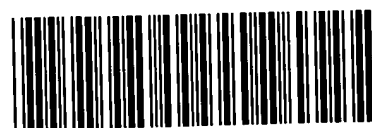


TESCO (OVERSEAS) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021  
Registered Number: 01611684

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## **TESCO (OVERSEAS) LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021**

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The Directors present their Report and the audited financial statements of Tesco (Overseas) Limited (the "Company") for the 52 weeks ended 27 February 2021 (prior period: 53 weeks ended 29 February 2020 ("2020")).

#### **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, however the Directors have decided to put the Company into liquidation. During the period, the Company impaired its investment in China Property Holdings Ltd, recording an impairment charge of £16,571k, further details are given in note 9 to the financial statements.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework".

#### **Results and dividends**

The results for the 52 weeks ended 27 February 2021 show a loss before tax of £3,258k (2020: profit before tax of £10,719k) and loss after tax of £3,997k (2020: profit after tax of £10,719k).

The Company has net assets of £7,410k at the period end (2020: £11,407k) and has net current assets of £7,410k at the period end (2020: £2,407k).

The Directors do not recommend payment of a dividend for the 52 weeks ended 27 February 2021 (2020: £nil).

#### **Future developments**

The Company's future developments form a part of the Tesco PLC Group's ("Group") long term strategies, which are discussed on pages 4 to 30 of the Tesco PLC Annual Report and Financial Statements 2021, 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 31 to 37 of the Tesco PLC Annual Report and Financial Statements 2021, which do not form a part of this Report.

#### **Business risk**

The COVID-19 pandemic has continued throughout the year in the UK. However, there is no material impact of the pandemic on the Company's business, since the Company is planned to be liquidated.

The ongoing development of the UK's trading relationship with the EU, subsequent to the end of the Brexit transition period during the year, and a failure to prepare for all eventualities could have an adverse effect on our primary business, its 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 mitigation measures to address challenges as appropriate.

#### **Going concern**

The Directors decided to put the Company into liquidation on 15 December 2020 and therefore the accounts have been prepared on a basis other than going concern. No adjustments arose as a consequence of preparing the accounts on a basis other than going concern.

#### **Events after the reporting period**

Details of events after the reporting period can be found in Note 15 to the financial statements.

## **TESCO (OVERSEAS) LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)**

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#### **Political donations**

There were no political donations for the period (2020: £nil) and the Company did not incur any political expenditure (2020: £nil).

#### **Research and development**

The Company does not undertake any research and development activities (2020: 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 free. 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 27 February 2021 (2020: none).

#### **Directors**

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

B Mistry (resigned on 16 July 2021)  
R Welch  
Tesco Services Limited

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

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of the Tesco PLC Company Secretary (who is also a Director of 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. 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.

## **TESCO (OVERSEAS) LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)**

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#### **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 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 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**

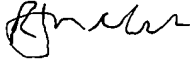
**DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021  
(continued)**

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**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.

Approved by the Board on 24 September 2021, and signed on behalf of the Board by:



R 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**

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### **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 27 February 2021 and of its loss for the year 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 16.

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.

#### **Emphasis of matter – Financial statements prepared other than on a going concern basis**

We draw attention to note 3 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The other information comprises the information included in the financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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

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### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team, including with relevant internal specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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

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### **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 year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 or 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.

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.



John Adam (Senior Statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
27 September 2021



**TESCO (OVERSEAS) LIMITED****PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021**

	Notes	52 weeks ended 27 February 2021 £'000	53 weeks ended 29 February 2020 £'000
Other income		-	89
Other expenses		(36)	(7)
<b>Operating (loss)/profit</b>		<b>(36)</b>	<b>82</b>
Net gain on disposal of investments	9	8,378	-
Income from shares in group undertakings	9	5,000	10,000
Impairment of investments	9	(16,571)	-
Interest payable and similar costs	6	(64)	(10)
Interest receivable and similar income	7	35	647
<b>(Loss)/profit before tax</b>		<b>(3,258)</b>	<b>10,719</b>
Tax charge on (loss)/profit	8	(739)	-
<b>(Loss)/profit for the financial period</b>		<b>(3,997)</b>	<b>10,719</b>

All operations are continuing for the current and prior financial periods. However, it is decided to put the Company into liquidation.

