TESCO

Interim Results 2023/24

WINNING WITH CUSTOMERS BY INVESTING IN VALUE AND QUALITY.

Performance highlights[2,3]:	H1 23/24	H1 22/23[1]	Change at actual rates	Change at constant rates
Group sales (exc. VAT, exc. fuel)[4]	**£30,749m**	£28,241m	8.9%	8.4%
Adjusted operating profit[5]	**£1,482m**	£1,300m	14.0%	13.9%
- Retail	£1,417m	£1,248m	13.5%	13.5%
- Tesco Bank	£65m	£52m	25.0%	25.0%
Retail free cash flow[6]	**£1,368m**	£1,283m	6.6%	
Net debt[3,6]	**£(9,888)m**	£(10,044)m	1.6%	
Adjusted diluted EPS[5]	**12.26p**	10.50p	16.8%	
Interim dividend per share	**3.85p**	3.85p	-	
Statutory measures[3]:				
Revenue (exc. VAT, inc. fuel)	**£34,149m**	£32,519m	5.0%	
Operating profit	**£1,482m**	£721m	105.5%	
Profit before tax	**£1,217m**	£396m	207.3%	
Retail cash generated from operating activities	**£2,068m**	£2,038m	1.5%	
Diluted EPS	**12.83p**	3.27p	292.4%	

Ken Murphy, Chief Executive:

"We know how challenging it is for many households across the country, as they continue to grapple with ongoing cost of living pressures. We are committed to doing everything we can to drive down food bills and Tesco is now consistently the cheapest full-line grocer.

Our investments in value, and in improving more than 1,100 own brand products from pasta to fresh fish, are helping us to offer outstanding quality at great prices, all underpinned by market-leading availability. Customers are responding well, contributing to market share gains in store and online. We're seeing the results at both ends of the basket, with strong growth in our Finest range as shoppers look to save by treating themselves at home, voting with their feet as they switch from premium retailers to Tesco.

This relentless focus on customers, combined with significant cost reductions from our Save to Invest programme, has driven our strong performance in the first half of the year. Food inflation fell across the half and while external pressures remain, we expect that it will continue to do so in the second half of the year. We are in a strong position to keep investing for customers, and will continue to lower prices wherever we can – doing everything in our power to make sure customers can have a fantastic, affordable Christmas by shopping at Tesco."

Delivered strong financial performance driven by relentless focus on value for customers:

- Strong sales across the Group, with Retail LFL[7] sales up 7.8%; inflation fell across the half, with volume and sales mix trends ahead of expectations:
  - UK & ROI LFL sales up 8.4%, including UK up 8.7%, ROI up 6.9% and Booker up 7.5%
  - C.Europe LFL sales up 0.9% reflecting strength of LY base and market volume contraction due to sustained high inflation
- Retail adjusted operating profit[5] £1,417m, up 13.5% at constant rates, including Save to Invest delivery of c.£290m
  - UK & ROI adjusted operating profit £1,371m, up 17.2%, with accelerated cost savings and a resilient volume performance offsetting significant cost pressures
  - Central Europe adjusted operating profit £46m, down (41.8)% due to a significant decline in Hungary driven by the impact of currency devaluation on input costs and regulatory actions; Slovakia and Czech Republic performing well
- Tesco Bank adjusted operating profit £65m, up 25.0%, primarily driven by strong income growth; £250m special dividend returned to the Group reflecting the strength of Bank's balance sheet
- Strong retail free cash flow[6] £1,368m, including a positive working capital inflow of £368m
- Net debt[3,6] improved by £605m since year-end due to strong cash flow & Bank special dividend; net debt/EBITDA ratio 2.3x
- Interim dividend per share of 3.85p, in line with our interim dividend policy at 35% of prior year full year dividend

Statutory profit performance reflects prior year impairment charge:

- Statutory revenue £34.1bn, up 5.0% at actual rates, with fuel sales down (20.5)% due to lower retail prices
- Statutory operating profit £1,482m, up 105.5% and profit before tax £1,217m up 207.3%, primarily reflecting last year's £(626)m non-cash impairment charge, with no charge in the first half of the current year, and strong trading performance

Footnotes can be found on page 4

Continuing to offer customers great value, underpinned by focus on quality:

- Consistently the cheapest of the full-line grocers across the half, with our powerful combination of Aldi Price Match on more than 650 lines, over a thousand Low Everyday Prices locked to January 2024 and exclusive Clubcard Prices deals
- Prices cut on c.2,500 products by the end of the half, from bread to broccoli, with average saving of c.12%
- Clubcard Prices on over 8,000 products across the store, saving customers up to c.£390 per year
- Investment in quality and product innovation, launching 335 brand new products and reformulating 1,150
- Net switching gains from premium retailers for 13 consecutive periods; further strengthened Finest offer leading to both sales and volume growth; launched more than 150 brand new Finest products
- Introduced more affordable own brand products in Express stores; savings of up to 40% vs. the products they replaced
- Strong market share performance: UK up +30bps, with gains in both stores and online; ROI market share up +70bps
- Market-leading availability, up +7ppts YoY; Brand NPS +2pts YoY, driven by improvements in range & shopping experience

Creating long-term, sustainable value for all Tesco stakeholders:

- Continued strong focus on customer satisfaction, market share and cash, ensuring we balance all stakeholders' needs
- Biggest investment in pay and new wellbeing services for colleagues, including launch of virtual GP appointments
- Enhanced sourcing capabilities, working with suppliers to unlock savings for customers; #1 in Advantage supplier survey for eighth consecutive year
- Launched Stronger Starts grants programme to help 5,300 schools give children a healthier, stronger start in life
- One of the first companies globally to validate ambitious net-zero science-based targets on all GHG emissions, including Scope 3; introduced 500th electric home delivery van into fleet

CAPITAL RETURN PROGRAMME.

In April this year we announced our commitment to buy back a total of £750m worth of shares by April 2024. We purchased £503m worth of shares in the first half and will purchase the remaining shares by April.

Since launching our ongoing capital return programme in October 2021, we have now purchased a total of almost £1.6bn worth of shares. We continue to see the buyback programme as an ongoing and critical driver of shareholder returns, reflecting the strength of our balance sheet and our confidence in delivering strong future cash flows.

OUTLOOK.

Looking forward, we will continue to prioritise investment in our customer offer, working with our supplier partners to reduce prices wherever we can whilst delivering the outstanding quality our customers expect.

This relentless focus on customers, combined with significant cost reductions from our Save to Invest programme, resulted in a strong performance in the first half of the year which means we now expect to deliver between £2.6bn and £2.7bn retail adjusted operating profit for the 2023/24 financial year. We also now expect to generate retail free cash flow of between £1.8bn and £2.0bn this year, ahead of our medium-term guidance range of £1.4bn to £1.8bn.

We continue to expect Bank adjusted operating profit of between £130m and £160m.

STRATEGIC PRIORITIES.

We remain focused on delivering on our four strategic priorities. We are committed to supporting our customers with great quality, value and convenience, whilst ensuring we reward them for their loyalty. Our brilliant colleagues, unrivalled reach and strong supplier relationships mean we can serve our customers whenever, wherever, and however they need us. Our priorities guide us to drive top-line growth, grow profit and generate cash, and in doing so, deliver for all of our stakeholders.

We have made further progress against our strategic priorities during the half:

1) Magnetic Value for Customers – Re-defining value to become the customer's favourite

- Further strengthened our market-leading combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices, enabling us to be the cheapest of the full-line grocers across the half
- Led the way on passing on savings to customers, applying new capabilities developed within our sourcing team to capture cost price reductions ahead of the market
- Continued to elevate the importance of quality and innovation within our product range, improving our competitiveness and performance against premium retailers
- Further improved our convenience offering, increasing the number of own brand products in Tesco Express, driving up fresh participation in One Stop and increasing sales of Jack's to Booker's retailer customers
- Locked prices on 650 essential Booker catering products over key summer trading period; 700 now locked to Christmas
- Continued commitment to healthy, affordable diets; committed to not sell HFSS products on volume-led promotions; Better Baskets supports our commitment to achieve 65% healthy volume sales by 2025

2) I Love my Tesco Clubcard – Creating a competitive advantage through our powerful digital capability

- Customers benefiting from Clubcard across the Group; Clubcard sales penetration up in all businesses: UK 80%, ROI 80%, Central Europe 85%, Mobile 86% and Bank 67%
- World-class Tesco app with 16m users across the Group (12.8m in UK, 0.8m in ROI and 2.5m in CE)
- 7.5m UK customers using digital Clubcard at till, up 62% YoY; 15.4m UK customers opting into e-statements, up 57% YoY
- 86m personalised coupons issued to nearly 6m customers this half; trialling a broader range of personalisation to support in-store shopping experience via Scan as You Shop
- Expanding digital platform; added >750 in-store screens; >300 suppliers using our online sponsored search functionality

3) Easily the Most Convenient – Serving customers wherever, whenever and however they want to be served

- Online performance continues to outpace market, share up +71bps YoY; switching gains from online competitors
- Strengthened online availability to 97.6%; number of 'perfect orders' up +12ppts YoY
- Opened a further three UFCs since February, adding 1m order capacity per year; now at nine UFCs in total
- Tesco Whoosh now in 1,414 stores, making rapid delivery available to c.60% of population; now offering larger baskets
- Launched 'Chef Central' in Booker, offering multi-site national and regional customers the ability to offer standardised menus through a defined product range, with great value products delivered directly to their doors
- Opened 33 stores across the Group (16 Express & 11 One Stop stores in UK, one new superstore in ROI and five new stores in C.Europe); working with 143 net new Booker retail partners
- Introduced 500th electric customer home delivery van; fleet to be fully electric in the UK by 2030

4) Save to Invest – Significant opportunities to simplify, become more productive and reduce costs

- Another strong Save to Invest performance, delivering c.£290m in the half, with a target to deliver a total of c.£600m by year-end, contributing to at least £1.1bn cumulative savings between February 2022 February 2024
- Making progress across all areas: goods & services not for resale, property, operations and central overheads
- Optimised management structures launched in over 800 large stores, including introduction of 1,700 Shift Leader roles
- Continued streamlining of Express checkouts, with increased proportion of self-service, upgraded colleague-operated checkouts and additional accessible service desks
- End-to-end review of promotional replenishment to strengthen availability and deliver efficiency gains
- Further energy consumption initiatives delivered in the half, including upgraded LED lighting

GROUP REVIEW OF PERFORMANCE.

26 weeks ended 26 August 2023[2,3]	H1 23/24	H1 22/23[1]	Change at actual rates	Change at constant rates
Sales (exc. VAT, exc. Fuel)[4]	**£30,749m**	**£28,241m**	**8.9%**	**8.4%**
Fuel	£3,400m	£4,278m	(20.5)%	(20.6)%
Revenue (exc. VAT, inc. fuel)	**£34,149m**	**£32,519m**	**5.0%**	**4.6%**
Adjusted operating profit[5]	**£1,482m**	**£1,300m**	**14.0%**	**13.9%**
Adjusting items	-	£(579)m		
Statutory operating profit	**£1,482m**	**£721m**	**105.5%**	
Net finance costs	£(269)m	£(327)m		
Joint ventures and associates	£4m	£2m		
Statutory profit before tax	**£1,217m**	**£396m**	**207.3%**	
Group tax	£(288)m	£(144)m		
Statutory profit after tax	**£929m**	**£252m**	**268.7%**	
Adjusted diluted EPS[5]	12.26p	10.50p	16.8%	
Statutory diluted EPS	12.83p	3.27p	292.4%	
Interim dividend per share	**3.85p**	**3.85p**	-	
Net debt[3,6]	**£(9,888)m**	**£(10,044)m**	**1.6%**	
Retail free cash flow[6]	**£1,368m**	**£1,283m**	**6.6%**	
Capex[8]	**£523m**	**£448m**	**16.7%**	

Group sales[4] increased by 8.4% at constant rates, with growth across all segments. The impact of inflation was evident across all markets, although eased across the half as we worked hard to ensure that savings from falling global commodity prices were passed onto customers. Customer demand held up well in response to our ongoing focus on offering great value and quality and sales volumes were stronger than we had anticipated. Group revenue increased by 4.6% at constant rates, including a (20.6)% decline in fuel sales, primarily due to lower selling prices year-on-year.

Group adjusted operating profit[5] increased by 13.9% at constant rates, with Save to Invest contributing a further c.£290m of cost savings in the half. We effectively managed the inflationary pressures in our cost base and customer demand was resilient as we invested further in value.

Group statutory operating profit increased by 105.5% year-on-year, primarily due to a £(626)m non-cash impairment charge in the prior year driven by an increase in discount rates, combined with the strong trading performance mentioned above. Discount rates have remained largely stable since February, and there was no impairment charge or release in the first half.

Net finance costs decreased by £58m year-on-year primarily due to fair value remeasurements related to the mark-to-market movement on index-linked swaps, which led to a £28m credit this year compared to a £(75)m charge in the prior year.

The higher tax charge this year was mainly driven by the increase in UK corporation tax rates effective from April, in addition to higher retail operating profits.

Our adjusted diluted EPS[5] increased by 16.8%, due to higher retail operating profits and the ongoing benefit from our share buyback programme. We have announced an interim dividend of 3.85 pence per ordinary share, in line with last year and our interim policy to pay 35% of the prior full-year dividend.

We generated £1,368m of retail free cash flow[6], including a working capital inflow of £368m. Net debt[3,6] reduced by £605m since the prior year end, driven by strong retail free cash flow and a £250m special dividend from the Bank, partially offset by the cash returned to shareholders via both our ongoing share buyback programme and final dividend. The net debt/EBITDA ratio was 2.3 times, compared to 2.6 times as at 25 February 2023.

Further commentary on these metrics can be found below and a full income statement can be found on page 16.

Notes:

1. Comparatives have been restated for the adoption of IFRS 17 Insurance Contracts. Refer to Notes 1 and 20 for further details.
2. The Group has defined and outlined the purpose of its alternative performance measures, including its performance highlights, in the Glossary starting on page 46.
3. All measures apart from Net debt are shown on a continuing operations basis unless otherwise stated. Further information on Net debt can be found in Note 18 on page 41.
4. Group sales exclude VAT and fuel. Sales change shown on a comparable days basis for Central Europe.
5. Adjusted operating profit and Adjusted diluted EPS exclude Adjusting items.
6. Net debt and Retail free cash flow exclude Tesco Bank.
7. Like-for-like is a measure of growth in Group online sales and sales from stores that have been open for at least a year (at constant exchange rates, excluding VAT and fuel).
8. Capex excludes additions arising from business combinations, property buybacks (typically stores) and store purchases. Refer to page 46 for further details.

Segmental review of performance:
Sales performance:
(exc. VAT, exc. Fuel)[1,4]

	Sales (£m)	LFL sales change	Total sales change at actual rates	Total sales change at constant rates
- UK	21,811	8.7%	9.1%	9.1%
- ROI	1,398	6.9%	13.0%	10.0%
- Booker	4,704	7.5%	6.9%	6.9%
UK & ROI	**27,913**	**8.4%**	**8.9%**	**8.8%**
Central Europe	**2,134**	**0.9%**	**6.7%**	**1.4%**
Retail	**30,047**	**7.8%**	**8.7%**	**8.2%**
Bank	702		16.5%	16.5%
Group sales	**30,749**		**8.9%**	**8.4%**
Fuel	3,400	(20.6)%	(20.5)%	(20.6)%
Group revenue	**34,149**		**5.0%**	**4.6%**

Further information on sales performance is included in the appendices starting on page 53.

Adjusted operating profit[1,5] performance:

	Profit (£m)	Change at actual rates	Change at constant rates	Margin % at actual rates	Margin % change at actual rates
UK & ROI	1,371	17.3%	17.2%	4.4%	47 bps
Central Europe	46	(41.8)%	(41.8)%	2.1%	(163) bps
Retail	**1,417**	**13.5%**	**13.5%**	**4.2%**	**33 bps**
Bank	65	25.0%	25.0%	9.3%	64 bps
Group	**1,482**	**14.0%**	**13.9%**	**4.3%**	**34 bps**

Further information on operating profit performance is included in Note 2 starting on page 23.

UK & ROI overview:

In the UK, Republic of Ireland (ROI) and Booker, like-for-like sales increased by 8.4%. Sales growth was stronger in the first quarter at 8.8%, followed by growth of 8.0% in the second quarter as we traded over exceptionally warm weather last year. Inflation gradually eased during the half as we cut prices across everyday grocery lines.

UK & ROI adjusted operating profit was £1,371m, up 17.2% at constant rates, driven by the ongoing acceleration of our Save to Invest programme, a resilient volume performance across the segment and a continued strong contribution from Booker.

Adjusted operating margin was 4.4%, 47bps higher year-on-year, reflecting the cumulative effect of accelerating our Save to Invest delivery over the past twelve months. Our current year operating margin has now recovered to levels similar to those seen before the pandemic.

UK – Championing value and quality, with strong execution for customers, leading to market share gains:

Like-for-like sales grew by 8.7% in the half, driven by a strong performance across all formats and channels. Price inflation fell gradually across the half, as we worked hard to pass on savings for customers as input cost inflation eased. Volumes and sales mix performance improved into the second quarter. Sales growth was higher in the first quarter at 9.0%, before falling slightly in the second quarter to 8.4% as we traded over exceptionally warm weather and the Platinum Jubilee celebrations in the prior year.

We were consistently the cheapest of the full-line grocers across the half, with our price position improving even further this year. Throughout the half, we continued to build on our powerful combination of Aldi Price Match, Clubcard Prices and our commitment to Low Everyday Prices, which we recently extended, with prices locked on over 1,000 products until January

2024. We were first to market with price cuts on key ranges such as milk, pasta and cooking oil in June, and last month we extended our 'Price Cuts' campaign to support families by cutting the price of frequently purchased food and baby products including nappies. By the end of the first half, c.2,500 products were on average c.12% cheaper than at the start of the year. We have market-leading capabilities in commodity forecasting and purchasing, which allows us to work in close partnership with our supplier partners to be first to market with the best prices possible for customers.

Overall market share grew by +30bps year-on-year to 27.2%, with a particularly strong performance in our online business. We saw switching gains across six consecutive periods, with thirteen consecutive periods of net gains from premium retailers as our customers sought to treat themselves. Finest sales were a particular highlight, with volumes up 4.1% in the half.

Food sales were particularly strong, growing by 10.6% as we continued to innovate our ranges to offer customers even better-quality products at a great price. We launched 335 new products in the first half, including our Finest Summer Selection and Asian ready meal ranges, and reformulated and improved 1,150 own brand products, including the relaunch of our fresh fish and pasta ranges. These relaunches contributed towards market share gains in the 'dinner for tonight' mission. We were recognised as The International Wine Challenge's 'Wine Supermarket of the Year' for the first time in eleven years, reflecting our efforts to enhance our premium wine offering. We launched our premium lunch time meal deal in the first quarter, with strong feedback on the quality of the products; 31% of customers who bought into the deal were new to a meal deal offer of any sort.

Home and Clothing sales, which account for around 7% of total UK sales, declined by (4.8)%, which primarily reflects the impact of strategic ranging decisions, including exiting and reducing low returning categories such as large electricals and adult footwear. Excluding these impacts, sales were broadly flat. We outperformed the rest of the market in Clothing across the half and further improved our value perception against our key competitors. We will launch our Paperchase range in 120 stores in November, with great quality products which reflect the heritage of the Paperchase brand.

Sales grew across large and convenience store formats, by 9.3% and 5.1% respectively. In our large stores, we tailored our trade plan to offer customers market-leading deals over key seasonal events, leading to an increase in price satisfaction year-on-year. We supported families through the school holidays by once again offering free kids' meals in our cafés to Clubcard holders with any purchase. Convenience sales, which include a higher proportion of food-on-the-go, were impacted by poorer weather this year lapping exceptionally warm weather last year. Our city-centre Tesco Express stores performed particularly well, with like-for-like growth of c.7.5%.

Online sales grew by 10.0%, as we further increased the proportion of 'perfect order' deliveries, meaning on time with full availability. Online market share grew by +71bps year-on-year, with customer satisfaction scores up +7pts. Online sales participation remains stable at 13.0% of UK sales, which is 4ppts higher than pre-pandemic, driven by strong customer retention.

Online performance	**H1 23/24**	**One-year change**
Sales inc. VAT	**£3.0bn**	10.0%
Orders per week	**1.18m**	4.2%
Basket size	**£98**	5.2%
Online % of UK total sales	**13.0%**	0.1ppts

We opened our seventh and eighth Urban Fulfilment Centres (UFCs) in the half in Gallions Reach and King's Lynn, and in September we opened our ninth UFC in Coventry, which completes our opening plan for the current year. We rolled out 'Tesco Whoosh' – our rapid delivery service – to over 400 further stores taking the total number to 1,414 stores. On average, we offer 2,800 products, with some of our larger stores offering an even wider range. Average delivery times improved year-on-year to around 25 minutes, with customer satisfaction scores up 8.9ppts year-on-year.

