

TESCO SARUM (1LP) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020  
Registered Number: 07849948



## **TESCO SARUM (ILP) LIMITED**

### **DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020**

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The Directors present their Annual Report and the audited financial statements of Tesco Sarum (ILP) 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 the holding company for Tesco PLC's investment in The Tesco Sarum Limited Partnership ('the Partnership'). 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.

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

#### **Results and dividends**

The results for the period show profit before tax of £368 (2019: £184) and profit after tax of £34,772 (2019: £3,222).

The Company has net liabilities at the period end of £271,228 (2019: £306,000) and has net current assets of £127,090 (2019: £126,722).

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

#### **Future developments**

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

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.

#### **Principal risk, uncertainties and Financial risk management**

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

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Company, are discussed on pages 13 to 18 of the Tesco PLC Annual Report and Financial Statements 2020, which do not form part of this Report.

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 principal risks and uncertainties are related to the obligation to make repayments against the loans when due.

The amounts owed to Group undertakings are unsecured and interest-free. Whilst the amount payable to Group undertakings are interest-free, they are repayable on demand. The Directors do not foresee that such amount will be called upon within the foreseeable future.

## **TESCO SARUM (1LP) LIMITED**

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

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#### **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 there has not been significant business activity undertaken during the year.

#### **Going concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from date of signing the financial statements. Whilst the Company is in a net liabilities position, the Directors note that these liabilities will not crystallise until the properties in The Tesco Sarum Limited Partnership are sold. Accordingly, the financial statements have been prepared on a going concern basis.

Whilst COVID-19 is a threat to many businesses, management's assessment is that demand for the properties of the Partnerships financed by the Company is not expected to suffer, as primarily the tenants of the properties are grocery retailers, which have functioned as essential businesses throughout the pandemic and will continue to operate afterwards. The assessment is therefore that there is no threat to Going Concern.

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

Details of events after the reporting period can be found in Note 13 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).

#### **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: none).

#### **Directors**

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

A Clark  
J Gibney  
Tesco Services Limited

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

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of the Tesco PLC Company Secretary (who is also a Director of Tesco Services Limited which is appointed to the Board of the Company) in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors and Officers may not be indemnified, Tesco PLC maintained a Directors' and Officers' liability insurance policy throughout the financial period and up to the date of signing the financial statements.

## **TESCO SARUM (1LP) LIMITED**

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

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#### **Disclosure of information to auditor**

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

- so far as the Directors are aware, there is no relevant information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

#### **Cautionary statement regarding forward-looking information**

Where this document contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this Report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. A number of factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement.

#### **Directors' Responsibilities Statement**

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework" and applicable law.

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:

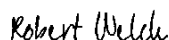
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

#### **Independent auditor**

Deloitte LLP, having indicated its willingness to continue in office, will be deemed to be reappointed as auditor under Section 487(2) of the Companies Act 2006.

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



Robert Welch, for and on behalf of Tesco Services Limited  
Director

Tesco Sarum (1LP) Limited

Registered number: 07849948

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO SARUM (ILP) LIMITED**

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## **Report on the audit of the financial statements**

### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 29 February 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO SARUM (1LP) LIMITED (continued)**

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### **Other information (continued)**

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO SARUM (1LP) LIMITED (continued)**

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### **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 SARUM (1LP) LIMITED****PROFIT AND LOSS ACCOUNT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020**

	Notes	<b>53 weeks ended 29 February 2020</b> £	52 weeks ended 23 February 2019 £
<b>Operating result</b>	4	-	-
Interest receivable and similar income		<b>368</b>	184
<b>Profit before tax</b>		<b>368</b>	184
Tax credit on profit	6	34,404	3,038
<b>Profit for the financial period</b>		<b>34,772</b>	3,222

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

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

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

The notes on pages 10 to 15 form an integral part of these financial statements.

