

TESCO OVERSEAS ULC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020
REGISTERED NUMBER: 03684273

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TESCO OVERSEAS ULC

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

The Directors present their Report and the audited financial statements of Tesco Overseas ULC (the "Company") for the 53 weeks ended 29 February 2020 (prior period: 52 weeks ended 23 February 2019 ("2019")).

Business review and principal activity

The principal activity of the Company was to act as a finance company for Tesco Group entities. During the previous period this business activity was transferred to another subsidiary of Tesco PLC and the Directors intend that the Company should cease remaining operations. Detailed disclosure has been given in the going concern note.

Results and dividends

The results for the 53 weeks ended 29 February 2020 show a loss before tax of £10k (2019: profit before tax of £66,446k) and a loss after tax of £58k (2019: profit after tax of £54,119k).

The Company has net assets at the period end of £36,553k (2019: £36,611k) and net current assets at the period end of £36,553k (2019: £36,611k).

The Directors do not recommend payment of a dividend for the 53 weeks ended 29 February 2020 (2019: £3,231,000k, 56.01 pence per share to its sole shareholder in conjunction with a capital reduction of £3,106,000k).

Future developments

The Directors intend to cease the business operations in the foreseeable future.

Principal risk 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 13 to 18 of the Tesco PLC Annual Report and Financial Statements 2020, which do not form a part of this Report.

Business risk

Uncertainty around the UK's future trading relationship with the EU 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.

Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11 March. The nature of the Company's operations is such that COVID-19 does not have a material impact upon the business, because the company does not have any active business other than loans given to Group undertakings.

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 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.

TESCO OVERSEAS ULC

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

Going concern

As the Directors intend that the business cease operating in due course, accordingly, as required by IAS 1, the accounts have been prepared on a basis other than going concern. No adjustments arose as a consequence of preparing the accounts on a non-going concern basis.

Prior year correction

The Company had previously incorrectly classified the split between Called up share capital and Share premium. There was no impact on the profit and loss account as a result of this, and no impact on the total assets of the company. This is discussed in the Note 17 to the financial statement on page 20.

Events after the reporting period

Details of events after the reporting period can be found in Note 18 to the financial statements.

Political donations

There were no political donations for the period (2019: £nil) and the Company did not incur any political expenditure for the period. (2019: £nil).

Research and development

The Company does not undertake any research and development activities (2019: none).

Strategic Report

The Directors have taken advantage of the exemption provided by section 414 (b) 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 period (2019: none).

Directors

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

B Mistry
R Welch
L Heywood
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 statement.

TESCO OVERSEAS ULC

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (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 audit 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.

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:

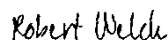
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

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 21 August 2020 and signed on behalf of the Board by:



Robert Welch
Director

Tesco overseas ULC

Registered Number: 03684273

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 ULC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Tesco Overseas ULC (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 29 February 2020 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 of the Company which comprise:

- the Profit and Loss Account;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 18.

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 Ethical (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 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.

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

Responsibilities of Directors (continued)

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 Financial Reporting Council'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 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 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 take advantage of the small companies' exemption from the requirement to prepare a strategic report.

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.

Simon Letts FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
St. Albans, United Kingdom
21 August 2020

TESCO OVERSEAS ULC**PROFIT AND LOSS ACCOUNT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020**

	Notes	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Operating result		-	-
(Impairment)/Reversal of impairment on intercompany loans	9	(10)	1,960
Interest receivable and similar income	6	127	67,810
Interest payable and similar charges	7	(127)	(3,324)
(Loss)/profit before tax		(10)	66,446
Tax (charge) on (loss)/profit	8	(48)	(12,327)
(Loss)/profit for the financial period		(58)	54,119

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

All operations are continuing for the financial period.

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

The notes on pages 9 to 20 are an integral part of these financial statements.

TESCO OVERSEAS ULC
BALANCE SHEET AS AT 29 FEBRUARY 2020

	Notes	29 February 2020 £'000	23 February 2019 (corrected) £'000
Current assets			
Cash at bank and in hand		-	34,657
Debtors: amount falling due within one year	9	36,575	163
Derivative financial instruments	11	-	20,585
		36,575	55,405
Current liabilities			
Creditors: amounts falling due within one year	10	(22)	(12,159)
Derivative financial instruments	11	-	(6,635)
		(22)	(18,794)
Net current assets		36,553	36,611
Total assets less current liabilities		36,553	36,611
Net assets		36,553	36,611
Capital and reserves			
Called up share capital	14	1	1
Share premium	14	9,110	9,110
Other reserves		11,827	11,827
Profit and loss account		15,615	15,673
Total shareholders' funds		36,553	36,611

The notes on pages 9 to 20 are an integral part of these financial statements.