ROI – New space contributes to market share gains; strengthening our value proposition:

ROI sales grew by 10.0% at constant rates in the first half, with a contribution from new stores of 3.1%, which includes the nine Joyce's stores we acquired in June last year. We opened one new superstore, in Adamstown, and we continue to look for opportunities to bring Tesco to more communities in the market. Like-for-like sales grew by 6.9% in the half, including volume growth in the second quarter.

We delivered consistent market share gains, with an increase of +70bps year-on-year. We have seen nine periods of consecutive switching gains.

Food sales growth was particularly strong at 8.9% and we lowered the price of over 700 essential products through our 'Price Cuts' campaign, leading to a steady decline in inflation across the half. Non-food sales declined by (4.5)%, primarily driven by the cooler, wetter weather over the summer and a slight contraction in discretionary spending. We continue to lead the market on 'Reward' with good engagement on Clubcard Prices, driving a 14.8ppts improvement year-on-year in Clubcard sales penetration to 80%.

BOOKER – Evolving the offer to deliver further growth across both retail and catering:

	Sales £m	LFL
Total Retail	**2,587**	**6.0%**
Retail	1,647	14.2%
Tobacco	940	(5.9)%
Total Catering	**1,973**	**9.1%**
Catering	1,194	11.6%
Best Food Logistics	779	5.4%
Total Booker*	**4,704**	**7.5%**

* Total Booker also includes small business sales of £144m

Booker delivered like-for-like sales growth of 7.5%, with further growth across both retail and catering, despite a challenging trading environment.

Retail sales grew by 14.2% excluding tobacco, driven by a further 143 net new retail partners and our continued focus on price, choice, and service. Growth was particularly strong in our entry level ranges at +20% year-on-year, with c.40,000 of our retailer customers now having purchased Jack's branded products. Tobacco like-for-like sales declined by (5.9)% overall, driven by a general market contraction.

Catering sales were also strong, increasing by 9.1% in the half, with customers responding well to the strength of our offer, including a significant step forward in availability year-on-year. We further supported customers by adapting our ranges to offer great menu choice at fantastic prices, and by locking the price on 650 essential products over the peak summer trading period. Our 'On-Trade' club, which launched in May, now offers almost 6,000 licensed customers access to discounted prices on 95 of our most popular products across drinks, snacks and essential food products, supporting them to offset the cost headwinds they currently face. We have a further 45,000 customers registered with our 'Fast Food' and 'Just Eat' clubs, accessing similar, exclusive discounts.

In July, we launched 'Chef Central', which is a new concept, offering multi-site national and regional customers the ability to offer standardised menus through a defined product range, with great value products delivered directly to their doors. We will utilise our existing Booker and Best Food Logistics infrastructure to expand into this new customer segment, delivering true incremental growth.

We sold the Ritter-Courivaud business, which supplied premium caterers, for up-front cash consideration of £15m, in June.

CENTRAL EUROPE – Volumes challenged by sustained high market inflation; local regulatory actions impacting profit:

Like-for-like sales grew by 0.9%, reflecting the impact of government stimulus in Hungary being scaled back and a general volume contraction in the market due to inflationary pressures, which continue to be felt to a greater extent in Central Europe. Inflation eased across the second quarter as commodity prices started to fall, particularly in fresh food categories.

Food sales increased by 1.9% in the first half, as we cut the price of over a thousand products and introduced new, great value promotions through Clubcard Prices. Non-food sales declined by (4.6)%, mainly driven by a reduction in discretionary spending across the market. In response to a customer need for great value family essentials, we launched a new 'Basics' kids and baby clothing range, which is performing well and receiving strong feedback from customers.

Customer NPS improved in all markets, with particularly strong growth in Slovakia and Czech Republic. We are ranked first in all three markets for 'Reward' and our Clubcard digital subscriber base continues to grow, increasing by 25% since the year end, to 2.5 million customers.

Central Europe adjusted operating profit was £46m, a reduction of (41.8)% year-on-year at constant rates, primarily driven by external factors facing our business in Hungary. Consumers in Hungary have experienced significantly higher inflation than those in any of our other markets for a sustained period of time, which is putting downward pressure on volumes. Local regulatory actions, such as price caps and mandatory promotions on everyday grocery products remain in place and impede our ability to recover the impact of currency devaluation, which puts pressure on our input and operating costs.

TESCO BANK - Growth across new and existing customers; special dividend paid to the Group:

	H1 23/24	H1 22/23[1]	YoY change
Revenue	**£702m**	**£603m**	**16.5%**
Adjusted operating profit	**£65m**	**£52m**	**25.0%**
Lending to customers	£7.4bn	£6.7bn	10.0%
Customer deposits	£6.3bn	£5.5bn	14.8%
Net interest margin	4.7%	4.7%	(0.0)ppts
Total capital ratio	20.4%	25.5%	(5.1)ppts

Revenue grew by 16.5%, driven by solid growth in our credit cards business due to higher balances and stronger yields. The insurance business also performed strongly, with high levels of renewals and growth in new business volumes, owing to our competitive pricing.

Tesco Bank adjusted operating profit was £65m, an increase of 25.0% year-on-year, primarily driven by higher income across credits cards and money services. The impact from impairment charges was lower this year due mainly to an improvement in the economic outlook.

Tesco Bank paid a one-off special dividend of £250m to the Group in the first half, reflecting the strength of the Bank's balance sheet and capital ratios. Tesco Bank's ordinary dividend policy is expected to remain unchanged. The total capital ratio at the end of the half was 20.4%, which was (5.1)ppts lower than last year due to the return of excess capital to the Group. The Bank's balance sheet remains strong, and we continue to have sufficient capital and liquidity to absorb changes in both regulatory and funding requirements.

We launched Clubcard Prices in loans and travel money in the first half, giving Clubcard customers access to exclusive rates, with Clubcard penetration now at 67%. Tesco Bank was recognised as both 'Best Car Insurance Provider' and 'Best Home Insurance Provider' at the YourMoney Personal Finance Awards in April and as 'Best Card Provider' at the Moneyfacts Awards in July.

Adjusting items in statutory operating profit:

	H1 23/24 £m	H1 22/23 £m
Net impairment loss on non-current assets	-	(626)
Property transactions	24	81
Amortisation of acquired intangible assets	(37)	(38)
Other*	13	4
Total adjusting items in statutory operating profit	**-**	**(579)**

* Refer to Note 3 for detailed split of adjusting items.

Adjusting items are excluded from our adjusted operating profit performance by virtue of their size and nature to provide a helpful alternative perspective of the year-on-year performance of the Group's ongoing trading business. Net adjusting items in statutory operating profit in the first half were nil, compared to a charge in the prior year of £(579)m.

In the prior year we recognised a £(626)m non-cash net impairment charge on non-current assets, primarily driven by an increase in discount rates last year due to macroeconomic factors. Discount rates have remained largely stable since February, and there was no impairment charge or release in the first half.

Property transactions of £24m relate to £8m of properties sold in the period and a £16m gain arising from the remeasurement of assets held for sale, subsequently reclassified to property, plant and equipment (as detailed in Note 3 on page 29). In the prior year we recognised an adjusting credit of £81m related to the profit generated on the disposal of 17 mall properties and a retail park in Central Europe and associated store sale and leasebacks.

Amortisation of acquired intangible assets is excluded from our headline performance measures. We incurred a charge of £(37)m in the first half, which primarily relates to the intangible assets that were recognised as a result of our merger with Booker in March 2018.

Further detail on adjusting items can be found in Note 3, starting on page 29.

Net finance costs:

	H1 23/24 £m	H1 22/23[1] £m
Interest on medium term notes, loans and bonds	(160)	(105)
Net other interest receivable	60	4
Net finance expenses from insurance contracts	(4)	(2)
Finance charges payable on lease liabilities	(183)	(189)
Net finance costs before adjusting items	**(287)**	**(292)**
Fair value remeasurements of financial instruments	28	(75)
Net pension finance income / (costs)	(10)	40
Net finance costs	**(269)**	**(327)**

Net finance costs before adjusting items were £(287)m, £5m lower year-on-year as the impact of higher interest income on cash, short-term deposits and money market funds offset higher net interest on debt. Net interest on medium term notes, loans and bonds was up £(55)m driven by the impact of new debt issuance at the start of the year (ahead of an existing debt maturity in October 2023) and higher floating rates of interest. Finance charges payable on lease liabilities totalled £(183)m, a reduction of £6m year-on-year, as lease renewals and rent reviews were offset by the reducing nature of our total lease liability.

Within adjusting items, fair value remeasurements of financial instruments led to an income of £28m compared to costs of £(75)m in the prior year, largely driven by non-cash mark-to-market gains on index-linked swaps and other derivatives. The index-linked swaps eliminate the impact of future inflation on the Group's cash flow in relation to historical sale and leaseback property transactions. This was partially offset by net pension finance costs of £(10)m compared to income of £40m in the prior year, due to the change in balance sheet position of the IAS 19 pension deficit at year end, compared to an opening surplus in the prior year.

Further detail on finance income and costs can be found in Note 4 on page 30, as well as further detail on the adjusting items in Note 3 on page 29.

Group tax:

	H1 23/24 £m	H1 22/23[1] £m
Tax on adjusted profit	(311)	(211)
Tax on adjusting items	23	67
Tax on profit	**(288)**	**(144)**

Tax on adjusted Group profit was £(311)m, £(100)m higher than last year, reflecting an increase in the UK corporation tax rate from 19% to 25%, effective from 1 April 2023, and higher levels of retail operating profit year-on-year. The £23m credit in tax on adjusting items relates to the release of a tax provision, following a settlement relating to our exit from the Gainland associate in China in FY20. The £67m adjusting items credit in the prior year predominately related to a taxable deduction on the higher impairment charge.

Our effective tax rate on adjusted Group profit was 25.9% in the half, which is higher than the current UK statutory rate, primarily due to the depreciation of assets which do not quality for tax relief. We expect our effective tax rate to be around 26% in the current year.

Earnings per share:

	H1 23/24	H1 22/23[1]	YoY change
Adjusted diluted EPS	12.26p	10.50p	16.8%
Statutory diluted EPS	12.83p	3.27p	292.4%
Statutory basic EPS	12.93p	3.30p	291.8%

Adjusted diluted EPS was 12.26p, 16.8% higher year-on-year due to an increase in retail operating profit and the ongoing benefit of our share buyback programme, partially offset by a higher tax charge as a result of the increase in the UK corporation tax rate.

Statutory diluted earnings per share was 12.83p, an increase of 292.4% year-on-year, primarily due to a significant reduction in adjusting items driven by the £(626)m impairment charge on non-current assets in the prior year.

Dividend:

The interim dividend has been set at 3.85 pence per ordinary share, in line with our policy of setting the interim dividend at 35% of the prior full-year dividend.

The interim dividend will be paid on 24 November 2023 to shareholders who are on the register of members at close of business on 13 October 2023 (the Record Date). Shareholders may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 3 November 2023.

Summary of total indebtedness (excludes Tesco Bank):

	Aug-23 £m	Feb-23 £m	Movement £m
Net debt before lease liabilities	(2,200)	(2,775)	575
Lease liabilities	(7,688)	(7,718)	30
Net debt	**(9,888)**	**(10,493)**	**605**
Pension deficit, IAS 19 basis (post-tax)	(150)	(300)	150
Total indebtedness	**(10,038)**	**(10,793)**	**755**
Net debt / EBITDA ratio	**2.3x**	**2.6x**	
Total indebtedness ratio	**2.4x**	**2.7x**	

Net debt was £(9,888)m, a reduction of £605m versus year end, predominately driven by strong retail free cash flow of £1,368m and the receipt of a £250m special dividend from Tesco Bank, which more than offset the cash outflows relating to our ongoing share buyback programme of £(503)m and last year's final dividend of £(509)m. Lease liabilities were down £30m versus year end, with the impact of lease renewals and rent reviews in the half offset by the reducing nature of our overall lease liability.

Total indebtedness was £(10,038)m, a reduction of £755m versus year end. We continue to carry an IAS 19 pension deficit, totalling £(150)m (post-tax), which includes £(37)m relating to the main scheme and £(113)m relating to other Group pension schemes. The reduction in the main scheme deficit since the year end was driven by movements in discount rates and gilt yields. This accounting deficit does not drive contributions to the pension schemes and can be volatile. Based on the triennial valuation in March 2022, it was agreed with the Trustees that no pension deficit contributions are expected to be required ahead of the next triennial valuation in 2025. The scheme remained in a funding surplus as at 26 August 2023.

We had strong levels of liquidity at the end of the first half of £3.8bn and our £2.5bn committed facility remained undrawn. Our committed facility is in place until at least November 2025, with two remaining one-year extension options available.

Our net debt to EBITDA ratio was 2.3 times at the end of the first half, down from 2.6 times at year end and within our targeted range of 2.8 to 2.3 times. The year-on-year reduction was driven by an increase in retail EBITDA and a decrease in net debt before lease liabilities. The total indebtedness ratio was 2.4 times, compared to 2.7 times at year end.

Fixed charge cover was 3.6 times at the end of the first half, which has improved since the year end, primarily due to an increase in retail EBITDA.

Summary retail free cash flow:

The following table reconciles Group adjusted operating profit to retail free cash flow. Further details are included in Note 2 starting on page 23.

	H1 23/24 £m	H1 22/23[1] £m
Adjusted operating profit	**1,482**	**1,300**
Less: Tesco Bank adjusted operating (profit) / loss	(65)	(52)
Retail adjusted operating profit	**1,417**	**1,248**
Add back: Depreciation and amortisation	790	784
Other reconciling items	18	10
Pension deficit contribution	(13)	(12)
Decrease in working capital	368	390
Retail cash generated from operations before adjusting items	**2,580**	**2,420**
Cash capex	(595)	(507)
Net interest	(273)	(294)
- Interest related to net debt before lease liabilities	*(91)*	*(106)*
- Interest related to lease liabilities	*(182)*	*(188)*
Tax paid	(38)	(45)
Dividends received	6	5
Repayments of obligations under leases	(306)	(292)
Own shares purchased for share schemes	(6)	(4)
Retail free cash flow	**1,368**	**1,283**
Memo (not included in Retail free cash flow):		
- Special dividend received from Tesco Bank	250	-
- Net acquisitions and disposals	7	(77)
- Property buybacks, store purchases, and disposal proceeds	(3)	301
- Cash impact of adjusting items	(87)	(31)

Strong retail free cash flow of £1,368m was £85m higher than last year, driven by higher retail adjusted operating profit, which was partially offset by higher cash capex spend.

The working capital inflow of £368m reflects the strong sales performance in the half, leading to higher trade balances.

Interest paid related to net debt before lease liabilities of £(91)m was £15m lower year-on-year, driven by higher levels of interest received on short-term cash deposits. Interest relating to lease liabilities was £(182)m, down £6m year-on-year, primarily due to a reduction in our overall lease liability.

Within the memo lines shown, a £(304)m reduction from proceeds from property transactions year-on-year is driven by disposals in the prior year, including 17 malls and one retail park in Central Europe, excess land surrounding our New Malden store, and our Distribution Centre in Middlewich in the UK. Within the half there was no cash impact from store purchases.

The cash impact of adjusting items was £(87)m, driven by operational restructuring changes as part of the multi-year 'Save to Invest' programme. This relates to activity announced at the end of the prior financial year.

Capital expenditure and space:

	UK & ROI		Central Europe		Tesco Bank		Group	
	H1 23/24	H1 22/23	H1 23/24	H1 22/23	H1 23/24	H1 22/23	H1 23/24	H1 22/23
Capex	**£465m**	**£389m**	**£43m**	**£36m**	**£15m**	**£23m**	**£523m**	**£448m**
Openings (k sq ft)	81	243	49	16	-	-	130	259
Closures (k sq ft)	(117)	(229)	(14)	(22)	-	-	(131)	(251)
Repurposed (k sq ft)	-	10	(149)	(259)	-	-	(149)	(249)
Net space change (k sq ft)	**(36)**	**24**	**(114)**	**(265)**	**-**	**-**	**(150)**	**(241)**

'Retail Selling Space' is defined as net space in store adjusted to exclude checkouts, space behind checkouts, customer service desks and customer toilets. The data above excludes space relating to franchise stores. A full breakdown of space by segment is included in the appendices starting on page 53.

Capital expenditure (capex) shown in the table above reflects expenditure on ongoing business activities across the Group, excluding property buybacks.

Our capital expenditure in the first half was £523m, £75m higher year-on-year, reflecting a flatter profile of capital investment across the year which brings more spend into the first half, and an increase in spend on our store refresh programme, dotcom vehicles and the expansion of Booker's distribution capacity.

We continue to invest in our store opening programmes, with sixteen Tesco Express stores and eleven One Stop stores opened in the first half in the UK & ROI. We also opened two UFCs within the half and since the end of the half, we have opened our ninth UFC. We expect to open a further two Superstores, c.40 Tesco Express stores and c.25 One Stop stores in the UK in the second half of the year. In Ireland, we opened one superstore, in Adamstown and we will open a further eight Tesco Express stores in the second half.

In Central Europe, we opened five new stores and refreshed twenty-two of our stores this year.

We now expect full year capital expenditure of c.£1.3bn, a small increase year-on-year principally driven by the pace of our refresh programme, a small number of additional openings and investment in our digital platform.

Statutory capital expenditure for the first half was £0.6bn.

Further details of current and forecast space can be found in the appendices starting on page 53.

Contacts.

Investor Relations:	Chris Griffith	01707 940 900
Media:	Christine Heffernan	0330 6780 639
	Teneo	0207 4203 143

This document is available at www.tescoplc.com/interims2023.

A webcast including a live Q&A will be held today at 9.00am for investors and analysts and will be available on our website at www.tescoplc.com/interims2023. This will be available for playback after the event. All presentation materials, including a transcript, will be made available on our website.

We will report our Q3 & Christmas Trading statement on 11 January 2024.

Information contained within this announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014, including as applied in the UK. The person responsible for arranging the release of this announcement on behalf of Tesco PLC is Robert Welch, Company Secretary.

Sources:

- UK Price index is an internal measure calculated using the retail selling price of each item on a per unit or unit of measure basis. Competitor retail selling prices are collected weekly by a third party. The price index includes price cut promotions and is weighted by sales to reflect customer importance. Full-line grocers consists of Tesco, Sainsbury's, Asda and Morrisons.
- c.£390 of savings for Clubcard: c.£390 saving is based on the top 25% of Tesco Clubcard members and large stores sales between 29/08/22 and 27/08/23. Tesco Clubcard Price savings versus regular Tesco price.
- Premium retailer gains refers to Kantar net switching gains from Waitrose & M&S on 12 week rolling basis to 3 September 2023.
- UK market share based on Kantar Total Grocers Total Till Roll on 12 week rolling basis to 3 September 2023.
- ROI market share based on Kantar Total Till Roll on 12 week rolling basis to 3 September 2023.
- Availability based on Multi channel tracker. 3 period rolling data. Responses to question: "Had any products that you wanted to buy sold out?"
- Brand NPS is based on BASIS Global Brand Tracker. 3 period rolling data. Responses to the question: "How likely is it that you would recommend the following company to a friend or colleague as a place to shop?"
- 65% healthy volume sales by 2025: Tesco tracks the healthiness of its products and ranges using the UK Government's nutrient profiling model.
- UK online market share based on Kantar Total Grocery online channel on 12 week rolling basis to 3 September 2023.
- Online switching gains based on Kantar net switching gains from: Asda online, Sainsbury's online, Ocado, Morrisons online and Amazon, on 12 week rolling basis to 3 September 2023.
- Number of Booker retail partners and Premier stores shown net of openings and closures.
- UK Clothing market share based on Global Data store-based retailer read on 13-week basis to 27 August 2023.

Additional Disclosures.

Principal Risks and Uncertainties.

The principal risks and uncertainties faced by the Group remain those as set out on page 38 to 45 of our Annual Report and Financial Statement 2023: cyber security; data privacy; pandemics; climate change; technology; political, regulatory and compliance; people; health and safety; product safety and food integrity; responsible sourcing; financial performance; Tesco Bank; competitions and markets; customer; and security of supply. There are no further significant changes to our Principal Risks, currently being expected for the remaining six months of the year.

Statement of Directors' Responsibilities.

The Directors are responsible for preparing the Interim Results for the 26 week period ended 26 August 2023 in accordance with applicable law, regulations and accounting standards. Each of the Directors confirm that to the best of their knowledge the condensed consolidated interim financial statements have been prepared in accordance with IAS 34: 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a true and fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of the important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remainder of the financial year; and
- material related party transactions in the first 26 weeks of the year and any material changes in the related party transactions described in the last annual report.

The Directors of Tesco PLC are listed on pages 51 to 54 of the Tesco PLC Annual Report and Financial Statements 2023, with the exception of Gerry Murphy and Dame Carolyn Fairbairn who both joined the Board on 1 September 2023.

