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SPEN HILL REGENERATION LIMITED

ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS

FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

REGISTERED NUMBER: 06418300

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SPEN HILL REGENERATION LIMITED

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

The Directors present their Report and the unaudited financial statements of Spen Hill Regeneration 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 act as a commercial property developer, developing new sites and redeveloping existing sites.

There has been no significant change in the nature or level of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

Results and dividends

The results for the 53 weeks ended 29 February 2020 show a loss before tax of £230,039 (2019: £115,408), loss after tax of £230,569 (2019: profit after tax of £137,027).

The Company has net assets of £5,456,311 at the period end of (2019: £50,686,880) and has net current assets of £6,215,380 (2019: net current assets £51,316,511).

The Directors recommend payment of dividend for the 53 weeks ended 29 February 2020 £45,000,000 (2019: £nil).

These are the first Spen Hill Regeneration Limited accounts prepared under IFRS 16, the new financial reporting standard on accounting for leases. All comparative figures included within this announcement have been restated for IFRS 16 standard, which has been adopted fully retrospectively. Further detail on this can be found in Note 8 on pages 13 to 14.

Future developments

The Company's performance is expected to continue throughout the next financial period and it is anticipated that the current performance levels will be maintained.

The Company's future developments form a part of the Group's long-term strategy, 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

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 of the principal activity of the Company.

Going concern

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

Events after the reporting period

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

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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: £nil).

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. Whilst the creditors are interest-free, they are repayable on demand. The Directors do not foresee that the Company creditors will be called upon within the foreseeable future.

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. The credit risk posed by the Company's customers 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 period (2019: nil).

Directors

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

R Welch
J Gibney
A Soni

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 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.

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.

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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 the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 on 10 August 2020 and signed on behalf of the Board by:

John Gibney

John Gibney
Director
Spen Hill Regeneration Limited
Registered Number: 06418300
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

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SPEN HILL REGENERATION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

	Notes	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019 (restated*)
		£	£
Administrative expenses		**(7,760)**	(7,614)
Stock write off		**(113,985)**	-
Operating loss		**(121,745)**	(7,614)
Interest receivable and similar income	5	**12,854**	5,843
Interest payable and similar costs	6	**(121,148)**	(113,637)
Loss before tax		**(230,039)**	(115,408)
Tax (charge)/credit on loss	7	**(530)**	252,435
(Loss)/profit for the financial period		**(230,569)**	137,027

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

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 loss is equal to loss for the periods presented.

*Restated for the adoption of IFRS 16 and reclassification of profits/(losses) arising on property-related items as explained in Note 8 and 16.

The notes on pages 8 to 18 form an integral part of these financial statements.

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SPEN HILL REGENERATION LIMITED

BALANCE SHEET AS AT 29 FEBRUARY 2020

	Notes	29 February 2020	23 February 2019 (restated*)
		£	£
Non-current assets			
Deferred tax assets	7	**128,430**	128,960
Right of use assets	8	**1,848,090**	1,855,850
		1,976,520	1,984,810
Current assets			
Debtors: amounts falling due within one year	9	**1,508,796**	47,185,113
Stocks	10	**-**	113,986
Cash at bank and in hand		**4,754,058**	4,664,619
		6,262,854	51,963,718
Current liabilities			
Creditors: amounts falling due within one year	11	**(47,474)**	(647,207)
Net current assets		**6,215,380**	51,316,511
Total assets less current liabilities		**8,191,900**	53,301,321
Non-current liabilities			
Lease liabilities	8	**(2,735,589)**	(2,614,441)
		(2,735,589)	(2,614,441)
Net assets		**5,456,311**	50,686,880
Capital and reserves			
Called up share capital	12	**1**	1
Profit and loss account		**5,456,310**	50,686,879
Total shareholders' funds		**5,456,311**	50,686,880

*Restated for the adoption of IFRS 16 and reclassification of profits/(losses) arising on property-related items as explained in Note 3(b) and Note 8 and 16.

The notes on pages 8 to 18 form an integral part of these financial statements.