**TESCO SARUM (1LP) LIMITED**  
**BALANCE SHEET AS AT 29 FEBRUARY 2020**

	Notes	29 February 2020	23 February 2019
		£	£
<b>Fixed assets</b>			
Investments	8	10,000	10,000
		<b>10,000</b>	10,000
<b>Current assets</b>			
Cash at bank and in hand		127,090	146,746
		<b>127,090</b>	146,746
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	9	-	(20,024)
<b>Net current assets</b>		<b>127,090</b>	126,722
<b>Total assets less current liabilities</b>		<b>137,090</b>	136,722
<b>Non-current liabilities</b>			
Deferred tax liabilities	7	(408,318)	(442,722)
<b>Net liabilities</b>		<b>(271,228)</b>	(306,000)
<b>Capital and reserves</b>			
Called up share capital	10	20,000	20,000
Share premium		479,976	479,976
Profit and loss account		(771,204)	(805,976)
<b>Total shareholders' deficit</b>		<b>(271,228)</b>	(306,000)

The notes on pages 10 to 15 form an integral part of these financial statements.

The financial statements on pages 7 to 15 were approved by the Board and authorised for issue on 21 August 2020. They were signed on its behalf by:

*Robert Welch*

Robert Welch, for and on behalf of Tesco Services Limited  
 Director

Tesco Sarum (1LP) Limited

Registered number: 07849948

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

**TESCO SARUM (1LP) LIMITED****STATEMENT OF CHANGES IN EQUITY FOR THE 53 WEEKS ENDED  
29 FEBRUARY 2020**

	<b>Called up share capital*</b>	<b>Share premium</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 24 February 2018	20,000	479,976	(809,198)	(309,222)
Loss and total comprehensive income for the financial period	-	-	3,222	3,222
Balance as at 23 February 2019	20,000	479,976	(805,976)	(306,000)
Profit and total comprehensive income for the financial period	-	-	34,772	34,772
<b>Balance as at 29 February 2020</b>	<b>20,000</b>	<b>479,976</b>	<b>(771,204)</b>	<b>(271,228)</b>

\* Refer Note 10 for a breakdown of the Called up share capital.

The notes on pages 10 to 15 form an integral part of these financial statements.

## **TESCO SARUM (1LP) LIMITED**

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

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

The financial statements of Tesco Sarum (1LP) Limited (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, for and on behalf of Tesco Services Limited.

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.

The functional currency of Tesco Sarum (1LP) Limited is considered to be Pound Sterling (£) because that is the currency of the primary economic environment in which the Company operates, and the financial statements are presented in Pound Sterling.

The Company's results are included in the consolidated financial statements of Tesco PLC, which are available from Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

#### **2. General information**

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

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

#### **3. Accounting policies**

##### **a) Basis of preparation**

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 11 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 IAS 7 Statement of Cash Flows;
- 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; and
- 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.

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

The IFRS 16 'Leases' standard 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.

**TESCO SARUM (ILP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED  
29 FEBRUARY 2020 (continued)****3. Accounting policies (continued)****b) Going concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from date of signing the financial statements. Whilst the Company is in a net liabilities position, the Directors note that these liabilities will not crystallise until the properties in The Tesco Sarum Limited Partnership are sold. Accordingly, the financial statements have been prepared on a going concern basis.

Whilst COVID-19 is a threat to many businesses, management's assessment is that demand for the properties of the Partnerships financed by the Company is not expected to suffer, as primarily the tenants of the properties are grocery retailers, which have functioned as essential businesses throughout the pandemic and will continue to operate afterwards. The assessment is therefore that there is no threat to Going Concern.

**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) Significant accounting policies****Investments**

Investments in associated undertaking are held at historical cost-plus incidental expenses, less any applicable provision for impairment reviewed annually.

**Impairment of investments**

The Company has determined its investment in each entity as a separate cash-generating unit for impairment testing. Where there are indicators of impairment, the Company performs an impairment test. Recoverable amounts for cash-generating units are based on the higher of value in use and fair value less costs of disposal. Value in use is calculated from cash flow projections generally over five years using data from the Company's latest internal forecasts and extrapolated beyond five years using estimated long-term growth rates.

**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.

*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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in associates, 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.

## **TESCO SARUM (ILP) LIMITED**

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

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#### **3. Accounting policies (continued)**

##### **d) Significant accounting policies (continued)**

###### **Income taxes (continued)**

###### *Deferred tax (continued)*

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.

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.