A list of current directors is maintained on the Tesco PLC website at: www.tescoplc.com.

By order of the Board Directors

Gerry Murphy - Non-executive Chairman

Ken Murphy – Group Chief Executive

Imran Nawaz – Chief Financial Officer

Melissa Bethell*

Bertrand Bodson*

Dame Carolyn Fairbairn*

Thierry Garnier*

Stewart Gilliland*

Byron Grote*

Alison Platt*

Caroline Silver*

Karen Whitworth*

*Independent Non-executive Directors

3 October 2023

Disclaimer.

Certain statements made in this document are forward-looking statements. For example, statements regarding future financial performance, market trends and our product pipeline are forward-looking statements. Phrases such as “aim”, “plan”, “intend”, “should”, “anticipate”, “well-placed”, “believe”, “estimate”, “expect”, “target”, “consider” and similar expressions are generally intended to identify forward-looking statements. Forward looking statements are based on current expectations and assumptions and are subject to a number of known and unknown risks, uncertainties and other important factors that could cause actual results or events to differ materially from what is expressed or implied by those statements. Many factors may cause actual results, performance or achievements of Tesco to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of Tesco to differ materially from the expectations of Tesco include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy, political and economic uncertainty, including as a result of global pandemics. As such, undue reliance should not be placed on forward-looking statements. Any forward-looking statement is based on information available to Tesco as of the date of the statement. All written or oral forward-looking statements attributable to Tesco are qualified by this caution. Other than in accordance with legal and regulatory obligations, Tesco undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Group income statement

	Notes	26 weeks ended 26 August 2023*			26 weeks ended 27 August 2022 (restated*)		
		Before adjusting items £m	Adjusting items (Note 3) £m	Total £m	Before adjusting items £m	Adjusting items (Note 3) £m	Total £m
Continuing operations							
Retail revenue		33,447	–	33,447	31,916	–	31,916
Tesco Bank interest and similar income		479	–	479	376	–	376
Insurance revenue		223	–	223	227	–	227
Revenue	2	**34,149**	**–**	**34,149**	**32,519**	**–**	**32,519**
Cost of sales		(31,327)	5	(31,322)	(30,000)	(577)	(30,577)
Insurance service expenses		(206)	–	(206)	(204)	–	(204)
Net expenses from reinsurance contracts held		(27)	–	(27)	(32)	–	(32)
Impairment loss on financial assets	2	(34)	–	(34)	(42)	–	(42)
Gross profit/(loss)		**2,555**	**5**	**2,560**	**2,241**	**(577)**	**1,664**
Administrative expenses		(1,073)	(5)	(1,078)	(941)	(2)	(943)
Operating profit/(loss)		**1,482**	–	**1,482**	**1,300**	**(579)**	**721**
Share of post-tax profits of joint ventures and associates		4	–	4	2	–	2
Finance income	4	131	–	131	19	–	19
Finance costs	4	(418)	18	(400)	(311)	(35)	(346)
Profit/(loss) before tax		**1,199**	**18**	**1,217**	**1,010**	**(614)**	**396**
Taxation	5	(311)	23	(288)	(211)	67	(144)
Profit/(loss) for the period from continuing operations		**888**	**41**	**929**	**799**	**(547)**	**252**
Discontinued operations							
Profit/(loss) for the period from discontinued operations		–	–	–	–	(7)	(7)
Profit/(loss) for the period		**888**	**41**	**929**	**799**	**(554)**	**245**
Attributable to:							
Owners of the parent		886	41	927	794	(554)	240
Non-controlling interests		2	–	2	5	–	5
		888	**41**	**929**	**799**	**(554)**	**245**
Earnings per share from continuing and discontinued operations							
Basic	8			12.93p			3.21p
Diluted	8			12.83p			3.18p
Earnings per share from continuing operations							
Basic	8			12.93p			3.30p
Diluted	8			12.83p			3.27p

* Following the Group's adoption of IFRS 17 the income statement has been re-presented, and comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

The notes on pages 21 to 45 form part of this condensed consolidated financial information.

Group statement of comprehensive income/(loss)

	Notes	26 weeks ended 26 August 2023 £m	26 weeks ended 27 August 2022 (restated*) £m
Items that will not be reclassified to the Group income statement			
Change in fair value of financial assets at fair value through other comprehensive income		(1)	6
Remeasurements of defined benefit pension schemes	16	213	(2,070)
Net fair value gains/(losses) on inventory cash flow hedges		(15)	45
Tax on items that will not be reclassified		(49)	772
		148	**(1,247)**
Items that may subsequently be reclassified to the Group income statement			
Change in fair value of financial assets at fair value through other comprehensive income		(5)	(38)
Currency translation differences:			
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		(73)	(24)
Gains/(losses) on cash flow hedges:			
Net fair value gains/(losses)		16	23
Reclassified and reported in the Group income statement		(25)	(8)
Finance income/(expenses) from insurance contracts issued		4	36
Finance income/(expenses) from reinsurance contracts held		(2)	(17)
Tax on items that may be reclassified		(8)	1
		(93)	**(27)**
Total other comprehensive income/(loss) for the period		**55**	**(1,274)**
Profit/(loss) for the period		929	245
Total comprehensive income/(loss) for the period		**984**	**(1,029)**
Attributable to:			
Owners of the parent		980	(1,034)
Non-controlling interests		4	5
Total comprehensive income/(loss) for the period		**984**	**(1,029)**
Total comprehensive income/(loss) attributable to owners of the parent arising from:			
Continuing operations		980	(1,027)
Discontinued operations		–	(7)
		980	**(1,034)**

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

The notes on pages 21 to 45 form part of this condensed consolidated financial information.

Group balance sheet

	Notes	26 August 2023 £m	25 February 2023 (restated*) £m	27 August 2022 (restated*) £m
Non-current assets				
Goodwill and other intangible assets		5,367	5,375	5,364
Property, plant and equipment	9	16,790	16,862	16,388
Right of use assets	10	5,522	5,500	5,609
Investment property		25	24	21
Investments in joint ventures and associates		97	93	90
Other investments		1,360	1,339	1,282
Trade and other receivables		68	79	202
Loans and advances to customers		3,362	3,029	2,994
Reinsurance contract assets	19	110	135	142
Derivative financial instruments		851	873	1,001
Post-employment benefit surpluses	16	22	6	1,070
Deferred tax assets		76	84	89
		33,650	**33,399**	**34,252**
Current assets				
Other investments		325	353	169
Inventories		2,856	2,510	2,584
Trade and other receivables		1,283	1,240	1,315
Loans and advances to customers		4,060	3,948	3,755
Derivative financial instruments		71	57	159
Current tax assets		16	63	111
Short-term investments	12	2,692	1,628	2,256
Cash and cash equivalents	12	2,526	2,465	2,435
		13,829	**12,264**	**12,784**
Assets of the disposal group and non-current assets classified as held for sale	6	141	210	277
		13,970	**12,474**	**13,061**
Current liabilities				
Trade and other payables		(10,591)	(9,779)	(9,789)
Borrowings	14	(2,017)	(1,770)	(1,055)
Lease liabilities	10	(593)	(595)	(591)
Insurance contract liabilities	19	(498)	(489)	(507)
Customer deposits and deposits from banks		(4,860)	(4,485)	(4,576)
Derivative financial instruments		(64)	(99)	(28)
Current tax liabilities		(57)	(18)	(27)
Provisions		(278)	(366)	(235)
		(18,958)	**(17,601)**	**(16,808)**
Liabilities of the disposal group classified as held for sale	6	–	(14)	(14)
Net current liabilities		**(4,988)**	**(5,141)**	**(3,761)**
Non-current liabilities				
Trade and other payables		(67)	(54)	(78)
Borrowings	14	(5,911)	(5,581)	(6,523)
Lease liabilities	10	(7,116)	(7,132)	(7,408)
Customer deposits and deposits from banks		(2,465)	(2,265)	(1,893)
Derivative financial instruments		(329)	(288)	(267)
Post-employment benefit deficits	16	(200)	(400)	(242)
Deferred tax liabilities		(322)	(119)	(229)
Provisions		(195)	(194)	(185)
		(16,605)	**(16,033)**	**(16,825)**
Net assets		**12,057**	**12,225**	**13,666**
Equity				
Share capital	17	451	463	474
Share premium		5,165	5,165	5,165
Other reserves	17	3,018	3,139	3,220
Retained earnings		3,430	3,469	4,818
Equity attributable to owners of the parent		**12,064**	**12,236**	**13,677**
Non-controlling interests		(7)	(11)	(11)
Total equity		**12,057**	**12,225**	**13,666**

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

The notes on pages 21 to 45 form part of this condensed consolidated financial information.

These unaudited condensed consolidated interim financial statements for the 26 weeks ended 26 August 2023 were approved by the Board on 3 October 2023.

Group statement of changes in equity

	Share capital £m	Share premium £m	Other reserves (Note 17) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 25 February 2023 (as previously reported)	**463**	**5,165**	**3,123**	**3,490**	**12,241**	**(11)**	**12,230**
Cumulative adjustment on initial application of IFRS 17 (net of tax)	–	–	16	(21)	(5)	–	(5)
At 25 February 2023 (restated*)	**463**	**5,165**	**3,139**	**3,469**	**12,236**	**(11)**	**12,225**
Profit/(loss) for the period	**–**	**–**	**–**	**927**	**927**	**2**	**929**
Other comprehensive income/(loss)							
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	(73)	–	(73)	–	(73)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(6)	(6)	–	(6)
Remeasurements of defined benefit pension schemes (Note 16)	–	–	–	213	213	–	213
Gains/(losses) on cash flow hedges	–	–	(1)	–	(1)	2	1
Cash flow hedges reclassified and reported in the Group income statement	–	–	(25)	–	(25)	–	(25)
Finance income/(expenses) from insurance contracts issued	–	–	4	–	4	–	4
Finance income/(expenses) from reinsurance contracts held	–	–	(2)	–	(2)	–	(2)
Tax relating to components of other comprehensive income	–	–	(8)	(49)	(57)	–	(57)
Total other comprehensive income/(loss)	**–**	**–**	**(105)**	**158**	**53**	**2**	**55**
Total comprehensive income/(loss)	**–**	**–**	**(105)**	**1,085**	**980**	**4**	**984**
Transfer from hedging reserve to retained earnings	–	–	44	(44)	–	–	–
Inventory cash flow hedge movements							
(Gains)/losses transferred to the cost of inventory	–	–	47	–	47	–	47
Total inventory cash flow hedge movements	**–**	**–**	**47**	**–**	**47**	**–**	**47**
Transactions with owners							
Own shares purchased for cancellation (Note 17)	–	–	(752)	–	(752)	–	(752)
Own shares cancelled (Note 17)	(12)	–	515	(503)	–	–	–
Own shares purchased for share schemes	–	–	(47)	–	(47)	–	(47)
Share-based payments	–	–	177	(67)	110	–	110
Dividends (Note 7)	–	–	–	(510)	(510)	–	(510)
Total transactions with owners	**(12)**	**–**	**(107)**	**(1,080)**	**(1,199)**	**–**	**(1,199)**
At 26 August 2023	**451**	**5,165**	**3,018**	**3,430**	**12,064**	**(7)**	**12,057**

	Share capital £m	Share premium £m	Other reserves (Note 17) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 26 February 2022 (as previously reported)	**484**	**5,165**	**3,079**	**6,932**	**15,660**	**(16)**	**15,644**
Cumulative adjustment on initial application of IFRS 17 (net of tax)	–	–	1	(13)	(12)	–	(12)
At 26 February 2022 (restated*)	**484**	**5,165**	**3,080**	**6,919**	**15,648**	**(16)**	**15,632**
Profit/(loss) for the period*	**–**	**–**	**–**	**240**	**240**	**5**	**245**
Other comprehensive income/(loss)							
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	(24)	–	(24)	–	(24)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(32)	(32)	–	(32)
Remeasurements of defined benefit pension schemes (Note 16)	–	–	–	(2,070)	(2,070)	–	(2,070)
Gains/(losses) on cash flow hedges	–	–	68	–	68	–	68
Cash flow hedges reclassified and reported in the Group income statement	–	–	(8)	–	(8)	–	(8)
Finance income/(expenses) from insurance contracts issued*	–	–	36	–	36	–	36
Finance income/(expenses) from reinsurance contracts held*	–	–	(17)	–	(17)	–	(17)
Tax relating to components of other comprehensive income	–	–	(22)	795	773	–	773
Total other comprehensive income/(loss)	**–**	**–**	**33**	**(1,307)**	**(1,274)**	**–**	**(1,274)**
Total comprehensive income/(loss)	**–**	**–**	**33**	**(1,067)**	**(1,034)**	**5**	**(1,029)**
Inventory cash flow hedge movements							
(Gains)/losses transferred to the cost of inventory	–	–	34	–	34	–	34
Total inventory cash flow hedge movements	**–**	**–**	**34**	**–**	**34**	**–**	**34**
Transactions with owners							
Own shares purchased for cancellation (Note 17)	–	–	(451)	–	(451)	–	(451)
Own shares cancelled (Note 17)	(10)	–	421	(411)	–	–	–
Own shares purchased for share schemes	–	–	(48)	–	(48)	–	(48)
Share-based payments	–	–	151	(45)	106	–	106
Dividends (Note 7)	–	–	–	(578)	(578)	–	(578)
Total transactions with owners	**(10)**	**–**	**73**	**(1,034)**	**(971)**	**–**	**(971)**
At 27 August 2022	**474**	**5,165**	**3,220**	**4,818**	**13,677**	**(11)**	**13,666**

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

The notes on pages 21 to 45 form part of this condensed consolidated financial information.

Group cash flow statement

	Notes	26 weeks ended 26 August 2023 £m	26 weeks ended 27 August 2022 (restated*) £m
Cash flows generated from/(used in) operating activities			
Operating profit/(loss) of continuing operations		**1,482**	**721**
Operating profit/(loss) of discontinued operations		**–**	**(7)**
Depreciation and amortisation		850	849
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets classified as held for sale and early termination of leases		2	(74)
(Profit)/loss arising on sale of subsidiaries		(12)	–
Net impairment loss on property, plant and equipment, right of use assets, intangible assets and investment property	11	–	626
Net remeasurement (gain)/loss of non-current assets held for sale		(16)	8
Defined benefit pension scheme payments	16	(13)	(12)
Share-based payments		13	13
Tesco Bank fair value movements included in operating profit		38	37
Retail (increase)/decrease in inventories		(364)	(244)
Retail (increase)/decrease in trade and other receivables		(39)	(183)
Retail increase/(decrease) in trade and other payables		764	821
Retail increase/(decrease) in provisions		(81)	(51)
Retail (increase)/decrease in working capital		280	343
Tesco Bank (increase)/decrease in loans and advances to customers		(480)	(445)
Tesco Bank (increase)/decrease in trade, reinsurance and other receivables		26	71
Tesco Bank increase/(decrease) in customer and bank deposits, trade, insurance and other payables		583	58
Tesco Bank increase/(decrease) in provisions		(2)	1
Tesco Bank (increase)/decrease in working capital		127	(315)
Cash generated from/(used in) operations		**2,751**	**2,189**
Interest paid		(394)	(309)
Corporation tax paid		(45)	(55)
Net cash generated from/(used in) operating activities		**2,312**	**1,825**
Cash flows generated from/(used in) investing activities			
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale		34	301
Purchase of property, plant and equipment, investment property and other long-term assets		(499)	(399)
Purchase of intangible assets		(138)	(134)
Disposal of subsidiaries, net of cash disposed		15	–
Acquisition of subsidiaries, net of cash acquired		–	(71)
Increase in loans to joint ventures and associates		–	(1)
Investments in joint ventures and associates		(5)	(6)
Net (investments in)/proceeds from sale of short-term investments		(1,076)	(179)
Proceeds from sale of other investments		83	148
Purchase of other investments		(87)	(183)
Dividends received from joint ventures and associates		6	5
Interest received		114	12
Cash inflows from derivative financial instruments		3	–
Cash outflows from derivative financial instruments		(15)	–
Net cash generated from/(used in) investing activities		**(1,565)**	**(507)**
Cash flows generated from/(used in) financing activities			
Own shares purchased for cancellation	17	(503)	(409)
Own shares purchased for share schemes		(6)	(4)
Repayment of capital element of obligations under leases		(308)	(294)
Cash outflows exceeding the incremental increase in assets in a property buyback		(15)	–
Increase in borrowings		982	–
Repayment of borrowings		(97)	(29)
Cash inflows from derivative financial instruments		68	79
Cash outflows from derivative financial instruments		(66)	(274)
Dividends paid to equity owners	7	(509)	(579)
Net cash generated from/(used in) financing activities		**(454)**	**(1,510)**
Net increase/(decrease) in cash and cash equivalents		**293**	**(192)**
Cash and cash equivalents at the beginning of the period		1,565	1,771
Effect of foreign exchange rate changes		(9)	5
Cash and cash equivalents at the end of the period	12	**1,849**	**1,584**

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

The notes on pages 21 to 45 form part of this condensed consolidated financial information.

Note 1 Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority, and with IAS 34 'Interim Financial Reporting' under UK-adopted international accounting standards. Unless otherwise stated, the accounting policies applied, and the judgements, estimates and assumptions made in applying these policies, are consistent with those used in preparing the Annual Report and Financial Statements 2023. The financial period represents the 26 weeks ended 26 August 2023 (prior financial period 26 weeks ended 27 August 2022, prior financial year 52 weeks ended 25 February 2023).

These condensed consolidated interim financial statements for the current period and prior financial periods do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the prior financial year has been filed with the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The Directors have, at the time of approving the condensed consolidated interim financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, which reflects a period of 18 months from the date of approval of the condensed consolidated interim financial statements, and have concluded that there are no material uncertainties relating to going concern. The Directors have therefore continued to adopt the going concern basis in preparing the condensed consolidated interim financial statements. Further information on the Group's strong liquidity position is given in the Group review of performance, Summary of total indebtedness section.

Adoption of new IFRSs

IFRS 17 'Insurance contracts' is effective for the accounting period commencing 26 February 2023. IFRS 17 has been applied fully retrospectively and comparatives for prior periods have been restated from a transition date of 27 February 2022. Refer to Note 20 for further details.

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

The Group has not applied any other standards, interpretations or amendments that have been issued but are not yet effective. The impact of the following is still under assessment:

- IFRS 16 amendments 'Lease liability in a sale and leaseback', which will become effective in the Group financial statements for the financial year ending 22 February 2025.

Other standards, interpretations and amendments issued but not yet effective are not expected to have a material impact.

Accounting policies

Insurance

Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. These contracts remain insurance contracts until all rights and obligations are extinguished or expire. Insurance contracts may also transfer some financial risk.

Level of aggregation

The level of aggregation for the Group is determined firstly by dividing the business written into motor and home portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. At initial recognition the Group assesses whether the motor and home portfolios are divided further into groups of contracts that are onerous, have no significant possibility of becoming onerous, or are neither.

In determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e. the lowest common denominator. No group for level of aggregation purposes shall contain contracts issued more than one year apart.

The Group divides portfolios of reinsurance contracts held applying the same principles.

Insurance contracts issued

Insurance contract liabilities include both a liability for incurred claims (LIC), which represents outstanding claims and incurred but not reported claims and other incurred insurance expenses; and a liability for remaining coverage (LRC), which represents the Group's obligation for insured events related to the unexpired portion of the coverage period. The LRC is measured either using the general model or a simplified premium allocation approach (PAA).

The Group applies the PAA to all insurance contracts issued since the acquisition of Tesco Underwriting (TU) in May 2021. The Group qualifies to use this approach as the coverage period of each contract in the group is one year or less. There is no allowance for the time value of money as the premiums are due within one year of the coverage period.

The Group applies the general model to all issued insurance contracts acquired on the acquisition of TU, as the settlement of these claims and their associated insurance risk will spread over multiple years. The Group has recognised an acquired claims liability as part of the LRC, which is measured at the probability-weighted average of discounted cash flows plus a risk adjustment for non-financial risk, plus any contractual service margin (CSM) if the fulfilment cash flows result in a net inflow. If the fulfilment cash flows result in a net outflow, an onerous loss is recognised in the Group income statement. The risk adjustment reflects the compensation that the Group requires for bearing uncertainty in respect of the amount and timing of the cash flows from non-financial risk, whilst the CSM represents the unearned profit in the contracts relating to services that will be provided under the contracts in the future.

Commission payable to agents and other acquisition costs, which are incurred for acquiring new and renewal insurance business that is primarily related to the production of that business, are deferred and presented as part of the LRC. Such deferred acquisition costs are amortised over the period of insurance contract services on the basis of the passage of time.

The carrying amount of the LRC measured under the general model is updated at the end of each reporting period to reflect current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables.

