TESCO

Preliminary Results 2022/23

INVESTING FOR CUSTOMERS AND DELIVERING A STRONG PERFORMANCE.

Performance highlights[1,2]:	FY 22/23	FY 21/22	Change at actual rates	Change at constant rates
Group sales (exc. VAT, exc. fuel)[3]	**£57,656m**	£54,768m	5.3%	5.3%
Adjusted operating profit[4]	**£2,630m**	£2,825m	(6.9)%	(7.1)%
- Retail	£2,487m	£2,649m	(6.1)%	(6.3)%
- Tesco Bank	£143m	£176m	(18.8)%	(18.8)%
Retail free cash flow[5]	**£2,133m**	£2,277m	(6.3)%	
Net debt[2,5]	**£(10,493)m**	£(10,516)m	0.2%	
Adjusted diluted EPS[4]	**21.85p**	21.86p	(0.0)%	
Dividend per share	**10.90p**	10.90p	-	
Statutory measures:				
Revenue (exc. VAT, inc. fuel)	**£65,762m**	£61,344m	7.2%	
Operating profit	**£1,525m**	£2,560m	(40.4)%	
Profit before tax	**£1,000m**	£2,033m	(50.8)%	
Retail cash generated from operating activities	**£3,752m**	£3,614m	3.8%	
Diluted EPS	**10.08p**	19.64p	(48.7)%	

Delivered strong financial performance, with retail free cash flow ahead of expectations:

- Strong sales performance across the Group, with Retail LFL[6] sales up 5.1%, as volumes held up relatively well despite cost-of-living pressures and some further post-pandemic normalisation
  - UK & ROI LFL sales up 4.7%, including UK up 3.3%, ROI up 3.3% and Booker up 12.0%
  - Central Europe LFL sales up 10.4%
- Statutory revenue £65,762m, up 7.2% including fuel sales up 23.3%
- Total retail adjusted operating profit[4] £2,487m, down (6.3)% at constant rates
  - UK & ROI adjusted operating profit £2,307m, down (7.0)% driven by the impact of lower YoY volumes and ongoing investment in our customer offer, with Save to Invest largely offsetting significant operating cost inflation
  - C.Europe adjusted operating profit £180m, up 3.6% with volumes resilient in the face of significant market inflation
- Bank adjusted operating profit £143m, down (18.8)%, reflecting post COVID-19 macroeconomic provision release last year
- Statutory operating profit £1,525m, after £(982)m non-cash impairment charge due primarily to higher discount rates
- Strong retail free cash flow[5] £2,133m, including working capital inflow of £468m
- Flat net debt[2,5] year-on-year, with net debt/EBITDA ratio in middle of target range at 2.6x
- Adjusted diluted EPS[4] 21.85p, flat year-on-year; statutory diluted EPS 10.08p, down YoY due to impairment charge
- Proposed final dividend of 7.05pps to take full year dividend to 10.90pps (in line with last year's full year dividend)

Further strengthening our customer offer, underpinned by a relentless focus on value:

- Solid UK market share performance; only full-line grocer to gain share over three years
- Highest brand NPS of the full-line grocers; outperformed market on customer satisfaction
- Most competitive offer ever, with powerful combination of Aldi Price Match, Clubcard Prices & Low Everyday Prices helping us mitigate inflation and drive value perception ahead of the market
- Customers recognising our focus on great quality, with perception up 89bps YoY vs other full-line grocers down (153)bps
- Opened 2,000th Express store and 1,000th One Stop store; Whoosh rapid delivery service now available in 1,000 stores
- Clubcard penetration up again in all markets; further increase in app users, now 11.7m in UK, 0.7m in ROI and 2.0m in CE

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 ever investment in pay; UK store colleagues now paid £11.02/hour[7] with access to additional colleague benefits
- Working with suppliers to mitigate as much inflation as possible; record supplier satisfaction score of 86.6%
- Supporting foodbanks and our communities with daily donations; 52m meals provided by Tesco and our customers
- Further progress towards 2035 carbon neutral own operations commitment; additional 243 electric home delivery vans; accelerated aim to halve our food waste in our own operations by 2025, five years earlier than planned
- £750m worth of shares bought back since April 2022; cumulative £1.05bn bought back since October 2021

Footnotes can be found on page 4

Ken Murphy, Chief Executive:

"It's been an incredibly tough year for many of our customers, and we have been determined to do everything we can to help. Our results reflect our continued investment in delivering great value and quality for our customers, whilst at the same time looking after our colleagues. This is despite unprecedented levels of inflation in the prices we have paid our suppliers for their products, and the cost of running our own operations. I am very proud of the way the Tesco team has responded to these challenges and would like to thank every colleague for the contribution they have made.

The resilience and agility that we have developed over the last few years has created a sustainable competitive advantage that leaves us well-placed to deal with any challenges that may arise. It has enabled us to deliver another strong performance across the Group, whilst continuing to make strategic progress.

Perhaps most importantly, over the last few years we have fundamentally repositioned our value proposition. We are the most competitive we have ever been, with our market-leading combination of Aldi Price Match, Clubcard Prices and Low Everyday Prices changing the way customers perceive value at Tesco.

Through the combination of an ever more digital Clubcard, a world-class integrated app for all our customers' needs, the 30+ years of experience at dunnhumby and our unique reach and scale, we have built a powerful digital platform that puts us in prime position to take advantage of the exciting media monetisation and personalisation opportunities available to us.

We continue to target growth through making Tesco the most convenient place to shop. This year we have opened 91 stores across the Group and are serving over 450 net new Booker retail partners. Booker delivered its strongest year ever, helped by an outstanding catering performance as even more customers benefited from its unbeatable choice, price and service. Our acquisition of nine Joyce's stores in the Republic of Ireland and, more recently, the Paperchase brand in the UK signals our appetite to find new, value-creating growth opportunities in our core markets.

Our focus on customer satisfaction, market share and free cash flow is working. It is delivering strong results and enabling us to re-invest in the business, maintain a strong balance sheet and return cash to shareholders. We have already bought back over £1bn worth of shares and have today announced a further £750m worth over the next twelve months.

I am really confident that by investing to give customers the best possible value and continuing to look after our colleagues, we will create further significant value for every stakeholder in Tesco."

OUTLOOK.

We are pleased with our strong performance in 2022/23 and confident that we have the right strategy to keep winning. We will continue to prioritise investment in our customer offer whilst doing everything we can to offset the impact of ongoing elevated cost inflation.

We expect to be able to deliver a broadly flat level of retail adjusted operating profit in 2023/24 and retail free cash flow within our target range of £1.4bn to £1.8bn. We expect Bank adjusted operating profit of between £130m and £160m.

CAPITAL RETURN PROGRAMME.

Since launching our ongoing capital return programme in October 2021, we have now purchased a total of £1.05bn worth of shares, including £750m worth since April 2022, as expected.

We 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, we are pleased to announce that we will buy back a total of £750m worth of shares over the next twelve months.

We will continue to announce any new forward commitments regarding our ongoing capital return programme as part of our preliminary results each April.

STRATEGIC PRIORITIES.

Our four strategic priorities continue to guide us by ensuring we offer outstanding value, great quality and market-leading convenience whilst also rewarding loyalty. Our unrivalled reach, strong supplier relationships and the capability of our exceptional teams means we are best-placed to serve our customers whenever, wherever and however they need us. Through our digital platform, powered by Clubcard and dunnhumby, we are building a significant competitive advantage. We remain focused on driving top-line growth, profit and cash, and in doing so, continuing to deliver for all of our stakeholders.

We have made further strong progress against our strategic priorities over the last year:

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

- We are at the most competitive we have ever been, including our market-leading combination of:
  - Aldi Price Match: market-leading commitment on >600 lines; in 99% of large baskets & >85% of top-up shops
  - Low Everyday Prices: continuing price lock on over a thousand everyday products until July 2023
  - Clubcard Prices: continuing to provide great offers and value to customers; >10% increase in promotions YoY
- Improved quality perception: +89bps YoY (+492bps over 3yrs) vs other full-line grocers (153)bps YoY (+15bps over 3yrs)
- Brand NPS highest of the full-line grocers; outperformed market on customer satisfaction
- Record supplier satisfaction score of 86.6%; #1 in Advantage supplier survey for seventh consecutive year
- Continued focus on health & sustainability; launched 'Better Baskets' instore & online; removed 71bn calories to date
- Further progress towards 2035 carbon neutral own operations commitment; additional 243 electric home delivery vans; accelerated plans to halve food waste in our own operations by five years, from 2030 to 2025

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

- Further increase in Clubcard sales penetration across all markets; UK now at 79%, ROI at 77% and C.Europe at 83%
- Nearly 21m active UK Clubcard households; over 14m Clubcard app users across Group (UK: 11.7m, ROI: 0.7m, CE: 2.0m)
- Number of UK customers receiving in-app personalised coupons doubled to 4 million; 89m coupons issued to date
- Clubcard ranked #1 loyalty scheme in all three C.Europe countries; 95% of CE promotions now on Clubcard Prices
- Completed migration of Clubcard app into Grocery app; now includes home delivery, Click & Collect, Whoosh rapid delivery, GetGo queue-free shopping, in-store stock checking, payment and full Clubcard functionality

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

- Online sales remain nearly 60% ahead of pre-pandemic levels, with orders held at 1.1m per week
- Online market share remained strong at c.35%; opened fifth and sixth urban fulfilment centres (UFCs)
- Tesco Whoosh delivery service now in 1,000 stores, available to >55% UK households; average delivery time c.25mins
- Opened two superstores, 50 Express stores, 18 One Stop stores in UK; working with 451 net new Booker retail partners
- Nine stores converted from Joyce's supermarkets in the Republic of Ireland, trading ahead of expectations; also opened four new Express stores in Ireland and seven small format stores in C.Europe
- Acquired Paperchase brand in January 2023; first products to be launched in UK stores later this year

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

- Strong progress across all areas: goods & services not for resale, property, operations and central overheads
- Accelerated delivery of savings plan; in excess of £550m saved TY; on track to achieve at least £1bn cumulative by Feb-24
- Streamlined management structure in larger Superstores and Extra stores; closing all 467 remaining counters
- Implemented energy reduction initiatives in stores, significantly improving efficiency and reducing costs
- Replaced weekly paper offer booklets with digital flyer in C.Europe, removing c.3,500 tonnes of paper annually

Sources can be found on page 14

GROUP REVIEW OF PERFORMANCE.

52 weeks ended 25 February 2023[1,2]	FY 22/23	FY 21/22	Change at actual rates	Change at constant rates
Sales (exc. VAT, exc. fuel)[3]	**£57,656m**	**£54,768m**	**5.3%**	**5.3%**
Fuel	£8,106m	£6,576m	23.3%	23.2%
Revenue (exc. VAT, inc. fuel)	**£65,762m**	**£61,344m**	**7.2%**	**7.3%**
Adjusted operating profit[4]	**£2,630m**	**£2,825m**	**(6.9)%**	**(7.1)%**
Adjusting items	£(1,105)m	£(265)m		
Statutory operating profit	**£1,525m**	**£2,560m**	**(40.4)%**	
Net finance costs	£(533)m	£(542)m		
Joint ventures and associates	£8m	£15m		
Statutory profit before tax	**£1,000m**	**£2,033m**	**(50.8)%**	
Group tax	£(247)m	£(510)m		
Statutory profit after tax	**£753m**	**£1,523m**	**(50.6)%**	
Adjusted diluted EPS[4]	21.85p	21.86p	(0.0)%	
Statutory diluted EPS	10.08p	19.64p	(48.7)%	
Dividend per share	**10.90p**	**10.90p**	**-**	
Net debt[2,5]	**£(10,493)m**	**£(10,516)m**	**0.2%**	
Retail free cash flow[5]	**£2,133m**	**£2,277m**	**(6.3)%**	
Capex[8]	**£1,235m**	**£1,101m**	**12.2%**	

Group sales[3] increased by 5.3% at constant rates, driven by strong sales performance in all segments as volumes held up relatively well despite cost-of-living pressures and some further post-pandemic normalisation. We delivered a market-leading performance over the important Christmas trading period, continuing to inflate behind the market as overall levels of inflation increased. Booker delivered an exceptionally strong performance, particularly in catering, with higher out-of-home consumption. Revenue increased by 7.3% at constant rates, including fuel sales growth of 23.2%.

Group adjusted operating profit[4] decreased by (7.1)% at constant rates, primarily reflecting the impact of lower year-on-year volumes, the ongoing investment in our customer offer and significant operating cost inflation, partially offset by a very strong Booker catering recovery and the acceleration of our Save to Invest programme, which delivered in excess of £550m of savings in the year.

Group statutory operating profit reduced by (40.4)% year-on-year due to the operating profit impacts above and an increase in adjusting items, with the key driver being a £(982)m non-cash impairment charge on non-current assets (primarily property), mainly due to an increase in discount rates.

Net finance costs were broadly flat year-on-year as the benefit from higher interest receivable and net pension finance income was partially offset by non-cash fair value remeasurements. Further detail is shown on page 10. Our share of profits from joint ventures and associates was lower year-on-year due to a reduction in profits from UK property joint ventures. The reduction in tax this year reflects the lower retail operating profits and a one-off charge in the prior year related to the revaluation of deferred tax.

Adjusted diluted EPS[4] was in line with last year, as the impact of the reduction in operating profit was offset by lower finance costs and tax charges, and the benefit of our ongoing share buyback programme. We have announced a full year dividend of 10.90p per ordinary share, in line with last year.

