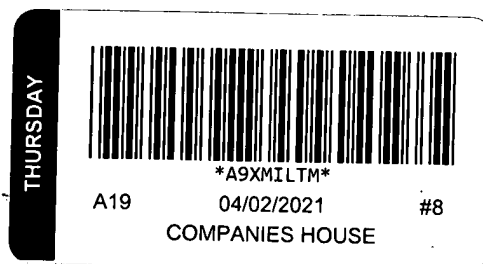


TESCO CAPITAL NO. 2 LIMITED
ANNUAL REPORT AND UNAUDITED FINANCIAL
STATEMENTS
FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020
Registered Number: FC024402



TESCO CAPITAL NO. 2 LIMITED

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

The Directors present their Report and the unaudited financial statements of Tesco Capital No. 2 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 financial intermediary for Tesco PLC Group entities.

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 profit before and after tax of £819k (2019: profit before and after tax £626k).

The Company has net assets at the period end of £46,516k (2019: £45,697k) and has net current assets of £46,516k (2019: £45,697k).

The Company paid preference dividend amounting to £754k for the 53 weeks ended 29 February 2020 (2019: £819k).

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 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.

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 its operations are not exposed to the impact of the pandemic.

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 date

Details of events after the reporting date 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).

TESCO CAPITAL NO. 2 LIMITED

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

Research and development

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

Financial risk management

The main risks associated with the Company's financial assets and liabilities are set out below:

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities.

The Company creditors include preference shares and amounts owed to Group undertakings. Amounts owed to Group undertakings 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 comprises amounts owed by Group undertakings, hence credit risk is determined to be low.

Strategic Report

Pursuant to Article 105 of the Companies (Jersey) Law 1991, the financial statements are prepared in accordance with applicable United Kingdom Accounting Standards and the Companies Act 2006. As such, the Directors have taken advantage of the exemption provided by section 414(b) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 from preparing a strategic report.

Employees

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

Directors

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

R Welch

B Mistry

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.

TESCO CAPITAL NO. 2 LIMITED

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020

(continued)

Directors' Responsibilities Statement

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


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

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 proper accounting records that 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 (Jersey) Law 1991. 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 26 August 2020, and signed on behalf of the Board by:



Robert Welch

Director

Tesco Capital No. 2 Limited

Registered Number: FC024402

Registered Office: Lime Grove House, Green Street, St Helier, Jersey, JE1 2ST

TESCO CAPITAL NO. 2 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
		£'000	£'000
Other expenses		(3)	(22)
Operating loss		(3)	(22)
Interest receivable and similar income	5	1,576	1,467
Interest payable and similar charges	6	(754)	(819)
Profit before tax		819	626
Tax credit/(charge) on profit	7	-	-
Profit for the financial period		819	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 financial 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/(loss) for the financial periods presented.

The notes on pages 7 to 12 are an integral part of these financial statements.

TESCO CAPITAL NO. 2 LIMITED**BALANCE SHEET AS AT 29 FEBRUARY 2020**

	Notes	29 February 2020 £'000	23 February 2019 £'000
Current assets			
Debtors: amounts falling due within one year	8	95,369	82,588
Cash at bank and in hand		1	1
		95,370	82,589
Current liabilities			
Creditors: amounts falling due within one year	9	(48,854)	(36,892)
Net current assets		46,516	45,697
Total assets less current liabilities		46,516	45,697
Net assets		46,516	45,697
Capital and reserves			
Called up share capital	10	100	100
Share premium		29,910	29,910
Profit and loss account		16,506	15,687
Total shareholders' funds		46,516	45,697

The notes on pages 7 to 12 form an integral part of these financial statements.

The financial statements on pages 4 to 12 were approved by the Board of Directors and authorized for issue on 26 August 2020. They were signed on its behalf by:

Robert Welch

Robert Welch

Director

Tesco Capital No. 2 Limited

Registered Number: FC024402

Registered Office: Lime Grove House, Green Street, St Helier, Jersey, JE1 2ST

TESCO CAPITAL NO. 2 LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE 53 WEEKS ENDED
29 FEBRUARY 2020**

	Called up share capital*	Share premium	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance as at 24 February 2018	100	29,910	15,061	45,071
Profit and total comprehensive income for the financial period	-	-	626	626
Balance as at 23 February 2019	100	29,910	15,687	45,697
Profit and total comprehensive profit for the financial period	-	-	819	819
Balance as at 29 February 2020	100	29,910	16,506	46,516

*See Note 10 for breakdown of the Called up share capital.

The notes on pages 7 to 12 form an integral part of these financial statements.

TESCO CAPITAL NO. 2 LIMITED

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

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

The financial statements of Tesco Capital No. 2 Limited (the "Company") for the 53 weeks ended 29 February 2020 were approved by the Board of Directors on 26 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 (Jersey) Law 1991.