The Group estimates the LIC as the discounted value of expected fulfilment cash flows related to incurred claims and other incurred insurance expenses, plus an explicit adjustment for non-financial risk. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available about the amount, timing and uncertainty of those future cash flows. Estimates of the present value of future cash flows are adjusted for events which have occurred since actuarial valuation.

Future cash flows are assessed by reviewing individual claims data and making an allowance for claims incurred but not yet reported, adjusted for the effect on the claims incurred of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, substantively enacted legislative changes and past experience and trends.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance ceded includes quota share, excess of loss and adverse development cover contracts. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts.

Reinsurance assets include balances due from reinsurance companies for reinsurance claims. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy.

The Group applies the PAA to all reinsurance contracts that it holds, except for contracts held prior to the acquisition of TU. The PAA is applicable for all reinsurance contracts purchased since the acquisition of TU as the contracts either qualify automatically in having a coverage period of one year or less, or because there is no material difference in their measurement between the PAA and the general model.

Modification and derecognition of insurance and reinsurance contracts

The Group derecognises insurance and reinsurance contracts when the rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired). When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant LRC or asset for remaining coverage.

Presentation of insurance contracts issued and reinsurance contracts held

The Group classifies all insurance contract liabilities as current as it does not have the right to defer settlement beyond 12 months after the reporting date. The Group classifies its reinsurance portfolio as non-current as it does not reasonably expect to realise its reinsurance assets within 12 months of the reporting date.

Insurance revenue

The insurance revenue recognised is the amount of expected premium receipts allocated to the period. For insurance contracts issued after the acquisition of TU in May 2021, the Group allocates the expected premium receipts to each period of insurance contract services based on the passage of time.

The insurance revenue recognised for insurance contracts acquired as part of the acquisition of TU comprises:

- Claims costs incurred in the period measured at the amounts expected at the beginning of the period;
- Changes in the risk adjustment for non-financial risk; and
- The amount of the CSM recognised for services provided in the period.

Insurance service expenses

Insurance service expenses include total claims cost for the period, as well as all directly attributable insurance expenses. There are no acquisition costs for acquired claims. Insurance acquisition cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts are allocated to insurance service expenses based on the passage of time.

Net income or expenses from reinsurance contracts held

The Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued. The Group presents the income or expenses from a group of reinsurance contracts held as a single amount.

Insurance finance income and expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money, financial risk and changes in financial risk.

The impact of changes in market interest rates on the carrying value of insurance assets and liabilities is reflected in the Group statement of other comprehensive income in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Group's financial assets backing both the motor and home insurance portfolios are predominantly measured at fair value through other comprehensive income.

The amount of insurance finance income or expenses recognised in the Group income statement is calculated using the discount rate curve determined at the date of the incurred claim.

Alternative performance measures (APMs)

In the reporting of financial information, the Directors have adopted various APMs. Refer to the Glossary for a full list of the Group's APMs, including comprehensive definitions, their purpose, reconciliations to IFRS measures and details of any changes to APMs.

Note 2 Segmental reporting

The Group's operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group Chief Executive, with support from the Executive Committee, as the function primarily responsible for the allocation of resources to segments and assessment of performance of the segments.

The principal activities of the Group are presented in the following segments:

- Retailing and associated activities (Retail) in:
  - UK & ROI – the United Kingdom and Republic of Ireland; and
  - Central Europe – Czech Republic, Hungary and Slovakia.
- Retail banking and insurance services through Tesco Bank in the UK (Tesco Bank).

This presentation reflects how the Group's operating performance is reviewed internally by management.

The CODM uses adjusted operating profit, as reviewed at monthly Executive Committee meetings, as the key measure of the segments' results as it reflects the segments' trading performance that aids comparability over time for the financial year under evaluation. Adjusted operating profit is a consistent measure within the Group as defined within the Glossary. Refer to Note 3 for adjusting items. Inter-segment revenue between the segments is not material.

Income statement

The segment results and the reconciliation of the segment measures to the respective statutory items included in the Group income statement are as follows:

26 weeks ended 26 August 2023 At constant exchange rates	UK & ROI £m	Central Europe £m	Total Retail at constant exchange £m	Tesco Bank £m	Total at constant exchange £m	Foreign exchange £m	Total at actual exchange £m
Continuing operations							
Revenue	31,213	2,141	33,354	702	34,056	93	34,149
Less: Fuel sales	(3,313)	(85)	(3,398)	–	(3,398)	(2)	(3,400)
Sales	27,900	2,056	29,956	702	30,658	91	30,749
Adjusted operating profit	**1,370**	**46**	**1,416**	**65**	**1,481**	**1**	**1,482**
Adjusting items (Note 3)	(16)	16	–	–	–	–	–
Operating profit	**1,354**	**62**	**1,416**	**65**	**1,481**	**1**	**1,482**
Adjusted operating margin	**4.4%**	**2.1%**	**4.2%**	**9.3%**	**4.3%**		**4.3%**

26 weeks ended 26 August 2023 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations					
Revenue	31,226	2,221	33,447	702	34,149
Less: Fuel sales	(3,313)	(87)	(3,400)	–	(3,400)
Sales	27,913	2,134	30,047	702	30,749
Adjusted operating profit	**1,371**	**46**	**1,417**	**65**	**1,482**
Adjusting items (Note 3)	(16)	16	–	–	–
Operating profit	**1,355**	**62**	**1,417**	**65**	**1,482**
Adjusted operating margin	**4.4%**	**2.1%**	**4.2%**	**9.3%**	**4.3%**
Share of post-tax profits of joint ventures and associates					4
Finance income					131
Finance costs					(400)
Profit before tax					**1,217**

Tesco Bank revenue of £702m (26 weeks ended 27 August 2022: £603m) comprises interest income of £342m (26 weeks ended 27 August 2022: £242m), fees and commissions income of £137m (26 weeks ended 27 August 2022: £134m), and insurance revenue of £223m (26 weeks ended 27 August 2022: £227m).

26 weeks ended 27 August 2022 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank (restated*) £m	Total at actual exchange (restated*) £m
Continuing operations					
Revenue	29,783	2,133	31,916	603	32,519
Less: Fuel sales	(4,153)	(125)	(4,278)	–	(4,278)
Sales	25,630	2,008	27,638	603	28,241
Adjusted operating profit	**1,169**	**79**	**1,248**	**52**	**1,300**
Adjusting items (Note 3)	(567)	(7)	(574)	(5)	(579)
Operating profit	**602**	**72**	**674**	**47**	**721**
Adjusted operating margin	**3.9%**	**3.7%**	**3.9%**	**8.6%**	**4.0%**
Share of post-tax profits of joint ventures and associates					2
Finance income					19
Finance costs					(346)
Profit before tax					**396**

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

Note 2 Segmental reporting continued

Balance sheet

The following tables showing segment assets and liabilities exclude those balances that make up net debt (cash and cash equivalents, short-term investments, joint venture loans, bank and other borrowings, lease liabilities, derivative financial instruments and net debt of the disposal group). With the exception of lease liabilities which have been allocated to each segment, and Tesco Bank net debt, all other components of net debt have been included within the unallocated segment to reflect how these balances are managed. Intercompany transactions have been eliminated other than intercompany transactions with Tesco Bank in net debt.

At 26 August 2023	UK & ROI £m	Central Europe £m	Tesco Bank £m	Unallocated £m	Total £m
Goodwill and other intangible assets	4,715	34	618	–	5,367
Property, plant and equipment and investment property	15,272	1,473	70	–	16,815
Right of use assets	5,073	439	10	–	5,522
Investments in joint ventures and associates	97	–	–	–	97
Non-current other investments	223	–	1,137	–	1,360
Non-current trade and other receivables[(a)]	34	2	32	–	68
Non-current loans and advances to customers	–	–	3,362	–	3,362
Non-current reinsurance contract assets	–	–	110	–	110
Post-employment benefit surpluses	22	–	–	–	22
Deferred tax assets	2	21	53	–	76
Non-current assets[(b)]	**25,438**	**1,969**	**5,392**	**–**	**32,799**
Inventories and current trade and other receivables[(c)]	3,463	385	162	–	4,010
Current loans and advances to customers	–	–	4,060	–	4,060
Current other investments	4	–	321	–	325
Total trade and other payables	(9,746)	(664)	(248)	–	(10,658)
Total customer deposits and deposits from banks	–	–	(7,325)	–	(7,325)
Total insurance contract liabilities	–	–	(498)	–	(498)
Total provisions	(411)	(34)	(28)	–	(473)
Deferred tax liabilities	(275)	(47)	–	–	(322)
Net current tax	(37)	(12)	8	–	(41)
Post-employment benefit deficits	(200)	–	–	–	(200)
Non-current assets classified as held for sale	24	117	–	–	141
Net debt (including Tesco Bank)[(d)]	(7,000)	(558)	127	(2,330)	(9,761)
Net assets	**11,260**	**1,156**	**1,971**	**(2,330)**	**12,057**

(a) Excludes non-current loans to joint ventures of £nil (25 February 2023: £8m, 27 August 2022: £81m) which form part of net debt.
(b) Excludes derivative financial instruments of £851m (25 February 2023: £873m, 27 August 2022: £1,001m) which form part of net debt.
(c) Excludes net interest and other receivables of £23m (25 February 2023: £8m, 27 August 2022: £4m), and current loans to joint ventures of £106m (25 February 2023: £98m, 27 August 2022: £25m), both forming part of net debt.
(d) Refer to Note 18. Net debt at 26 August 2023 includes net debt of the disposal group classified as held for sale of £nil (25 February 2023: £(14)m, 27 August 2022: £(14)m).

Note 2 Segmental reporting continued

At 25 February 2023	UK & ROI £m	Central Europe £m	Tesco Bank (restated[e]) £m	Unallocated £m	Total continuing operations (restated[e]) £m	Discontinued operations £m	Total (restated[e]) £m
Goodwill and other intangible assets	4,715	37	623	–	5,375	–	5,375
Property, plant and equipment and investment property	15,346	1,468	72	–	16,886	–	16,886
Right of use assets	5,057	433	10	–	5,500	–	5,500
Investments in joint ventures and associates	93	–	–	–	93	–	93
Non-current other investments	218	–	1,121	–	1,339	–	1,339
Non-current trade and other receivables[a]	44	2	25	–	71	–	71
Non-current loans and advances to customers	–	–	3,029	–	3,029	–	3,029
Non-current reinsurance contract assets	–	–	135	–	135	–	135
Post-employment benefit surplus	6	–	–	–	6	–	6
Deferred tax assets	3	22	59	–	84	–	84
Non-current assets[b]	**25,482**	**1,962**	**5,074**	**–**	**32,518**	**–**	**32,518**
Inventories and current trade and other receivables[c]	3,118	358	168	–	3,644	–	3,644
Current loans and advances to customers	–	–	3,948	–	3,948	–	3,948
Current other investments	6	–	347	–	353	–	353
Total trade and other payables	(8,986)	(595)	(252)	–	(9,833)	–	(9,833)
Total customer deposits and deposits from banks	–	–	(6,750)	–	(6,750)	–	(6,750)
Total insurance contract liabilities	–	–	(489)	–	(489)	–	(489)
Total provisions	(494)	(36)	(30)	–	(560)	–	(560)
Deferred tax liabilities	(74)	(45)	–	–	(119)	–	(119)
Net current tax	52	(16)	9	–	45	–	45
Post-employment benefit deficits	(400)	–	–	–	(400)	–	(400)
Assets of the disposal group and non-current assets classified as held for sale	25	169	–	–	194	16	210
Net debt (including Tesco Bank)[d]	(7,036)	(553)	151	(2,890)	(10,328)	(14)	(10,342)
Net assets	**11,693**	**1,244**	**2,176**	**(2,890)**	**12,223**	**2**	**12,225**

At 27 August 2022	UK & ROI £m	Central Europe £m	Tesco Bank (restated[e]) £m	Unallocated £m	Total continuing operations (restated[e]) £m	Discontinued operations £m	Total (restated[e]) £m
Goodwill and other intangible assets	4,712	27	625	–	5,364	–	5,364
Property, plant and equipment and investment property	15,057	1,283	69	–	16,409	–	16,409
Right of use assets	5,211	388	10	–	5,609	–	5,609
Investments in joint ventures and associates	89	1	–	–	90	–	90
Non-current other investments	23	–	1,259	–	1,282	–	1,282
Non-current trade and other receivables[a]	88	2	31	–	121	–	121
Non-current reinsurance contract assets	–	–	142	–	142	–	142
Non-current loans and advances to customers	–	–	2,994	–	2,994	–	2,994
Post-employment benefit surpluses	1,070	–	–	–	1,070	–	1,070
Deferred tax assets	2	17	70	–	89	–	89
Non-current assets[b]	**26,252**	**1,718**	**5,200**	**–**	**33,170**	**–**	**33,170**
Inventories and current trade and other receivables[c]	3,342	355	173	–	3,870	–	3,870
Current loans and advances to customers	–	–	3,755	–	3,755	–	3,755
Current other investments	–	–	169	–	169	–	169
Total trade and other payables	(9,029)	(611)	(227)	–	(9,867)	–	(9,867)
Total customer deposits and deposits from banks	–	–	(6,469)	–	(6,469)	–	(6,469)
Total insurance contract liabilities	–	–	(507)	–	(507)	–	(507)
Total provisions	(352)	(30)	(38)	–	(420)	–	(420)
Deferred tax liabilities	(185)	(44)	–	–	(229)	–	(229)
Net current tax	97	(16)	3	–	84	–	84
Post-employment benefit deficits	(242)	–	–	–	(242)	–	(242)
Assets of the disposal group and non-current assets classified as held for sale	19	235	–	–	254	23	277
Net debt (including Tesco Bank)[d]	(7,354)	(509)	119	(2,167)	(9,911)	(14)	(9,925)
Net assets	**12,548**	**1,098**	**2,178**	**(2,167)**	**13,657**	**9**	**13,666**

(a)-(d) Refer to previous table for footnotes.
(e) Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

Note 2 Segmental reporting continued

Other segment information

26 weeks ended 26 August 2023	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total £m
Capital expenditure (including acquisitions through business combinations):				
Property, plant and equipment[a]	381	38	3	422
Goodwill and other intangible assets[b]	118	5	12	135
Depreciation and amortisation:				
Property, plant and equipment	(397)	(42)	(5)	(444)
Right of use assets	(247)	(22)	(1)	(270)
Other intangible assets	(113)	(6)	(17)	(136)
Impairment[c]:				
Loss on financial assets	–	(1)	(33)	(34)

(a) Includes £nil (26 weeks ended 27 August 2022: £42m) of property, plant and equipment acquired through business combinations.
(b) Includes £nil (26 weeks ended 27 August 2022: £31m) of goodwill and other intangible assets acquired through business combinations.
(c) Excludes impairment of other non-current assets. Refer to Note 11.

26 weeks ended 27 August 2022	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total £m
Capital expenditure (including acquisitions through business combinations):				
Property, plant and equipment[a]	321	32	5	358
Goodwill and other intangible assets[b]	141	4	18	163
Depreciation and amortisation:				
Property, plant and equipment	(396)	(41)	(4)	(441)
Right of use assets	(250)	(18)	(1)	(269)
Other intangible assets	(112)	(5)	(22)	(139)
Impairment[c]:				
Loss on financial assets	(2)	(1)	(39)	(42)

Refer to previous table for footnotes.

Note 2 Segmental reporting continued

Cash flow statement

The following table provides a split of cash flows between Retail and Tesco Bank.

	Retail			Bank			Tesco Group
26 weeks ended 26 August 2023	Before adjusting items £m	Adjusting items £m	Retail Total £m	Before adjusting items £m	Adjusting items £m	Tesco Bank Total £m	Total £m
Operating profit/(loss)	**1,417**	**–**	**1,417**	**65**	**–**	**65**	**1,482**
Depreciation and amortisation	790	37	827	23	–	23	850
ATM net income	(5)	–	(5)	5	–	5	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases	10	(8)	2	–	–	–	2
(Profit)/loss arising on sale of subsidiaries	–	(12)	(12)	–	–	–	(12)
Net remeasurement gain of non-current assets held for sale	–	(16)	(16)	–	–	–	(16)
Defined benefit pension scheme payments	(13)	–	(13)	–	–	–	(13)
Share-based payments	13	–	13	–	–	–	13
Tesco Bank fair value movements included in operating profit/(loss)	–	–	–	38	–	38	38
Cash flows generated from operations excluding working capital	**2,212**	**1**	**2,213**	**131**	**–**	**131**	**2,344**
(Increase)/decrease in working capital	368	(88)	280	128	(1)	127	407
Cash generated from/(used in) operations	**2,580**	**(87)**	**2,493**	**259**	**(1)**	**258**	**2,751**
Interest paid	(387)	–	(387)	(7)	–	(7)	(394)
Corporation tax paid	(38)	–	(38)	(7)	–	(7)	(45)
Net cash generated from/(used in) operating activities*	**2,155**	**(87)**	**2,068**	**245**	**(1)**	**244**	**2,312**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	32	34	–	–	–	34
Purchase of property, plant and equipment, investment property and other long-term assets – property buybacks and store purchases	(22)	–	(22)	–	–	–	(22)
Purchase of property, plant and equipment, investment property and other long-term assets – other capital expenditure	(472)	–	(472)	(5)	–	(5)	(477)
Purchase of intangible assets	(123)	–	(123)	(15)	–	(15)	(138)
Disposal of subsidiaries, net of cash disposed	–	15	15	–	–	–	15
Investments in joint ventures and associates	(5)	–	(5)	–	–	–	(5)
Net (investments in)/proceeds from sale of short-term investments	(1,076)	–	(1,076)	–	–	–	(1,076)
Proceeds from sale of other investments	2	–	2	81	–	81	83
Purchase of other investments	(5)	–	(5)	(82)	–	(82)	(87)
Dividends received from joint ventures and associates	6	–	6	–	–	–	6
Special dividend received from Tesco Bank	250	–	250	(250)	–	(250)	–
Interest received	114	–	114	–	–	–	114
Cash inflows from derivative financial instruments	3	–	3	–	–	–	3
Cash outflows from derivative financial instruments	(15)	–	(15)	–	–	–	(15)
Net cash generated from/(used in) investing activities*	**(1,341)**	**47**	**(1,294)**	**(271)**	**–**	**(271)**	**(1,565)**
Own shares purchased for cancellation	(503)	–	(503)	–	–	–	(503)
Own shares purchased for share schemes	(6)	–	(6)	–	–	–	(6)
Repayment of capital element of obligations under leases	(306)	–	(306)	(2)	–	(2)	(308)
Cash outflows exceeding the incremental increase in assets in a property buyback	(15)	–	(15)	–	–	–	(15)
Increase in borrowings	682	–	682	300	–	300	982
Repayment of borrowings	(97)	–	(97)	–	–	–	(97)
Cash inflows from derivative financial instruments	68	–	68	–	–	–	68
Cash outflows from derivative financial instruments	(66)	–	(66)	–	–	–	(66)
Dividends paid to equity holders	(509)	–	(509)	–	–	–	(509)
Net cash generated from/(used in) financing activities*	**(752)**	**–**	**(752)**	**298**	**–**	**298**	**(454)**
Net increase/(decrease) in cash and cash equivalents	**62**	**(40)**	**22**	**272**	**(1)**	**271**	**293**
Cash and cash equivalents at the beginning of the period							1,565
Effect of foreign exchange rate changes							(9)
Cash and cash equivalents at the end of the period							**1,849**

* Refer to page 50 for the reconciliation of the APM: Retail free cash flow.

Note 2 Segmental reporting continued

The following table provides a split of cash flows between Retail continuing operations, Tesco Bank and Group discontinued operations.