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


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

**TESCO (OVERSEAS) LIMITED****BALANCE SHEET AS AT 27 FEBRUARY 2021**

	Notes	27 February 2021 £'000	29 February 2020 £'000
<b>Non-current assets</b>			
Investments	9	-	9,000
		-	9,000
<b>Current assets</b>			
Investments	9	-	-
Cash at bank		14	13,159
Debtors: amounts falling due within one year	10	8,987	-
		9,001	13,159
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	11	(1,591)	(10,752)
<b>Net current assets</b>		7,410	2,407
<b>Total assets less current liabilities</b>		7,410	11,407
<b>Net assets</b>		7,410	11,407
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Share premium	12	-	-
Profit and loss account		7,410	11,407
<b>Total shareholders' funds</b>		7,410	11,407

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

The financial statements on pages 8 to 18 were approved by the Board and authorised for issue on 24 September 2021.



R 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  
27 FEBRUARY 2021**

	<b>Called up share capital *</b>	<b>Share premium</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance as at 23 February 2019</b>	-	-	688	688
Profit for the financial period	-	-	10,719	10,719
<b>Balance as at 29 February 2020</b>	-	-	11,407	11,407
Loss for the financial period	-	-	(3,997)	(3,997)
<b>Balance as at 27 February 2021</b>	-	-	7,410	7,410

\*See Note 12 for a breakdown of the Called up share capital.

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

## TESCO (OVERSEAS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

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#### 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 27 February 2021 were approved for issue by the Board of Directors on 24 September 2021 and the Balance Sheet was signed on the Board's behalf by R Welch.

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The financial statements have been prepared on a basis other than going concern 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.

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.

The Company's financial statements are presented in Pound Sterling and all the values are rounded to the nearest thousand Pound (£'000) except when otherwise stated.

#### 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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted for use within the UK ("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. Following the UK's exit from the European Union the Company has early adopted the FRS 101 amendments 'UK exit from the European Union'.

As set out in the Directors' report, the Directors have decided to prepare the financial statements on a basis other than going concern basis, and therefore:

- all assets have been disclosed at values at which they are expected to be realised; and
- all liabilities reflect the full amount at which they are expected to materialise.

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 adopted IFRS may be obtained.

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 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.

**TESCO (OVERSEAS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)****3. Accounting policies (continued)****(b) New and revised IFRS applied with no material effect on the financial statements**

The amendments in below standards were adopted in the current period, and there is no impact on the financial statements upon their adoption.

- a. IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' to update a new definition of material in IAS 1. The amendments clarify the definition of "material" and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The new definition clarifies that, information is considered material if omitting, misstating, or obscuring such information, could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.
- b. IFRS 3 'Business Combination' in connection with clarification of business definition, which help in determining whether an acquisition made is of a business or a group of assets. The amendment added a test that makes it easier to conclude that a Company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.
- c. IFRS 16 'Leases' providing lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
- d. IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties.

Other changes to standards, interpretations and amendments effective in the current period had no material impact on the Company financial statements.

**(c) Going concern**

The Directors decided to put the Company into liquidation on 15 December 2020 and therefore the accounts have been prepared on a basis other than going concern. No adjustments arose as a consequence of preparing the accounts on a basis other than going concern.

**(d) 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.

***Key sources of estimation uncertainty***

The key assumptions about the future and other key sources of estimation uncertainty at the reporting period end that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below:

***Impairment of investments***

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. Refer to Note 9 for details.

**TESCO (OVERSEAS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)****3. Accounting policies (continued)****(d) Critical accounting judgements and key sources of estimation uncertainty (continued)*****Key sources of estimation uncertainty (continued)******Impairment of receivables***

The Company makes an estimate of the recoverable value of receivables. When assessing impairment of receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all debtors and contract assets. Refer to Note 10 for details.