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

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BALANCE SHEET AS AT 29 FEBRUARY 2020 (continued)

Directors' responsibilities:

- 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 Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements on pages 4 to 18 were approved by the Board and authorised for issue on 10 August 2020. They were signed on its behalf by:

John Gibney
Director
Spen Hill Regeneration Limited
Registered Number: 06418300
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

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SPEN HILL REGENERATION LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

	Called up share capital[i]	Profit & loss account	Total
	£	£	£
Balance as at 24 February 2018 (as previously reported)	1	49,947,008	49,947,009
Cumulative adjustment to opening balances from application of IFRS 16 (net of tax)	-	602,844	602,844
At 25 February 2018 (restated)[ii]	**1**	**50,549,852**	**50,549,853**
Profit and total comprehensive income for the financial period (as previously reported)	-	1,369,502	1,369,502
IFRS 16 adjustment to loss for the financial period	-	(1,232,475)	(1,232,475)
Balance as at 23 February 2019	1	50,686,879	50,686,880
Dividends paid		**(45,000,000)**	**(45,000,000)**
Loss and total comprehensive loss for the financial period	-	**(230,569)**	**(230,569)**
Balance as at 29 February 2020	**1**	**5,456,310**	**5,456,311**

[i] Refer Note 12 for breakdown of Called up share capital.

[ii] Restated for the adoption of IFRS 16 as explained in Note 8 and 16.

The notes on pages 8 to 18 form an integral part of these financial statements.

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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 Spen Hill Regeneration Limited (the "Company") for the 53 weeks ended 29 February 2020 were approved by the Board of Directors on 10 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 Spen Hill Regeneration 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 financial statements are presented in Pound Sterling, except when otherwise indicated and all values are rounded to the nearest Pound Sterling (£) except when otherwise indicated.

2. General information

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom. The nature of the Company's operations and its principal activity are set out in the Directors' Report on page 1.

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

3. Accounting policies

(a) Basis of preparation

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

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

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

The 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 the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with Customers;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a) (iv) of IAS 1;
- 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.

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

3. Accounting policies (continued)

(b) Adoption of new IFRSs standards and interpretations

The Company has adopted IFRS 16 'Leases' effective for the period ending 29 February 2020. IFRS 16 has been applied fully retrospectively and comparatives for the prior periods have been restated. Further details of the impact of adoption of IFRS 16 is described in Note 8.

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

(c) Going concern

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

(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.

Judgements

Critical accounting judgements, apart from those involving estimations, that are applied in the preparation of the financial statements are discussed below:

Leases

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Break and extension options are included to provide operational flexibility should the economic outlook for an asset be different to expectations, and hence at commencement of the lease, break or extension options are not typically considered reasonably certain to be exercised, unless there is a valid business reason otherwise.

The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Management uses the rate implicit in the lease where the lessor is a related party (such as leases from joint ventures) and the lessee's incremental borrowing rate for all other leases. Incremental borrowing rates are determined monthly and depend on the term, country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk free rate based on government bond rates; a country specific risk adjustment; a credit risk adjustment based on Tesco bond yields; and an entity specific adjustment where the entity risk profile is different to that of the Group.

Refer to Note 8 for additional disclosures relating to leases.

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3. Accounting policies (continued)

(e) Significant accounting policies

Stocks

Development Property is valued at the lower of cost and net realisable value. Cost includes all direct costs incurred in connection with the acquisition and development of the property, including all interest paid, less that earned on short term deposits and rents received on the property prior to sale. Costs and expenses relating to developments which are not yet completed at the period end are carried forward and charged in the period in which the development is completed. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Cash at bank and in hand

Cash 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 taxation

Current tax, including United Kingdom 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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

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3. Accounting policies (continued)

(e) Significant accounting policies (continued)

Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

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.

Leases

Whether a contract is, or contains a lease is assessed at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Company as a lessee

A right of use asset and corresponding lease liability are recognised at commencement of the lease.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Company is reasonably certain to exercise; penalties for early termination if the lease term reflects the Company exercising a break option; and payments in an optional renewal period if the Company is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Company's assessment of whether it is reasonably certain to exercise a purchase or extension option or not exercise a break option.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

Leases of low value assets and short term leases of 12 months or less are expensed to the income statement, as are variable payments dependent on performance or usage, 'out of contract' payments and non-lease service components.

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.

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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 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.

4. Staff costs and Directors' remuneration

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

The Company had no employees during the period (2019: none).

5. Interest receivable and similar income

	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	£	£
Interest receivable	**12,854**	5,843
	12,854	5,843

6. Interest payable and similar charges

	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	£	£
Finance charges payable on lease liabilities	**121,148**	113,636
	121,148	113,636

7. Tax charge on loss

(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.