	Retail			Bank (restated[a])			Discontinued operations	Tesco Group (restated[a])
26 weeks ended 27 August 2022	Before adjusting items £m	Adjusting items £m	Retail Total £m	Before adjusting items £m	Adjusting items £m	Tesco Bank Total £m	Total £m	Total £m
Operating profit/(loss)	**1,248**	**(574)**	**674**	**52**	**(5)**	**47**	**(7)**	**714**
Depreciation and amortisation	784	38	822	27	–	27	–	849
ATM net income	(9)	–	(9)	9	–	9	–	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases	5	(81)	(76)	–	–	–	2	(74)
Net impairment loss on property, plant and equipment, right of use assets, intangible assets and investment property	–	626	626	–	–	–	–	626
Net remeasurement loss of non-current assets held for sale	–	3	3	–	–	–	5	8
Defined benefit pension scheme payments	(12)	–	(12)	–	–	–	–	(12)
Share-based payments	14	–	14	(1)	–	(1)	–	13
Tesco Bank fair value movements included in operating profit/(loss)	–	–	–	37	–	37	–	37
Cash flows generated from operations excluding working capital	**2,030**	**12**	**2,042**	**124**	**(5)**	**119**	**–**	**2,161**
(Increase)/decrease in working capital	390	(43)	347	(316)	1	(315)	(4)	28
Cash generated from/(used in) operations	**2,420**	**(31)**	**2,389**	**(192)**	**(4)**	**(196)**	**(4)**	**2,189**
Interest paid	(306)	–	(306)	(3)	–	(3)	–	(309)
Corporation tax paid	(45)	–	(45)	(10)	–	(10)	–	(55)
Net cash generated from/(used in) operating activities[b]	**2,069**	**(31)**	**2,038**	**(205)**	**(4)**	**(209)**	**(4)**	**1,825**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	4	297	301	–	–	–	–	301
Purchase of property, plant and equipment, investment property and other long-term assets – other capital expenditure	(393)	–	(393)	(6)	–	(6)	–	(399)
Purchase of intangible assets	(114)	–	(114)	(20)	–	(20)	–	(134)
Acquisition of subsidiaries, net of cash acquired	(66)	–	(66)	(5)	–	(5)	–	(71)
Increase in loans to joint ventures and associates	(1)	–	(1)	–	–	–	–	(1)
Investments in joint ventures and associates	(6)	–	(6)	–	–	–	–	(6)
Net (investments in)/proceeds from sale of short-term investments	(179)	–	(179)	–	–	–	–	(179)
Proceeds from sale of other investments	–	–	–	148	–	148	–	148
Purchase of other investments	(5)	–	(5)	(178)	–	(178)	–	(183)
Dividends received from joint ventures and associates	5	–	5	–	–	–	–	5
Interest received	12	–	12	–	–	–	–	12
Net cash generated from/(used in) investing activities[b]	**(743)**	**297**	**(446)**	**(61)**	**–**	**(61)**	**–**	**(507)**
Own shares purchased for cancellation	(409)	–	(409)	–	–	–	–	(409)
Own shares purchased for share schemes	(4)	–	(4)	–	–	–	–	(4)
Repayment of capital element of obligations under leases	(292)	–	(292)	(2)	–	(2)	–	(294)
Repayment of borrowings	(29)	–	(29)	–	–	–	–	(29)
Cash inflows from derivative financial instruments	79	–	79	–	–	–	–	79
Cash outflows from derivative financial instruments	(274)	–	(274)	–	–	–	–	(274)
Dividends paid to equity holders	(578)	(1)	(579)	–	–	–	–	(579)
Net cash generated from/(used in) financing activities[b]	**(1,507)**	**(1)**	**(1,508)**	**(2)**	**–**	**(2)**	**–**	**(1,510)**
Net increase/(decrease) in cash and cash equivalents	**(181)**	**265**	**84**	**(268)**	**(4)**	**(272)**	**(4)**	**(192)**
Cash and cash equivalents at the beginning of the period								1,771
Effect of foreign exchange rate changes								5
Cash and cash equivalents at the end of the period								**1,584**

(a) Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.
(b) Refer to page 50 for the reconciliation of the APM: Retail free cash flow.

Note 3 Adjusting items

Group income statement

26 weeks ended 26 August 2023

Profit/(loss) for the period included the following adjusting items:

	Cost of sales £m	Administrative expenses £m	Total adjusting items included within operating profit £m	Finance income/(costs) £m	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items £m
Property transactions[a]	2	22	24	–	(4)	–	20
Restructuring[b]	3	(2)	1	–	–	–	1
Amortisation of acquired intangible assets[c]	–	(37)	(37)	–	9	–	(28)
Disposal of subsidiary[d]	–	12	12	–	–	–	12
Net pension finance income/(costs)[e]	–	–	–	(10)	2	–	(8)
Fair value remeasurements of financial instruments[e]	–	–	–	28	(7)	–	21
Release of tax provision on sale of associate in a prior year[f]	–	–	–	–	23	–	23
Total adjusting items	**5**	**(5)**	**–**	**18**	**23**	**–**	**41**

(a) The Group disposed of surplus properties that generated a profit before tax of £8m (26 weeks ended 27 August 2022: £81m). In addition, there was a £16m gain (26 weeks ended 27 August 2022: £nil) arising from the remeasurement of assets held for sale, subsequently reclassified to property, plant and equipment.
(b) Provisions relating to operational restructuring changes announced as part of 'Save to Invest', a multi-year programme which commenced in June 2022. The total cost of the programme to date is £(181)m. Future cost savings will not be reported within adjusting items.
(c) Amortisation of acquired intangibles relates to historical inorganic business combinations and does not reflect the Group's ongoing trading performance.
(d) On 30 June 2023 the Group disposed of its Booker subsidiary Ritter-Courivaud Limited, part of the UK & ROI segment.
(e) Net pension finance costs and fair value remeasurements of financial instruments are included within adjusting items, as they can fluctuate significantly due to external market factors that are outside management's control. Refer to Note 4 for details of finance income and costs.
(f) During the current financial year, the Group reached a settlement with the Chinese tax authorities in respect of the sale of the Group's 20% share of Gain Land Limited to China Resources Holdings on 28 February 2020. As a result of the settlement, which had not been paid at the balance sheet date, the Group released a tax provision of £23m.

26 weeks ended 27 August 2022

Profit/(loss) for the period included the following adjusting items:

	Cost of sales £m	Administrative expenses £m	Total adjusting items included within operating profit £m	Finance income/(costs) £m	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items £m
Property transactions	38	43	81	–	(11)	–	70
Net impairment loss of non-current assets	(620)	(6)	(626)	–	60	–	(566)
Fair value less cost of disposal movements on assets held for sale	–	(3)	(3)	–	–	–	(3)
Restructuring	(2)	(5)	(7)	–	2	–	(5)
Disposal of Asia operations	–	2	2	–	(1)	–	1
ATM business rates refund	7	–	7	–	(1)	–	6
Release of onerous contract provision	–	5	5	–	(1)	–	4
Amortisation of acquired intangible assets	–	(38)	(38)	–	7	–	(31)
Net pension finance income	–	–	–	40	–	–	40
Fair value remeasurements of financial instruments	–	–	–	(75)	12	–	(63)
Total adjusting items from continuing operations	**(577)**	**(2)**	**(579)**	**(35)**	**67**	**–**	**(547)**
Adjusting items relating to discontinued operations	–	–	–	–	–	(7)	(7)
Total adjusting items	**(577)**	**(2)**	**(579)**	**(35)**	**67**	**(7)**	**(554)**

Note 3 Adjusting items continued

Group cash flow statement

The table below shows the impact of adjusting items on the Group cash flow statement:

	Cash flows from operating activities		Cash flows from investing activities		Cash flows from financing activities	
	26 weeks 2023 £m	26 weeks 2022 £m	26 weeks 2023 £m	26 weeks 2022 £m	26 weeks 2023 £m	26 weeks 2022 £m
Property transactions[(a)]	–	–	32	297	–	–
Disposal of subsidiaries[(b)]	–	–	15	–	–	–
Restructuring[(c)]	(88)	(31)	–	–	–	–
Booker integration cash payments	–	(1)	–	–	–	–
Customer redress claims settlement in Tesco Bank	–	(2)	–	–	–	–
ATM business rates refund	–	1	–	–	–	–
Disposal of Asia operations	–	(2)	–	–	–	–
Special dividend	–	–	–	–	–	(1)
Total	**(88)**	**(35)**	**47**	**297**	**–**	**(1)**

(a) Property transactions include £14m proceeds (26 weeks ended 27 August 2022: £27m) relating to the sale of stores in Poland not included in the sale of the corporate business.
(b) On 30 June 2023 the Group disposed of its Booker subsidiary Ritter-Courivaud Limited, part of the UK & ROI segment.
(c) Cash outflows relating to operational restructuring changes as part of the multi-year 'Save to Invest' programme, which commenced in June 2023.

Note 4 Finance income and costs

Continuing operations	Notes	26 weeks 2023 £m	26 weeks 2022 (restated*) £m
Finance income			
Interest receivable and similar income		123	15
Interest receivable on other investments		6	–
Finance income receivable on net investment in leases		1	3
Finance income from reinsurance contracts held		1	1
Total finance income		**131**	**19**
Finance costs			
GBP MTNs and loans		(96)	(78)
EUR MTNs		(55)	(23)
USD bonds		(9)	(4)
Finance charges payable on lease liabilities		(183)	(189)
Finance expenses from insurance contracts issued		(5)	(3)
Other interest payable		(70)	(14)
Total finance costs before adjusting items		**(418)**	**(311)**
Fair value remeasurements of financial instruments		28	(75)
Net pension finance costs	16	(10)	40
Total finance costs		**(400)**	**(346)**
Net finance costs		**(269)**	**(327)**

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

Note 5 Taxation

Recognised in the Group income statement

Continuing operations	26 weeks 2023 £m	26 weeks 2022 (restated*) £m
Current tax charge		
UK corporation tax	180	91
Overseas tax	35	25
	215	**116**
Deferred tax charge		
Origination and reversal of temporary differences	73	28
	73	**28**
Total income tax charge	**288**	**144**
Analysed as:		
Tax charge/(credit) on adjusted profit	311	211
Tax charge/(credit) on adjusting items	(23)	(67)
Total income tax charge	**288**	**144**
Effective tax rate	**23.7%**	**36.4%**
Adjusted effective tax rate	**25.9%**	**20.9%**

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

Note 5 Taxation continued

The tax charge in the Group income statement is based on management's best estimate of the full year effective tax rates by geographical unit applied to half year profits, which is then adjusted for tax on adjusting items arising in the period to 26 August 2023. The statutory rate of corporation tax has been applied to the adjusting items, based on the geographical unit of that item. Refer to Note 3 for further details.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

Note 6 Assets classified as held for sale

	26 August 2023 £m	25 February 2023 £m	27 August 2022 £m
Assets of the disposal group[a]	–	11	11
Non-current assets classified as held for sale[b]	141	199	266
Total assets of the disposal group and non-current assets classified as held for sale	**141**	**210**	**277**
Liabilities of the disposal group[a]	–	(14)	(14)
Total net assets of the disposal group and non-current assets classified as held for sale	**141**	**196**	**263**

(a) The disposal group, including £nil of net debt as at 26 August 2023 (25 February 2023: £(14)m, 27 August 2022: £(14)m), related to residual properties and leases with respect to the Group's operation in Poland.
(b) The assets classified as held for sale consist primarily of properties in Central Europe due to be sold within one year. Due to the individual nature of each property, fair values are classified as Level 3 within the fair value hierarchy.

Note 7 Dividends

	26 weeks ended 26 August 2023		26 weeks ended 27 August 2022	
	Pence/share	£m	Pence/share	£m
Amounts recognised through equity as distributions to owners:				
Paid prior financial year final dividend*	7.05	510	7.70	578
Paid 2021 special dividend	–	–	50.93	1
(Increase)/decrease in unclaimed dividends	–	(1)	–	–
Dividends paid in the financial period		509		**579**
Interim dividend declared for the current period	**3.85**	**274**	**3.85**	**288**

* Excludes £6m prior financial year final dividend waived (27 August 2022: £10m).

The interim dividend was approved by the Board of Directors on 3 October 2023. It will be paid on 24 November 2023 to shareholders who are on the Register of members at close of business on 13 October 2023.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP, the last date for receipt of a new election is 3 November 2023.

Note 8 Earnings/(losses) per share and diluted earnings/(losses) per share

	26 weeks ended 26 August 2023			26 weeks ended 27 August 2022 (restated[a])		
	Basic	Dilutive share options and awards	Diluted	Basic	Dilutive share options and awards	Diluted
Profit/(loss) (£m)						
Continuing operations[b]	927	–	927	247	–	247
Discontinued operations	–	–	–	(7)	–	(7)
Total	**927**	–	**927**	**240**	**–**	**240**
Weighted average number of shares (millions)	**7,172**	**54**	**7,226**	**7,492**	**73**	**7,565**
Earnings/(losses) per share (pence)						
Continuing operations	12.93	(0.10)	12.83	3.30	(0.03)	3.27
Discontinued operations	–	–	–	(0.09)	–	(0.09)
Total	**12.93**	**(0.10)**	**12.83**	**3.21**	**(0.03)**	**3.18**

(a) Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.
(b) Excludes profits attributable to non-controlling interests of £2m (26 weeks ended 27 August 2022: £5m).

Note 8 Earnings/(losses) per share and diluted earnings/(losses) per share continued

APM: Adjusted diluted earnings per share

Continuing operations	Notes	26 weeks 2023	26 weeks 2022 (restated[a])
Profit/(loss) before tax (£m)		1,217	396
Less: Adjusting items (£m)	3	(18)	614
Adjusted profit before tax (£m)		**1,199**	**1,010**
Adjusted profit before tax attributable to the owners of the parent (£m)[b]		1,197	1,005
Taxation on adjusted profit before tax attributable to the owners of the parent (£m)		(311)	(211)
Adjusted profit after tax attributable to the owners of the parent (£m)		**886**	**794**
Basic weighted average number of shares (millions)		7,172	7,492
Adjusted basic earnings per share (pence)		**12.35**	**10.60**
Diluted weighted average number of shares (millions)		7,226	7,565
Adjusted diluted earnings per share (pence)		**12.26**	**10.50**

(a) Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.
(b) Excludes profit before tax attributable to non-controlling interests of £2m (26 weeks ended 27 August 2022: £5m).

Note 9 Property, plant and equipment

	26 August 2023			27 August 2022		
	Land and buildings £m	Other[a] £m	Total £m	Land and buildings £m	Other[a] £m	Total £m
Net carrying value						
Opening balance	**14,870**	**1,992**	**16,862**	**15,163**	**1,897**	**17,060**
Foreign currency translation	(81)	(13)	(94)	(12)	(3)	(15)
Additions[b]	144	278	422	126	190	316
Acquired through business combinations	–	–	–	42	–	42
Reclassification	3	(3)	–	3	(3)	–
Transfers (to)/from assets classified as held for sale	56	2	58	(105)	(5)	(110)
Disposals	(8)	(6)	(14)	(42)	(4)	(46)
Depreciation charge for the period	(221)	(223)	(444)	(214)	(227)	(441)
Impairment losses[c]	–	–	–	(358)	(66)	(424)
Reversal of impairment losses[c]	–	–	–	1	5	6
Closing balance	**14,763**	**2,027**	**16,790**	**14,604**	**1,784**	**16,388**
Construction in progress included above[d]	**86**	**244**	**330**	**107**	**172**	**279**

(a) Other assets consist of fixtures and fittings with a net carrying value of £1,529m (25 February 2023: £1,496m, 27 August 2022: £1,330m), office equipment with a net carrying value of £199m (25 February 2023: £201m, 27 August 2022: £186m) and motor vehicles with a net carrying value of £299m (25 February 2023: £295m, 27 August 2022: £268m).
(b) Includes £34m (25 February 2023: £29m, 27 August 2022: £nil) relating to property buyback and store purchase transactions.
(c) Refer to Note 11.
(d) Construction in progress does not include land.

Commitments for capital expenditure contracted for, but not incurred, at 26 August 2023 were £279m (25 February 2023: £200m, 27 August 2022: £309m), principally relating to store development.

Note 10 Leases

Group as lessee

Right of use assets

	26 August 2023			27 August 2022		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
Net carrying value						
Opening balance	**5,387**	**113**	**5,500**	**5,634**	**86**	**5,720**
Additions (including sale and leaseback transactions)	126	9	135	163	42	205
Acquired through business combinations	–	–	–	4	–	4
Depreciation charge for the period	(252)	(18)	(270)	(249)	(20)	(269)
Impairment losses[a]	–	–	–	(189)	–	(189)
Reversal of impairment losses[a]	–	–	–	3	–	3
Other movements[b]	156	1	157	135	–	135
Closing balance	**5,417**	**105**	**5,522**	**5,501**	**108**	**5,609**

(a) Refer to Note 11.
(b) Other movements include lease terminations, modifications and reassessments, foreign exchange, reclassifications between asset classes, entering into finance subleases and transfers from the disposal group.

Note 10 Leases continued

Lease liabilities

The following table shows the discounted lease liabilities included in the Group balance sheet and the contractual undiscounted lease payments:

	26 August 2023 £m	25 February 2023 £m	27 August 2022 £m
Current	593	595	591
Non-current	7,116	7,132	7,408
Total lease liabilities	**7,709**	**7,727**	**7,999**
Total undiscounted lease payments	**10,800**	**10,897**	**11,463**

A reconciliation of the Group's opening to closing lease liabilities balance is presented in Note 18.

Note 11 Impairment of non-current assets

No impairment of goodwill was recognised in the current period to 26 August 2023 (26 weeks ended 27 August 2022: £nil).

The Group has reviewed both internal and external sources of information and has concluded that there are no indicators of impairment or impairment reversal during the 26 weeks ended 26 August 2023, hence no impairment losses or reversals have been recognised in the period. The table below summarises the Group's pre-tax impairment losses and reversals on other non-current assets for the 26 weeks ended 27 August 2022, aggregated by segment due to the large number of individually immaterial store cash-generating units. This includes any impairment (losses)/reversals recognised immediately prior to classifying an asset or disposal group as held for sale but excludes any changes in fair value less costs to sell under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' post classification as held for sale.

There were no impairment losses or reversals in the period (26 weeks ended 27 August 2022: £nil) with respect to investments in joint ventures and associates and no impairments in other non-current assets in Tesco Bank (26 weeks ended 27 August 2022: £nil). All impairment losses and reversals are classified as adjusting items.

	UK & ROI		Central Europe		Total		Net
26 weeks ended 27 August 2022	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment (loss)/reversal £m
Group balance sheet							
Other intangible assets	(19)	–	(3)	–	(22)	–	(22)
Property, plant and equipment	(393)	4	(31)	2	(424)	6	(418)
Right of use assets	(180)	2	(9)	1	(189)	3	(186)
Investment property	(1)	1	–	–	(1)	1	–
Total impairment (loss)/reversal of other non-current assets	**(593)**	**7**	**(43)**	**3**	**(636)**	**10**	**(626)**
Group income statement							
Cost of sales	(585)	5	(43)	3	(628)	8	(620)
Administrative expenses	(8)	2	–	–	(8)	2	(6)
Total impairment (loss)/reversal from continuing operations	**(593)**	**7**	**(43)**	**3**	**(636)**	**10**	**(626)**

Note 12 Cash and cash equivalents and short-term investments

Cash and cash equivalents

	26 August 2023 £m	25 February 2023 £m	27 August 2022 £m
Cash at bank and on hand	2,470	2,426	2,397
Short-term deposits	56	39	38
Cash and cash equivalents in the Group balance sheet	**2,526**	**2,465**	**2,435**
Bank overdrafts	(677)	(900)	(851)
Cash and cash equivalents in the Group cash flow statement	**1,849**	**1,565**	**1,584**

Short-term investments

	26 August 2023 £m	25 February 2023 £m	27 August 2022 £m
Money market funds, deposits and similar instruments	2,692	1,628	2,256

Cash and cash equivalents includes £28m (25 February 2023: £87m, 27 August 2022: £78m) of restricted amounts mainly relating to the Group's pension schemes and employee benefit trusts.

Note 13 Commercial income

Below are the commercial income balances included within inventories and trade and other receivables, or netted against trade and other payables. Amounts received in advance of income being earned are included in accruals.

	26 August 2023 £m	25 February 2023 £m	27 August 2022 £m
Current assets			
Inventories	(12)	(18)	(12)
Trade and other receivables			
Trade/other receivables	61	67	61
Accrued income	105	127	106
Current liabilities			
Trade and other payables			
Trade payables	96	112	81
Accruals	–	(5)	(8)

Note 14 Borrowings

Borrowings are classified as current and non-current based on their scheduled repayment dates. Repayments of principal amounts are classified as current if the repayment is scheduled to be made within one year of the balance sheet date. During the 26-week period ended 26 August 2023, the Group has made principal repayments of £97m (26 weeks ended 27 August 2022: £25m), and there has been £982m issuance of borrowings (26 weeks ended 27 August 2022: £nil) comprising a €500m bond maturing February 2031 and £250m bond maturing February 2035, and a £300m floating rate bond maturing April 2026 in Tesco Bank.

Current

	26 August 2023 £m	25 February 2023 £m	27 August 2022 £m
Bank loans and overdrafts	704	928	882
Borrowings*	1,313	842	173
	2,017	**1,770**	**1,055**

Non-current

	26 August 2023 £m	25 February 2023 £m	27 August 2022 £m
Borrowings*	5,911	5,581	6,523

* £139m of current (25 February 2023: £nil, 27 August 2022: £1m) and £299m of non-current borrowings (25 February 2023: £137m, 27 August 2022: £234m) relate to borrowings issued by Tesco Bank.

Borrowing facilities

The Group has a £2.5bn undrawn committed facility available at 26 August 2023 (25 February 2023: £2.5bn, 27 August 2022: £2.5bn), in respect of which all conditions precedent had been met as at that date, consisting of a syndicated revolving credit facility expiring in more than two years. The facility incurs commitment fees at market rates and would provide funding at floating rates.