***Judgements***

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

**(e) Significant accounting policies****Investments**

Investments in subsidiaries are held at historical cost less any applicable provision for impairment. Impairment is reviewed annually with movements taken to the Profit and Loss Account. The Company elected to adopt the cost model for holding its investments as permitted.

However, as set out in the basis of preparation paragraph, the Directors have decided to prepare the financial statements on a basis other than going concern. Accordingly, all investments have been measured at fair value on the reporting date and classified as current.

**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.

However, as the financial statements have been prepared on a basis other than going concern, tax balances have been considered as current.

***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 for the period***

Current 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 tax are also recognised in other comprehensive income or directly in equity respectively. Where current 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 considered to be current as the financial statements have been prepared on a basis other than going concern.

**TESCO (OVERSEAS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
27 FEBRUARY 2021 (continued)****3. Accounting policies (continued)****(e) Significant accounting policies (continued)****Financial instruments (continued)***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 (EIR) less provision for impairment.

However as set out in the basis of preparation paragraph, the Directors have decided to prepare the financial statements on a basis other than going concern. Accordingly all debtors have been measured at fair value.

*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 fair value and subsequently measured at amortised cost using the 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'.

However as set out in the basis of preparation paragraph, the Directors have decided to prepare the financial statements on a basis other than going concern. Accordingly all creditors have been measured at fair value.

*Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**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 receivable and similar income**

Interest income is recognised in the period to which it relates using the effective interest method (EIR). The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

**Interest payable and similar costs**

All borrowing costs are recognised in the Profit and Loss Account in interest expense on an accrual basis.

**TESCO (OVERSEAS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)****4. Auditor's remuneration**

The auditor's remuneration for the current period of £5k (2020: £5k) was borne by Tesco PLC for auditing the financial statements of the Company. The non-audit fees for the period is £nil (2020: £nil).

**5. Staff cost and Director's remuneration**

The Directors received no emoluments for their services to the Company (2020: £nil).  
The Company had no employees during the period (2020: nil).

**6. Interest expense and similar costs**

	27 February 2021 £'000	29 February 2020 £'000
Interest expense on loans from Group undertakings	64	10
	<u>64</u>	<u>10</u>

During the year the Company took two loans with Tesco Corporate Treasury Services PLC of £8300k, rate of interest being 1.06% and was repaid on 21 September 2020 and another of £8,300k, the rate of interest being 0.55% was repaid on 18 February 2021.

**7. Interest and similar income**

	27 February 2021 £'000	29 February 2020 £'000
Interest income on loans to Group undertakings	35	647
	<u>35</u>	<u>647</u>

During the year the Company gave a loan to China Property Holdings (HK) Limited of £16,000k, rate of interest being 1.06% and was repaid on 28 May 2020. The Company also gave a loan to Tesco Corporate Treasury Services PLC of £9,000k, the rate of interest being 0.86%. This loan is due to be repaid on 22 March 2021.

**8. Tax charge on (loss)/profit****(a) Factors that have affected the tax charge**

The standard rate of corporation tax in the UK at the balance sheet date is 19%. This gives a corporation tax rate for the Company for the full period of 19% (2020: 19%). The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. It is not anticipated that these changes will have a material impact on the Company's deferred tax balances.

**(b) Tax charge in the Profit and Loss Account**

	52 weeks ended 27 February 2021 £'000	53 weeks ended 29 February 2020 £'000
<b>Current income tax:</b>		
Current period	(739)	-
<b>Total current income tax charge</b>	<u>(739)</u>	<u>-</u>



**TESCO (OVERSEAS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
27 FEBRUARY 2021 (continued)****8. Tax charge on (loss)/profit (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 27 February 2021 £'000	53 weeks ended 29 February 2020 £'000
(Loss)/profit before tax	(3,258)	10,719
Tax credit/(charge) at standard UK corporation tax rate of 19% (2020: 19%)	619	(2,037)
Effects of:		
Group relief (surrendered)/claimed without payment	(5)	121
Expenses not deductible for tax purposes	(3,156)	(1)
Non-taxable income	2,542	1,917
UK tax on overseas profits	(739)	-
<b>Total tax charge</b>	<b>(739)</b>	<b>-</b>