In accordance with section 105(11) of the Companies (Jersey) Law 1991, the Company is not required to prepare group accounts as it is a wholly owned subsidiary of Tesco PLC. The Company's results are included in the consolidated financial statements of Tesco PLC, which are available from Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

The Company's financial statements are presented in Pound Sterling and all 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 Jersey under the Companies Act. The address of the registered office is Lime Grove House, Green Street, St Helier, Jersey, JE1 2ST. The nature of the Company's operations and its principal activities 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" ("FRS 101") issued by the Financial Reporting Council.

The Company is a qualifying entity for the purposes of FRS 101. Note 12 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 IAS 7 Statement of Cash Flows;
- 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 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; and
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

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.

TESCO CAPITAL NO. 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)**

3. Accounting policies (continued)**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 financial statements and have therefore continued to adopt the going concern basis in preparing the financial statements.

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

d) Significant accounting policies**Financial instruments**

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of an 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 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 recognised initially at fair value, and subsequently measured at amortised cost using the effective interest rate method.

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.

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 CAPITAL NO. 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)****3. Accounting policies (continued)****d) Significant accounting policies (continued)****Income taxes (continued)***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.

4. Staff costs and Directors' remuneration

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

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

5. Interest receivable and similar income

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Interest income on loans to Group undertakings	1,576	1,467
Total	1,576	1,467

6. Interest payable and similar charges

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Interest payable on preference shares to Group undertakings	754	819
Total	754	819

7. Tax credit/(charge) on profit**(a) Factors that have affected the tax (charge)/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/(charge) in the Profit and Loss Account

	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Current income tax		
UK corporation tax on profit for the financial period	-	-
Total current tax (charge)/credit	-	-
Tax credit/(charge) in the Profit and Loss Account	-	-

TESCO CAPITAL NO. 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)****7. Tax credit/(charge) on profit (continued)****(c) Reconciliation of the tax credit/(charge)**

The differences between the total credit/(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	819	626
Tax charge at standard UK corporation tax rate of 19% (2019: 19%)	(156)	(119)
Effects of:		
Expenses not deductible for tax purposes	(143)	(160)
Group relief claimed without payment	299	279
Total tax credit/(charge)	-	-

8. Debtors: amounts falling due within one year

	29 February 2020 £'000	23 February 2019 £'000
Amounts owed by Group undertakings	95,369	82,588
Total	95,369	82,588

- i) Included within amounts owed by Group undertakings are unsecured, interest bearing loans totalling £94,942k (£94,837k net of impairment) with interest rate of 1.69% which are repayable on demand.
- ii) The balance relates to amount that are unsecured, interest free have no fixed date of repayment and are repayable on demand.

9. Creditors: amounts falling due within one year

	29 February 2020 £'000	23 February 2019 £'000
35,000 (2019: 35,000) floating rate preference shares of £0.01	-	-
Amounts owed to Group undertakings*	48,854	36,892
Total	48,854	36,892

*Included within amounts owed to Group undertakings is an amount of £35,000k of associated share premium of floating rate preference shares.

Preference shares pay a dividend at 6 months GBP LIBOR plus 1.4% resetting semi-annually.

The rights attached to the preference shares shall only be varied by the Company either whilst the Company is a going concern or during the execution or completion of a winding up, with the consent in writing of the majority of the preference shareholders.

TESCO CAPITAL NO. 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020 (continued)****9. Creditors: amounts falling due within one year (continued)**

The preference shares shall be redeemed at the option of the preference shareholders by service of a written notice upon the Company at any time on or after the tenth anniversary of the transfer date or if Tesco PLC or any material subsidiary is wound up, placed into administration or receivership, ceases to carry on the business, is deemed unable to pay its debts as and when they fall due or any scheme of arrangement is entered into between Tesco PLC and any material subsidiary and its payables.

The holders of the preference shares are entitled to receive the notice of general meetings of the Company. However, the preference shareholders are not entitled to vote at general meetings of the Company save where, at the date of the notice convening such meeting, any dividend on the preference shares has fallen due and has not been paid, or where the Company is required to redeem the preference shares and has failed to do so.

10. Called up share capital

	29 February 2020 £'000	23 February 2019 £'000
Allotted, called up and fully paid		
100,000 (2019: 100,000) Ordinary shares of £1 each	100	100
Total	100	100

The holders of the ordinary shares are entitled to receive notice of and to vote at general meetings of the Company.

If the Company is wound up, the assets of the Company available for distribution are to be applied as follows: firstly, in repaying to the holders of the preference shares a sum equal to the unpaid arrears of any dividends, calculated up to and including the date of the return of capital; secondly, in repaying the called up amount of preference shares; and thirdly, allocating any residual balance equally between the ordinary shareholders.

11. 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.

12. 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 address: Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

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.

TESCO CAPITAL NO. 2 LIMITED

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

13. Events after the reporting period (continued)

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.