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

7. Tax charge on loss (continued)

(b) Tax (charge)/credit in the Profit and Loss Account

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

	53 weeks ended 29 February 2020 £	52 weeks ended 23 February 2019 £
Current income tax:		
UK corporation tax on profit/(loss) for financial period	-	-
Total current income tax (charge)/credit	-	-
Deferred tax:		
Current period	**(592)**	282,133
Impact of rate change adjustment	**62**	(29,698)
Total deferred tax (charge)/credit	**(530)**	252,435
Tax (charge)/credit in the Profit and Loss Account	**(530)**	252,435

(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 £	52 weeks ended 23 February 2019 £
Loss before tax	**(230,039)**	(115,408)
Tax on loss at standard UK corporation tax rate of 19% (2019: 19%)	**43,707**	21,928
Effects of:		
Impact of rate change adjustment	**63**	(29,698)
Group relief surrendered without payment	**(44,300)**	260,205
Overall tax (charge)/credit	**(530)**	252,435

(d) Deferred tax assets

The following are the 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 substantively enacted by the balance sheet date:

	IFRS 16 Transitional adjustment £'000	Total £'000
At 24 February 2018	(123,474)	(123,474)
Origination and reversal of temporary differences		
- In respect of the current period	282,132	282,132
Change in tax rate	(29,698)	(29,698)
At 23 February 2019	128,960	128,960

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7. Tax charge on loss (continued)

(d) Deferred tax assets (continued)

	IFRS 16 Transitional adjustment	Total
	£'000	£'000
At 23 February 2019	**128,960**	**128,960**
Origination and reversal of temporary differences		
- In respect of the current period	**(592)**	**(592)**
Change in tax rate	**62**	**62**
At 29 February 2020	**128,430**	**128,430**

8. Lease

Lease liabilities represent rentals payable by the Company for a certain retail property. The Company holds one lease for 250 years however the rental payments will commence in 30 years from the start of the lease.

Right of use assets

	Land and buildings
	£
Carrying amount as at 23 February 2019	**1,855,850**
Depreciation	**(7,760)**
Net carrying value as at 29 February 2020	**1,848,090**

Right of use assets

	Land and buildings
	£
Carrying amount as at 25 February 2018	1,863,464
Depreciation	(7,614)
Net carrying value as at 23 February 2019	1,855,850

Lease liabilities

The following tables show the discounted lease liabilities included in the Company balance sheet and a maturity analysis of the contractual undiscounted lease payments:

	29 February 2020	23 February 2019
	£	£
Current	-	-
Non-current	**(2,735,589)**	(2,614,441)
Total lease liabilities	**(2,735,589)**	(2,614,441)

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

8. Lease (continued)

Lease liabilities (continued)

	29 February 2020	23 February 2019
	£	£
Maturity analysis – contractual undiscounted lease payments		
Within one year	**-**	-
Greater than one year but less than five years	**-**	-
Greater than five years but less than ten years	**-**	-
Greater than ten years but less than fifteen years	**-**	-
After fifteen years	**(81,350,086)**	(81,350,086)
Total undiscounted lease payments	**(81,350,086)**	(81,350,086)

	53 weeks ended 29 February 2020	52 weeks ended 23 February 2019
	£	£
Amounts recognised in the Profit and Loss Account		
Interest on lease liabilities	**(121,148)**	(113,636)
	(121,148)	(113,636)

9. Debtors: amounts falling due within one year

	29 February 2020	23 February 2019
	£	£
Amounts owed by Group undertakings	**1,508,795**	47,185,113
	1,508,795	47,185,113

Amounts owed by Group undertakings include £30,208 (2019: £21,663,548) to Tesco Stores Limited, £nil (2019: £24,042,977) to Tesco Holdings Limited and £1,478,587 (2019: £1,478,587) to Tesco Gateshead Property Limited. Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

10. Stocks

	29 February 2020	23 February 2019
	£	£
Development stock	**-**	113,986
	-	113,986

11. Creditors: amounts falling due within one year

	29 February 2020	23 February 2019
	£	£
Accruals and deferred income	**47,474**	47,474
Amounts owed to Group undertakings	**-**	599,733
	47,474	647,207

Amounts owed to Group undertakings include £nil (2019: £541,330) to Tesco Stores Limited and £nil (2019: £58,403) to Tesco Property Holdings Limited. Amounts owed to Group undertakings was unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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12. Called up share capital

	29 February 2020	23 February 2019
	£	£
Allotted, called up and fully paid:		
1 Ordinary share of £1 each (2019: 1)	1	1
	1	1

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

13. Ultimate parent undertaking

The Company's immediate parent undertaking is Tesco Holdings Limited.