In addition, Tesco Bank has a separate £200m committed repurchase facility, maturing in 2024.

There were no utilisations of either facility during the financial period to 26 August 2023 (26 weeks ended 27 August 2022: £nil).

Note 15 Financial instruments

The expected maturity of financial assets and liabilities is not considered to be materially different to their current and non-current classification.

Fair value of financial assets and liabilities measured at amortised cost

The table excludes cash and cash equivalents, short-term investments, trade receivables/payables, other receivables/payables, accruals and deposits from banks where the carrying values approximate fair value. The levels in the table refer to the fair value measurement hierarchy.

		26 August 2023		25 February 2023 (restated[a])		27 August 2022 (restated[a])	
	Level	Carrying value £m	Fair value[b] £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets measured at amortised cost							
Loans and advances to customers	3	7,422	7,385	6,977	6,955	6,749	6,801
Investment securities at amortised cost[c]	1 and 2	1,030	1,025	1,093	1,097	875	879
Joint ventures and associates loan receivables[d]	2	106	110	106	111	106	112
Financial liabilities measured at amortised cost							
Borrowings							
Amortised cost	1	(5,238)	(5,480)	(5,227)	(5,496)	(5,364)	(5,781)
Bonds in fair value hedge relationships[c]	1 and 2	(2,690)	(2,729)	(2,124)	(2,167)	(2,214)	(2,223)
Customer deposits	3	(6,342)	(6,205)	(5,770)	(5,640)	(5,526)	(5,432)

(a) Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.
(b) Refer to the fair value measurement section below for details on Level 2 and 3 valuation methodology.
(c) These are principally Level 1 instruments.
(d) Joint ventures and associates loan receivables carrying amounts of £106m (25 February 2023: £106m, 27 August 2022: £106m) are presented in the Group balance sheet net of deferred profits of £38m (25 February 2023: £38m, 27 August 2022: £38m) historically arising from the sale of property assets to joint ventures.

Note 15 Financial instruments continued

Fair value measurement by level of fair value hierarchy

The following table presents the Group's financial assets and liabilities that are measured at fair value, by level of fair value hierarchy:

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

Level 2 assets and liabilities are valued by discounting future cash flows using externally sourced market yield curves, including interest rate curves and foreign exchange rates from highly liquid markets. For Level 3 assets and liabilities, uncollateralised derivatives are valued as per Level 2 but include certain data sources which are significantly less liquid; unlisted investments are valued based on less observable inputs such as recent funding rounds.

At 26 August 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	616	–	18	634
Short-term investments at fair value through profit or loss	1,055	–	–	1,055
Cash and cash equivalents at fair value through profit or loss	–	55	–	55
Investments at fair value through profit or loss	–	20	1	21
Derivative financial instruments:				
Interest rate swaps	–	128	–	128
Cross-currency swaps	–	–	174	174
Index-linked swaps	–	–	590	590
Foreign currency forward contracts	–	28	–	28
Diesel forward contracts	–	2	–	2
Total assets	**1,671**	**233**	**783**	**2,687**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(20)	(163)	(183)
Cross-currency swaps	–	–	(162)	(162)
Foreign currency forward contracts	–	(45)	–	(45)
Diesel forward contracts	–	(3)	–	(3)
Total liabilities	**–**	**(68)**	**(325)**	**(393)**
Net assets	**1,671**	**165**	**458**	**2,294**

At 25 February 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	565	–	14	579
Short-term investments at fair value through profit or loss	660	–	–	660
Cash and cash equivalents at fair value through profit or loss	–	32	–	32
Investments at fair value through profit or loss	–	–	20	20
Derivative financial instruments:				
Interest rate swaps	–	123	–	123
Cross-currency swaps	–	41	170	211
Index-linked swaps	–	119	432	551
Foreign currency forward contracts	–	41	–	41
Diesel forward contracts	–	4	–	4
Total assets	**1,225**	**360**	**636**	**2,221**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(73)	(86)	(159)
Cross-currency swaps	–	(4)	(137)	(141)
Foreign currency forward contracts	–	(72)	–	(72)
Diesel forward contracts	–	(15)	–	(15)
Total liabilities	**–**	**(164)**	**(223)**	**(387)**
Net assets	**1,225**	**196**	**413**	**1,834**

Note 15 Financial instruments continued

At 27 August 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	533	–	18	551
Short-term investments at fair value through profit or loss*	914	–	–	914
Cash and cash equivalents at fair value through profit or loss	–	56	–	56
Investments at fair value through profit or loss	–	24	1	25
Derivative financial instruments:				
Interest rate swaps	–	119	–	119
Cross-currency swaps	–	32	182	214
Index-linked swaps	–	117	559	676
Foreign currency forward contracts	–	115	–	115
Diesel forward contracts	–	36	–	36
Total assets	**1,447**	**499**	**760**	**2,706**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(135)	–	(135)
Cross-currency swaps	–	(132)	–	(132)
Foreign currency forward contracts	–	(28)	–	(28)
Total liabilities	**–**	**(295)**	**–**	**(295)**
Net assets	**1,447**	**204**	**760**	**2,411**

* Comparatives have been re-presented for reclassification of certain short-term investments from amortised cost to fair value through profit or loss.

During the period, there were no transfers (26 weeks ended 27 August 2022: no transfers) between Level 1 and Level 2 fair value measurements.

Level 3 Instruments

The valuation techniques and significant unobservable inputs are unchanged in the period from that described in Note 26 of the Annual Report and Financial Statements 2023.

The following table presents the changes in Level 3 instruments:

	26 weeks ended 26 August 2023		26 weeks ended 27 August 2022	
	Uncollateralised derivatives £m	Unlisted investments £m	Uncollateralised derivatives £m	Unlisted investments £m
At the beginning of the period	**379**	**34**	**749**	**14**
Gains/(losses) recognised in finance costs[(a)]	(56)	1	(37)	–
Gains/(losses) recognised in other comprehensive income not reclassified to the income statement	–	(1)	–	6
Gains/(losses) recognised in other comprehensive income that may subsequently be reclassified to the income statement	15	–	29	–
Additions	–	5	–	–
Transfers of assets/(liabilities) into Level 3[(b)]	101	–	–	–
Transfer of assets/(liabilities) from Level 3[(c)]	–	(20)	–	(1)
At the end of the period	**439**	**19**	**741**	**19**

(a) All gains or losses are unrealised.
(b) There were £nil transfers of unlisted investments and £101m of derivative assets (26 weeks ended 27 August 2022: £nil) to Level 3 from Level 2 and £nil (26 weeks ended 27 August 2022: £nil) to Level 3 from Level 1.
(c) There was £(20)m unlisted investments transferred from Level 3 to Level 2 (26 weeks ended 27 August 2022: £(1)m) and £nil transfers from Level 3 to Level 1 (26 weeks ended 27 August 2022: £nil).

Note 15 Financial instruments continued

Tesco Bank expected credit losses (ECL)

Tesco Bank has commissioned four scenarios from its third-party provider, all of which were based on an economic outlook that sought to take account of the ramifications of ongoing cost-of-living pressures:

Scenario	Scenario assumptions	Weighting (%)
Base	Inflation has peaked, with average 7.5% inflation across 2023, easing to below 3% in the second half of 2024. Interest rates peak at 5.75% and there is modest economic growth in 2023	40
Upside	Improvements in energy supply and global supply chains leads to inflation of 2% by Q2 2024, base rates falling in Q4 2023 and commensurate increases in business and consumer confidence	30
Downside 1	Disruption to energy supplies from geopolitical tensions drive energy price rises that are passed on to consumers leading to higher inflation, 7% base rates in 2023, and economic contraction until 2026	25
Downside 2	Similar to Downside 1, but inflation remains higher for longer, base rates reach 8.5% and unemployment peaks to 7.4% in 2024	5

The economic scenarios used include the following ranges of key indicators:

As at 26 August 2023 (five-year average)	Base 40%	Upside 30%	Downside 1 25%	Downside 2 5%
Bank of England base rate[a]	4.7%	3.8%	5.8%	7.2%
Gross domestic product[b]	1.2%	1.7%	0.6%	0.1%
Unemployment rate	4.2%	3.9%	5.1%	6.5%
Unemployment rate peak in year	4.3%	3.9%	5.3%	6.8%

As at 25 February 2023 (five-year average)	Base 40%	Upside 30%	Downside 1 25%	Downside 2 5%
Bank of England base rate[a]	3.8%	3.0%	4.7%	5.8%
Gross domestic product[b]	1.0%	1.5%	0.4%	(0.1)%
Unemployment rate	5.2%	4.2%	6.5%	8.4%
Unemployment rate peak in year	5.4%	4.2%	6.8%	8.9%

As at 27 August 2022 (five-year average)	Base 40%	Upside 30%	Downside 1 25%	Downside 2 5%
Bank of England base rate[a]	2.4%	2.0%	3.0%	3.9%
Gross domestic product[b]	1.2%	1.6%	0.8%	0.4%
Unemployment rate	4.8%	4.1%	5.6%	7.1%
Unemployment rate peak in year	4.9%	4.1%	5.9%	7.5%

(a) Simple average.
(b) Annual growth rates.

Key assumptions and sensitivity

The key assumptions to which the Tesco Bank ECL is most sensitive are macroeconomic factors, probability of default (PD), loss given default (LGD), PD threshold (staging), and expected lifetime (revolving credit facilities). The table below sets out the changes in the ECL allowance that would arise from reasonably possible changes in these assumptions from those used in Tesco Bank's calculations as at 26 August 2023 and excludes specific management overlays which are discussed further below.

		Impact on the loss allowance		
Key assumption	Reasonably possible change	26 August 2023 £m	25 February 2023* £m	27 August 2022* £m
Closing ECL allowance		**452**	**460**	**471**
Macroeconomic factors (100% weighted)	Upside scenario	(37)	(59)	(47)
	Base scenario	(11)	(11)	(9)
	Downside scenario 1	40	65	45
	Downside scenario 2	110	161	139
Probability of default	Increase of 10% (27 August 2022: 2.5%)	33	32	9
	Decrease of 10% (27 August 2022: 2.5%)	(32)	(31)	(9)
Loss given default	Increase of 2.5%	10	10	9
	Decrease of 2.5%	(10)	(10)	(9)
Probability of default threshold (staging)	Increase of 20%	(8)	(9)	(17)
	Decrease of 20%	13	13	19
Expected lifetime (revolving credit facility)	Increase of 1 year	4	3	18
	Decrease of 1 year	(6)	(5)	(19)

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

Note 15 Financial instruments continued

The economic forecasts received by the Group during the period suggest ongoing uncertainty in the wider macroeconomic environment remains, mainly as a result of inflationary pressures, which are impacting interest rates and exacerbating the cost-of-living crisis. The economic environment experienced during the COVID-19 pandemic, coupled with the unprecedented nature of government support measures, has broken the historically observed relationship between unemployment and default, on which the Group's models are based. As a result, Tesco Bank has recognised certain specific management overlays, to address the prevailing downside risks and ensure the potential impacts of future stress are adequately provided for, detailed below:

Overlay	Description of adjustment	26 August 2023 £m	25 February 2023 £m	27 August 2022 £m
Underestimation risk	Risk that the beneficial impact of recent credit loss trends incorporated into credit risk models are transitive and may reverse due to the uncertain economic climate	56	68	–
Cost of living	A portion of Tesco Bank's customers may be more impacted by cost-of-living pressures, with deterioration in their ability to repay unsecured lending balances	20	22	45
Macroeconomic uncertainty	Volatility in energy prices around the reporting date, with subsequent impact on the macroeconomic environment, indicate the potential for a more severe and lengthy downturn than modelled in the third-party economic scenarios	–	–	53
Consumer spending	In respect of the beneficial modelling impact of lower consumer spending through the pandemic	–	–	46
Total overlays		**76**	**90**	**144**

Movements in the management overlays above also reflect incorporation over time of the identified risks into the modelled scenarios.

Note 16 Post-employment benefits

Pensions

The Group operates a variety of post-employment benefit arrangements, covering both funded and unfunded defined benefit schemes and defined contribution schemes.

The principal defined benefit pension plan within the Group is the Tesco PLC Pension Scheme (the Scheme), a UK scheme closed to future accrual. The latest triennial actuarial pension funding valuation for the Scheme as at 31 March 2022 using a projected unit credit method showed a funding surplus of £0.9bn. The Scheme remained in a funding surplus as at 26 August 2023.

IFRIC 14

For schemes in an accounting surplus position, these surpluses are recognised on the balance sheet in line with IFRIC 14, as the Group has an unconditional legal right to any future economic benefits by way of future refunds following a gradual settlement.

Note 16 Post-employment benefits continued

Movement in the Group pension surplus/(deficit) during the financial period

	Net defined benefit surplus/(deficit)		
	26 August 2023 £m	25 February 2023 £m	27 August 2022 £m
Opening balance	**(391)**	**2,847**	**2,847**
Current service cost	(7)	(24)	(13)
Finance income/(cost)	(10)	80	40
Included in the Group income statement	**(17)**	**56**	**27**
Remeasurement gain/(loss):			
Financial assumptions gain/(loss)	1,183	7,652	5,107
Demographic assumptions gain/(loss)	219	(228)	(454)
Experience gain/(loss)	(202)	(1,244)	(1,022)
Return on plan assets excluding finance income	(987)	(9,518)	(5,125)
Foreign currency translation	–	(3)	(1)
Included in the Group statement of comprehensive income/(loss)	**213**	**(3,341)**	**(1,495)**
Employer contributions	7	24	13
Additional employer contributions	11	20	10
Benefits paid	2	3	2
Other movements	**20**	**47**	**25**
Closing balance	**(175)**	**(391)**	**1,404**
Withholding tax on surplus[a]	(3)	(3)	(576)
Closing balance, net of withholding tax	**(178)**	**(394)**	**828**
Consisting of:			
Schemes in deficit	(200)	(400)	(242)
Schemes in surplus[b]	22	6	1,070
Deferred tax asset/(liability)[c]	48	100	56
Surplus/(deficit) in schemes at the end of the period, net of deferred tax	**(130)**	**(294)**	**884**

(a) Movements recognised through other comprehensive income in remeasurements of defined benefit pension schemes.
(b) Net of a 35% withholding tax for UK schemes.
(c) Including £(2)m deferred tax liability relating to schemes in surplus (25 February 2023: £nil, 27 August 2022: £nil).

Scheme principal assumptions

The principal assumptions, on a weighted average basis, used by external actuaries to value the defined benefit obligation of the Scheme were as follows:

	26 August 2023 %	25 February 2023 %	27 August 2022 %
Discount rate[a]	5.4	4.9	4.0
Price inflation	3.1	3.0	3.2
Rate of increase in deferred pensions[b]	2.6	2.6	2.8
Rate of increase in pensions in payment[b]			
Benefits accrued before 1 June 2012	2.9	2.9	3.1
Benefits accrued after 1 June 2012	2.6	2.5	2.7

(a) The discount rate for the Scheme is determined by reference to market yields of high-quality corporate bonds of suitable currency and term to the Scheme cash flows and extrapolated based on the trend observable in corporate bond yields.
(b) In excess of any guaranteed minimum pension (GMP) element.

If the discount rate assumption increased by 0.1% or 1%, the Scheme defined benefit obligation would decrease by approximately £(184)m or £(1,659)m respectively. If this assumption decreased by 0.1% or 1%, the Scheme defined benefit obligation would increase by approximately £184m or £2,131m respectively.

If the inflation assumption increased by 0.1% or 1%, the Scheme defined benefit obligation would increase by approximately £161m or £1,740m respectively. If this assumption decreased by 0.1% or 1% the Scheme defined benefit obligation would decrease by approximately £(161)m or £(1,463)m respectively.

Movements in the defined benefit obligation from discount rate and inflation rate changes may be partially offset by movements in assets.

Note 17 Share capital and other reserves

	26 weeks ended 26 August 2023 Ordinary shares of 6 ⅓p each		52 weeks ended 25 February 2023 Ordinary shares of 6 ⅓p each	
	Number	£m	Number	£m
Allotted, called-up and fully paid:				
At the beginning of the financial period	**7,318,341,195**	**463**	**7,637,986,531**	**484**
Shares purchased and cancelled	(190,590,518)	(12)	(319,645,336)	(21)
At the end of the financial period	**7,127,750,677**	**451**	**7,318,341,195**	**463**

No shares were issued during the current or prior financial period in relation to share options or bonus awards. The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Note 17 Share capital and other reserves continued

Other reserves

The table below sets out the movements in other reserves:

	Capital redemption reserve £m	Hedging reserve[a] £m	Translation reserve £m	Own shares held[b] £m	Merger reserve £m	Insurance finance reserve[c] £m	Total £m
At 25 February 2023 (as previously reported)	**43**	**27**	**322**	**(359)**	**3,090**	**–**	**3,123**
Cumulative adjustment on initial application of IFRS 17 (net of tax)	–	–	–	–	–	16	16
At 25 February 2023 (restated[c])	**43**	**27**	**322**	**(359)**	**3,090**	**16**	**3,139**
Other comprehensive income/(loss)							
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	(73)	–	–	–	(73)
Gains/(losses) on cash flow hedges	–	(1)	–	–	–	–	(1)
Cash flow hedges reclassified and reported in the Group income statement	–	(25)	–	–	–	–	(25)
Finance income/(expenses) from insurance contracts issued	–	–	–	–	–	4	4
Finance income/(expenses) from reinsurance contracts held	–	–	–	–	–	(2)	(2)
Tax relating to components of other comprehensive income	–	(7)	–	–	–	(1)	(8)
Total other comprehensive income/(loss)	**–**	**(33)**	**(73)**	**–**	**–**	**1**	**(105)**
Transfer from hedging reserve to retained earnings	–	44	–	–	–	–	44
Inventory cash flow hedge movements							
(Gains)/losses transferred to the cost of inventory	–	47	–	–	–	–	47
Total inventory cash flow hedge movements	**–**	**47**	**–**	**–**	**–**	**–**	**47**
Transactions with owners							
Own shares purchased for cancellation	–	–	–	(752)	–	–	(752)
Own shares cancelled	12	–	–	503	–	–	515
Own shares purchased for share schemes	–	–	–	(47)	–	–	(47)
Share-based payments	–	–	–	177	–	–	177
Total transactions with owners	**12**	**–**	**–**	**(119)**	**–**	**–**	**(107)**
At 26 August 2023	**55**	**85**	**249**	**(478)**	**3,090**	**17**	**3,018**

(a) Movements in cost of hedging reserve in the 26 weeks ended and balances as at 26 August 2023 are £nil (25 February 2023: £nil, 27 August 2022: £nil).
(b) Including nil shares purchased but not yet cancelled (25 February 2023: Nil, 27 August 2022: 4.3 million) and 52.4 million shares held by the Employee Benefit Trust (25 February 2023: 55.6 million, 27 August 2022: 57.5 million).
(c) Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

	Capital redemption reserve £m	Hedging reserve[a] £m	Translation reserve £m	Own shares held[b] £m	Merger reserve £m	Insurance finance reserve[c] £m	Total £m
At 26 February 2022 (as previously reported)	**22**	**130**	**202**	**(365)**	**3,090**	**–**	**3,079**
Cumulative adjustment on initial application of IFRS 17 (net of tax)	–	–	–	–	–	1	1
At 26 February 2022 (restated[c])	**22**	**130**	**202**	**(365)**	**3,090**	**1**	**3,080**
Other comprehensive income/(loss)							
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	(24)	–	–	–	(24)
Gains/(losses) on cash flow hedges	–	68	–	–	–	–	68
Cash flow hedges reclassified and reported in the Group income statement	–	(8)	–	–	–	–	(8)
Finance income/(expenses) from insurance contracts issued[c]	–	–	–	–	–	36	36
Finance income/(expenses) from reinsurance contracts held[c]	–	–	–	–	–	(17)	(17)
Tax relating to components of other comprehensive income	–	(17)	–	–	–	(5)	(22)
Total other comprehensive income/(loss)	**–**	**43**	**(24)**	**–**	**–**	**14**	**33**
Inventory cash flow hedge movements							
(Gains)/losses transferred to the cost of inventory	–	34	–	–	–	–	34
Total inventory cash flow hedge movements	**–**	**34**	**–**	**–**	**–**	**–**	**34**
Transactions with owners							
Own shares purchased for cancellation	–	–	–	(451)	–	–	(451)
Own shares cancelled	10	–	–	411	–	–	421
Own shares purchased for share schemes	–	–	–	(48)	–	–	(48)
Share-based payments	–	–	–	151	–	–	151
Total transactions with owners	**10**	**–**	**–**	**63**	**–**	**–**	**73**
At 27 August 2022	**32**	**207**	**178**	**(302)**	**3,090**	**15**	**3,220**

Refer to previous table for footnotes.