Net debt[2,5] was broadly flat year-on-year, with strong cash generation funding over £1.6bn of shareholder returns in the form of share buybacks and dividends. We generated £2,133m of retail free cash flow[5], including a net £468m working capital inflow. Retail free cash flow reduced by £(144)m due to lower retail operating profits and higher levels of capital investment, offset by a reduction in cash tax. The net debt/ EBITDA ratio was 2.6 times, up from 2.5 times in the prior year due to a reduction in retail EBITDA.

Further commentary on these metrics can be found below and a full income statement can be found on page 15.

Notes:

1. The Group has defined and outlined the purpose of its alternative performance measures, including its performance highlights, in the Glossary starting on page 46.
2. All measures apart from Net debt are shown on a continuing operations basis unless otherwise stated. Further details on discontinued operations can be found in Note 6 on page 29.
3. Group sales exclude VAT and fuel. Sales change shown on a comparable day's basis for Central Europe.
4. Adjusted operating profit and adjusted diluted EPS exclude adjusting items.
5. Net debt and Retail free cash flow exclude Tesco Bank.
6. Like-for-like (LFL) 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).
7. UK colleagues in stores are now paid £11.02/hr (from 2-Apr-23). Colleagues in Outer London stores are paid £11.75/hr and those in London Boroughs are paid £11.95/hr (both rates include location allowances).
8. Capex excludes additions arising from business combinations and buybacks of property (typically stores). Refer to page 50 for a full reconciliation.

Segmental review of performance:

Sales performance:
(exc. VAT, exc. fuel)[3]

	Sales (£m)	LFL sales change[6]	Total sales change at actual rates	Total sales change at constant rates
- UK	41,040	3.3%	3.3%	3.3%
- ROI	2,645	3.3%	6.3%	5.4%
- Booker	8,684	12.0%	12.0%	12.0%
UK & ROI	**52,369**	**4.7%**	**4.8%**	**4.7%**
Central Europe	**4,181**	**10.4%**	**8.3%**	**10.0%**
Retail	**56,550**	**5.1%**	**5.0%**	**5.1%**
Bank	1,106		20.1%	20.1%
Group sales	**57,656**		**5.3%**	**5.3%**
Fuel	8,106	23.0%	23.3%	23.2%
Group revenue	**65,762**		**7.2%**	**7.3%**

Further information on sales performance is included in the supplementary information starting on page 43.

Adjusted operating profit[4] performance:

	Profit (£m)	Change at actual rates	Change at constant rates	Margin % at actual rates	Margin % change at actual rates
UK & ROI	2,307	(7.0)%	(7.0)%	3.8%	(57) bps
Central Europe	180	7.1 %	3.6 %	4.1%	(10) bps
Retail	**2,487**	**(6.1)%**	**(6.3)%**	**3.8%**	**(54) bps**
Bank	143	(18.8)%	(18.8)%	12.9%	(616) bps
Group	**2,630**	**(6.9)%**	**(7.1)%**	**4.0%**	**(61) bps**

Further information on operating profit performance is included in Note 2 starting on page 21.

UK & ROI OVERVIEW:

In the UK, Republic of Ireland (ROI) and Booker, like-for-like sales increased by 4.7% versus last year, with growth of 6.7% in the second half. We delivered a very strong performance over Christmas (with like-for-like sales growth of 7.8%), continuing to inflate behind the market as overall levels of inflation increased. Booker delivered particularly strong sales growth of 12.0%, benefiting from continued market share growth in its catering business.

UK & ROI adjusted operating profit was £2,307m, down (7.0)% at constant rates, primarily reflecting the impact of lower year-on-year volumes, the ongoing investment in our customer offer and significant operating cost inflation, partially offset by a very strong Booker catering recovery and the acceleration of our Save to Invest programme.

Adjusted operating margin was 3.8%, (57)bps lower year-on-year, reflecting a margin mix benefit last year from higher non-food sales and the year-on-year operating profit impacts above.

Further information on each of the UK & ROI businesses follows below.

UK – strong customer offer and relentless focus on value:

Like-for-like sales grew by 3.3%, with particularly strong growth of 7.2% across the six-week Christmas trading period. In the first half, like-for-like sales grew by 0.7%, reflecting reduced year-on-year volumes due to higher levels of in-home consumption in the prior year. Growth accelerated in the second half, with like-for-like sales of 6.0%, driven by rising levels of general market inflation and strong demand in the fourth quarter, particularly during the key Christmas trading period.

Food sales grew by 4.6% for the full year, with own brand volume participation increasing by 46bps as customers responded to our overall value proposition, driving growth at both ends of our range; Finest sales were up 6.8% and sales of our entry price and Exclusively at Tesco ranges were up 5.9%. We are at the most competitive we have ever been, with our strongest price index to date, as we continue to invest in our value proposition for customers. The powerful combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices, supported by our market-leading ranges, is helping customers manage higher costs of living. We maintained a strong market share at 27.3% and were the only full-line grocer to grow share versus pre-pandemic, whilst also growing our overall brand index ahead of the market across the three years, most noticeably in quality up 492bps.

Customers took greater advantage of our exclusive Clubcard Prices promotions, with promotional participation increasing by 3.8ppts to 25.5% in February. Clubcard sales penetration reached 78.5% by the end of the year, up 4.4ppts, with penetration in convenience up 9.9ppts, benefiting from the roll-out of Clubcard Prices to our Express stores in the second half of last year and more recently the launch of our market-leading Clubcard Price Meal Deal.

Non-food sales declined by (4.5)% as we traded over strong sales in Home and Clothing categories last year. Home sales declined by (6.4)%, driven by a (9.8)% reduction in our range as we selectively exited low margin categories such as electricals. We outperformed the market in key categories, such as gifting and stationery (by 8.7ppts and 4.3ppts respectively). We purchased the Paperchase brand in January, and we look forward to introducing a wider range of cards, gifting and stationery later this year.

Clothing sales declined by (1.2)%, which mainly reflects the impact of trading over exceptionally strong lockdown-linked demand in the first half of the 2021/22 financial year, partly offset by our efforts to rebalance space from Home to Clothing. We saw a significant improvement in value perception, ahead of other clothing retailers, and the number of customers purchasing at least one product from our Home and Clothing ranges increased by 11.0% and 7.6% respectively. Clothing delivered growth of 7.0% in the fourth quarter.

Sales grew well in both large and convenience store formats, by 4.0% and 6.4% respectively, driven by particularly strong performance in food and higher footfall as some customers switched back into stores from online. Growth was particularly strong in our city centre convenience stores, notably in the London region where sales grew by 9.4%.

Online sales declined by (5.4)%, in line with overall normalisation in the market. Online sales participation stabilised to c.13%, around 4ppts higher than pre-pandemic, driven by strong customer retention.

	FY 22/23	One-year change	Three-year change
Online performance			
Sales (inc. VAT)	£5.6bn	(5.4)%	57.0%
Orders per week	1.14m	(6.7)%	52.1%
Basket size £	£95	1.0%	3.2%
Online % of UK total sales	12.8%	(1.2)ppts	3.6ppts
Delivery saver subscribers	688k	0.8%	39.1%
Click & Collect (C&C) locations	563	10.4%	71.1%

We opened our fifth and sixth Urban Fulfilment Centres (UFCs) in Rutherglen, Glasgow (in May) and Bar Hill, Cambridge (in January). Tesco Whoosh – our rapid delivery service – is now in 1,000 stores, exceeding our original target of 800 stores. Our average delivery times have improved by around five minutes to c.25 minutes with nearly two million orders delivered to customers to date. Satisfaction scores are amongst the highest in the Group, with Whoosh proving particularly popular amongst our most loyal customers.

ROI – consistently outperforming the market:

Like-for-like sales grew by 3.3% for the full year, including growth of 6.6% in the second half as general market inflation increased. We delivered a particularly strong Christmas, despite trading over high levels of in-home consumption in the prior year as a result of hospitality restrictions. We grew our market share to 22.9% by the end of the year, with gains of 64bps year-on-year and 110bps versus pre-pandemic.

Total sales grew by 5.4% at constant rates, including a 1.5ppts contribution from the nine Joyce's stores we acquired in June which were fully converted and re-opened as Tesco stores in the third quarter. In addition, we opened four new convenience stores, which contributed 0.7ppts to total sales growth.

Our continued investment in value through Aldi Price Match, Low Everyday Prices and Clubcard Prices is proving to be a winning formula for customers in Ireland. Clubcard Prices has been a particular success, with sales penetration increasing by 22.8ppts to 76.5%.

BOOKER – an exceptionally strong performance across both catering and retail:

	Sales £m	LFL
Total Retail	**4,796**	**3.2%**
Retail	2,888	9.9%
Tobacco	1,908	(5.6)%
Total Catering	**3,629**	**26.7%**
Catering	2,109	25.2%
Best Food Logistics	1,520	29.0%
Total Booker*	**8,684**	**12.0%**

* Total Booker also includes small business sales of £259m

Booker delivered exceptionally strong like-for-like sales growth of 12.0%. Catering sales were particularly strong, increasing by 35.5% in the first half as we lapped subdued demand due to pandemic-related restrictions in the prior year. Catering grew by 18.9% in the second half as we continued to significantly outperform the market, working with hospitality customers to ensure they could continue to offer outstanding value whilst maintaining strong menu choice. This included our price freeze on around 450 key catering lines across the festive period. The number of customers signing up to our 'Food Clubs' has further increased, with 44,000 members now able to access exclusive deals and discounts.

The retail business also continued to grow well, with sales up 9.9% excluding tobacco. Our Jack's product range is proving popular with our Booker retail partners, enabling them to offer their customers a great value own brand alternative on over 500 lines.

Retail tobacco sales declined by (5.6)%, reflecting the market trend as customers returned to overseas travel and duty-free imports increased. Excluding tobacco, total Booker sales growth was 18.4%.

CENTRAL EUROPE – strong delivery of cost reduction plans delivering profit growth:

Like-for-like sales grew by 10.4%, with strong growth in all three markets. Inflationary pressures were felt to a greater extent across our Central European markets with even more significant levels of input cost inflation. Food sales grew by 11.9%, with strong growth in both fresh and packaged categories.

We rolled out Clubcard Prices to c.95% of promotions and our Low-Price Guarantee continues to be positively received across all countries. Clubcard penetration is now at 83% versus 60% last year and we have seen strong improvements across our reward perceptions. Our reward scheme is ranked number one in all three countries.

Central Europe adjusted operating profit was £180m, an increase of 3.6% at constant rates. Our cost reduction programme helped offset significant energy inflation, foreign exchange headwinds and an incremental £(25)m charge related to a new extraordinary retail tax in Hungary.

In June, we completed the sale of 17 malls and one retail park, generating proceeds of £203m and a £37m profit on disposal within adjusting items. We are continuing to operate the Tesco hypermarkets in these malls on a leasehold basis.

TESCO BANK:

	FY 22/23	FY 21/22	YoY change
Revenue	**£1,106m**	**£922m**	**20.1%**
Adjusted operating profit	**£143m**	**£176m**	**(18.8)%**
Lending to customers	£7.1bn	£6.5bn	9.1%
Customer deposits	£(5.8)bn	£(5.3)bn	8.3%
Net interest margin	4.9%	5.0%	(0.1)ppts
Total capital ratio	25.7%	27.2%	(1.5)ppts

Revenue grew by 20.1%, driven by an increase in credit card spend, a recovery in demand for travel money and an increase in ATM transactions year-on-year as cash usage continued to recover post-pandemic. In addition, insurance revenue increased due to an additional two-month benefit from the acquisition of Tesco Underwriting Limited in May 2021 as well as underlying growth in policies.

Tesco Bank adjusted operating profit was £143m, down (18.8)% year-on-year, predominantly due to the impact of a significant provision release in the prior year related to the improved macroeconomic outlook post-pandemic. This was partially offset by a strong performance in our travel money and ATM businesses, combined with higher credit card income, in addition to a higher contribution from the full consolidation of Tesco Underwriting Limited.

Overall lending to customers has increased by 9.1% to £7.1bn, due mainly to higher credit card balances as a result of both increased retail spending and growth in newly acquired accounts. Loan balances remained stable year-on-year. Our level of customer defaults remains low and the Bank's balance sheet remains in a strong position, with sufficient capital and liquidity to absorb changes in both regulatory and funding requirements.

In addition to winning 'Credit Builder Card Provider of the Year' and 'Best Card Provider (Introductory Rate)' at the Moneyfacts Awards in the first half, Tesco Bank has since won 'Credit Card Provider' of the year at the 2023 Moneyfacts Consumer Awards in recognition of the wide range of credit cards we offer for customers, combined with the unique benefit of being able to earn Tesco Clubcard points.

We announced our two new charity partnerships with The Trussell Trust, who work to end the need for food banks in the UK, and Maggie's, the cancer support charity.

PLANET - Serving our customers, communities and planet a little better every day:

We continue to roll-out innovations to help achieve our aim of net zero emissions across our entire value chain by 2050, aligned to a 1.5-degree pathway. In the fourth quarter we announced two new trials with our farmer suppliers. We launched a low-carbon fertiliser trial with five of our key field vegetable suppliers. With 75% of the fertiliser alternatives manufactured in the UK, the trial is focused on increasing food security and cutting greenhouse gas emissions for the harvests linked to the low-carbon fertiliser of those key suppliers. We also launched a fava bean trial to help scale up this UK-native, low carbon alternative protein to pea and soya, including using it as an ingredient and as alternative feed for pigs.

We have made further progress towards our commitment to be carbon neutral in our own operations by 2035. We introduced a further 243 electric vans into our home delivery fleet, and in an industry first, we introduced a zero-emissions electric lorry to trial deliveries across the 400 London stores served by our Dagenham distribution centre.