The financial statements on pages 6 to 20 were approved by the Board and authorised for issue on 21 August 2020. They were signed on its behalf by:

Robert Welch

Robert Welch
 Director

Tesco overseas ULC

Registered Number: 03684273

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

TESCO OVERSEAS ULC**STATEMENT OF CHANGES IN EQUITY FOR THE 53 WEEKS ENDED
29 FEBRUARY 2020**

	Called up share capital⁽¹⁾	Share premium	Other reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 24 February 2018	1	3,115,110	11,827	86,554	3,213,492
Capital reduction ⁽¹⁾	-	(3,106,000)	-	3,106,000	-
Profit for the financial period	-	-	-	54,119	54,119
Dividend paid ⁽²⁾	-	-	-	(3,231,000)	(3,231,000)
Balance as at 23 February 2019 (corrected)⁽¹⁾	1	9,110	11,827	15,673	36,611
Loss for the financial period	-	-	-	(58)	(58)
Balance as at 29 February 2020	1	9,110	11,827	15,615	36,553

⁽¹⁾ Refer to Note 14 for a breakdown of the Called up share capital and Capital reduction, and Note 17 for details of the correction to share capital and share premium.

⁽²⁾ Refer to Note 13 for dividend paid.

The notes on pages 9 to 20 are an integral part of these financial statements.

TESCO OVERSEAS ULC

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

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

The financial statements of Tesco Overseas ULC (the "Company") for the 53 weeks ended 29 February 2020 were approved by the Board of Directors on 21 August 2020 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 on a going concern basis under the historical cost convention and the Companies Act 2006, modified to include certain items at fair value.

The functional currency of the company is considered to be Pound Sterling (£) because that is the currency of the primary economic environment in which the Company operates.

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

2. General information

The Company is a private unlimited company 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 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 16 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with EU-adopted IFRS may be obtained.

As the Directors intend that the business cease operating in due course, accordingly, as required by IAS 1, the accounts have been prepared on a basis other than going concern. No adjustments arose as a consequence of preparing the accounts on a non-going concern basis.

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 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 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 is a party to the transaction is wholly owned by such a member.

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

The IFRS 16 'Leases' was adopted in the current period, and there is no impact on the financial statements upon their adoption.

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 ULC**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)**

3. Accounting policies (continued)**b) Going concern**

As the Directors intend that the business cease operating in due course, accordingly, as required by IAS 1, the accounts have been prepared on a basis other than going concern. No adjustments arose as a consequence of preparing the accounts on a non-going concern basis.

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 and estimates that have a significant effect on amounts recognised in the financial statements.

d) Prior year correction

The Company had previously incorrectly classified the split between Called up share capital and Share premium. There was no impact on the profit and loss account as a result of this, and no impact on the total assets of the company. This is discussed in the Note 17 to the financial statement on page 20.

e) Significant accounting policies**Cash at bank and in hand**

Cash at bank and in hand in the Balance Sheet comprise cash at banks.

Income taxes

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 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. Measurement is dependent on subjective judgements as to the outcome of decisions by tax authorities in the various tax jurisdictions in which the Company operates. This is assessed on a case by case basis using in-house tax experts, professional firms and previous experience.

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the Profit and Loss Account. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Current tax and deferred tax for the period

Current and deferred tax are recognised in the Profit and Loss Account, 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.

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.

TESCO OVERSEAS ULC**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)**

3. Accounting policies (continued)**e) Significant accounting policies (continued)****Foreign currency translation**

The Company's financial statements are presented in Pounds Sterling, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss.

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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (EIR) 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 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 after more than one year'.

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.

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its own and the Group's exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. The Company does not hold or issue derivative financial instruments for trading purposes; however, if derivatives do not qualify for hedge accounting they are accounted for as fair value through profit and loss (FVTPL).

Derivative financial instruments are recognised and stated at fair value. Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are immediately recognised in the Statement of Comprehensive Income. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the items being hedged.

TESCO OVERSEAS ULC**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)****3. Accounting policies (continued)****e) Significant accounting policies (continued)****Derivative financial instruments and hedge accounting (continued)**

In order to qualify for hedge accounting, the Company is required to document from inception, the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is performed at each reporting date to ensure that the hedge remains highly effective.