Note 17 Share capital and other reserves continued

Own shares held

The table below presents the reconciliation of own shares purchased for cancellation between the Group statement of changes in equity and the Group cash flow statement:

Own shares purchased for cancellation	26 August 2023 £m	27 August 2022 £m
Included in the Group statement of changes in equity[a]	**(752)**	**(451)**
Payments in relation to prior year financial liabilities	–	(23)
Outstanding amount recognised as financial liabilities[b]	249	66
Other movements	–	(1)
Included in the Group cash flow statement[c]	**(503)**	**(409)**

(a) 190.6 million (27 August 2022: 155.2 million) shares, representing 2.7% of the called-up share capital as at 26 August 2023 (27 August 2022: 2.1%), with total consideration of £503m (27 August 2022: £411m) including expenses of £2m (27 August 2022: £4m) were cancelled and charged to retained earnings.
(b) Shares to be delivered under an uncancellable share repurchase agreement with an external bank, included in other payables.
(c) 190.6 million (27 August 2022: 154.8 million) shares purchased at an average price of £2.64 per share (27 August 2022: £2.64).

Insurance finance reserve

Insurance finance reserve includes the impact of changes in market discount rates on insurance and reinsurance contract assets and liabilities.

Note 18 Analysis of changes in net debt

Net debt, as defined in the Glossary, excludes the net debt of Tesco Bank but includes that of discontinued operations. Balances and movements in respect of the total Group and Tesco Bank are presented to allow reconciliation between the Group balance sheet and the Group cash flow statement.

	26 August 2023			25 February 2023			27 August 2022		
	Group £m	Bank £m	Retail £m	Group £m	Bank £m	Retail £m	Group £m	Bank £m	Retail £m
Bank and other borrowings, excluding overdrafts	(7,251)	(676)	(6,575)	(6,451)	(375)	(6,076)	(6,727)	(473)	(6,254)
Lease liabilities	(7,709)	(21)	(7,688)	(7,727)	(23)	(7,704)	(7,999)	(24)	(7,975)
Net financing derivatives	429	(7)	436	472	(9)	481	690	(15)	705
Share purchase obligations	(249)	–	(249)	(55)	–	(55)	(66)	–	(66)
Liabilities from financing activities	**(14,780)**	**(704)**	**(14,076)**	**(13,761)**	**(407)**	**(13,354)**	**(14,102)**	**(512)**	**(13,590)**
Cash and cash equivalents in the balance sheet	2,526	716	1,810	2,465	444	2,021	2,435	520	1,915
Overdrafts*	(677)	–	(677)	(900)	–	(900)	(851)	–	(851)
Cash and cash equivalents (including overdrafts) in the cash flow statement	1,849	716	1,133	1,565	444	1,121	1,584	520	1,064
Short-term investments	2,692	–	2,692	1,628	–	1,628	2,256	–	2,256
Joint venture loans	106	–	106	106	–	106	106	–	106
Interest and other receivables	23	–	23	8	–	8	4	–	4
Net operating and investing derivatives	100	115	(15)	71	114	(43)	175	111	64
Net debt of disposal group	–	–	–	(14)	–	(14)	(14)	–	(14)
Less: Share purchase obligations	249	–	249	55	–	55	66	–	66
Net debt APM			**(9,888)**			**(10,493)**			**(10,044)**

* Overdraft balances are included within borrowings in the Group balance sheet, and within cash and cash equivalents in the Group cash flow statement. Refer to Note 12.

A reconciliation between movements in Net debt and the Group cash flow statement is presented below:

	26 August 2023 £m	27 August 2022 £m
Opening Net debt	**(10,493)**	**(10,516)**
Change in liabilities from Group financing activities	(21)	976
Less: Cash flows arising from share purchase obligations	(558)	(458)
Less: Cash flows from Tesco Bank financing activities	298	(2)
Change in Net debt from financing activities	**(281)**	**516**
Net increase/(decrease) in Retail cash and cash equivalents including overdrafts*	21	76
Interest paid on components of Net debt	387	306
Interest received on components of Net debt	(114)	(12)
Net increase/(decrease) in short-term investments	1,076	179
Net increase/(decrease) in joint venture loans	–	1
Cash flows from investing derivatives	12	–
Changes in Net debt from operating and investing activities	**1,382**	**550**
Retail net interest charge on components of Net debt	(276)	(289)
Retail fair value and foreign exchange movements of Net debt	81	27
Retail other non-cash movements	(302)	(324)
Acquisitions and disposals	1	(8)
Change in Net debt from non-cash movements	**(496)**	**(594)**
Closing Net debt	**(9,888)**	**(10,044)**

* Net increase/(decrease) in Retail cash and cash equivalents including overdrafts includes £nil (27 August 2022: £(4)m) movement in cash and cash equivalents of discontinued operations and £(1)m (27 August 2022: £(4)m) intragroup funding and intercompany transactions.

Note 18 Analysis of change in net debt continued

The table below sets out the movements in liabilities arising from financing activities:

	Bank and other borrowings, excluding overdrafts £m	Lease liabilities £m	Net financing derivatives[a] £m	Share purchase obligations[b] £m	Liabilities from Group financing activities £m
At 25 February 2023	**(6,451)**	**(7,727)**	**472**	**(55)**	**(13,761)**
Cash flows arising from financing activities	(885)	308	(2)	558	(21)
Cash flows arising from operating activities:					
Interest paid	177	183	34	–	394
Non-cash movements:					
Fair value gains/(losses)	(18)	–	(18)	–	(36)
Foreign exchange	102	25	–	–	127
Interest income/(charge)	(176)	(183)	(57)	–	(416)
Acquisitions and disposals	–	1	–	–	1
Lease additions, terminations, modifications and reassessments	–	(316)	–	–	(316)
Share purchase agreements	–	–	–	(752)	(752)
At 26 August 2023	**(7,251)**	**(7,709)**	**429**	**(249)**	**(14,780)**

(a) Net financing derivatives comprise those derivatives which hedge the Group's exposures in respect of lease liabilities and borrowings. Net operating and investing derivatives, which form part of the Group's Net debt APM, are not included.
(b) Share purchase obligations form part of the liabilities arising from the Group's financing activities, but do not form part of Net debt. Cash flows arising from financing activities exclude £49m (26 weeks ended 27 August 2022: £45m) cash received from employees exercising SAYE options.

	Bank and other borrowings, excluding overdrafts £m	Lease liabilities £m	Net financing derivatives[a] £m	Share purchase obligations[b] £m	Liabilities from Group financing activities £m
At 26 February 2022	**(6,825)**	**(7,958)**	**553**	**(73)**	**(14,303)**
Cash flows arising from financing activities	29	294	195	458	976
Cash flows arising from operating activities:					
Interest paid	118	189	2	–	309
Non-cash movements:					
Fair value gains/(losses)	116	–	(41)	–	75
Foreign exchange	(61)	(7)	–	–	(68)
Interest income/(charge)	(100)	(189)	(19)	–	(308)
Acquisitions and disposals	(4)	(4)	–	–	(8)
Lease additions, terminations, modifications and reassessments	–	(324)	–	–	(324)
Share purchase agreements	–	–	–	(451)	(451)
At 27 August 2022	**(6,727)**	**(7,999)**	**690**	**(66)**	**(14,102)**

Refer to previous table for footnotes.

Note 19 Insurance

Balances in this note relate to the Group's subsidiary, Tesco Underwriting Limited (TU), part of the Tesco Bank operating segment.

	At 26 August 2023			At 25 February 2023 (restated[a])			At 27 August 2022 (restated[a])		
	Insurance contract liabilities £m	Reinsurance contracts held £m	Net (liabilities)/ assets £m	Insurance contract liabilities £m	Reinsurance contracts held £m	Net (liabilities)/ assets £m	Insurance contract liabilities £m	Reinsurance contracts held £m	Net (liabilities)/ assets £m
(Liabilities)/assets for remaining coverage	(260)	(190)	(450)	(264)	(107)	(371)	(321)	(73)	(394)
(Liabilities)/assets for incurred claims	(238)	300	62	(225)	242	17	(186)	215	29
	(498)	**110**	**(388)**	**(489)**	**135**	**(354)**	**(507)**	**142**	**(365)**
Contracts measured under PAA	(312)	43	(269)	(278)	63	(215)	(238)	47	(191)
Contracts not measured under PAA[b]	(186)	67	(119)	(211)	72	(139)	(269)	95	(174)
	(498)	**110**	**(388)**	**(489)**	**135**	**(354)**	**(507)**	**142**	**(365)**

(a) Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.
(b) Contracts not measured under PAA relate to liability for remaining coverage.

Measurement components of insurance contract liabilities and reinsurance contract assets are set out in the table below. The estimate of the present value of future cash flows is adjusted for events since the actuarial valuation:

	At 26 August 2023				At 25 February 2023 (restated*)				At 27 August 2022 (restated*)			
	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities	(401)	(17)	(80)	(498)	(405)	(18)	(66)	(489)	(428)	(20)	(59)	(507)
Reinsurance contract assets	74	7	29	110	96	7	32	135	106	8	28	142
Net (liabilities)/assets	**(327)**	**(10)**	**(51)**	**(388)**	**(309)**	**(11)**	**(34)**	**(354)**	**(322)**	**(12)**	**(31)**	**(365)**

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

Note 20 Changes in accounting policies – IFRS 17 'Insurance contracts'

This note explains the impact of the adoption of IFRS 17 'Insurance contracts' on the Group's financial position, financial performance and cash flows. IFRS 17 primarily impacts Tesco Bank and there is no material impact on the Retail segment.

IFRS 17 'Insurance contracts' is effective for the accounting period commencing 26 February 2023. IFRS 17 has been applied fully retrospectively and comparatives for prior periods have been restated from a transition date of 27 February 2022. Refer to Note 1 for the Group's insurance accounting policies.

The Group applies the premium allocation approach to measure its portfolio of insurance contracts issued and reinsurance groups purchased, except for claims liabilities acquired as part of the acquisition of Tesco Underwriting Limited on 4 May 2021. Unlike post-acquisition contracts issued with a term of one year, the Group has applied the general measurement model (GMM) to the acquired claims liabilities because the settlement of these claims and their associated insurance risk will spread over multiple years. This measurement leads to the recognition of revenue and expenses in relation to these acquired claims over a longer period of time. It includes a contractual service margin (CSM) which represents the difference between the consideration paid for the acquired claims at acquisition and the risk-adjusted discounted fulfilment cash flows, and will be allocated to the Group income statement over time to reflect the pattern of actual claims settlement.

Group income statement restatement

The table below sets out the impact of IFRS 17 on the comparative period Group income statement for the 26 weeks ended 27 August 2022. There is no impact on adjusting items.

	26 weeks ended 27 August 2022			
	Reported* Total £m	Reclassification £m	Remeasurements £m	Restated Total £m
Continuing operations				
Retail revenue	31,916	–	–	31,916
Tesco Bank interest and similar income	386	(10)	–	376
Insurance revenue	154	10	63	227
Revenue	**32,456**	**–**	**63**	**32,519**
Cost of sales	(30,579)	2	–	(30,577)
Insurance service expenses	(77)	(46)	(81)	(204)
Net expenses from reinsurance contracts held	(35)	–	3	(32)
Impairment loss on financial assets	(42)	–	–	(42)
Gross profit/(loss)	**1,723**	**(44)**	**(15)**	**1,664**
Administrative expenses	(987)	44	–	(943)
Operating profit/(loss)	**736**	**–**	**(15)**	**721**
Share of post-tax profits of joint ventures and associates	2	–	–	2
Finance income	18	–	1	19
Finance costs	(343)	–	(3)	(346)
Profit/(loss) before tax	**413**	**–**	**(17)**	**396**
Taxation	(148)	–	4	(144)
Profit/(loss) for the period from continuing operations	**265**	**–**	**(13)**	**252**
Discontinued operations				
Profit/(loss) for the period from discontinued operations	(7)	–	–	(7)
Profit/(loss) for the period	**258**	**–**	**(13)**	**245**
Attributable to:				
Owners of the parent	253	–	(13)	240
Non-controlling interests	5	–	–	5
	258	**–**	**(13)**	**245**
Earnings per share from continuing and discontinued operations				
Basic	3.38p	–	(0.17)p	3.21p
Diluted	3.35p	–	(0.17)p	3.18p
Earnings per share from continuing operations				
Basic	3.47p	–	(0.17)p	3.30p
Diluted	3.44p	–	(0.17)p	3.27p

* The income statement has been re-presented to separately present insurance revenue, insurance service expenses and net expenses from reinsurance contracts held, and to separately present Tesco Bank interest and similar income.

IFRS 17 impact	Description
Reclassification	Primarily relates to directly attributable insurance expenses, previously included in administrative expenses and cost of sales, which were reclassified to insurance service expenses.
Remeasurements	Primarily relates to the impact of acquired claims and other remeasurements under IFRS 17. Under the GMM, the profit in relation to acquired claims is deferred on the balance sheet at the transition date and recognised in the income statement in subsequent periods. The unwinding of the related CSM balance accordingly increased revenue and profit in the comparative period. However, this increase was offset by the deferral of net gains on the release of claims reserves in relation to acquired claims.

Note 20 Changes in accounting policies – IFRS 17 'Insurance contracts' continued

Group balance sheet restatement

The table below sets out the impact of IFRS 17 on the transition balance sheet at 27 February 2022 and on the comparative period balance sheet as at 27 August 2022 and 25 February 2023.

	25 February 2023				27 August 2022				26 February 2022			
	Reported £m	Reclassification £m	Remeasurements £m	Restated £m	Reported £m	Reclassification £m	Remeasurements £m	Restated £m	Reported £m	Reclassification £m	Remeasurements £m	Restated £m
Non-current assets												
Reinsurance contract assets	145	(36)	26	135	173	(51)	20	142	184	(46)	33	171
Deferred tax assets	82	–	2	84	86	–	3	89	85	–	3	88
Current assets												
Trade and other receivables	1,315	(75)	–	1,240	1,366	(51)	–	1,315	1,263	(42)	–	1,221
Loans and advances to customers	4,052	(105)	1	3,948	3,848	(94)	1	3,755	3,349	(100)	2	3,251
Reinsurance contract assets	72	(72)	–	–	58	(58)	–	–	61	(61)	–	–
Current liabilities												
Trade and other payables	(9,818)	36	3	(9,779)	(9,799)	8	2	(9,789)	(9,181)	121	3	(9,057)
Insurance contract liabilities	(570)	118	(37)	(489)	(574)	104	(37)	(507)	(623)	101	(52)	(574)
Non-current liabilities												
Trade and other payables	(153)	99	–	(54)	(195)	117	–	(78)	(53)	–	(1)	(54)
Insurance contract liabilities	(35)	35	–	–	(25)	25	–	–	(27)	27	–	–
Net assets impact		**–**	**(5)**			**–**	**(11)**			**–**	**(12)**	
Equity												
Other reserves	3,123	–	16	3,139	3,205	–	15	3,220	3,079	–	1	3,080
Retained earnings	3,490	–	(21)	3,469	4,844	–	(26)	4,818	6,932	–	(13)	6,919
Equity impact		**–**	**(5)**			**–**	**(11)**			**–**	**(12)**	

IFRS 17 impact	Description
Reclassification	Before the transition, the rights and obligations arising from a portfolio of insurance contracts and reinsurance contracts were presented in various line items in the Group balance sheet depending on their nature. IFRS 17 requires all insurance and reinsurance related balances to be classified within either insurance contract liabilities or reinsurance contract assets. Premiums receivable, previously included in loans and advances to customers, were reclassified to insurance contract liabilities (25 February 2023: £105m, 27 August 2022: £94m, 27 February 2022: £100m); and funds withheld arising from quota share arrangements, previously included in trade and other payables, were reclassified to reinsurance contract assets (25 February 2023: £124m, 27 August 2022: £117m, 27 February 2022: £115m). All other relevant balances have also been reclassified accordingly. All insurance contract liabilities have been classified as current and all reinsurance contract assets as non-current, as contracts are now considered on a portfolio basis rather than on an individual contract basis and are not permitted to be split between current and non-current.
Remeasurements	Primarily relates to the recognition and allocation of CSM in relation to acquired claims, deferred acquisition cost balances and the impact of the risk adjustment and discounting.

Note 20 Changes in accounting policies – IFRS 17 ‘Insurance contracts’ continued

Group cash flow statement restatement

The table below sets out the impact of IFRS 17 on the comparative period Group cash flow statement for the 26 weeks ended 27 August 2022.

	26 weeks ended 27 August 2022		
	Reported £m	IFRS 17 impact £m	Restated £m
Cash flows generated from/(used in) operating activities			
Operating profit/(loss) of continuing operations	**736**	**(15)**	**721**
Tesco Bank (increase)/decrease in loans and advances to customers	(440)	(5)	(445)
Tesco Bank (increase)/decrease in trade, reinsurance and other receivables	63	8	71
Tesco Bank increase/(decrease) in customer and bank deposits, trade, insurance and other payables	46	12	58
Tesco Bank increase/(decrease) in provisions	1	–	1
Tesco Bank (increase)/decrease in working capital	(330)	15	(315)
Cash generated from/(used in) operations impact		**–**	

IFRS 17 has no impact on net cash generated from operating, investing and financing activities for the period, or cash and cash equivalents at the end of the period.

APMs

The only material impact on Alternative performance measures relates to Net interest margin. Refer to the Glossary on page 49.

Note 21 Contingent liabilities

There have been no material changes to the contingent liabilities of the Group in the period.

Note 22 Events after the reporting period

There were no material events after the reporting period requiring disclosure.

Glossary – Alternative performance measures

Introduction

In the reporting of financial information, the Directors have adopted various Alternative performance measures (APMs).

These measures are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

Purpose

The Directors believe that these APMs assist in providing additional useful information on the trends, performance and position of the Group. APMs aid comparability between geographical units or provide measures that are widely used across the industry. They also aid comparability between reporting periods; adjusting for certain costs or incomes that derive from events or transactions that fall within the normal activities of the Group but which, by virtue of their size or nature, are adjusted, can provide a helpful alternative perspective on year-on-year trends, performance and position that aids comparability over time.

The alternative view presented by these APMs is consistent with how management views the business, and how it is reported internally to the Board and Executive Committee for performance analysis, planning, reporting, decision-making and incentive-setting purposes.

Further information on the Group's adjusting items, which is a critical accounting judgement, can be found in Note 3.

Some of the Group's IFRS measures are translated at constant exchange rates. Constant exchange rates are the average actual periodic exchange rates for the previous financial period and are used to eliminate the effects of exchange rate fluctuations in assessing performance. Actual exchange rates are the average actual periodic exchange rates for that financial period.

Changes to APMs

To align with how management consider property disposals, store buybacks, and properties acquired through business combinations, the Directors have amended the Retail free cash flow and Capex definitions to exclude store property purchases. These transactions are all excluded because of their unpredictable or irregular timing. This change of definition does not impact the period.

During the period, Tesco Bank paid a £250m special dividend that represented a one-off return of excess capital from the Bank to the Retail segment. As this is not expected to recur, management has excluded it from the Retail free cash flow measure, as this best helps comparability of the Retail segment over time.

Group APMs

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Income statement			
Revenue measures			
Sales	Revenue	– Fuel sales	– Excludes the impact of fuel sales made at petrol filling stations to demonstrate the Group's performance in the Retail and financial services businesses. It removes volatilities outside of the control of management, associated with the movement in fuel prices. – This is a key management incentive metric. – This measure is also presented on a Retail and Tesco Bank basis.
Growth in sales	No direct equivalent	– Ratio N/A	– Growth in sales is a ratio that measures year-on-year movement in Group sales for continuing operations for 26 weeks. It shows the annual rate of increase in the Group's sales and is considered a good indicator of how rapidly the Group's core business is growing.
Like-for-like (LFL)	No direct equivalent	– Ratio N/A	– Like-for-like is a measure of growth in Group online sales and sales from stores that have been open for at least a year (but excludes prior year sales of stores closed during the year) at constant foreign exchange rates. It is a widely used indicator of a retailer's current trading performance and is important when comparing growth between retailers that have different profiles of expansion, disposals and closures.
Profit measures			
Adjusted operating profit	Operating profit from continuing operations[a]	– Adjusting items[b]	– Adjusted operating profit is the headline measure of the Group's performance, based on operating profit from continuing operations before the impact of adjusting items. Refer to the APM Purpose section of the Glossary. – Amortisation of acquired intangibles is included within adjusting items because it relates to historical inorganic business combinations and does not reflect the Group's ongoing trading performance (related revenue and other costs from acquisitions are not adjusted). – This is a key management incentive metric. – This measure is also presented on a Retail and Tesco Bank basis.