This year we launched our 'Better Baskets' campaign, bringing together affordable products to help customers make healthier and more sustainable choices. Healthy products now account for 60% of sales volumes, up from 58% last year, and we are on track to achieve our target of 65% by 2025. Reformulation of own brand ranges has contributed to the removal of 71 billion calories to date, putting us well on track to delivering our 100 billion calorie reduction ambition by 2025.

In the third quarter, we announced our new aim to halve food waste in our own operations by 2025, five years ahead of our previous commitment and the UN Sustainable Development Goals (SDG) of 2030. In November, we rebranded 'Reduced to Clear' with new signage to let customers know that products are 'Reduced in price. Just as nice.', helping them to save on their weekly shop and reduce food waste.

To help support the unprecedented demand in our communities, we have given daily donations to foodbanks and local charities. In the third quarter we launched The Give Back Express, allowing customers to purchase products most needed by charities and donate them in store. Alongside our Winter Food Collection, which provided an equivalent of 2.4 million meals this year, these initiatives are made possible through our longstanding partnerships with Community Food Connection, Trussell Trust, FareShare and free sharing app Olio.

Adjusting items in statutory operating profit:

	FY 22/23 £m	FY 21/22 £m
Net impairment charge on non-current assets	(982)	(115)
Save to Invest restructuring provisions	(138)	(44)
Property transactions	91	128
Amortisation of acquired intangible assets	(76)	(76)
Disposal of Asia operations / China associate	2	41
Other*	(2)	(6)
Litigation costs	-	(193)
Total adjusting items in statutory operating profit	**(1,105)**	**(265)**

* Other includes fair value less cost of disposal movements on assets held for sale, ATM business rates refund, and release of onerous contract provision. See page 26.

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. Total adjusting items in statutory operating profit resulted in a charge of £(1,105)m, compared to a £(265)m charge in the prior year.

We recognised a £(982)m non-cash net impairment charge on non-current assets, primarily property, driven mainly by a significant increase in discount rates as a result of macroeconomic factors. The majority of the charge (£(626)m) was booked in the first half the year, with an additional amount charged in the second half as discount rates further increased.

We recognised a £(138)m restructuring provision related to the Save to Invest programme which includes changes made to our store management structures and the closure of our remaining UK counters.

We generated a £91m profit on the disposal of properties in the year, including the sale of our Middlewich distribution centre in the UK, and the disposal of 17 mall properties and a retail park in Central Europe.

Amortisation of acquired intangible assets is excluded from our headline performance measures. We incurred a charge of £(76)m in the year, which relates to the intangible assets that were recognised as a result of our merger with Booker in March 2018.

In the prior year, we recognised litigation costs of £(193)m in adjusting items, relating to proceedings issued against us by two claimant law firms in relation to the overstatement of expected profits announced in 2014. The cash flow related to these claims was also settled in the prior year. Given the legal timeframe for bringing a claim has now elapsed, no further related claims can be brought by shareholders.

Further detail on adjusting items can be found in Note 3, starting on page 26, with additional information relating to the non-cash net impairment charge in Note 12, starting on page 31.

Joint ventures and associates:

Our share of post-tax profits from joint ventures and associates was £8m, compared to £15m in the prior year, primarily due to a reduction in profits from UK property joint ventures.

As announced within our interim results, we completed the buyback of our partner's stake in The Tesco Dorney Limited Partnership property joint venture in October 2022, bringing back seven large stores into full ownership. This results in annual cash rental savings of c.£31m and has a broadly neutral impact on net debt, as a £(0.4)bn increase in borrowings is offset by a £0.4bn reduction in lease liabilities.

Following this transaction, we have five UK property joint ventures still in place, from a peak of 13 structures in 2015. These five remaining structures contain properties worth £3.0bn and debt of £2.0bn, with £2.0bn of associated lease liabilities on our balance sheet. The three largest remaining property JVs are with the Tesco Pension Scheme.

Net finance costs:

	FY 22/23 £m	FY 21/22 £m
Net interest on medium term notes, loans and bonds	(231)	(208)
Other interest receivable / (payable)	42	(30)
Finance charges payable on lease liabilities	(373)	(405)
Net finance costs before adjusting items	**(562)**	**(643)**
Fair value remeasurements of financial instruments	(51)	123
Net pension finance income / (costs)	80	(22)
Net finance costs	**(533)**	**(542)**

Net interest on medium-term notes, loans and bonds was £(231)m, up £(23)m. The combined impact of debt acquired through the acquisition of property partnerships and increased interest rates on floating rate debt was largely offset by the benefit of debt refinanced at a lower coupon in the prior year and the buyback of a portion of secured debt in November 2022.

Other interest receivable totalled £42m, up £72m year-on-year due to higher interest income on our cash balances and short-term deposits.

Finance charges payable on lease liabilities reduced by £32m year-on-year. This was driven by the derecognition of £385m of lease liabilities relating to the buyback of The Tesco Dorney Limited Partnership mentioned above and £355m of lease liabilities related to the buyback of The Tesco Sarum Limited Partnership in December 2021.

The non-cash fair value remeasurement charge of £(51)m primarily relates to the mark-to-market movement on inflation-linked swaps, driven by an increase in discount rates. These swaps eliminate the impact of future inflation on the Group's cash flow in relation to historical sale and leaseback property transactions.

Net pension finance income of £80m was driven by the IAS 19 pension surplus as at the end of the 2021/22 financial year, compared to a charge of £(22)m last year when the scheme was in an opening deficit position.

Further detail on finance income and costs can be found in Note 4 on page 27, as well as further detail on the adjusting items in Note 3 on page 26.

Group tax:

	FY 22/23 £m	FY 21/22 £m
Tax on adjusted profit	(442)	(502)
Tax on adjusting items	195	(8)
Tax on profit	**(247)**	**(510)**

Tax on adjusted Group profit was £(442)m, £60m lower than last year, reflecting a reduction in retail operating profit and a one-off charge in the prior year related to the revaluation of deferred tax following the decision to increase the corporation tax rate in the UK from 19% to 25% from April 2023. Adjusting items resulted in a £195m tax credit, driven predominantly by taxable deductions relating to the higher impairment charge.

The effective tax rate on adjusted Group profit was 21.3%, higher than the current UK statutory rate of 19%, primarily due to the depreciation of assets which do not qualify for tax relief.

We expect our effective tax rate to be around 26% in FY 23/24 following the increase in the UK corporation tax rate on 1 April 2023.

Earnings per share:

	FY 22/23	FY 21/22	YoY change
Adjusted diluted EPS	21.85p	21.86p	(0.0)%
Statutory diluted EPS	10.08p	19.64p	(48.7)%
Statutory basic EPS	10.17p	19.86p	(48.8)%

Adjusted diluted EPS was 21.85p, in line with last year, as the impact of reduced adjusted operating profit was offset by lower finance costs and tax charges year-on-year, and the benefit of our share buyback programme.

Statutory diluted earnings per share was 10.08p, (48.7)% lower year-on-year due to an increase in adjusting items, principally a higher net impairment charge on non-current assets.

Dividend:

We propose to pay a final dividend of 7.05 pence per ordinary share, taking the full year dividend to 10.90 pence per ordinary share, in line with last year. This includes the payment of an interim dividend of 3.85 pence per ordinary share in November 2022.

The proposed final dividend was approved by the Board of Directors on 12 April 2023 and is subject to the approval of shareholders at this year's Annual General Meeting. The final dividend will be paid on 23 June 2023 to shareholders who are on the register of members at close of business on 12 May 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 2 June 2023.

Summary of total indebtedness (excludes Tesco Bank):

	Feb-23 £m	Feb-22 £m	Movement £m
Net debt before lease liabilities	(2,775)	(2,570)	(205)
Lease liabilities	(7,718)	(7,946)	228
Net debt	**(10,493)**	**(10,516)**	**23**
Pension deficit, IAS 19 basis (post-tax)	(300)	(242)	(58)
Total indebtedness	**(10,793)**	**(10,758)**	**(35)**
Net debt / EBITDA	**2.6x**	**2.5x**	
Total indebtedness ratio	**2.7x**	**2.5x**	

Total indebtedness was £(10,793)m, broadly in line with last year as increases in net debt and the IAS 19 pension deficit were largely offset by a reduction in lease liabilities. Net debt before lease liabilities increased by £(205)m year-on-year to £(2,775)m, driven by the impact of fair value remeasurement of net derivatives and the purchase of a portion of the secured debt of our property joint ventures, in order to reduce our ongoing net interest cost.

Lease liabilities were £(7,718)m, down £228m year-on-year, primarily due to the derecognition of £385m of lease liabilities following the purchase of our partner's stake in The Tesco Dorney Limited Partnership. This was partially offset by an increase in lease liabilities as a result of higher rent payments this year due to the effect of RPI inflation and the lease back of 17 stores situated in the mall properties sold in Central Europe.

We now carry an IAS 19 pension deficit, totalling £(300)m (post-tax), which includes £(157)m relating to the main scheme and £(143)m related to other Group pension schemes. The main scheme was in a surplus of £2.4bn (post tax) in the prior year and was therefore disregarded in total indebtedness as only pension schemes which are in a net deficit position are included. The movement in the main scheme was driven by movements in discount rates and gilt yields.

The accounting surplus/deficit does not drive contributions to the pension schemes and can be volatile. As disclosed within our interim results, we have agreed the actuarial pension valuation as at 31 March 2022 with the Tesco Plc Pension Scheme Trustee at a surplus of £0.9bn. It was also agreed with the Trustee that no pension deficit contributions are expected to be required ahead of the next triennial valuation in 2025.

We had strong levels of liquidity at the end of the year of £2.7bn and our £2.5bn committed facility remained undrawn. We refinanced the facility in November 2022 for an initial three-year term. The rate of interest payable on this facility continues to be linked to three of our sustainability commitments.

Our net debt to EBITDA ratio was 2.6 times at the end of the year, up from 2.5 times in the prior year end and around the middle of our targeted range of 2.8 to 2.3 times. The year-on-year increase was driven by a reduction in retail EBITDA. The total indebtedness ratio was 2.7 times compared to 2.5 times last year end.

Fixed charge cover was 3.5 times this year, which was stable year-on-year, as a reduction in retail EBITDA offset lower net finance costs and lease interest payments.

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 21.

	FY 22/23 £m	FY 21/22 £m
Adjusted operating profit	**2,630**	**2,825**
Less: Tesco Bank adjusted operating (profit) / loss	(143)	(176)
Retail adjusted operating profit	**2,487**	**2,649**
Add back: Depreciation and amortisation	1,570	1,577
Other reconciling items	61	61
Pension deficit contribution	(23)	(19)
Decrease in working capital	468	501
Retail cash generated from operations before adjusting items	**4,563**	**4,769**
Cash capex	(1,143)	(1,050)
Net interest	(573)	(641)
- Interest related to Net debt before lease liabilities	*(202)*	*(239)*
- Interest related to lease liabilities	*(371)*	*(402)*
Tax paid	(107)	(195)
Dividends received	68	109
Repayments of obligations under leases	(589)	(571)
Own shares purchased for share schemes	(86)	(144)
Retail free cash flow	**2,133**	**2,277**
Memo (not included in Retail free cash flow):		
- Net acquisitions and disposals	*(281)*	*122*
- Property proceeds and purchases	*266*	*228*
- Cash impact of adjusting items	*(61)*	*(316)*

We delivered strong retail free cash flow of £2,133m, significantly ahead of our target range of between £1.4bn and £1.8bn, driven by another strong working capital performance. The year-on-year reduction of £(144)m was primarily driven by lower retail adjusted operating profit and an increase in capital expenditure, partially offset by lower tax and net interest payments.

Our total working capital inflow was £468m, driven primarily by higher trade payable balances due to cost price inflation in addition to good working capital management.

Net interest paid was lower year-on-year due to higher interest received as a result of higher interest rates on cash balances and lower interest relating to lease liabilities as a result of the buyback of the property partnerships mentioned above.

Total retail cash tax paid in the year was £(107)m, compared to £(195)m last year. The reduction reflects lower retail adjusted operating profits year-on-year and the impact of tax allowable deductions relating to adjusting items, primarily the impairment charge and fair value remeasurements. We continue to benefit from a super-deduction allowance on certain capital investments and we received in-year tax relief of £121m in relation to the £2.5bn one-off pension contribution made in 2021 which is required to be spread over four years for tax purposes. FY 23/24 will be the final year in which we receive this pension-related tax relief. In the Spring Budget 2023, the UK Government announced that 'full expensing' relief on certain capital investments would be available from 1 April 2023 through to 31 March 2026, and we expect this to have a broadly similar cash tax impact as the super-deduction allowance that it replaces.

The net cash outflow of £(86)m for the purchase of our own shares comprises a £(134)m purchase of shares to offset dilution from share scheme issuance, offset by £48m proceeds received from colleagues in relation to those schemes. The lower outflow compared to last year was driven by the timing of purchases to satisfy FY 23/24 maturities.

The net cash impact of acquisitions and disposals was £(281)m, of which c.£(200)m related to the purchase of a portion of the secured debt of our property joint ventures, in order to reduce our ongoing net interest cost.

We generated £266m of proceeds from property transactions, including the sale of 17 malls and one retail park in Central Europe and our Distribution Centre in Middlewich in the UK. This was partially offset by the purchase of our partner's stake in The Tesco Dorney Limited Partnership in October 2022.

Capital expenditure and space:

	UK & ROI		Central Europe		Tesco Bank		Group	
	FY 22/23	FY 21/22	FY 22/23	FY 21/22	FY 22/23	FY 21/22	FY 22/23	FY 21/22
Capex	**£1,069m**	**£963m**	**£115m**	**£91m**	**£51m**	**£47m**	**£1,235m**	**£1,101m**
Openings (k sq ft)	318	180	77	54	-	-	395	234
Closures (k sq ft)	(233)	(146)	(25)	(25)	-	-	(258)	(171)
Repurposed (k sq ft)	9	-	(407)	(125)	-	-	(398)	(125)
Net space change (k sq ft)	**94**	**34**	**(355)**	**(96)**	**-**	**-**	**(261)**	**(62)**

'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 supplementary information starting on page 43.