**9. Investments**

	27 February 2021 Shares in Group undertakings £'000	29 February 2020 Shares in Group undertakings £'000
<b>Cost:</b>		
At the beginning of the period	893,433	893,433
Additions	16,571	-
Disposals	(9,000)	-
<b>At the end of the period</b>	<b>901,004</b>	<b>893,433</b>
<b>Impairment:</b>		
At the beginning of the period	884,433	884,433
During the financial period	16,571	-
<b>At the end of the period</b>	<b>901,004</b>	<b>884,433</b>
<b>Carrying value:</b>		
At the beginning of the period	9,000	9,000
<b>At the end of the period</b>	<b>-</b>	<b>9,000</b>

Disposals relates to sale of investments in ELH Insurance Limited during the current period to Tesco Overseas Investment Limited for a consideration of £17,378k on which the Company had a gain on disposal of £8,378k. During the year the Company invested £16,571k in China Property Holdings Ltd, which was immediately impaired because the carrying value cannot be supported.

**TESCO (OVERSEAS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)****10. Debtors: amounts falling due within one year**

	27 February 2021 £'000	29 February 2020 £'000
Amounts owed by Group undertaking	8,987	-
	<u>8,987</u>	<u>-</u>

Included within amounts owed by Group undertakings are amounts that are unsecured, have no fixed date of repayment and are repayable on demand. Amounts owed by Group undertakings includes an interest-bearing loan to Tesco Corporate Treasury Services PLC of £ 8,985k (2020: £nil), with an interest rate of 0.86% (2020: nil) and repayable on 18 February 2022.

**11. Creditors: amounts falling due within one year**

	27 February 2021 £'000	29 February 2020 £'000
Amounts owed to Group undertaking	852	10,752
Corporation tax	739	-
	<u>1,591</u>	<u>10,752</u>

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. During the period, a substantial proportion of the Company's intercompany creditors were repaid.

**12. Called up share capital**

	27 February 2021 £	29 February 2020 £
Authorised, allotted, called up and fully paid:		
100 Ordinary shares of £1 each (2020: 100)	100	100
	<u>100</u>	<u>100</u>

The ordinary shares have full and equal rights to participate in voting in all circumstances, full rights to participate in dividends and distribution and are non-redeemable.

**13. 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 2021 are available from the Company Secretary at the registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

**14. Related party transactions**

During the 52 weeks ended 27 February 2021, 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. There were no other related party transactions.

**15. Events after the reporting period**

The transfer of ownership of Tesco Chile Sourcing Limitada to Tesco International Services Ltd on 25 May 2021. The transfer of ownership will not have a material financial effect on the Company.

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

**TESCO (OVERSEAS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED  
27 FEBRUARY 2021 (continued)****16. Related undertakings of the Company**

A full list of related undertakings, the country of incorporation and the percentage of each share class owned as at 27 February 2021 is stated below. All undertakings are directly owned by the Company unless otherwise stated.

Name of Entity	Registered office address	Share class	% interest held	Direct/Indirect Holding
China Property Holdings (HK) Limited (In Liquidation)	31st Floor AIA Kowloon Tower Landmark East 100 How Ming Street Kowloon, Hong Kong	HKD 100 Ordinary shares	100%	Direct
Tesco Chile Sourcing Limitada	Avenida Santa Maria 5888 Piso 2 Zona A Oficina 4 Vitacura Santiago 7660268 Chile	CLP 1.00 Ordinary Shares	0.010%	Direct
		USD 1.00 Ordinary Shares		
Tesco Sourcing India Private Limited	5th Floor, Unit 401, Tower B, The Millenia, No 1 and 2, Murphy Road, Ulsoor, Bangalore, 560008, India	INR10.00 Ordinary Shares	0.013%	Direct
Tesco Bengaluru Private Limited	#81 and 82, EPIP Area, Whitefield, Bangalore 560066, India	INR10.00 Ordinary Shares	0.002%	Direct