Glossary – Alternative performance measures continued

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Adjusted total finance costs	Finance costs	– Adjusting items[b]	– Adjusting items within finance costs include net pension finance income/costs and fair value remeasurements on financial instruments. Net pension finance income/costs are impacted by corporate bond yields, which can fluctuate significantly and are reset each year based on external market factors that are outside management's control. Fair value remeasurements are impacted by changes to credit risk and various market indices, applying to financial instruments resulting from liability management exercises, which can fluctuate significantly outside of management's control. This measure helps to provide an alternative view of year-on-year trends in the Group's finance costs.
Adjusted profit before tax	Profit before tax	– Adjusting items[b]	– This measure is the summation of the impact of all adjusting items on profit before tax. Refer to the APM Purpose section of the Glossary.
Adjusted operating margin	No direct equivalent	– Ratio N/A	– Operating margin is calculated as adjusted operating profit divided by revenue. Progression in operating margin is an important indicator of the Group's operating efficiency.
Adjusted diluted earnings per share	Diluted earnings per share from continuing operations	– Adjusting items[b]	– This metric shows the adjusted profit after tax from continuing operations attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the financial period, adjusted for the effects of dilutive share options.
Retail EBITDA (earnings before adjusting items, interest, tax, depreciation and amortisation)	Retail operating profit from continuing operations[a]	– Adjusting items[b] – Depreciation and amortisation	– This measure is widely used by analysts, investors and other users of the accounts to evaluate comparable profitability of companies, as it excludes the impact of differing capital structures and tax positions, variations in tangible asset portfolios and differences in identification and recognition of intangible assets. It is used to derive the Net debt/EBITDA and Total indebtedness ratios, and Fixed charge cover APMs.
Net interest margin	No direct equivalent	– Ratio N/A	– Net interest margin is calculated by dividing Tesco Bank annualised net interest income, less annualised lease interest expense, by average interest-bearing assets. – It is a measure of the gross profitability of Tesco Bank's lending operations.
Tax measures			
Adjusted effective tax rate	Effective tax rate	– Adjusting items[b]	– Adjusted effective tax rate is calculated as total income tax credit/(charge) excluding the tax impact of adjusting items, divided by adjusted profit before tax. This APM provides an indication of the ongoing tax rate across the Group.
Balance sheet			
Net debt	No direct equivalent	– N/A	– Net debt excludes the net debt of Tesco Bank but includes that of the discontinued operations to reflect the net debt obligations of the Retail business. – Net debt comprises bank and other borrowings, lease liabilities, and net derivative financial instruments, offset by cash and cash equivalents, short-term investments, joint venture loans, and interest and other receivables. – It is a useful measure of the progress in generating cash and strengthening of the Group's balance sheet position and is a measure widely used by credit rating agencies.
Net debt/EBITDA ratio	No direct equivalent	– Ratio N/A	– Net debt/EBITDA ratio is calculated as Net debt divided by the rolling 12-month Retail EBITDA. It is a measure of the Group's ability to meet its payment obligations, showing how long it would take the Group to repay its current net debt if both net debt and EBITDA remained constant. It is widely used by analysts and credit rating agencies.
Total indebtedness	No direct equivalent	– N/A	– Total indebtedness is Net debt plus the IAS 19 deficit in any pension schemes (net of associated deferred tax) to provide an overall view of the Group's obligations, including the long-term commitments to the Group's pension schemes. Pension surpluses are not included. It is an important measure of the long-term obligations of the Group and is a measure widely used by credit rating agencies.

Glossary – Alternative performance measures continued

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Total indebtedness ratio	No direct equivalent	– Ratio N/A	– Total indebtedness ratio is calculated as Total indebtedness divided by the rolling 12-month Retail EBITDA. It is a measure of the Group's ability to meet its payment obligations and is widely used by analysts and credit rating agencies.
Fixed charge cover	No direct equivalent	– Ratio N/A	– Fixed charge cover is calculated as the rolling 12-month Retail EBITDA divided by the sum of net finance costs (excluding net pension finance costs, finance charges payable on lease liabilities, capitalised interest and fair value remeasurements on financial instruments) and all lease liability payments from continuing operations. It is a measure of the Group's ability to meet its payment obligations and is widely used by analysts and credit rating agencies.
Capex	Property, plant and equipment, intangible asset, and investment property additions, excluding those from business combinations	– Additions relating to property buybacks and store purchases – Additions relating to decommissioning provisions and similar items	– Capex excludes additions arising from business combinations, buybacks of properties (typically stores), purchases of store properties, as well as additions relating to decommissioning provisions and similar items. – Property buybacks and purchases of store properties are variable in timing, with the number and value of transactions dependent on opportunities that arise within any given financial year. Excluding property buybacks and store property purchases therefore gives an alternative view of trends in capital expenditure in the Group's ongoing trading operations. – Additions relating to decommissioning provisions and similar items are adjusted because they do not result in near-term cash outflows.
Cash flow measures			
Retail free cash flow	No direct equivalent	– N/A	– Retail free cash flow includes continuing cash flows from operating and investing activities for the Retail business, the market purchase of shares net of proceeds from shares issued in relation to share schemes, and repayment of obligations under leases, excluding the effects of Tesco Bank's cash flows. The following items are excluded: investing cash flows that increase/decrease items within Net debt; proceeds from the sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale; cash utilised to buy back property and purchase stores; proceeds from the sale of subsidiaries; cash utilised in business acquisitions; cash used for investment in joint ventures, associates and unlisted equity investments; receipt of special dividends from Tesco Bank; and adjusting cash items in operating cash activities. – By adjusting for these factors, which can have unpredictable timings or amounts, or can be driven by external events or non-operational business decisions (such as acquisitions and disposals of properties as opportunities arise), the Directors and management believe this provides a view of free cash flow generated by the Group's retail trading operations that is more predictable and comparable over time and reflects the cash available to shareholders. – This is a key management incentive metric.

(a) Operating profit is presented on the Group income statement. It is not defined per IFRS, however, is a generally accepted profit measure.
(b) Refer to Note 3.

Glossary – Alternative performance measures continued

APMs: Reconciliation of income statement measures

As the incomes and expenses included in debt APMs are calculated using a rolling 12-month period, the amounts for the 12 months to 26 August 2023 are not disclosed in the notes to the condensed consolidated interim financial statements for the current financial period.

Retail EBITDA

	52 weeks ended 26 August 2023 £m	52 weeks ended 25 February 2023 (restated*) £m
Operating profit	**2,278**	**1,517**
Less: Adjusting items	526	1,105
Adjusted operating profit	**2,804**	**2,622**
Less: Tesco Bank adjusted operating profit	(148)	(135)
Retail adjusted operating profit	**2,656**	**2,487**
Add: Retail depreciation and amortisation before adjusting items	1,576	1,570
Retail EBITDA	**4,232**	**4,057**

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

Net interest margin

	31 August 2023 £m	31 August 2022 (restated*) £m
Tesco Bank revenue	**702**	**603**
Less: Tesco Bank fees and commissions income	(137)	(134)
Less: Tesco Bank insurance revenue	(223)	(227)
Less: Tesco Bank interest expense within operating profit	(116)	(34)
Less: Tesco Bank interest expense within finance income/(costs)	(7)	(3)
Net interest income	**219**	**205**
Annualised net interest income	**436**	**406**
Average interest-earning assets	**9,264**	**8,630**
Net interest margin (%)	**4.7%**	**4.7%**

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

APMs: Reconciliation of balance sheet measures

Net debt

A reconciliation of Net debt is provided in Note 18.

Net debt/EBITDA and Total indebtedness ratio

	Notes	26 August 2023 £m	25 February 2023 £m
Net debt	18	9,888	10,493
Retail EBITDA		4,232	4,057
Net debt/EBITDA ratio		**2.3**	**2.6**
Net debt	18	9,888	10,493
Add: Defined benefit pension deficit, net of deferred tax	16	150	300
Total indebtedness		**10,038**	**10,793**
Retail EBITDA		**4,232**	**4,057**
Total indebtedness ratio		**2.4**	**2.7**

Fixed charge cover

	52 weeks ended 26 August 2023 £m	52 weeks ended 25 February 2023 (restated*) £m
Net finance costs	478	536
Less: Net pension finance income/(costs)	30	80
Add: Fair value remeasurements of financial instruments	52	(51)
Adjusted total finance costs	**560**	**565**
Less: Finance charges payable on lease liabilities	(367)	(373)
Adjusted total finance cost, excluding finance charges payable on lease liabilities	**193**	**192**
Add: Total lease liability payments	974	966
	1,167	1,158
Retail EBITDA	**4,232**	**4,057**
Fixed charge cover (ratio)	**3.6**	**3.5**

* Following the Group's adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.

Glossary – Alternative performance measures continued

APMs: Reconciliation of balance sheet measures continued

Capex

	Notes	26 August 2023 £m	27 August 2022 £m
Property, plant and equipment additions*	9	**422**	**316**
Other intangible asset additions*		**135**	**132**
Less: Additions from property buybacks	9	(34)	–
Less: Additions from store purchases		–	–
Capex		**523**	**448**

* Excluding amounts acquired through business combinations.

APMs: Reconciliation of cash flow measures

	Notes	26 weeks ended 26 August 2023 £m	26 weeks ended 27 August 2022 £m
Cash generated from/(used in) operating activities	2	**2,312**	**1,825**
Cash generated from/(used in) investing activities	2	**(1,565)**	**(507)**
Less: Cash generated from/(used in) operating activities in Tesco Bank	2	(244)	209
Less: Cash generated from/(used in) operating activities in discontinued operations	2	–	4
Less: Cash generated from/(used in) investing activities in Tesco Bank	2	271	61
Less: Cash generated from/(used in) investing activities in discontinued operations	2	–	–
		774	**1,592**
Own shares purchased in relation to share schemes	2	(6)	(4)
Retail repayments of capital element of obligations under leases	2	(306)	(292)
Exclude/add back:			
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	(34)	(301)
Retail purchase of property, plant and equipment, investment property and other long-term assets – property buybacks and store purchases	2	22	–
Retail disposal of subsidiaries, net of cash disposed	2	(15)	–
Retail acquisition of subsidiaries, net of cash acquired	2	–	66
Retail investments in/(proceeds from sale of) joint ventures and associates	2	5	6
Retail adjusting net cash (generated from)/used in operating activities	2	87	31
Retail increase in loans to joint ventures and associates	2	–	1
Retail special dividends received from Tesco Bank	2	(250)	–
Retail net investments in/(proceeds from sale of) other investments	2	3	5
Retail net investments in/(proceeds from sale of) short-term investments	2	1,076	179
Retail cash inflows from derivative financial instruments within investing activities	2	(3)	–
Retail cash outflows from derivative financial instruments within investing activities	2	15	–
Retail free cash flow		**1,368**	**1,283**

Glossary – Other

Expected credit loss (ECL)
Credit loss represents the portion of the debt that a company is unlikely to recover. The expected credit loss is the projected future losses based on probability-weighted calculations.

ESG
Environmental, social and governance.

MTN
Medium-term note.

Net promoter score (NPS)
This is a loyalty measure based on a single question requiring a score between 0-10. The NPS is calculated by subtracting the percentage of detractors (scoring 0-6) from the percentage of promoters (scoring 9-10). This generates a figure between -100 and 100 which is the NPS.

Total capital ratio
This is calculated by dividing total regulatory capital by total risk-weighted assets.

Independent review report to Tesco PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 26 August 2023 which comprises the Group income statement, the Group statement of comprehensive income/(loss), the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and related notes 1 to 22.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 26 August 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group'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 review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, England
3 October 2023

Appendices

Appendix 1

One-year like-for-like sales performance (exc. VAT, exc. fuel)

	Like-for-like sales					
	H1 2022/23	H2 2022/23	FY 2022/23	Q1 2023/24	Q2 2023/24	HY 2023/24
UK & ROI	**2.7%**	**6.7%**	**4.7%**	**8.8%**	**8.0%**	**8.4%**
UK	0.7%	6.0%	3.3%	9.0%	8.4%	8.7%
ROI	(0.1)%	6.6%	3.3%	7.3%	6.5%	6.9%
Booker	13.9%	10.2%	12.0%	8.4%	6.6%	7.5%
Central Europe	**10.4%**	**10.3%**	**10.4%**	**1.1%**	**0.7%**	**0.9%**
Total Retail	**3.2%**	**6.9%**	**5.1%**	**8.2%**	**7.5%**	**7.8%**

Appendix 2

Total sales performance (exc. VAT, exc. fuel)

	Actual rates				Constant rates			
	H1 2022/23	H2 2022/23	FY 2022/23	H1 2023/24	H1 2022/23	H2 2022/23	FY 2022/23	H1 2023/24
UK & ROI	**2.6%**	**7.0%**	**4.8%**	**8.9%**	**2.6%**	**6.8%**	**4.7%**	**8.8%**
UK	0.6%	6.0%	3.3%	9.1%	0.6%	6.0%	3.3%	9.1%
ROI	(0.6)%	13.2%	6.3%	13.0%	1.0%	9.7%	5.4%	10.0%
Booker	13.8%	10.2%	12.0%	6.9%	13.8%	10.2%	12.0%	6.9%
Central Europe	**5.9%**	**10.7%**	**8.3%**	**6.7%**	**9.5%**	**10.4%**	**10.0%**	**1.4%**
Total Retail	**2.8%**	**7.2%**	**5.0%**	**8.7%**	**3.1%**	**7.1%**	**5.1%**	**8.2%**

Appendix 3

Country detail – Retail

	Revenue (exc. VAT, inc. fuel)			
	Local currency (m)	£m	Average exchange rate	Closing exchange rate
UK	25,124	25,124	1.0	1.0
ROI	1,610	1,398	1.2	1.2
Booker	4,704	4,704	1.0	1.0
Czech Republic	21,355	782	27.3	28.1
Hungary	322,956	742	435.3	445.1
Slovakia	803	697	1.2	1.2

Appendix 4

UK sales area by size of store

	26 August 2023			25 February 2023		
Store size (sq. ft.)	No. of stores	Million sq. ft.	% of total sq. ft.	No. of stores	Million sq. ft.	% of total sq. ft.
0-3,000	2,628	5.7	14.7%	2,605	5.6	14.6%
3,001-20,000	274	2.9	7.5%	276	2.9	7.6%
20,001-40,000	286	8.2	21.2%	286	8.2	21.2%
40,001-60,000	182	8.8	22.7%	182	8.8	22.8%
60,001-80,000	119	8.4	21.7%	119	8.4	21.6%
80,001-100,000	45	3.7	9.6%	45	3.7	9.6%
Over 100,000	8	1.0	2.6%	8	1.0	2.6%
Total*	**3,542**	**38.7**	**100.0%**	**3,521**	**38.6**	**100.0%**

* Excludes Booker and franchise stores.

Appendix 5

Actual Group space – store numbers[a]

	2022/23 year end	Openings	Closures/ disposals	Net gain/ (reduction)[b]	As at 26 August 2023	Repurposing/ extensions[c]
Large[d]	805	–	(1)	(1)	804	–
Convenience	1,998	16	(2)	14	2,012	–
Dotcom only	6	–	–	–	6	–
Total Tesco	**2,809**	**16**	**(3)**	**13**	**2,822**	**–**
One Stop[e]	712	11	(3)	8	720	–
Booker	191	–	(1)	(1)	190	–
UK[e]	3,712	27	(7)	20	3,732	–
ROI	166	1	–	1	167	–
UK & ROI[e]	**3,878**	**28**	**(7)**	**21**	**3,899**	**–**
Czech Republic[e]	187	1	(2)	(1)	186	3
Hungary	197	–	–	–	197	11
Slovakia[e]	157	4	–	4	161	6
Central Europe[e]	**541**	**5**	**(2)**	**3**	**544**	**20**
Group[e]	**4,419**	**33**	**(9)**	**24**	**4,443**	**20**
UK (One Stop)	291	16	(12)	4	295	–
Czech Republic	124	–	(5)	(5)	119	–
Slovakia	25	4	(2)	2	27	–
Franchise stores	**440**	**20**	**(19)**	**1**	**441**	**–**
Total Group	**4,859**	**53**	**(28)**	**25**	**4,884**	**20**

Actual Group space – ’000 sq. ft.[a]

	2022/23 year end	Openings	Closures/ disposals	Repurposing/ extensions[c]	Net gain/ (reduction)	As at 26 August 2023
Large	31,427	–	(15)	–	(15)	31,412
Convenience	5,344	37	(10)	–	27	5,371
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,487**	**37**	**(25)**	**–**	**12**	**37,499**
One Stop[e]	1,169	19	(5)	–	14	1,183
Booker	8,181	–	(87)	–	(87)	8,094
UK[e]	46,837	56	(117)	–	(61)	46,776
ROI	3,478	25	–	–	25	3,503
UK & ROI[e]	**50,315**	**81**	**(117)**	**–**	**(36)**	**50,279**
Czech Republic[e]	4,146	8	(14)	(19)	(25)	4,121
Hungary	5,670	–	–	(128)	(128)	5,542
Slovakia[e]	3,147	41	–	(2)	39	3,186
Central Europe[e]	**12,963**	**49**	**(14)**	**(149)**	**(114)**	**12,849**
Group[e]	**63,278**	**130**	**(131)**	**(149)**	**(150)**	**63,128**
UK (One Stop)	420	23	(16)	–	7	427
Czech Republic	114	–	(5)	–	(5)	109
Slovakia	23	4	(2)	–	2	25
Franchise stores	**557**	**27**	**(23)**	**–**	**4**	**561**
Total Group	**63,835**	**157**	**(154)**	**(149)**	**(146)**	**63,689**

(a) Continuing operations.
(b) The net gain/(reduction) reflects the number of store openings less the number of store closures/disposals.
(c) Repurposing of retail selling space.
(d) 2022/23 Large stores restated to reflect the conversion of the six Jack's stores last year, reported 799 at full year 2022/23.
(e) Excludes franchise stores.

Group space forecast to 24 February 2024 – ’000 sq. ft.[a]

	As at 26 August 2023	Openings	Closures/ disposals	Repurposing/ extensions[b]	Net gain/ (reduction)[c]	2023/24 year end
Large	31,412	60	(19)	–	41	31,453
Convenience	5,371	123	(20)	–	103	5,474
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,499**	**183**	**(39)**	**–**	**144**	**37,643**
One Stop[d]	1,183	48	(6)	–	42	1,225
Booker	8,094	–	–	–	–	8,094
UK[d]	46,776	231	(45)	–	186	46,962
ROI	3,503	24	(17)	–	7	3,510
UK & ROI[d]	**50,279**	**255**	**(62)**	**–**	**193**	**50,472**
Czech Republic[d]	4,121	11	(18)	(34)	(41)	4,080
Hungary	5,542	–	–	(126)	(126)	5,416
Slovakia[d]	3,186	54	–	(40)	14	3,200
Central Europe[d]	**12,849**	**65**	**(18)**	**(200)**	**(153)**	**12,696**
Group[d]	**63,128**	**320**	**(80)**	**(200)**	**40**	**63,168**
UK (One Stop)	427	57	(4)	–	53	480
Czech Republic	109	–	(7)	–	(7)	102
Slovakia	25	5	1	–	6	31
Franchise stores	**561**	**62**	**(10)**	**–**	**52**	**613**
Total Group	**63,689**	**382**	**(90)**	**(200)**	**92**	**63,781**

(a) Continuing operations.
(b) Repurposing of retail selling space.
(c) The net gain/(reduction) reflects the number of store openings less the number of store closures/disposals and repurposing/extensions.
(d) Excludes franchise stores.

Appendix 6

Tesco Bank income statement

	H1 2023/24[a] £m	H1 2022/23[a] (restated[b]) £m
Revenue		
Interest income	342	242
Fees and commissions income	137	134
Insurance revenue	223	227
	702	**603**
Direct costs		
Interest expense	(116)	(34)
Fees and commissions expense	(10)	(6)
Insurance service expenses[c]	(206)	(204)
Net expenses from reinsurance contracts held	(27)	(32)
	(359)	**(276)**
Other income	1	2
Gross profit	**344**	**329**
Other expenses		
Staff costs	(97)	(99)
Premises and equipment	(29)	(31)
Other administrative expenses	(100)	(84)
Depreciation and amortisation[c]	(20)	(25)
Impairment loss on financial assets	(33)	(38)
Adjusted operating profit/(loss)	**65**	**52**
Adjusting items[d]	–	(5)
Operating profit/(loss)	**65**	**47**
Finance income/(costs): movements on derivatives and hedge accounting	–	2
Finance income/(costs): interest	(7)	(3)
Finance income/(costs): leases	(1)	(1)
Finance income/(costs): insurance	(4)	(2)
Profit/(loss) for the period	**53**	**43**

(a) These results are for the six months ended 31 August 2023 and the previous period represents the six months ended 31 August 2022.
(b) Following the Group’s adoption of IFRS 17, comparatives have been restated, impacting Tesco Bank. Refer to Notes 1 and 20 for further details.
(c) Depreciation and amortisation of £(3)m (27 August 2022: £(2)m) form part of insurance service expenses.
(d) Adjusting items of £(5)m in H1 2022/2023 related to operational restructuring changes, part of the ‘Save to Invest’ programme.