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

Our capital expenditure for the year was £1,235m, £134m higher year-on-year, which primarily relates to simplification projects within our UK stores and the opening of convenience stores across both the UK and Ireland. We opened our fifth and sixth UFCs in Rutherglen, Glasgow in May 2022 and Bar Hill, Cambridge in January 2023.

In the UK, we opened two new superstores, at Freshwater & Cinderford, 18 new One Stop stores and a further 50 Tesco Express Stores, taking our total number of Tesco Express stores to 1,998 at the end of the financial year. We opened our 2,000th Express store in Cambridge in March, after the year end. In the Republic of Ireland, we opened four new Tesco Express stores and converted the nine Joyce's stores we acquired in June last year.

In Central Europe, we opened seven new small format stores and refreshed 35 large stores in the year, right sizing our selling space, to ensure our offer remains relevant for customers. A further 56 store refreshes are planned this year.

Statutory capital expenditure for the year was £1.5bn.

Further details of current and forecast space can be found in the supplementary information starting on page 43.

Property:

	UK & ROI		Central Europe		Group	
	Feb-23	Feb-22	Feb-23	Feb-22	Feb-23	Feb-22
Property[1] – fully owned						
- Estimated market value	£15.4bn	£16.6bn	£1.8bn	£1.5bn	£17.2bn	£18.1bn
- NBV	£14.9bn	£15.1bn	£1.5bn	£1.4bn	£16.4bn	£16.5bn
% store selling space owned	58%	56%	68%	68%	60%	58%
% property owned by value[2]	59%	58%	65%	64%	60%	58%

1. Stores, malls, investment property, offices, distribution centres, fixtures and fittings, work-in-progress. Excludes joint ventures.
2. Excludes fixtures and fittings.

The estimated market value of our fully owned property as at the year end reduced by £(0.9)bn to £17.2bn due to the weakening of the UK property investment market in the last six months. The market value represents a surplus of £0.8bn over the net book value (NBV).

Our Group freehold property ownership percentage was 60%, an increase of 2% year-on-year. The completion of the purchase of our partner's 50% stake in The Tesco Dorney Limited Partnership in October brought back into full ownership seven sites, contributing a 1% increase in the percentage of fully owned properties in the UK & ROI. We also repurchased the Tesco Extra stores in Mansfield and Melton Mowbray in the UK.

In Central Europe, the increase in the market value of fully owned property reflects the assets that were held for sale last year, which were not sold, coming back into the 'Property – fully owned' balance. In the year we realised £203m of proceeds from the completed sale of 17 malls and one retail park.

Contacts:

Investor Relations:	Chris Griffith	01707 940 900
	Rob Whiteley	01707 940 745
Media:	Christine Heffernan	0330 6780 639
	Teneo	0207 4203 143

This document is available at www.tescoplc.com/prelims2023.

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/prelims2023. 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 Q1 Trading statement on 16 June 2023.

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 market share based on Kantar Total Grocers Total Till Roll on 12 week rolling basis to 19 February 2023.
- UK online market share based on Kantar Total Till Roll online channel on 12 week rolling basis to 19 February 2023.
- Customer satisfaction based on YouGov Satisfaction scores on 12 week rolling basis to 26 February 2023.
- 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?".
- Brand Index, Value perception and Quality perception based on YouGov 12 week rolling basis to 26 February 2023. 'Market' consists of Sainsbury's, Morrisons, Asda, Aldi, Lidl, Waitrose, M&S, Ocado, Co-op and Iceland.
- Price index is calculated using the single retail selling price of each item, including price cut promotions; the index is weighted by sales and market share to reflect customer importance and competitor size. Competitor set consists of Sainsbury's, Morrisons, Asda, Aldi and Lidl.
- YoY Clubcard sales penetration is based on all stores from February 2022 to February 2023.
- Number of Booker retail partners and Premier stores shown net of openings and closures.
- 'Full-line grocers' refers to Tesco, Sainsbury's, Asda and Morrisons and 'Limited-range discounters' refers to Aldi and Lidl.

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	52 weeks ended 25 February 2023 Before adjusting items £m	Adjusting items (Note 3) £m	Total £m	52 weeks ended 26 February 2022 Before adjusting items £m	Adjusting items (Note 3) £m	Total £m
Continuing operations							
Revenue	2	**65,762**	**–**	**65,762**	**61,344**	**–**	**61,344**
Cost of sales		(61,005)	(1,029)	(62,034)	(56,574)	(176)	(56,750)
Impairment (loss)/reversal on financial assets	2	(67)	–	(67)	39	–	39
Gross profit/(loss)		**4,690**	**(1,029)**	**3,661**	**4,809**	**(176)**	**4,633**
Administrative expenses		(2,060)	(76)	(2,136)	(1,984)	(89)	(2,073)
Operating profit/(loss)		**2,630**	**(1,105)**	**1,525**	**2,825**	**(265)**	**2,560**
Share of post-tax profits of joint ventures and associates		8	–	8	15	–	15
Finance income	4	85	–	85	9	–	9
Finance costs	4	(647)	29	(618)	(652)	101	(551)
Profit/(loss) before tax		**2,076**	**(1,076)**	**1,000**	**2,197**	**(164)**	**2,033**
Taxation	5	(442)	195	(247)	(502)	(8)	(510)
Profit/(loss) for the year from continuing operations		**1,634**	**(881)**	**753**	**1,695**	**(172)**	**1,523**
Discontinued operations							
Profit/(loss) for the year from discontinued operations		–	(9)	(9)	(2)	(38)	(40)
Profit/(loss) for the year		**1,634**	**(890)**	**744**	**1,693**	**(210)**	**1,483**
Attributable to:							
Owners of the parent		1,635	(890)	745	1,691	(210)	1,481
Non-controlling interests		(1)	–	(1)	2	–	2
		1,634	**(890)**	**744**	**1,693**	**(210)**	**1,483**
Earnings/(losses) per share from continuing and discontinued operations							
Basic	8			10.05p			19.34p
Diluted	8			9.96p			19.12p
Earnings/(losses) per share from continuing operations							
Basic	8			10.17p			19.86p
Diluted	8			10.08p			19.64p

The notes on pages 20 to 42 form part of this condensed consolidated financial information.

Group statement of comprehensive income/(loss)

	Notes	52 weeks ended 25 February 2023 £m	52 weeks ended 26 February 2022 £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		2	4
Remeasurements of defined benefit pension schemes	18	(3,341)	4,075
Net fair value gains on inventory cash flow hedges		54	33
Tax on items that will not be reclassified		853	(918)
		(2,432)	**3,194**
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		(43)	(25)
Currency translation differences:			
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		120	(39)
Movements in foreign exchange reserve and net investment hedging on subsidiary disposed, reclassified and reported in the Group income statement		–	66
Gains on cash flow hedges:			
Net fair value gains		17	44
Reclassified and reported in the Group income statement		(61)	(45)
Tax on items that may be reclassified		21	(5)
		54	**(4)**
Total other comprehensive income/(loss) for the year		**(2,378)**	**3,190**
Profit/(loss) for the year		744	1,483
Total comprehensive income/(loss) for the year		**(1,634)**	**4,673**
Attributable to:			
Owners of the parent		(1,639)	4,671
Non-controlling interests		5	2
Total comprehensive income/(loss) for the year		**(1,634)**	**4,673**
Total comprehensive income/(loss) attributable to owners of the parent arising from:			
Continuing operations		(1,630)	4,645
Discontinued operations		(9)	26
		(1,639)	**4,671**

The notes on pages 20 to 42 form part of this condensed consolidated financial information.

Group balance sheet

	Notes	25 February 2023 £m	26 February 2022 £m
Non-current assets			
Goodwill and other intangible assets	9	5,375	5,360
Property, plant and equipment	10	16,862	17,060
Right of use assets	11	5,500	5,720
Investment property		24	22
Investments in joint ventures and associates		93	86
Other investments		1,339	1,253
Trade and other receivables		79	159
Loans and advances to customers		3,029	3,141
Reinsurance assets		145	184
Derivative financial instruments		873	942
Post-employment benefit surplus	18	6	3,150
Deferred tax assets	5	82	85
		33,407	**37,162**
Current assets			
Other investments		353	226
Inventories		2,510	2,339
Trade and other receivables		1,315	1,263
Loans and advances to customers		4,052	3,349
Reinsurance assets		72	61
Derivative financial instruments		57	69
Current tax assets		63	93
Short-term investments	13	1,628	2,076
Cash and cash equivalents	13	2,465	2,345
		12,515	**11,821**
Assets of the disposal group and non-current assets classified as held for sale	6	210	368
		12,725	**12,189**
Current liabilities			
Trade and other payables		(9,818)	(9,181)
Borrowings	15	(1,770)	(725)
Lease liabilities	11	(595)	(547)
Insurance contract provisions		(570)	(623)
Customer deposits and deposits from banks		(4,485)	(4,729)
Derivative financial instruments		(99)	(26)
Current tax liabilities		(18)	(11)
Provisions		(366)	(283)
		(17,721)	**(16,125)**
Liabilities of the disposal group classified as held for sale	6	(14)	(14)
Net current liabilities		**(5,010)**	**(3,950)**
Non-current liabilities			
Trade and other payables		(153)	(53)
Borrowings	15	(5,581)	(6,674)
Lease liabilities	11	(7,132)	(7,411)
Insurance contract provisions		(35)	(27)
Customer deposits and deposits from banks		(2,265)	(1,650)
Derivative financial instruments		(288)	(357)
Post-employment benefit deficit	18	(400)	(303)
Deferred tax liabilities	5	(119)	(910)
Provisions		(194)	(183)
		(16,167)	**(17,568)**
Net assets		**12,230**	**15,644**
Equity			
Share capital	19	463	484
Share premium		5,165	5,165
Other reserves	19	3,123	3,079
Retained earnings		3,490	6,932
Equity attributable to owners of the parent		**12,241**	**15,660**
Non-controlling interests		(11)	(16)
Total equity		**12,230**	**15,644**

The notes on pages 20 to 42 form part of this condensed consolidated financial information.

Group statement of changes in equity

	Share capital £m	Share premium £m	Other reserves (Note 19) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 26 February 2022	**484**	**5,165**	**3,079**	**6,932**	**15,660**	**(16)**	**15,644**
Profit/(loss) for the year	**–**	**–**	**–**	**745**	**745**	**(1)**	**744**
Other comprehensive income/(loss)							
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	120	–	120	–	120
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(41)	(41)	–	(41)
Remeasurements of defined benefit pension schemes (Note 18)	–	–	–	(3,341)	(3,341)	–	(3,341)
Gains/(losses) on cash flow hedges	–	–	63	–	63	8	71
Cash flow hedges reclassified and reported in the Group income statement	–	–	(61)	–	(61)	–	(61)
Tax relating to components of other comprehensive income	–	–	22	854	876	(2)	874
Total other comprehensive income/(loss)	**–**	**–**	**144**	**(2,528)**	**(2,384)**	**6**	**(2,378)**
Total comprehensive income/(loss)	**–**	**–**	**144**	**(1,783)**	**(1,639)**	**5**	**(1,634)**
Inventory cash flow hedge movements							
Gains/(losses) transferred to the cost of inventory	–	–	(127)	–	(127)	–	(127)
Total inventory cash flow hedge movements	**–**	**–**	**(127)**	**–**	**(127)**	**–**	**(127)**
Transactions with owners							
Own shares purchased for cancellation (Note 19)	–	–	(758)	–	(758)	–	(758)
Own shares cancelled (Note 19)	(21)	–	816	(795)	–	–	–
Own shares purchased for share schemes	–	–	(188)	–	(188)	–	(188)
Share-based payments	–	–	157	(1)	156	–	156
Dividends (Note 7)	–	–	–	(858)	(858)	–	(858)
Tax on items credited to equity	–	–	–	(5)	(5)	–	(5)
Total transactions with owners	**(21)**	**–**	**27**	**(1,659)**	**(1,653)**	**–**	**(1,653)**
At 25 February 2023	**463**	**5,165**	**3,123**	**3,490**	**12,241**	**(11)**	**12,230**

	Share capital £m	Share premium £m	Other reserves (Note 19) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 27 February 2021	**490**	**5,165**	**3,183**	**3,239**	**12,077**	**(18)**	**12,059**
Profit/(loss) for the year	**–**	**–**	**–**	**1,481**	**1,481**	**2**	**1,483**
Other comprehensive income/(loss)							
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	(39)	–	(39)	–	(39)
Movements in foreign exchange reserve and net investment hedging on subsidiary disposed, reclassified and reported in the Group income statement	–	–	66	–	66	–	66
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(21)	(21)	–	(21)
Remeasurements of defined benefit pension schemes (Note 18)	–	–	–	4,075	4,075	–	4,075
Gains/(losses) on cash flow hedges	–	–	77	–	77	–	77
Cash flow hedges reclassified and reported in the Group income statement	–	–	(45)	–	(45)	–	(45)
Tax relating to components of other comprehensive income	–	–	(22)	(901)	(923)	–	(923)
Total other comprehensive income/(loss)	**–**	**–**	**37**	**3,153**	**3,190**	**–**	**3,190**
Total comprehensive income/(loss)	**–**	**–**	**37**	**4,634**	**4,671**	**2**	**4,673**
Inventory cash flow hedge movements							
Gains/(losses) transferred to the cost of inventory	–	–	30	–	30	–	30
Total inventory cash flow hedge movements	**–**	**–**	**30**	**–**	**30**	**–**	**30**
Transactions with owners							
Own shares purchased for cancellation (Note 19)	–	–	(301)	–	(301)	–	(301)
Own shares cancelled (Note 19)	(6)	–	270	(264)	–	–	–
Own shares purchased for share schemes	–	–	(279)	–	(279)	–	(279)
Share-based payments	–	–	139	12	151	–	151
Dividends (Note 7)	–	–	–	(704)	(704)	–	(704)
Tax on items credited to equity	–	–	–	15	15	–	15
Total transactions with owners	**(6)**	**–**	**(171)**	**(941)**	**(1,118)**	**–**	**(1,118)**
At 26 February 2022	**484**	**5,165**	**3,079**	**6,932**	**15,660**	**(16)**	**15,644**

The notes on pages 20 to 42 form part of this condensed consolidation financial information.