Interest receivable and similar income

Interest income is recognised as it accrues using the effective interest rate method. 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 on an accrual basis.

4. Staff costs and Directors' remuneration

The Company had no employees during the period (2019: nil).

The Directors received no emoluments for their services to the Company during the period (2019: £nil).

5. Auditor's remuneration

The auditor's remuneration of £15,000 (2019: £15,000) for the current period and prior period was borne by another Group company for auditing the financial statements of the Company.

The non-audit fees for the period is £nil (2019: £nil).

6. Interest receivable and similar income

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Interest receivable on cash deposits and short term investments	102	658
Interest income on loans to Group undertakings	22	67,152
Financial instruments - fair value re-measurements	3	-
	127	67,810

7. Interest payable and similar charges

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Other interest payable	127	-
Financial instruments - fair value re-measurements	-	3,324
	127	3,324

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)

8. 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% (2019: 19%). Post the balance sheet date, legislation has been substantively enacted to repeal the reduction of the main corporation tax rate, thereby maintaining the current rate at 19%. These financial statements do not reflect the impact of this change as it was not substantively enacted by the balance sheet date.

(b) Tax charge in the Profit and Loss Account

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Current income tax:		
UK corporation tax on loss for financial period	(50)	(12,327)
Adjustment in respect of prior years	2	-
Total current income tax charge	(48)	(12,327)
Total charge in the Profit and Loss Account	(48)	(12,327)

(c) Reconciliation of the tax charge

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

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
(Loss)/ Profit before tax	(10)	66,446
Tax credit/(charge) at standard UK corporation tax rate of 19% (2019: 19%)	2	(12,625)
Effects of:		
Adjustments in respect of prior periods	2	(69)
Non-taxable income	-	367
Non-deductible expense	(52)	-
Overall tax charge	(48)	(12,327)

9. Debtors: amounts falling due within one year

	29 February 2020 £'000	23 February 2019 £'000
Amounts owed by group undertakings	36,575	10
Other receivables	-	153
	36,575	163

Included above are loans and outstanding interest due from Group undertakings totalling £36.584k (2019: £nil) with an interest rate of 1.203% and a repayment date of 12 May 2020. The Loan has been impaired by £10k (2019: Reversal of impairment £1.960k due to transition to IFRS 9).

TESCO OVERSEAS ULC**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)****10. Creditors: amounts falling due within one year**

	29 February 2020	23 February 2019
	£'000	£'000
Amounts owed to Group undertakings	22	12,159
	22	12,159

Included within amounts owed to Group undertakings are amount that are unsecured, have no fixed date of repayment and are repayable on demand.

11. Financial instruments

Derivatives are used to hedge exposure to market risks and those that are held as hedging instruments are formally designated as hedges as defined in IFRS 9. Derivatives may qualify as hedges for accounting purposes and the Company's hedging policies are further described below.

	29 February 2020		23 February 2019	
	£'000		£'000	
	Asset	Liability	Asset	Liability
Current	-	-	20,585	(6,635)
	-	-	20,585	(6,635)

The fair value and notional amounts of derivatives analysed by hedge type are as follows:

29 February 2020				23 February 2019			
£'000				£'000			
Asset		Liability		Asset		Liability	
Fair Value	Notional Value	Fair Value	Notional Value	Fair Value	Notional Value	Fair Value	Notional Value

Derivatives not in a formal hedging arrangement

Foreign forward currency contracts	-	-	-	-	20,585	510,674 (6,635)	496,721
	-	-	-	-	20,585	510,674 (6,635)	496,721

TESCO OVERSEAS ULC**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)****11. Financial instruments (continued)**

The carrying value and fair value of financial assets and liabilities are as follows:

	29 February 2020		23 February 2019	
	£'000		£'000	
	Carrying value	Fair Value	Carrying value	Fair Value
Current assets				
Cash	-	-	34,657	34,657
Forward foreign currency contracts	-	-	20,585	20,585
Amounts owed by group undertakings	36,575	36,575	163	163
	36,575	36,575	55,405	55,405
Current Liabilities				
Forward foreign currency contracts	-	-	(6,635)	(6,635)
Amounts owed to group undertakings	(22)	(22)	(12,159)	(12,159)
	(22)	(22)	(18,794)	(18,794)
	36,553	36,553	36,611	36,611

The fair values of financial instruments and derivatives have been determined by reference to prices available from the markets on which the instruments are traded, where they are available. Where market prices are not available, the fair value has been calculated by discounting expected future cash flows at prevailing interest rates.

