that tax. Measurement is dependent on subjective judgements as to the outcome of decisions by tax authorities in the various tax jurisdiction in which the Company operates. This is assessed on a case by case basis using in-house tax experts, professional firms and previous experience.

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.

Current tax and deferred tax for the period

Current and deferred tax are recognised in the profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. The expected maturity of the financial assets and liabilities is not considered to be materially different to their current and non-current classification.

Financial assets

The Company's financial assets include debtors and other receivables. Debtors (including intercompany balances) are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are recorded at amortised cost. Creditors (including intercompany balances) are non-interest bearing and are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest rate method.

Loans and borrowings

Loans and borrowings are financial liabilities with fixed or determinable payments. Such liabilities are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method (EIR). Amortised cost is calculated by taking into account transaction costs that are an integral part of the EIR. The EIR amortisation is included in interest payable and similar charges in the Profit and Loss Account. Loans are classified within 'Creditors: amounts falling due within one year'.

TESCO (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019 (continued)****3. Accounting policies (continued)****(d) Significant accounting policies (continued)****Cash at bank**

Cash at bank in the Balance Sheet comprise cash at bank.

Dividend income

Income from shares in group undertakings is recognised when the shareholder's right to payment is established, that is on declaration of the dividend by the subsidiary.

Interest payable and similar costs

All borrowing costs are recognised in the Profit and Loss Account on an accruals basis.

4. Auditor's remuneration

The Auditor's remuneration for the current period is £5k (2018: £nil) was borne by Tesco PLC for auditing the financial statements of the Company. The non-audit fees for the period is £nil (2018: £nil).

5. Operating loss

The Directors received no emoluments for their services to the Company (2018: £nil).

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

6. Interest payable and similar costs

	23 February 2019 £'000	24 February 2018 £'000
Interest payable on loans from Group undertakings	8,528	9,677
	<u>8,528</u>	<u>9,677</u>

7. Tax charge on profit/(loss)**(a) Factors that have affected the tax 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 the full period of 19% (2018: 19.09%).

(b) Tax charge in the Profit and Loss Account

	52 weeks ended 23 February 2019 £'000	52 weeks ended 24 February 2018 £'000
Current income tax:		
UK corporation tax on profit for the financial period	(3,575)	(790)
Adjustments in respect of prior periods	(7,153)	(581)
Total current income tax charge	<u>(10,728)</u>	<u>(1,371)</u>

TESCO (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED
23 FEBRUARY 2019 (continued)****7. Tax charge on profit/(loss) (continued)****(c) Reconciliation of the tax charge**

The differences between the total charge shown above and the amount calculated by applying UK corporation tax rate to profit is as follows:

	52 weeks ended 23 February 2019 £'000	52 weeks ended 24 February 2018 £'000
Profit/(Loss) before tax	40,367	(9,677)
Tax (charge)/credit at standard UK corporation tax rate of 19% (2018: 19.09%)	(7,670)	1,848
Effects of:		
Group relief surrendered without payment	(1,620)	(1,848)
Expenses not deductible for tax purposes	(152,541)	-
Non-taxable income	161,831	-
UK tax on overseas profits	(3,575)	(790)
Adjustment in respect of prior period	(7,153)	(581)
Overall tax charge	(10,728)	(1,371)

(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 re measured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

8. Investments

	23 February 2019 Shares in Group undertakings £'000	24 February 2018 Shares in Group undertakings £'000
Cost:		
At the beginning of the period	893,433	893,433
At the end of the period	893,433	893,433
Impairment:		
At the beginning of the period	81,662	81,662
During the financial period	802,771	-
At the end of the period	884,433	81,662
Carrying value:		
At the beginning of the period	811,771	811,771
At the end of the period	9,000	811,771

TESCO (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019 (continued)****8. Investments (continued)**

During the financial period, the Company restructured its investments in subsidiaries and amounts due by and to Group undertakings. As a result, dividends of £851m were received, investments were impaired by £802m, amounts owed to Group undertakings were reduced and dividends of £265m were paid.

A full list of related undertakings, the country of incorporation and the percentage of each share class owned as at 23 February 2019 is disclosed on page 18. All undertakings are directly owned by the Company unless otherwise stated.

9. Debtors: amounts falling due within one year

	23 February 2019 £'000	24 February 2018 £'000
Amounts owed by Group undertaking	62,634	-
	<u>62,634</u>	<u>-</u>

Amounts owed by Group undertakings are unsecured interest bearing loans totalling £62,700k with interest rate of 2.074% which are repayable on demand.