Group cash flow statement

	Notes	52 weeks ended 25 February 2023 £m	52 weeks ended 26 February 2022 £m
Cash flows generated from/(used in) operating activities			
Operating profit/(loss) of continuing operations		**1,525**	**2,560**
Operating profit/(loss) of discontinued operations		**(9)**	**(51)**
Depreciation and amortisation		1,700	1,718
(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		(76)	(123)
(Profit)/loss arising from sale of other investments		3	–
(Profit)/loss arising on sale of joint ventures and associates		–	(25)
(Profit)/loss arising on sale of subsidiaries		–	23
Net impairment loss on property, plant and equipment, right of use assets, intangible assets and investment property	12	982	115
Net remeasurement loss on non-current assets held for sale		23	3
Adjustment for non-cash element of pensions charge		–	7
Other defined benefit pension scheme payments	18	(23)	(19)
Share-based payments	17	59	66
Tesco Bank fair value movements included in operating profit/(loss)		70	(28)
Retail (increase)/decrease in inventories		(147)	(281)
Retail (increase)/decrease in trade and other receivables		(54)	27
Retail increase/(decrease) in trade and other payables		643	743
Retail increase/(decrease) in provisions		75	(65)
Retail (increase)/decrease in working capital		517	424
Tesco Bank (increase)/decrease in loans and advances to customers		(696)	(95)
Tesco Bank (increase)/decrease in trade, reinsurance and other receivables		60	8
Tesco Bank increase/(decrease) in customer and bank deposits, trade, insurance and other payables		369	47
Tesco Bank increase/(decrease) in provisions		(7)	(22)
Tesco Bank (increase)/decrease in working capital		(274)	(62)
Cash generated from/(used in) operations		**4,497**	**4,608**
Interest paid		(652)	(650)
Corporation tax paid		(123)	(201)
Net cash generated from/(used in) operating activities		**3,722**	**3,757**
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		342	309
Purchase of property, plant and equipment, investment property and other long-term assets		(971)	(949)
Purchase of intangible assets		(279)	(229)
Disposal of subsidiaries, net of cash disposed		–	161
Acquisition of subsidiaries, net of cash acquired		(71)	(48)
Proceeds from sale of joint ventures and associates		–	15
Increase in loans to joint ventures and associates		(1)	(4)
Investments in joint ventures and associates		(10)	(11)
Net (investments in)/proceeds from sale of short-term investments		451	(1,067)
Proceeds from sale of other investments		230	274
Purchase of other investments		(529)	(221)
Dividends received from joint ventures and associates		14	32
Interest received		70	3
Cash inflows from derivative financial instruments		54	–
Cash outflows from derivative financial instruments		(6)	–
Net cash generated from/(used in) investing activities		**(706)**	**(1,735)**
Cash flows generated from/(used in) financing activities			
Own shares purchased for cancellation	19	(781)	(278)
Own shares purchased for share schemes	17	(86)	(144)
Repayment of capital element of obligations under leases		(593)	(577)
Cash outflows exceeding the incremental increase in assets in a property buyback		(21)	–
Increase in borrowings		–	394
Repayment of borrowings		(709)	(775)
Cash inflows from derivative financial instruments		232	798
Cash outflows from derivative financial instruments		(371)	(921)
Dividends paid to equity owners	7	(859)	(731)
Net cash generated from/(used in) financing activities		**(3,188)**	**(2,234)**
Net increase/(decrease) in cash and cash equivalents		**(172)**	**(212)**
Cash and cash equivalents at the beginning of the year		1,771	1,971
Effect of foreign exchange rate changes		(34)	12
Cash and cash equivalents at the end of the year	13	**1,565**	**1,771**

The notes on pages 20 to 42 form part of this condensed consolidated financial information.

Note 1 Basis of preparation

This preliminary consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority, and the principles of UK-adopted IFRS. 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 Group financial statements 2023, which are the same as those used in preparing the Annual Report and Group financial statements 2022. The financial year represents the 52 weeks ended 25 February 2023 (prior financial year 52 weeks ended 26 February 2022). This preliminary consolidated financial information does not constitute statutory consolidated financial statements for the 52 weeks ended 25 February 2023 as defined under section 434 of the Companies Act 2006.

The Annual Report and Group financial statements for the 52 weeks ended 25 February 2023 were approved by the Board of Directors on 12 April 2023. The report of the auditor on those Group financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The Annual Report and Group financial statements for 2023 will be filed with the Registrar in due course.

The Annual Report and Group financial statements for the 52 weeks ended 26 February 2022 were approved by the Board of Directors on 12 April 2022. The report of the auditor on those Group financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The Directors have, at the time of approving the 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 financial statements, and have concluded that there are no material uncertainties relating to going concern. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated Group financial statements. Further information on the Group's strong liquidity position is given in the Summary of total indebtedness section.

Adoption of new IFRSs

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

The Group has not applied any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 17 'Insurance contracts' will become effective in the consolidated Group financial statements for the financial year ending 24 February 2024. IFRS 17 will principally impact the Group's subsidiary, Tesco Underwriting Limited (TU), which provides the insurance underwriting service for a number of the Group's general insurance products. The simplified premium allocation approach will be applied to all material insurance groups issued and reinsurance groups purchased subsequent to the acquisition of TU in May 2021. For contract groups issued prior to the acquisition date, the general model will be applied to the associated acquired claims liabilities. The presentation of some of the line items in the balance sheet and income statement may also change as a result of IFRS 17 adoption. The Group will adopt IFRS 17 retrospectively and comparatives will be restated from a transition date of 27 February 2022, with an immaterial transition adjustment to the opening equity balance at that date.

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 consolidated Group financial statements for the financial year ending 22 February 2025, subject to UK endorsement.

Other standards, interpretations and amendments issued but not yet effective are not expected to have a material impact on the consolidated Group financial statements.

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:

52 weeks ended 25 February 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	60,214	4,468	64,682	1,106	65,788	(26)	65,762
Less: Fuel sales	(7,877)	(222)	(8,099)	–	(8,099)	(7)	(8,106)
APM: Sales	52,337	4,246	56,583	1,106	57,689	(33)	57,656
Adjusted operating profit	**2,307**	**174**	**2,481**	**143**	**2,624**	**6**	**2,630**
Adjusting items (Note 3)	(1,058)	(33)	(1,091)	(11)	(1,102)	(3)	(1,105)
Operating profit	**1,249**	**141**	**1,390**	**132**	**1,522**	**3**	**1,525**
Adjusted operating margin	**3.8%**	**3.9%**	**3.8%**	**12.9%**	**4.0%**		**4.0%**

52 weeks ended 25 February 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	60,246	4,410	64,656	1,106	65,762
Less: Fuel sales	(7,877)	(229)	(8,106)	–	(8,106)
APM: Sales	52,369	4,181	56,550	1,106	57,656
Adjusted operating profit	**2,307**	**180**	**2,487**	**143**	**2,630**
Adjusting items (Note 3)	(1,058)	(36)	(1,094)	(11)	(1,105)
Operating profit	**1,249**	**144**	**1,393**	**132**	**1,525**
Adjusted operating margin	**3.8%**	**4.1%**	**3.8%**	**12.9%**	**4.0%**
Share of post-tax profits of joint ventures and associates					8
Finance income					85
Finance costs					(618)
Profit before tax					**1,000**

Tesco Bank revenue of £1,106m (2022: £922m) comprises interest and similar revenues of £540m (2022: £473m), fees and commissions revenue of £257m (2022: £210m) and insurance revenue of £309m (2022: £239m).

52 weeks ended 26 February 2022 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations					
Revenue	56,404	4,018	60,422	922	61,344
Less: Fuel sales	(6,420)	(156)	(6,576)	–	(6,576)
APM: Sales	49,984	3,862	53,846	922	54,768
Adjusted operating profit	**2,481**	**168**	**2,649**	**176**	**2,825**
Adjusting items (Note 3)	(290)	25	(265)	–	(265)
Operating profit	**2,191**	**193**	**2,384**	**176**	**2,560**
Adjusted operating margin	**4.4%**	**4.2%**	**4.4%**	**19.1%**	**4.6%**
Share of post-tax profits of joint ventures and associates					15
Finance income					9
Finance costs					(551)
Profit before tax					**2,033**

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 25 February 2023	UK & ROI £m	Central Europe £m	Tesco Bank £m	Unallocated £m	Total continuing operations £m	Discontinued operations £m	Total £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 assets	–	–	145	–	145	–	145
Post-employment benefit surplus	6	–	–	–	6	–	6
Deferred tax assets	3	22	57	–	82	–	82
Non-current assets[b]	**25,482**	**1,962**	**5,082**	**–**	**32,526**	**–**	**32,526**
Inventories and current trade and other receivables[c]	3,118	358	243	–	3,719	–	3,719
Current loans and advances to customers	–	–	4,052	–	4,052	–	4,052
Current reinsurance assets	–	–	72	–	72	–	72
Current other investments	6	–	347	–	353	–	353
Total trade and other payables	(8,986)	(595)	(390)	–	(9,971)	–	(9,971)
Total customer deposits and deposits from banks	–	–	(6,750)	–	(6,750)	–	(6,750)
Total insurance contract provisions	–	–	(605)	–	(605)	–	(605)
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 deficit	(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**	**2,181**	**(2,890)**	**12,228**	**2**	**12,230**

(a) Excludes non-current loans to joint ventures of £8m (2022: £9m) which form part of net debt.
(b) Excludes derivative financial instruments of £873m (2022: £942m) which form part of net debt.
(c) Excludes net interest and other receivables of £8m (2022: £1m), and current loans to joint ventures of £98m (2022: £96m), both forming part of net debt.
(d) Refer to Note 21. Net debt at 25 February 2023 includes net debt of the disposal group classified as held for sale of £(14)m (2022: £(14)m).

At 26 February 2022	UK & ROI £m	Central Europe £m	Tesco Bank £m	Unallocated £m	Total continuing operations £m	Discontinued operations £m	Total £m
Goodwill and other intangible assets	4,700	31	629	–	5,360	–	5,360
Property, plant and equipment and investment property	15,552	1,462	68	–	17,082	–	17,082
Right of use assets	5,355	354	11	–	5,720	–	5,720
Investments in joint ventures and associates	85	1	–	–	86	–	86
Non-current other investments	12	–	1,241	–	1,253	–	1,253
Non-current trade and other receivables[a]	91	–	59	–	150	–	150
Non-current loans and advances to customers	–	–	3,141	–	3,141	–	3,141
Non-current reinsurance assets	–	–	184	–	184	–	184
Post-employment benefit surplus	3,150	–	–	–	3,150	–	3,150
Deferred tax assets	2	19	64	–	85	–	85
Non-current assets[b]	**28,947**	**1,867**	**5,397**	**–**	**36,211**	**–**	**36,211**
Inventories and current trade and other receivables[c]	2,981	285	239	–	3,505	–	3,505
Current loans and advances to customers	–	–	3,349	–	3,349	–	3,349
Current reinsurance assets	–	–	61	–	61	–	61
Current other investments	–	–	226	–	226	–	226
Total trade and other payables	(8,343)	(535)	(356)	–	(9,234)	–	(9,234)
Total customer deposits and deposits from banks	–	–	(6,379)	–	(6,379)	–	(6,379)
Total insurance contract provisions	–	–	(650)	–	(650)	–	(650)
Total provisions	(401)	(28)	(37)	–	(466)	–	(466)
Deferred tax liabilities	(869)	(41)	–	–	(910)	–	(910)
Net current tax	90	(11)	3	–	82	–	82
Post-employment benefit deficit	(303)	–	–	–	(303)	–	(303)
Assets of the disposal group and non-current assets classified as held for sale	20	310	–	–	330	38	368
Net debt (including Tesco Bank)[d]	(7,350)	(474)	300	(2,678)	(10,202)	(14)	(10,216)
Net assets	**14,772**	**1,373**	**2,153**	**(2,678)**	**15,620**	**24**	**15,644**

Refer to previous table for footnotes.

Note 2 Segmental reporting continued

Other segment information

52 weeks ended 25 February 2023	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total £m
Capital expenditure (including acquisitions through business combinations):				
Property, plant and equipment[(a)(b)]	1,176	104	14	1,294
Goodwill and other intangible assets[(c)]	259	12	37	308
Depreciation and amortisation:				
Property, plant and equipment	(788)	(84)	(10)	(882)
Right of use assets	(500)	(37)	(2)	(539)
Investment property	(1)	–	–	(1)
Other intangible assets	(226)	(10)	(42)	(278)
Impairment[(d)]:				
(Loss) on financial assets	(5)	(1)	(61)	(67)

(a) Includes £248m related to obtaining control of The Tesco Dorney Limited Partnership (2022: £584m related to obtaining control of The Tesco Sarum Limited Partnership). Refer to Note 22 for further details.
(b) Includes £42m (2022: £1m) of property, plant and equipment acquired through business combinations.
(c) Includes £31m (2022: £38m) of goodwill and other intangible assets acquired through business combinations.
(d) Excludes impairment of other non-current assets. Refer to Note 12.