Financial instruments not qualifying for hedge accounting

The Company's policy does not permit use of derivatives for trading purposes. However, some derivatives do not qualify for hedge accounting, or are specifically not designated as a hedge where gains and losses on the hedging instrument and the hedged item naturally offset in the Statement of Comprehensive Income. These instruments include forward foreign currency contracts. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Income.

Financial assets and liabilities by category:

	Financial assets/liabilities at amortised cost	Fair value through profit or loss	Total
	£'000	£'000	£'000
At 29 February 2020			
Net amounts owed by group undertakings	36,553		36,553
	36,553	-	36,553

TESCO OVERSEAS ULC**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)****11. Financial instruments (continued)**

Financial assets and liabilities by category:

	Financial assets/liabilities at amortised cost £'000	Fair value through profit or loss £'000	Total £'000
At 23 February 2019			
Cash and cash equivalents	34,657	-	34,657
Net amounts owed by group undertakings	(11,996)	-	(11,996)
Forward foreign currency contracts	-	13,950	13,950
	22,661	13,950	36,611

The fair values of derivative financial instruments are measured using a discounted cash flow technique based on market data applied consistently for similar types of instruments.

Derivatives are used to hedge exposure to market risks. Derivatives may qualify as hedges for accounting purposes and the Company's hedging policies are further described below:

Fair value measurement

All of the Company's financial assets and liabilities that are measured at fair value at 29 February 2020 meet the definition of Level 2 of the fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Offsetting of financial assets and liabilities:

No financial assets and liabilities are subjected to offsetting, enforceable master netting arrangements or similar agreements.

12. Financial risk factors

The main financial risks faced by the Company relate to fluctuations in interest and foreign exchange rates, the default by counterparties to financial transactions, and the availability of funds to meet business needs. The management of these risks is set out below.

Risk management is carried out by a central treasury department under policies approved by the Group Board of Directors. The Board provides written principles for risk management, as described in the Principal risks and uncertainties which can be found on pages 13 to 18 and in note 25(Financial risk management) on pages 119 to 130 of the Tesco PLC Annual Report 2020 which does not form part of this Report.

TESCO OVERSEAS ULC**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)****12. Financial risk factors (continued)****Interest rate risk:**

Interest rate risk arises from cash deposits and Short-term investments.

	Fixed	Floating	2020	Fixed	Floating	2019
Cash	-	-	-	-	34,657	34,657
	-	-	-	-	34,657	34,657

Credit risk:

Credit risk arises from cash, Short-term investments, loans receivable and financial instruments with banks, financial institutions and related parties. To limit this risk where possible financial transactions take place with counterparties that have a strong credit rating and within defined exposure limits.

The net counterparty exposure under derivative contracts is £nil. (2019: £20,585k).

The Company considers its maximum credit risk to be £36,575 (2019: £55,405k).

Liquidity risk:

Liquidity risk arises from the maturity profile associated with derivatives that are in a liability position. This risk is managed by ensuring that the Company has access to liquid funds.

At 29 February 2020	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years	Due beyond 5 years
Gross settled derivative contracts - receipts	-	-	-	-	-	-
Gross settled derivative contracts - payments	-	-	-	-	-	-
	-	-	-	-	-	-

At 23 February 2019	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years	Due beyond 5 years
Gross settled derivative contracts - receipts	20,585	-	-	-	-	-
Gross settled derivative contracts - payments	(6,635)	-	-	-	-	-
	13,950	-	-	-	-	-

Foreign exchange risk:

Foreign exchange risk arises principally from loans to Group undertakings not in Sterling. To mitigate this risk the Company enters derivative contracts with matching notional values where appropriate.

TESCO OVERSEAS ULC**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)****12. Financial risk factors (continued)****Capital risk:**

The Company's objectives when managing capital risk (defined as net debt plus equity) are aligned to those of the Tesco Group. These are outlined in the Tesco PLC Annual Report 2020.

Sensitivity analysis

The following table shows the illustrative effect in the Profit and Loss Account at the balance sheet date from changes in interest rates and currency exchange rates that are reasonably possible where there have recently been significant movements. The main interest sensitivity relates to interest rate changes which apply to cash and short-term investments.

	29 February 2020 £'000	23 February 2019 £'000
	Effect on profit before tax	Effect on profit before tax
1% increase in interest rates	-	347
	-	347

A decrease in interest rates and a depreciation of foreign currencies would have the opposite effect to the impact in the table above.