###### **Interest receivable and similar income**

Interest income is recognised as and when accrued.

###### **Financial instruments**

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

###### *Financial assets*

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

###### *Financial liabilities and equity*

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

**TESCO SARUM (ILP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED  
29 FEBRUARY 2020 (continued)****4. Operating result**

The Directors received no emoluments for their services to the Company during the period (2019: £nil).  
The Company had no employees during the period (2019: none).

**5. Auditor's remuneration**

The Auditor's remuneration of £3,075 (2019: £3,075) for the current period and prior period was borne by Tesco Stores Limited and not recharged to the company.

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

**6. Tax credit on profit****(a) Factors that have affected the tax credit**

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 credit in the Profit and Loss Account**

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

	53 weeks ended 29 February 2020 £	52 weeks ended 23 February 2019 £
<b>Current income tax:</b>		
UK corporation tax on profit for financial period	-	-
<b>Total current income tax credit</b>	-	-
<b>Deferred tax:</b>		
Current year	38,452	3,437
Adjustment in respect of prior periods	-	(38)
Impact of rate change adjustment	(4,048)	(361)
<b>Total deferred tax credit</b>	34,404	3,038
<b>Total credit in the Profit and Loss Account</b>	34,404	3,038

**(c) Reconciliation of the tax credit**

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

	52 weeks ended 29 February 2020 £	52 weeks ended 23 February 2019 £
Profit before tax	368	184
Tax credit/(charge) at standard UK corporation tax rate of 19% (2019: 19%)	(70)	(35)
Effects of:		
Impact of rate change adjustment	(4,048)	(361)
Adjustment in respect of prior periods	-	(38)
Group relief claimed without payment	38,522	3,472
<b>Overall tax credit</b>	34,404	3,038

**TESCO SARUM (1LP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED  
29 FEBRUARY 2020 (continued)****7. Deferred tax liabilities**

The following are the major deferred tax liabilities 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.

	Accelerated capital allowances	Short-term timing differences	Conversion adjustments	Total
	£	£	£	£
<b>At 24 February 2018</b>	825,518	(412,039)	32,281	445,760
Origination and reversal of temporary differences				
-In respect of the current period	99,534	(97,817)	(5,154)	(3,437)
-In respect of the prior period	-	-	38	38
-Impact of rate change	(10,478)	10,296	543	361
<b>At 23 February 2019</b>	914,574	(499,560)	27,708	442,722
Origination and reversal of temporary differences				
-In respect of the current period	74,351	(107,649)	(5,154)	(38,452)
-Impact of rate change	(7,826)	11,331	543	4,048
<b>At 29 February 2020</b>	981,099	(595,878)	23,097	408,318

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where assets and liabilities relate to income taxes levied by the same taxation authority.

**8. Investments**

	£
<b>Cost</b>	
At 23 February 2019	10,000
<b>At 29 February 2020</b>	<b>10,000</b>
<b>Net book value</b>	
At 23 February 2019	10,000
<b>At 29 February 2020</b>	<b>10,000</b>

The Directors believe that the carrying value of the investments is supported by their underlying net assets. Details of the principal associated undertaking at the period end is as follows:

Associated undertaking	Registered office address	% interest held	Country of incorporation	Direct/ Indirect holding	Share class
The Tesco Sarum Limited Partnership	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom	49.95%	United Kingdom	Direct	Capital contribution

**TESCO SARUM (1LP) LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED  
29 FEBRUARY 2020 (continued)****9. Creditors: amounts falling due within one year**

	29 February 2020	23 February 2019
	£	£
Amounts owed to Group undertakings	-	20,024
	-	20,024

Amounts owed to Tesco Property Holdings Limited was unsecured, interest free, have no fixed date of repayment and was repayable on demand. During the period, the Company has repaid the amount owed to group undertakings.

**10. Called up share capital**

	29 February 2020	23 February 2019
	£	£
<i>Allotted, called up and fully paid</i>		
20,000 Ordinary shares of £1 each (2019: 20,000)	20,000	20,000
	20,000	20,000

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

**11. Ultimate group undertaking**

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

The Company's ultimate parent undertaking and controlling party is Tesco PLC 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.

**12. 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.

**13. 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.