52 weeks ended 26 February 2022	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total £m
Capital expenditure (including acquisitions through business combinations):				
Property, plant and equipment[(a)(b)]	1,485	89	14	1,588
Goodwill and other intangible assets[(c)]	186	10	71	267
Depreciation and amortisation:				
Property, plant and equipment	(792)	(90)	(11)	(893)
Right of use assets	(500)	(35)	(2)	(537)
Investment property	(1)	–	–	(1)
Other intangible assets	(224)	(11)	(52)	(287)
Impairment[(d)]:				
(Loss)/reversal on financial assets	10	(1)	30	39

Refer to previous table for footnotes.

Note 2 Segmental reporting continued

Cash flow statement

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

	Retail			Bank			Discontinued operations	Tesco Group
52 weeks ended 25 February 2023	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)	**2,487**	**(1,094)**	**1,393**	**143**	**(11)**	**132**	**(9)**	**1,516**
Depreciation and amortisation	1,570	76	1,646	54	–	54	–	1,700
ATM net income	(16)	–	(16)	16	–	16	–	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases	13	(91)	(78)	–	–	–	2	(76)
(Profit)/loss arising from sale of other investments	–	–	–	3	–	3	–	3
Net impairment loss on property, plant and equipment, right of use assets, intangible assets and investment property	–	982	982	–	–	–	–	982
Net remeasurement loss on non-current assets held for sale	–	14	14	–	–	–	9	23
Other defined benefit pension scheme payments	(23)	–	(23)	–	–	–	–	(23)
Share-based payments	64	–	64	(5)	–	(5)	–	59
Tesco Bank fair value movements included in operating profit/(loss)	–	–	–	70	–	70	–	70
Cash flows generated from operations excluding working capital	**4,095**	**(113)**	**3,982**	**281**	**(11)**	**270**	**2**	**4,254**
(Increase)/decrease in working capital	468	52	520	(271)	(3)	(274)	(3)	243
Cash generated from/(used in) operations	**4,563**	**(61)**	**4,502**	**10**	**(14)**	**(4)**	**(1)**	**4,497**
Interest paid	(643)	–	(643)	(9)	–	(9)	–	(652)
Corporation tax paid	(107)	–	(107)	(17)	–	(17)	1	(123)
Net cash generated from/(used in) operating activities*	**3,813**	**(61)**	**3,752**	**(16)**	**(14)**	**(30)**	**–**	**3,722**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	6	335	341	1	–	1	–	342
Purchase of property, plant and equipment, investment property and other long-term assets – property buybacks	(14)	(40)	(54)	–	–	–	–	(54)
Purchase of property, plant and equipment, investment property and other long-term assets – other capital expenditure	(902)	–	(902)	(15)	–	(15)	–	(917)
Purchase of intangible assets	(241)	–	(241)	(38)	–	(38)	–	(279)
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	(10)	–	(10)	–	–	–	–	(10)
Net (investments in)/proceeds from sale of short-term investments	451	–	451	–	–	–	–	451
Proceeds from sale of other investments	1	–	1	229	–	229	–	230
Purchase of other investments	(206)	–	(206)	(323)	–	(323)	–	(529)
Dividends received from joint ventures and associates	14	–	14	–	–	–	–	14
Dividends received from Tesco Bank	54	–	54	(54)	–	(54)	–	–
Interest received	70	–	70	–	–	–	–	70
Cash inflows from derivative financial instruments	54	–	54	–	–	–	–	54
Cash outflows from derivative financial instruments	(6)	–	(6)	–	–	–	–	(6)
Net cash generated from/(used in) investing activities*	**(796)**	**295**	**(501)**	**(205)**	**–**	**(205)**	**–**	**(706)**
Own shares purchased for cancellation	(781)	–	(781)	–	–	–	–	(781)
Own shares purchased for share schemes	(86)	–	(86)	–	–	–	–	(86)
Repayment of capital element of obligations under leases	(589)	–	(589)	(4)	–	(4)	–	(593)
Cash outflows exceeding the incremental increase in assets in a property buyback	(21)	–	(21)	–	–	–	–	(21)
Repayment of borrowings	(608)	–	(608)	(101)	–	(101)	–	(709)
Cash inflows from derivative financial instruments	232	–	232	–	–	–	–	232
Cash outflows from derivative financial instruments	(365)	–	(365)	(6)	–	(6)	–	(371)
Dividends paid to equity holders	(858)	(1)	(859)	–	–	–	–	(859)
Net cash generated from/(used in) financing activities*	**(3,076)**	**(1)**	**(3,077)**	**(111)**	**–**	**(111)**	**–**	**(3,188)**
Net increase/(decrease) in cash and cash equivalents	**(59)**	**233**	**174**	**(332)**	**(14)**	**(346)**	**–**	**(172)**
Cash and cash equivalents at the beginning of the year								1,771
Effect of foreign exchange rate changes								(34)
Cash and cash equivalents at the end of the year								**1,565**

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

Note 2 Segmental reporting continued

	Retail			Bank			Discontinued operations	Tesco Group
52 weeks ended 26 February 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)	**2,649**	**(265)**	**2,384**	**176**	**–**	**176**	**(51)**	**2,509**
Depreciation and amortisation	1,577	76	1,653	65	–	65	–	1,718
ATM net income	(14)	–	(14)	14	–	14	–	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases	5	(128)	(123)	–	–	–	–	(123)
(Profit)/loss arising on sale of joint ventures and associates	–	(15)	(15)	(10)	–	(10)	–	(25)
(Profit)/loss arising on sale of subsidiaries	–	–	–	–	–	–	23	23
Net impairment loss on property, plant and equipment, right of use assets, intangible assets and investment property	–	115	115	–	–	–	–	115
Net remeasurement (gain)/loss on non-current assets held for sale	–	6	6	–	–	–	(3)	3
Adjustment for non-cash element of pensions charge	7	–	7	–	–	–	–	7
Other defined benefit pension scheme payments	(19)	–	(19)	–	–	–	–	(19)
Share-based payments	63	–	63	3	–	3	–	66
Tesco Bank fair value movements included in operating profit/(loss)	–	–	–	(28)	–	(28)	–	(28)
Cash flows generated from operations excluding working capital	**4,268**	**(211)**	**4,057**	**220**	**–**	**220**	**(31)**	**4,246**
(Increase)/decrease in working capital	501	(105)	396	(54)	(8)	(62)	28	362
Cash generated from/(used in) operations	**4,769**	**(316)**	**4,453**	**166**	**(8)**	**158**	**(3)**	**4,608**
Interest paid	(644)	–	(644)	(5)	–	(5)	(1)	(650)
Corporation tax paid	(195)	–	(195)	(4)	–	(4)	(2)	(201)
Net cash generated from/(used in) operating activities*	**3,930**	**(316)**	**3,614**	**157**	**(8)**	**149**	**(6)**	**3,757**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	–	308	308	1	–	1	–	309
Purchase of property, plant and equipment, investment property and other long-term assets – property buybacks	(37)	(43)	(80)	–	–	–	–	(80)
Purchase of property, plant and equipment, investment property and other long-term assets – other capital expenditure	(854)	–	(854)	(14)	–	(14)	(1)	(869)
Purchase of intangible assets	(196)	–	(196)	(33)	–	(33)	–	(229)
Disposal of subsidiaries, net of cash disposed	–	117	117	–	–	–	44	161
Acquisition of subsidiaries, net of cash acquired	–	–	–	(48)	–	(48)	–	(48)
Proceeds from sale of joint ventures and associates	–	15	15	–	–	–	–	15
Increase in loans to joint ventures and associates	(4)	–	(4)	–	–	–	–	(4)
Investments in joint ventures and associates	(11)	–	(11)	–	–	–	–	(11)
Net (investments in)/proceeds from sale of short-term investments	(1,067)	–	(1,067)	–	–	–	–	(1,067)
Proceeds from sale of other investments	2	–	2	272	–	272	–	274
Purchase of other investments	(1)	–	(1)	(220)	–	(220)	–	(221)
Dividends received from joint ventures and associates	22	–	22	10	–	10	–	32
Dividends received from Tesco Bank	87	–	87	(87)	–	(87)	–	–
Interest received	3	–	3	–	–	–	–	3
Net cash generated from/(used in) investing activities*	**(2,056)**	**397**	**(1,659)**	**(119)**	**–**	**(119)**	**43**	**(1,735)**
Own shares purchased for cancellation	(278)	–	(278)	–	–	–	–	(278)
Own shares purchased for share schemes	(144)	–	(144)	–	–	–	–	(144)
Repayment of capital element of obligations under leases	(571)	–	(571)	(4)	–	(4)	(2)	(577)
Increase in borrowings	394	–	394	–	–	–	–	394
Repayment of borrowings	(754)	–	(754)	(21)	–	(21)	–	(775)
Cash inflows from derivative financial instruments	798	–	798	–	–	–	–	798
Cash outflows from derivative financial instruments	(921)	–	(921)	–	–	–	–	(921)
Dividends paid to equity holders	(704)	(27)	(731)	–	–	–	–	(731)
Net cash generated from/(used in) financing activities*	**(2,180)**	**(27)**	**(2,207)**	**(25)**	**–**	**(25)**	**(2)**	**(2,234)**
Net increase/(decrease) in cash and cash equivalents	**(306)**	**54**	**(252)**	**13**	**(8)**	**5**	**35**	**(212)**
Cash and cash equivalents at the beginning of the year								1,971
Effect of foreign exchange rate changes								12
Cash and cash equivalents at the end of the year								**1,771**

Refer to previous table for footnote.

Note 3 Adjusting items

Group income statement

52 weeks ended 25 February 2023

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

	Cost of sales £m	Administrative expenses £m	Total adjusting items included within operating profit £m	Share of joint venture and associates profits/(losses) £m	Finance income/ (costs) £m	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items £m
Property transactions[a]	36	55	91	–	–	29	–	120
Net impairment (loss)/reversal of non-current assets[b]	(965)	(17)	(982)	–	–	129	–	(853)
Fair value less cost of disposal movements on assets held for sale	–	(14)	(14)	–	–	1	–	(13)
Restructuring[c]	(107)	(31)	(138)	–	–	26	–	(112)
Disposal of Asia operations[d]	–	2	2	–	–	–	–	2
ATM business rates refund[e]	7	–	7	–	–	(1)	–	6
Release of onerous contract provision[f]	–	5	5	–	–	–	–	5
Amortisation of acquired intangible assets[g]	–	(76)	(76)	–	–	14	–	(62)
Net pension finance income[h]	–	–	–	–	80	(15)	–	65
Fair value remeasurements of financial instruments[h]	–	–	–	–	(51)	12	–	(39)
Total adjusting items from continuing operations	**(1,029)**	**(76)**	**(1,105)**	**–**	**29**	**195**	**–**	**(881)**
Adjusting items relating to discontinued operations[i]	–	–	–	–	–	–	(9)	(9)
Total adjusting items	**(1,029)**	**(76)**	**(1,105)**	**–**	**29**	**195**	**(9)**	**(890)**

(a) The Group disposed of surplus properties that generated a profit before tax of £91m (2022: £128m). £37m relates to the disposal of mall properties in Central Europe and associated store sale and leasebacks (2022: £nil). Refer to Notes 6 and 11 for further details. Taxation includes £63m deferred tax credit on lease simplifications relating to property joint venture structures.
(b) Refer to Note 12 for further details on net impairment (loss)/reversal of non-current assets. Includes £(7)m of impairment relating to the acquisition of The Tesco Dorney Limited Partnership (refer to Note 22).
(c) Provisions relating to operational restructuring changes announced as part of 'Save to Invest', a multi-year programme. The total cost of the programme to date is £(182)m. Future cost savings will not be reported within adjusting items.
(d) £4m relates to software licence fee income (2022: £26m) from services provided to CP Group as part of the Transitional Services Agreement relating to the sale of Asia. £(2)m relates to payment of outstanding employer tax liabilities as part of the disposal of Asia. Costs and income in relation to the disposal of Asia have been recognised in adjusting items in previous years.
(e) Ruling that Tesco Group is due a refund of business rates relating to external facing ATMs in stores. Similar refunds have been recognised through adjusting items in previous years.
(f) Release of onerous contract provisions in ROI that had been charged through adjusting items in previous years.
(g) Amortisation of acquired intangibles relates to historical inorganic business combinations and does not reflect the Group's ongoing trading performance.
(h) Net pension finance income 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.
(i) Adjusting items relating to discontinued operations includes £(9)m fair value remeasurement of non-current assets classified as held for sale, £(2)m loss on disposal of surplus properties, both relating to Poland and £2m income relating to the disposal of Korea.