The table below presents the balance and movements in the provision for impairment of debtors.

	23 February 2019 £'000	24 February 2018 £'000
At the beginning of the period	-	-
<u>IFRS 9 adjustment</u>		
Increase in allowance charged to Profit and Loss Account	78	-
At the end of the period	<u>78</u>	<u>-</u>

10. Creditors: amounts falling due within one year

	23 February 2019 £'000	24 February 2018 £'000
Amounts owed to Group undertaking	71,076	575,723
Other payables	22	53
	<u>71,098</u>	<u>575,776</u>

Amounts owed to Group undertakings are amount that are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The reduction in amounts owed to Group undertaking was due to the repayment of the loan to China Property Holdings Limited of £520m as part of the capital restructure of China Property Holdings Limited.

11. Called up share capital

	23 February 2019 £	24 February 2018 £
Authorised, allotted, called up and fully paid:		
100 Ordinary shares of £1 each (2018: 8,947,772)	100	8,947,772
	<u>100</u>	<u>8,947,772</u>

On 19 February 2019, 8,947,672 of the issued £1 ordinary shares were cancelled and extinguished.

TESCO (OVERSEAS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019 (continued)

12. Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking is Tesco PLC which is registered in England and Wales. The results of the Company are included in the consolidated financial statements of Tesco PLC, which is the smallest and largest group to consolidate financial statements.

Copies of the Tesco PLC Annual Report and Financial Statements 2019 are available from the Company Secretary at the registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

13. Related party transactions

During the 52 weeks ended 23 February 2019, the Company entered into transactions with related parties in the ordinary course of business. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries within the Group.

14. Events after the Balance Sheet date

There are no material events since the Balance Sheet date which require disclosure.

15. Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in the financial statements.

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Company's financial statements.

a. IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' replaced IAS 39 'Financial Instruments: Recognition and Measurement' with the exception of macro hedge accounting. The standard became applicable for the current financial period. The Company has applied the classification, measurement and impairment requirements of the standard retrospectively, adjusting the opening balance sheet at the transition date of 25 February 2018 and with no restatement of comparative periods.

Classification and measurement

All financial instruments classified as loans and receivables under IAS 39 have been classified and measured at amortised cost under IFRS 9.

Impairment of financial assets

IFRS 9 requires the Company to recognise expected credit losses (ECL), and to update the amount of ECL recognised at each reporting date to reflect the changes in the credit risk of financial assets. The ECL have been measured under the simplified approach.

Transition adjustment

There is no impact on the Company's opening reserves on account of adoption of IFRS 9.

b. IFRS 15 'Revenue from Contracts with Customers'

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' during the period. This standard had no impact on the financial statements.

TESCO (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019 (continued)****Related undertakings of the Company**

Name of company	Country of incorporation	Proportion of voting rights and shares held	Registered office	Share class
ELH Insurance Limited	Guernsey	100%- Direct	Malsón Trinity, Trinity Square, St Peter Port, Guernsey, GY14AT	£1.00 Ordinary Shares
China Property Holdings (HK) Limited	Hong Kong	100%-Direct	31st Floor AIA Kowloon Tower Landmark East 100 How Ming Street Kowloon Hong Kong	HKD1.00 Ordinary Shares
Tesco Chile Sourcing Limitada	Chile	0.010%-Direct	Oficina No 102, Oficinas Los Andes, San Patricio 4099, Vitacura, Santiago, Chile	CLP 1.00 Ordinary Shares
				USD 1.00 Ordinary Shares
Tesco Sourcing India Private Limited	India	0.013%-Direct	5th Floor, Unit 401, Tower B, The Millenia, No 1 & 2, Murphy Road, Ulsoor, Bangalore, 560008, India	INR10.00 Ordinary Shares
Tesco Bengaluru Private Limited	India	0.002%-Direct	#81 & 82, EPIP Area, Whitefield, Bangalore 560066, India	INR10.00 Ordinary Shares
Tesco Food Sourcing Brazil Consultoria de Negocios Ltda (in liquidation)	Brazil	0.000%-Direct	Av. Paulista, 37-40 Andar, Sao Paulo, 01311-902, Brazil	BRL 1.00 Ordinary Shares
Tesco Guangdong (HK) Co. Limited	Hong Kong	100%-Indirect	31st Floor AIA Kowloon Tower Landmark East 100 How Ming Street, Kowloon Hong Kong	US\$1.00 Ordinary Shares