13. Dividends paid and proposed

	29 February 2020 £'000	23 February 2019 £'000
Interim dividend paid	-	3,231,000
	-	3,231,000

14. Called up share capital

	29 February 2020	23 February 2019 (corrected*)
	£	£
Allotted, called up and fully paid:		
516,000,000 "A" Ordinary shares of £0.00000025 each (2019: 516,000,000 shares of £0.00000025 each)	129	129
172,000,000 "B" Ordinary shares of £0.00000025 each (2019: 172,000,000 shares of £0.00000025 each)	43	43
220,000,000 "C" Ordinary shares of £0.00000025 each (2019: 220,000,000 shares of £0.00000025 each)	55	55
4,000,000 "D" Ordinary shares of £0.00000025 each (2019: 4,000,000 shares of £0.00000025)	1	1
4,000,000 "E" Ordinary shares of £0.00000025 each (2019: 4,000,000 shares of £0.00000025)	1	1
1,207,111,189 "F" Ordinary shares of £0.00000025 each (2019: 1,207,111,189 shares of £0.00000025)	302	302

TESCO OVERSEAS ULC**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)**

14. Called up share capital (continued)	29 February 2020	23 February 2019
	(corrected*)	
	£	£
1,207,111,189 "G" Ordinary shares of £0.00000025 each (2019: 1,207,111,189 shares of £0.00000025)	302	302
1,207,111,189 "H" Ordinary shares of £0.00000025 each (2019: 1,207,111,189 shares of £0.00000025)	302	302
1,207,111,189 "J" Ordinary shares of £0.00000025 each (2019: 1,207,111,189 shares of £0.00000025)	302	302
4,000,000 "K" Ordinary shares of £0.00000025 each (2019: 4,000,000 shares of £0.00000025)	1	1
4,000,000 "L" Ordinary shares of £0.00000025 each (2019: 4,000,000 shares of £0.00000025)	1	1
4,000,000 "M" Ordinary shares of £0.00000025 each (2019: 4,000,000 shares of £0.00000025)	1	1
4,000,000 "N" Ordinary shares of £0.00000025 each (2019: 4,000,000 shares of £0.00000025)	1	1
4,000,000 "O" Ordinary shares of £0.00000025 each (2019: 4,000,000 shares of £0.00000025)	1	1
4,000,000 "P" Ordinary shares of £0.00000025 each (2019: 4,000,000 shares of £0.00000025)	1	1
	1,443	1,443

*Prior year correction is explained in Note 17.

The Company has 40,000,000,000 authorised ordinary shares with total amount of £10,000 of which 5,768,444,756 ordinary shares were issued, called up and fully paid with total amount of £1,443.

All classes of shares rank pari passu in all respects.

On 18 February 2019, share premium of £3,106,000,000 was reduced with a corresponding increase in the Profit and Loss Account of £3,106,000,000.

15. Related party transactions

During the period the Company entered into transactions, in the ordinary course of business, with other related parties. 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.

16. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Tesco Holdings BV, a company registered in the Netherlands. The Company's ultimate parent undertaking and controlling party is Tesco PLC, a Company registered in England and Wales, 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 2020 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.

TESCO OVERSEAS ULC**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)****17. Prior year correction**

The Company had previously incorrectly disclosed the split between Called up share capital and Share premium amounting to £2k. There was no impact on the profit and loss account, and no impact on the total assets of the company.

The following lines on the Company's balance sheet have therefore been corrected:

	23 February 2019 (as previously presented) £'000	23 February 2019 (corrected) £'000	Difference £'000
Called up share capital	3	1	2
Share premium	9,108	9,110	2

18. Events after the reporting period

In light of the COVID-19 pandemic, the Company has considered whether any adjustments are required to reported amounts in the financial statements. As at the balance sheet date, no global pandemic had been declared, the UK was still in the 'containment' phase, large global share price falls had not yet occurred, and larger-scale outbreaks had not occurred in countries where the company operates. The full ramifications of COVID-19, and the extent of Government interventions in response, were not apparent.

Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11 March, the UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The first large falls in stock markets occurred in early March, and Tesco introduced a '3 items only' limit on purchases on 19 March in response to customer demand. The Company has therefore concluded that the necessity for large scale Government interventions in response to COVID-19 only became apparent after the balance sheet date and therefore that the consequences of such interventions represent non-adjusting post balance sheet events.