

TESCO FREETIME LIMITED
ANNUAL REPORT AND UNAUDITED FINANCIAL
STATEMENTS
FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020
Registered number: 04345023



TESCO FREETIME LIMITED

STRATEGIC REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

The Directors present their Strategic Report of Tesco Freetime Limited (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 is to provide full promotional and marketing services on behalf of Tesco Stores Limited, generally based around the creation of motivating packages of rewards for loyalty schemes. Tesco Stores Limited customers' participation in their loyalty scheme remains popular and therefore the level of services the Company provides continues at a similar level.

There has been no significant change in the nature or level of this activity during the period

The Directors note that in the 2020/21 financial year revenue was estimated to decrease at the start of the year due to COVID-19 impact, but the associated costs would fall by the same value resulting in no impact on cashflow and profit.

Results and dividends

The results for the 53 weeks ended 29 February 2020 show a profit before tax of £431k (2019: £634k), profit after tax of £425k (2019: £626k) and turnover of £100,595k (2019: £107,023k).

The Company has net assets at the period end of £5,517k (2019: £5,086k) and has net current assets of £5,548k (2019: £5,123k).

The Directors do not recommend the payment of a dividend for the 53 weeks ended 29 February 2020 (2019: £nil).

Key performance indicators (KPIs)

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

The development, performance and position of the operations of the Tesco PLC Group (the "Group"), which includes the Company, is discussed on page 12 of the Tesco PLC Annual Report and Financial Statements 2020, which does not form a part of this Report.

Future developments

The Company's performance is expected to fall throughout the next financial period and it is anticipated that revenue and associated cost will fall from approximately £10m to £1m per period at the start of the year due to COVID-19 impact, but the associated costs would fall by the same value resulting in a net-zero impact on cashflow and profit.

The Company's future developments form a part of the Group's long-term strategies, which is discussed on page 5 of the Tesco PLC Annual Report and Financial Statements 2020, which does not form a part of this Report.

Principal risks and uncertainties

Whilst noting that Tesco Stores Limited is the only customer of Tesco Freetime Limited, 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.

TESCO FREETIME LIMITED

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

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 business revenue is impacted by pandemic, however an equal reduction in cost is expected so cashflow and profit are unlikely to be impacted.

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.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires directors to have regard to, amongst other matters, the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made. Those factors for example include the interests and views of members of the Tesco Group, our Clubcard Reward partner suppliers, our relationship with our lenders and Tesco Stores Limited as our customer. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and appropriate in all the circumstances. The Board has considered the impact of COVID-19 on its stakeholders as well as the Company's own performance and put in place shorter payment terms to assist some of our smaller suppliers with spend of less than £250,000.

We delegate authority for day-to-day management of the Company to senior management in setting, approving and overseeing execution of the business strategy and related policies and managing the relationships with our long-term strategic Clubcard partners. Board meetings are held periodically where the directors consider the Company's activities and make decisions. As a part of those meetings the directors receive information in a range of different formats which includes information relevant to section 172 matters when making relevant decisions.

TESCO FREETIME LIMITED

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

Section 172(1) Statement (continued)

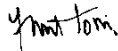
For example, each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. The Board also reviews and approves entry into material contracts with Clubcard Reward partners taking into consideration the operational and financial benefits and risks. In reaching its decision, the Board has regard to a number of factors including: the business case and financial returns; risk management; any impacts on Stakeholders; and the long-term reputation of the Company.

In 2019/20 we did not recommend the payment of a dividend to our shareholder. In making our decision we considered a range of factors. These included the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in our business and the expectations of our shareholder as the supplier of long-term equity capital to the Company.

As the principal activity of the Company is to pay Clubcard Reward partners for taking part in the Clubcard reward scheme and the Company has had no employees or customers, other than Group companies during the period, the breadth of stakeholder considerations that would often apply in commercially trading companies have generally not applied to the decisions made by the directors.

In accordance with requirements this section 172(1) statement will be published on the Tesco PLC website at www.tescopl.com.

Approved by the Board of Directors on 24 July 2020 and signed on behalf of the Board by:



Amit Soni
Director

Tesco Freetime Limited

Registered number: 04345023

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

TESCO FREETIME LIMITED

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

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

Results and dividends

This is discussed in the Strategic Report on page 1.

Future developments

This is discussed in the Strategic Report on page 1.

Going concern

The Directors consider that the Company has adequate resources to remain in operation for a period of at least twelve months from the date of signing the financial statements and have therefore continued to adopt the going concern basis in preparing the financial statements.

Events after the reporting period

Details of events after the reporting period can be found in Note 17 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 (2019: £nil).

Research and development

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

Financial risk management

This is discussed in the Strategic Report on page 2.

Employees

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

All work is completed by staff who are employed by Tesco Stores Limited and their costs are recharged to Tesco Freetime Limited. Tesco Freetime Limited received operating income from Tesco Stores Limited designed to cover these staff costs, therefore all staff costs are borne by Tesco Stores Limited.