The Company's ultimate parent company and controlling party 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 these financial statements. Copies of the Tesco PLC Annual Report and Financial Statements 2019 can be obtained 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

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. 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.

16. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases' on the Company's financial position and financial performance. IFRS 16 is effective for the accounting period commencing 24 February 2019. The Company adopted the standard retrospectively, with comparatives restated from a transition date of 25 February 2018.

IFRS 16 requires lessees to recognise right of use assets and lease liabilities on balance sheet for all leases, except short-term and low value asset leases. At commencement of the lease, the lease liability equals the present value of future lease payments, and the right of use asset equals the lease liability, adjusted for payments already made, lease incentives, initial direct costs and any provision for dilapidation costs.

For pre-IFRS 16 operating leases, the rental charge is replaced by depreciation of the right of use asset and interest.

Depreciation is charged on a straight-line basis, however, interest is charged on outstanding lease liabilities and therefore reduces over the life of the lease.

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16. Changes in accounting policies (continued)

Under IFRS 16, the lease liability is remeasured upon the occurrence of certain events, such as a change in lease term or a change in future lease payments resulting from a change in an index or rate (for example, inflation-linked payments or market rate rent reviews). A corresponding adjustment is made to the right of use asset.

The Company applied the practical expedient not to reassess whether a contract is, or contains, a lease on transition. The Company has elected to recognise payments for short-term leases and leases of low value assets on a straight-line basis as an expense in the income statement.

The most significant IFRS 16 judgements and estimates include the determination of lease term when there are extension or termination options, the selection of an appropriate discount rate to calculate the lease liability and the impairment of right of use assets.

The Company's lease relates to a retail property. IFRS 16 has a significant impact on reported assets, liabilities and the Profit and Loss Account of the Company.

Balance Sheet restatement

The tables below set out the impact of IFRS 16 on the comparative period Balance Sheet as at 23 February 2019. Right of use assets (net of any impairments) and lease liabilities are presented separately on the face of the Balance Sheet.

	Reported 23 February 2019	**IFRS 16 impact** 23 February 2019	**Restated** 23 February 2019
	£	£	£
Non-current assets			
Deferred tax assets	-	128,960	128,960
Right of use assets	-	1,855,850	1,855,850
	-	1,984,810	1,984,810
Current assets			
Stocks	113,986	-	113,986
Debtors: amounts falling due within one year	47,185,113	-	47,185,113
Cash at bank and in hand	4,664,619	-	4,664,619
	51,963,718	-	**51,963,718**
Current liabilities			
Creditors: amounts falling due within one year	(647,207)	-	(647,207)
	(647,207)	-	**(647,207)**
Net current assets	**51,316,511**	-	**51,316,511**
Total assets less current liabilities	**51,316,511**	**1,984,810**	**53,301,321**
Non-current liabilities			
Lease liabilities	-	(2,614,441)	(2,614,441)
Net assets	**51,316,511**	**(629,631)**	**50,686,880**
Capital and reserves			
Called up share capital	1	-	1
Profit and loss account	51,316,510	(629,631)	50,686,879
Total shareholders' funds	**51,316,511**	**(629,631)**	**50,686,880**

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

16. Changes in accounting policies (continued)

Profit and Loss Account restatement

The table below sets out the impact of IFRS 16 on the comparative period Profit and Loss Account for the 52 weeks ended 23 February 2019.

Administrative expenses increase and interest expense increase by depreciation of the right of use asset and interest on the lease liability.

	Reported	**IFRS 16 Impact**	**Restated**
	52 weeks ended 23 February 2019	52 weeks ended 23 February 2019	52 weeks ended 23 February 2019
	£	£	£
Other income	1,363,659	(1,363,659)	-
Administrative expenses	-	(7,614)	(7,614)
Operating profit/(loss)	**1,363,659**	**(1,371,273)**	**(7,614)**
Interest receivable and similar income	5,843	-	5,843
Interest payable and similar costs	-	(113,637)	(113,637)
Profit/(loss) before tax	**1,369,502**	**(113,637)**	**(115,408)**
Tax credit on loss	-	**252,435**	**252,435**
Profit/(loss) for the financial period	**1,369,502**	**(1,232,475)**	**137,027**