52 weeks ended 26 February 2022

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

	Cost of sales £m	Administrative expenses £m	Total adjusting items included within operating profit £m	Share of joint venture and associates profits/(losses) £m	Finance income/ (costs) £m	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items £m
Property transactions	1	127	128	–	–	(21)	–	107
Net impairment (loss)/reversal of non-current assets	(140)	25	(115)	–	–	(26)	–	(141)
Fair value less cost of disposal movements on assets held for sale	–	(6)	(6)	–	–	–	–	(6)
Restructuring provisions	(37)	(7)	(44)	–	–	8	–	(36)
Asia licence fee	–	26	26	–	–	(5)	–	21
Litigation costs	–	(193)	(193)	–	–	–	–	(193)
Disposal of China associate	–	15	15	–	–	–	–	15
Amortisation of acquired intangible assets	–	(76)	(76)	–	–	(7)	–	(83)
Net pension finance costs	–	–	–	–	(22)	6	–	(16)
Fair value remeasurements of financial instruments	–	–	–	–	123	(19)	–	104
Release of tax provisions	–	–	–	–	–	56	–	56
Total adjusting items from continuing operations	**(176)**	**(89)**	**(265)**	**–**	**101**	**(8)**	**–**	**(172)**
Adjusting items relating to discontinued operations	–	–	–	–	–	–	(38)	(38)
Total adjusting items	**(176)**	**(89)**	**(265)**	**–**	**101**	**(8)**	**(38)**	**(210)**

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	
	52 weeks 2023 £m	52 weeks 2022 £m	52 weeks 2023 £m	52 weeks 2022 £m	52 weeks 2023 £m	52 weeks 2022 £m
Property transactions[a]	–	–	335	308	–	–
Poland sale proceeds and costs	–	–	–	122	–	–
Litigation costs	–	(312)	–	–	–	–
Acquisition of property joint venture	–	–	(40)	(43)	–	–
Booker integration cash payments	–	(18)	–	–	–	–
Settlement of claims for customer redress in Tesco Bank	(4)	(8)	–	–	–	–
Disposal of China associate	–	–	–	15	–	–
ATM business rates refund[b]	5	14	–	–	–	–
Special dividend	–	–	–	–	(1)	(27)
Disposal of Asia operations	(2)	–	–	(5)	–	–
Restructuring[c]	(74)	–	–	–	–	–
Total continuing operations	**(75)**	**(324)**	**295**	**397**	**(1)**	**(27)**
Cash flows from discontinued operations	–	(1)	–	44	–	–
Total	**(75)**	**(325)**	**295**	**441**	**(1)**	**(27)**

(a) Property transactions include £43m proceeds (2022: £109m) relating to the sale of stores in Poland not included in the sale of the corporate business. £203m proceeds (2022: £nil) relate to the disposal of mall properties in Central Europe and the associated store sale and leasebacks. Refer to Notes 6 and 11 for further details.
(b) Amounts received in the year with respect to the ruling that Tesco Group is due a refund of business rates relating to external facing ATMs in stores.
(c) Cash outflows relating to operational restructuring changes as part of the multi-year 'Save to Invest' programme.

Note 4 Finance income and costs

Continuing operations	Notes	52 weeks 2023 £m	52 weeks 2022 £m
Finance income			
Interest receivable and similar income		78	4
Interest receivable on other investments		3	–
Finance income receivable on net investment in leases		4	5
Total finance income		**85**	**9**
Finance costs			
GBP MTNs and loans		(160)	(161)
EUR MTNs		(53)	(42)
USD bonds		(18)	(5)
Finance charges payable on lease liabilities		(373)	(405)
Other interest payable		(43)	(39)
Total finance costs before adjusting items		**(647)**	**(652)**
Fair value remeasurements of financial instruments*		(51)	123
Net pension finance income/(cost)	18	80	(22)
Total finance costs		**(618)**	**(551)**
Net finance costs		**(533)**	**(542)**

* Fair value remeasurements of financial instruments included £70m gain (2022: £nil) relating to the repurchase of long-dated bonds.

Note 5 Taxation

Recognised in the Group income statement

Continuing operations	52 weeks 2023 £m	52 weeks 2022 £m
Current tax (credit)/charge		
UK corporation tax	202	201
Overseas tax	78	69
Adjustments in respect of prior years	19	(55)
	299	**215**
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	(18)	216
Adjustments in respect of prior years	(35)	1
Change in tax rate	1	78
	(52)	**295**
Total income tax (credit)/charge	**247**	**510**

Note 5 Taxation continued

Reconciliation of effective tax charge

Continuing operations	52 weeks 2023 £m	52 weeks 2022 £m
Profit/(loss) before tax	**1,000**	**2,033**
Tax credit/(charge) at 19.0% (2022: 19.0%)	(190)	(386)
Effect of:		
Non-qualifying depreciation*	(5)	(7)
Expenses not deductible	(21)	(57)
Property items taxed on a different basis to accounting entries	33	7
Impairment of non-current assets	(87)	(43)
Banking surcharge tax	(5)	(13)
Differences in overseas taxation rates	11	10
Adjustments in respect of prior years	16	54
Share of losses of joint ventures and associates	2	3
Change in tax rate	(1)	(78)
Total income tax credit/(charge)	**(247)**	**(510)**
Effective tax rate	**24.7%**	**25.1%**

* This figure has been reduced by the tax effect of the super-deduction of £30m (2022: £23m) in respect of tax relief for fixed assets.

Reconciliation of effective tax charge on adjusted profit before tax

Continuing operations	52 weeks 2023 £m	52 weeks 2022 £m
Profit/(loss) before tax	**1,000**	**2,033**
Add: Adjusting items	1,076	164
Adjusted profit before tax	**2,076**	**2,197**
Tax credit/(charge) at 19.0% (2022: 19.0%)	(394)	(417)
Effect of:		
Non-qualifying depreciation[(a)]	(5)	(7)
Expenses not deductible	(21)	(32)
Property items taxed on a different basis to accounting entries	–	(1)
Banking surcharge tax	(5)	(13)
Differences in overseas taxation rates	10	10
Adjustments in respect of prior years	(3)	(2)
Share of profits of joint ventures and associates	2	3
Change in tax rate[(b)]	(26)	(43)
Total income tax credit/(charge) before adjusting items	**(442)**	**(502)**
Adjusted effective tax rate	**21.3%**	**22.8%**

(a) This figure has been reduced by the tax effect of the super-deduction of £30m (2022: £23m) in respect of tax relief for fixed assets.
(b) Change in tax rate includes £31m (2022: £19m) in relation to provision of deferred tax at 25% (2022: 25%) on assets qualifying for super-deductions.

Deferred tax

The following are the major deferred tax (liabilities)/assets recognised by the Group and movements thereon during the current and prior financial years, measured using the tax rates that are expected to apply when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable sufficient taxable profits will be available to utilise deductible temporary differences or unused tax losses. This assessment is based on the Group's three-year long-term plan which is updated and approved annually by the Board and is consistent with the Group's longer-term viability statement and impairment assessments.

	Property-related items[(a)] £m	Acquired intangibles £m	Post-employment benefits[(b)] £m	Share-based payments £m	Short-term timing differences £m	Tax losses £m	Financial instruments £m	Total £m
At 27 February 2021	**(125)**	**(98)**	**582**	**31**	**69**	**3**	**42**	**504**
(Charge)/credit to the Group income statement	(227)	(10)	(1)	(6)	(24)	2	(29)	(295)
(Charge)/credit to the Group statement of changes in equity	–	–	–	14	–	–	–	14
(Charge)/credit to the Group statement of comprehensive income/(loss)	–	–	(1,030)	–	–	–	(17)	(1,047)
Foreign exchange and other movements	–	–	(2)	–	–	1	–	(1)
At 26 February 2022	**(352)**	**(108)**	**(451)**	**39**	**45**	**6**	**(4)**	**(825)**
(Charge)/credit to the Group income statement	(80)	15	(13)	11	14	140	(35)	52
(Charge)/credit to the Group statement of changes in equity	–	–	–	(11)	–	–	–	(11)
(Charge)/credit to the Group statement of comprehensive income/(loss)	–	–	719	–	–	–	31	750
Foreign exchange and other movements	(2)	(2)	–	–	1	–	–	(3)
At 25 February 2023	**(434)**	**(95)**	**255**	**39**	**60**	**146**	**(8)**	**(37)**

(a) Property-related items include a deferred tax liability on rolled-over gains of £421m (2022: £423m), deferred tax assets on capital losses of £242m (2022: £248m) and deferred tax assets on IFRS 16 balances of £235m (2022: £238m). The remaining balance relates to accelerated tax depreciation.
(b) The deferred tax asset on retirement benefits includes a deferred tax asset of £155m (2022: £275m) arising from a one-off contribution of £2.5bn paid in December 2020 on which tax deductions are spread over 4 years, with the remaining balance related to the pension schemes in deficit. Refer to Note 18 for further details.

Note 6 Discontinued operations and assets classified as held for sale

Assets and liabilities of the disposal group and non-current assets classified as held for sale

	2023 £m	2022 £m
Assets of the disposal group[(a)]	11	11
Non-current assets classified as held for sale[(b)]	199	357
Total assets of the disposal group and non-current assets classified as held for sale	**210**	**368**
Liabilities of the disposal group[(a)]	(14)	(14)
Total net assets of the disposal group and non-current assets classified as held for sale	**196**	**354**

(a) The disposal group as at 25 February 2023, including £(14)m of net debt (2022: £(14)m), relates to residual properties and leases with respect to the Group's operation in Poland. Balances as at 26 February 2022 were also with respect to the Group's operation in Poland.
(b) The assets classified as held for sale consist mainly of properties in the UK, Poland and 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.

Assets classified as held for sale

During the year the Group sold 18 malls in Central Europe, leasing back 17 stores within those sites. Net proceeds from the sale and leaseback transaction were £203m. As the sale and leaseback proceeds did not exceed the fair value of the stores sold, the proceeds are presented in the 'investing' category in the Group cash flow statement. The profit on disposal was £37m. Refer to Note 3. Refer to Note 11 for details on the leaseback of the stores.

Note 7 Dividends

	2023		2022	
	Pence/share	**£m**	Pence/share	£m
Paid prior financial year final dividend[(a)]	7.70	574	5.95	458
Paid interim dividend[(b)]	3.85	284	3.20	246
Amounts recognised through equity as distributions to owners	**11.55**	**858**	**9.15**	**704**
Paid 2021 special dividend	50.93	1	50.93	27
Dividends paid in the financial year		**859**		**731**
Proposed final dividend at financial year end	**7.05**	**516**	**7.70**	**588**

(a) Excludes £7m prior financial year final dividend waived (2022: £2m) and includes the write-back of unclaimed dividend of £5m (2022: £nil).
(b) Excludes £2m interim dividend waived (2022: £1m).

The proposed final dividend was approved by the Board of Directors on 12 April 2023 and is subject to the approval of shareholders at the AGM. The proposed dividend has not been included as a liability as at 25 February 2023. It will be paid on 23 June 2023 to shareholders who are on the Register of members at close of business on 12 May 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 2 June 2023.

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

For the 52 weeks ended 25 February 2023 there were 67 million (2022: 88 million) potentially dilutive share options and awards. As the Group has recognised a profit for the year from its continuing operations, dilutive effects have been considered in calculating diluted earnings per share.

	52 weeks ended 25 February 2023			52 weeks ended 26 February 2022		
	Basic	Potentially dilutive share options and awards	Diluted	Basic	Potentially dilutive share options and awards	Diluted
Profit/(loss) (£m)						
Continuing operations*	754	–	754	1,521	–	1,521
Discontinued operations	(9)	–	(9)	(40)	–	(40)
Total	**745**	**–**	**745**	**1,481**	**–**	**1,481**
Weighted average number of shares (millions)	**7,415**	**67**	**7,482**	**7,658**	**88**	**7,746**
Earnings/(losses) per share (pence)						
Continuing operations	10.17	(0.09)	10.08	19.86	(0.22)	19.64
Discontinued operations	(0.12)	–	(0.12)	(0.52)	–	(0.52)
Total	**10.05**	**(0.09)**	**9.96**	**19.34**	**(0.22)**	**19.12**

* Excludes profits/(losses) from non-controlling interests of £(1)m (2022: £2m).

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

APM: Adjusted diluted earnings/(losses) per share

Continuing operations	Notes	52 weeks 2023	52 weeks 2022
Profit/(loss) before tax (£m)		1,000	2,033
Less: Adjusting items (£m)	3	1,076	164
Adjusted profit before tax (£m)		**2,076**	**2,197**
Adjusted profit before tax attributable to the owners of the parent (£m)*		2,077	2,195
Taxation on adjusted profit before tax attributable to the owners of the parent (£m)	5	(442)	(502)
Adjusted profit after tax attributable to the owners of the parent (£m)		**1,635**	**1,693**
Basic weighted average number of shares (millions)		7,415	7,658
Adjusted basic earnings per share (pence)		**22.05**	**22.11**
Diluted weighted average number of shares (millions)		7,482	7,746
Adjusted diluted earnings per share (pence)		**21.85**	**21.86**

* Excludes profit/(losses) before tax attributable to non-controlling interests of £(1)m (2022: £2m).

Note 9 Goodwill and other intangible assets

	2023			2022		
	Goodwill[a] £m	Total other intangible assets[b] £m	Total £m	Goodwill[a] £m	Total other intangible assets[b] £m	Total £m
Net carrying value						
Opening balance	**4,291**	**1,069**	**5,360**	**4,271**	**1,122**	**5,393**
Foreign currency translation	6	3	9	–	–	–
Additions	–	277	277	–	229	229
Acquired through business combinations	30	1	31	20	18	38
Disposals	–	(3)	(3)	–	(3)	(3)
Amortisation charge for the year[c]	–	(278)	(278)	–	(287)	(287)
Impairment losses[d]	–	(28)	(28)	–	(18)	(18)
Reversal of impairment losses[d]	–	7	7	–	8	8
Closing balance	**4,327**	**1,048**	**5,375**	**4,291**	**1,069**	**5,360**

(a) Goodwill of £4,327m (2022: £4,291m) consists of UK £3,793m (2022: £3,788m), ROI £34m (2022: £3m) and Tesco Bank £500m (2022: £500m).
(b) Total other intangible assets consists of software with a net carrying value of £624m (2022: £557m), customer relationships with a net carrying value of £342m (2022: £418m) and other intangible assets with a net carrying value of £82m (2022: £94m).
(c) Of the £278m (2022: £287m) amortisation of total other intangible assets, £76m (2022: £76m) has been included within adjusting items. £75m (2022: £75m) of this balance arises from amortisation of intangible assets recognised upon the Booker acquisition and £1m (2022: £1m) relates to the amortisation of intangible assets recognised upon the acquisition of Best Food Logistics.
(d) Refer to Note 12.