Directors

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

A Soni

N Whitmey (appointed 18 March 2019)

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

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

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.

TESCO FREETIME LIMITED

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

Modern Slavery Act

As per Section 54(1) of the Modern Slavery Act 2015, our Slavery and Human Trafficking Statement is published annually on our Group website. The statement covers the activities of the Tesco PLC Group and its subsidiaries and details policies, processes and actions we have taken to ensure that slavery and human trafficking are not taking place in our supply chains or any part of our own business.

Directors' Responsibilities Statement

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

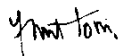
Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law),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

Approved by the Board of Directors on 24 July 2020 and signed on behalf of the Board by:



Amit Soni
Director

Tesco Freetime Limited

Registered number: 04345023

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

TESCO FREETIME LIMITED**PROFIT AND LOSS ACCOUNT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020**

		53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	Notes	£'000	£'000
Turnover	4	100,595	107,023
Cost of sales		(100,095)	106,523
Gross profit		500	500
Administrative expenses		(1,403)	(1,716)
Other operating income		1,263	1,731
Operating profit	5	360	515
Interest payable and similar expenses	8	(13)	-
Interest receivable and similar income	9	84	119
Profit before tax		431	634
Tax charge on profit	10	(6)	(8)
Profit for the financial period		425	626

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

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

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

The notes on pages 9 to 16 form an integral part of the financial statements.

TESCO FREETIME LIMITED**BALANCE SHEET AS AT 29 FEBRUARY 2020**

		29 February 2020	23 February 2019
		£'000	£'000
	Notes		restated
Non-current assets			
Deferred tax assets	11	31	37
		31	37
Current assets			
Debtors: amounts falling due within one year	12	21,885	124,783
Cash at bank and in hand		1,019	3,747
		22,904	128,530
Current liabilities			
Creditors: amounts falling due within one year	13	(17,387)	(123,444)
Net current assets		5,517	5,086
Total assets less current liabilities		5,548	5,123
Net assets		5,548	5,123
Capital and reserves			
Called up share capital	15	50	50
Share premium		110	110
Profit and loss account		5,388	4,963
Total shareholders' funds		5,548	5,123

The notes on pages 9 to 16 form an integral part of the financial statements.

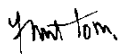
For the 53 weeks ended 29 February 2020, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities

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

- the members have not required the Company to obtain an audit of its accounts for the period in question in accordance with section 476; and
- the Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 6 to 16 were approved by the Board and authorised for issue on 24 July 2020. They were signed on its behalf by:



Amit Soni
Director

Tesco Freetime Limited

Registered number: 04345023

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

TESCO FREETIME LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020**

	Called up share capital* £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 24 February 2018	50	110	4,337	4,497
Profit and total comprehensive income for the financial period	-	-	626	626
At 23 February 2019	50	110	4,963	5,123
Profit and total comprehensive income for the financial period	-	-	425	425
At 29 February 2020	50	110	5,388	5,548

*Refer Note 15 for a breakdown of the Called up share capital.

The notes on pages 9 to 16 form an integral part of the financial statements.

TESCO FREETIME LIMITED

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 Freetime Limited (the “Company”) for the 53 weeks ended 29 February 2020 were approved by the Board of Directors on 24 July 2020 and the Balance Sheet was signed on the Board’s behalf by Amit Soni. Tesco Freetime Limited is a private company limited by shares and incorporated and domiciled in England and Wales.

These financial statements have been 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.

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, and values are rounded to the nearest thousands (£’000), except when otherwise indicated.

2. General information

The Company is a private company limited by shares and is incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 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 Strategic Report on page 1.

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

3. Accounting policies

a) Basis of preparation

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 requirement in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of
 - (i) paragraph 79(a) (iv) of IAS 1; and
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- 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;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of 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 IFRS 7 Financial Instruments: Disclosures; and
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.

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 IFRS may be obtained.

TESCO FREETIME LIMITED

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

3. Accounting policies (continued)

a) Basis of preparation (continued)

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 had no material impact on the Company financial statements.

b) Going concern

The Directors consider that the Company has adequate resources to remain in operation for a period of at least twelve months from the date of signing the financial statements and have therefore continued to adopt the going concern basis in preparing the financial statements.

c) Restatement to the balance sheet

The Company balance sheet as at 23 February 2019 has been restated to reflect the correct classification of deferred tax assets amounting to £37 as non-current, in line with FRS 101.

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.

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

(e) Significant accounting policies

Foreign currency translation

The Company's financial statements are presented in Pound 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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

TESCO FREETIME LIMITED

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

3. Accounting policies (continued)

e) Significant accounting policies (continued)

Financial instruments

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

Financial assets

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

Cash at bank and in hand

Cash and at bank and in hand in the Balance Sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

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 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.

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.

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.

TESCO FREETIME LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED
29 FEBRUARY 2020 (continued)****3. Accounting policies (continued)****e) Significant accounting policies (continued)***Deferred tax (continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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.

Interest payable and similar charges

Intercompany interest-bearing loans are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds and redemption value being recognised in the Profit and Loss Account over the period of the borrowings on an effective interest basis.

Interest receivable and similar income

Interest receivable is calculated on accrual basis.

Turnover

Turnover comprises the value of loyalty scheme rewards provided, excluding VAT. Turnover is recognised when the individual rewards are claimed by the customer and therefore when Tesco Freetime Limited has fulfilled its obligations. Turnover relates wholly to the UK and Republic of Ireland. All of the Company's operations are continuing.

Other operating income

Other operating income consists of income from intra group recharges, comprising management fees for marketing services provided.

4. Turnover

The turnover by geographical area is as below:

	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	£'000	£'000
United Kingdom	98,129	104,662
Republic of Ireland	2,466	2,361
	100,595	107,023

TESCO FREETIME LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED
29 FEBRUARY 2020 (continued)****5. Operating profit**

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Operating profit is stated after charging/(crediting):		
Depreciation:		
Tangible assets	-	5

6. Auditor's remuneration

The auditor's remuneration of £17k for the prior period was borne by another group company.

The Company had taken advantage of the exemption not to disclose amounts paid for non-audit services as these were disclosed in the group financial statements of its ultimate parent, Tesco PLC.

7. Staff costs and Directors' remuneration

All staff are employed by Tesco Stores Limited and their costs are recharged to Tesco Freetime Limited. Tesco Freetime Limited receives operating income from Tesco Stores Limited designed to cover these staff costs, therefore all staff costs are borne by Tesco Stores Limited.

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

8. Interest payable and similar expenses

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Interest payable on bank loans and overdrafts	13	-
	13	-

9. Interest receivable and similar income

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Interest receivable from bank	-	115
Interest receivable on intercompany loan	84	4
	84	119

TESCO FREETIME LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED
29 FEBRUARY 2020 (continued)****10. Tax charge on 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% 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

The analysis of the charge for the period is as follows:

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Current income tax:		
UK corporation tax on profit for financial period	-	-
Total current income tax charge	-	-
Deferred tax:		
Current period	(7)	(8)
Effect of changes in tax rates	1	-
Total deferred tax	(6)	(8)
Tax charge in the Profit and Loss Account	(6)	(8)

(c) Reconciliation of the tax charge

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

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Profit before tax	431	634
Tax on profit standard UK corporation tax rate of 19% (2019: 19.09%)	(82)	(120)
Effects of:		
Group relief claimed without payment	73	112
Allowable depreciation on capital expenditure	2	-
Impact of rate change adjustment	1	-
Total tax charge	(6)	(8)

TESCO FREETIME LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED
29 FEBRUARY 2020 (continued)****11. Deferred tax assets**

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior financial periods measured using the tax rates that are expected to apply when the liability is settled or the asset realised based on the tax rates that have been enacted or substantially enacted by the Balance Sheet date:

	Accelerated capital allowances £'000	Total £'000
As at 23 February 2019	37	37
Origination and reversal of temporary differences		
- In respect of current period	(7)	(7)
- In respect rate change adjustment	1	1
As at 29 February 2020	31	31

	Accelerated capital allowances £'000	Total £'000
As at 24 February 2018	45	45
Origination and reversal of temporary differences		
- In respect of current period	(8)	(8)
Effect of change in tax rate	-	-
As at 23 February 2019	37	37

12. Debtors: amounts falling due within one year

	29 February 2020 £'000	23 February 2019 £'000
Amounts owed by Group undertakings	21,885	124,783
	21,885	124,783

Included within amounts owed by Group undertakings are amounts that are unsecured, have no fixed date of repayment and are repayable on demand. The Company had given loan of GBP 98,300k to Tesco Corporate Treasury Services PLC in prior period at an interest rate of 3 months GBP Libor+95 bps receivable quarterly. This loan is settled in April 2019.

13. Creditors: amounts falling due within one year

	29 February 2020 £'000	23 February 2019 £'000
Trade creditors	13,519	16,720
Amounts owed to Group undertakings	108	98,869
Taxation and social security	2,141	2,701
Accruals and deferred income	-	17
Overdrafts	1,619	5,137
	17,387	123,444

Included within amounts owed to Group undertakings are amount that are unsecured, interest free and repayable on demand.

TESCO FREETIME LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED
29 FEBRUARY 2020 (continued)****14. 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.

15. Called up share capital

	29 February 2020	23 February 2019
	£'000	£'000
Allotted, called up and fully paid:		
50,001 ordinary shares of £1 each (2019: 50,001)	50	50

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights: they confer rights of redemption.

16. Ultimate group undertaking

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

Copies of the Tesco PLC Annual Report and Financial Statements 2020 are available from the Company Secretary at the registered office: Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

17. Events after the balance sheet date

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.