Note 10 Property, plant and equipment

	2023			2022		
	Land and buildings £m	Other[a] £m	Total £m	Land and buildings £m	Other[a] £m	Total £m
Net carrying value						
Opening balance	**15,163**	**1,897**	**17,060**	**15,099**	**1,846**	**16,945**
Foreign currency translation	129	20	149	(51)	(5)	(56)
Additions[b][c]	591	661	1,252	992	595	1,587
Acquired through business combinations	42	–	42	–	1	1
Reclassification	2	(4)	(2)	(72)	–	(72)
Transfers to assets classified as held for sale	(53)	(3)	(56)	(283)	(11)	(294)
Disposals	(52)	(9)	(61)	(3)	(16)	(19)
Depreciation charge for the year	(434)	(448)	(882)	(426)	(467)	(893)
Impairment losses[d]	(686)	(141)	(827)	(417)	(89)	(506)
Reversal of impairment losses[d]	168	19	187	324	43	367
Closing balance	**14,870**	**1,992**	**16,862**	**15,163**	**1,897**	**17,060**
Construction in progress included above[e]	**109**	**278**	**387**	**97**	**212**	**309**

(a) Other assets consist of fixtures and fittings with a net carrying value of £1,496m (2022: £1,387m), office equipment with a net carrying value of £201m (2022: £200m) and motor vehicles with a net carrying value of £295m (2022: £310m). Depreciation charge for the year is £(292)m (2022: £(310)m), £(71)m (2022: £(78)m) and £(85)m (2022: £(79)m), respectively.
(b) Includes £248m of land and buildings related to obtaining control of The Tesco Dorney Limited Partnership, which was impaired by £(7)m on acquisition (2022: £584m of land and buildings related to obtaining control of The Tesco Sarum Limited Partnership, which was impaired by £(62)m on acquisition). Refer to Note 22.
(c) Includes £29m (2022: £37m) relating to other property buyback transactions.
(d) Refer to Note 12.
(e) Construction in progress does not include land.

Commitments for capital expenditure contracted for, but not incurred, at 25 February 2023 were £200m (2022: £193m), principally relating to store development.

Note 11 Leases

Group as lessee

On 6 October 2022, the Group obtained control of The Tesco Dorney Limited Partnership (2022: The Tesco Sarum Limited Partnership on 17 December 2021), previously accounted for as a joint venture, through the acquisition of the other partner's 50% interest, at which point the associated property leases from the joint venture became intercompany leases. Refer to Note 22 for further details.

Right of use assets

	2023			2022		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
Net carrying value						
Opening balance	**5,634**	**86**	**5,720**	**5,866**	**85**	**5,951**
Additions (including sale and leaseback transactions)[a]	378	64	442	544	39	583
Acquired through business combinations	4	–	4	–	–	–
Depreciation charge for the year	(501)	(38)	(539)	(497)	(40)	(537)
Impairment losses[b]	(394)	–	(394)	(195)	–	(195)
Reversal of impairment losses[b]	72	–	72	234	–	234
Derecognition on acquisition of property joint venture[c]	(198)	–	(198)	(243)	–	(243)
Other movements[d]	392	1	393	(75)	2	(73)
Closing balance	**5,387**	**113**	**5,500**	**5,634**	**86**	**5,720**

(a) Includes £70m of land under an external lease related to obtaining control of The Tesco Dorney Limited Partnership. Refer to Note 22.
(b) Refer to Note 12.
(c) Refer to Note 22.
(d) Other movements include lease terminations, modifications and reassessments, foreign exchange, reclassifications between asset classes and entering into finance subleases.

Lease liabilities

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

	2023 £m	2022 £m
Current	595	547
Non-current	7,132	7,411
Total lease liabilities	**7,727**	**7,958**
Total undiscounted lease payments	**10,897**	**11,515**

A reconciliation of the Group's opening to closing lease liabilities balance is presented in Note 21.

Sale and leaseback

During the year the Group sold 18 malls in Central Europe, leasing back 17 stores within those sites. Refer to Note 6 for details on the net proceeds and profit from the transaction. The stores are being leased back over a 15-year lease term at below-market rentals with options to extend, and the store leases have resulted in lease liability additions of £36m. The sale and leaseback transaction allows the Group to relinquish control over the malls while continuing to operate the stores within those sites.

Note 12 Impairment of non-current assets

Impairment losses and reversals

No impairment of goodwill was recognised in the current year (2022: £nil).

The table below summarises the Group's pre-tax impairment losses and reversals on other non-current assets, aggregated by segment due to the large number of individually immaterial store cash-generating units. This includes any losses recognised immediately prior to classifying an asset or disposal group as held for sale but excludes all impairments post classification as held for sale. There were no impairment losses or reversals in the year (2022: £nil) with respect to investments in joint ventures and associates and no impairments in other non-current assets in Tesco Bank (2022: £nil). All impairment losses and reversals are classified as adjusting items.

	UK & ROI		Central Europe		Total		Net
52 weeks ended 25 February 2023	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	(28)	6	–	1	(28)	7	(21)
Property, plant and equipment	(779)	181	(48)	6	(827)	187	(640)
Right of use assets	(373)	65	(21)	7	(394)	72	(322)
Investment property	(1)	2	–	–	(1)	2	1
Total impairment (loss)/reversal of other non-current assets	**(1,181)**	**254**	**(69)**	**14**	**(1,250)**	**268**	**(982)**
Group income statement							
Cost of sales	(1,155)	245	(69)	14	(1,224)	259	(965)
Administrative expenses	(26)	9	–	–	(26)	9	(17)
Total impairment (loss)/reversal from continuing operations	**(1,181)**	**254**	**(69)**	**14**	**(1,250)**	**268**	**(982)**

Note 12 Impairment of non-current assets continued

52 weeks ended 26 February 2022	UK & ROI Impairment loss £m	UK & ROI Impairment reversal £m	Central Europe Impairment loss £m	Central Europe Impairment reversal £m	Total Impairment loss £m	Total Impairment reversal £m	Net Impairment (loss)/reversal £m
Group balance sheet							
Other intangible assets	(17)	8	(1)	–	(18)	8	(10)
Property, plant and equipment	(496)	319	(10)	48	(506)	367	(139)
Right of use assets	(183)	228	(12)	6	(195)	234	39
Investment property	(6)	1	–	–	(6)	1	(5)
Total impairment (loss)/reversal of other non-current assets	**(702)**	**556**	**(23)**	**54**	**(725)**	**610**	**(115)**
Group income statement							
Cost of sales	(682)	536	(19)	25	(701)	561	(140)
Administrative expenses	(20)	20	(4)	29	(24)	49	25
Total impairment (loss)/reversal from continuing operations	**(702)**	**556**	**(23)**	**54**	**(725)**	**610**	**(115)**

The net impairment loss in UK & ROI includes an impairment loss of £7m in the UK in respect of the Group obtaining control of The Tesco Dorney Limited Partnership (2022: £62m impairment loss in UK & ROI in respect of the Group obtaining control of The Tesco Sarum Limited Partnership). Refer to Note 22 for further details.

The majority of the net impairment charge relates to increased discount rates due to increases in government bond rates as a result of the prevailing macroeconomic uncertainty. See the Key assumptions and sensitivity section of this note for applicable discount rates. Property fair values in the UK have also decreased due to the weakening of the property investment market in the last six months, which has led to increased yields.

The remaining other non-current assets impairment losses and reversals for the Group largely reflect normal fluctuations expected from store-level performance, as well as any specific store closures.

Impairment methodology

The impairment methodology is unchanged in the period from that described in Note 15 of the Annual Report and Financial Statements 2022.

Key assumptions and sensitivity

Key assumptions

For value in use calculations, the key assumptions to which the recoverable amounts are most sensitive are discount rates, long-term growth rates and future cash flows (incorporating sales volumes, prices and costs). For fair value less costs of disposal calculations, the key assumption is property fair values.

The discount rates and long-term growth rates for the Group's portfolio of store cash-generating units, aggregated by segment due to the large number of individually immaterial store cash-generating units, are:

	UK & ROI 2023 %	UK & ROI 2022 %	Central Europe 2023 %	Central Europe 2022 %
Pre-tax discount rates	7.4 – 8.6	5.4 – 7.8	8.0 – 16.8	5.7 – 11.3
Post-tax discount rates	6.5	4.7 – 5.8	6.3 – 11.1	4.5 – 8.8
Long-term growth rates	2.0	1.9	2.0 – 3.2	2.0 – 3.0

Sensitivity

The Group has carried out sensitivity analyses on the reasonably possible changes in key assumptions in the impairment tests for (a) each group of cash-generating units to which goodwill has been allocated and (b) for its portfolio of store cash-generating units. Management has extended the reasonably possible movements in the future cash flows and property fair values sensitivities disclosed given the level of volatility seen in these inputs since the previous year end, driven by the wider macroeconomic environment.

(a) Except for Tesco Bank goodwill, neither a reasonably possible increase of 1.0%pt in discount rates, a 10.0% decrease in future cash flows nor a 1.0%pt decrease in long-term growth rates would indicate impairment in any group of cash-generating units to which goodwill has been allocated.

For Tesco Bank, the following table shows the assumptions adopted and the amount by which these assumption values would have to change to make the recoverable amount equal to the carrying value, the headroom sensitivity, and the impact of reasonably possible changes to these assumptions:

Key assumption	Assumption value	**Headroom sensitivity**	**Reasonably possible change**	**Impact on impairment £m**
Post-tax discount rates*	12.0%	Increase of 0.3%pt	Increase of 1.0%pt	(114)
Annual equity cash flows	Variable	Decrease of 4.3%	Decrease of 10.0%	(71)
Long-term growth rates	1.7%	Decrease of 0.4%pt	Decrease of 1.0%pt	(72)

Note 12 Impairment of non-current assets continued

(b) While there is not a significant risk of an adjustment to the carrying amount of any one store cash-generating unit that would be material to the Group as a whole in the next financial year, the table below summarises the reasonably possible changes in key assumptions which most impact the impairment of the Group's entire portfolio of store cash-generating units, presented in aggregate due to the large number of individually immaterial store cash-generating units. The impairment is not highly sensitive to the probability weightings assigned to the cash flow scenarios.

Key assumption	Reasonably possible change	Impact on impairment	2023 £m
Post-tax discount rates*	Increase of 1.0%pt for each geographic region	Increase	(479)
	Decrease of 1.0%pt for each geographic region	Decrease	434
Future cash flows	Increase of 10.0% for each geographic region	Decrease	279
	Decrease of 10.0% for each geographic region	Increase	(321)
Long-term growth rates	Increase of 1.0%pt for each geographic region	Decrease	273
	Decrease of 1.0%pt for each geographic region	Increase	(267)
Property fair values	Increase of 10.0% for each geographic region	Decrease	205
	Decrease of 10.0% for each geographic region	Increase	(217)

* Sensitivities are applied to post-tax discount rates used to derive the pre-tax discount rates.

Note 13 Cash and cash equivalents and short-term investments

Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and on hand	2,426	2,322
Short-term deposits	39	23
Cash and cash equivalents in the Group balance sheet	**2,465**	**2,345**
Bank overdrafts	(900)	(574)
Cash and cash equivalents in the Group cash flow statement	**1,565**	**1,771**

Short-term investments

	2023 £m	2022 £m
Money market funds, deposits and similar instruments	1,628	2,076

Cash and cash equivalents includes £87m (2022: £84m) of restricted amounts mainly relating to the Group's pension schemes and employee benefit trusts.

Note 14 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.

	2023 £m	2022 £m
Current assets		
Inventories	(18)	(15)
Trade and other receivables		
Trade/other receivables	67	68
Accrued income	127	124
Current liabilities		
Trade and other payables		
Trade payables	112	112
Accruals	(5)	–

Note 15 Borrowings

Current

	2023 £m	2022 £m
Bank loans and overdrafts	928	605
Borrowings*	842	120
	1,770	**725**

Non-current

	2023 £m	2022 £m
Borrowings*	5,581	6,674

* £nil (2022: £1m) of current and £137m (2022: £243m) of non-current borrowings relate to borrowings issued by Tesco Bank.

Note 15 Borrowings continued

Borrowing facilities

The Group has a £2.5bn undrawn committed facility available at 25 February 2023 (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. There were no utilisations (2022: £nil) of the facility during the financial year to 25 February 2023.

Note 16 Financial instruments

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

The fair value of assets and liabilities measured at amortised cost and at fair value are shown below.

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.

		2023		2022	
	Level	**Carrying value £m**	**Fair value £m**	Carrying value £m	Fair value £m
Financial assets measured at amortised cost					
Loans and advances to customers	3	7,081	7,058	6,490	6,566
Investments in debt instruments at amortised cost[a]	1 and 2	1,093	1,097	857	867
Joint ventures and associates loan receivables[b]	2	106	111	105	126
Financial liabilities measured at amortised cost					
Borrowings					
Amortised cost[a]	1	(5,227)	(5,496)	(5,057)	(5,942)
Bonds in fair value hedge relationships	1	(2,124)	(2,167)	(2,342)	(2,401)
Customer deposits	3	(5,770)	(5,640)	(5,327)	(5,296)

(a) These are principally Level 1 instruments.
(b) Joint ventures and associates loan receivables carrying amounts of £106m (2022: £105m) are presented in the Group balance sheet net of deferred profits of £38m (2022: £38m) historically arising from the sale of property assets to joint ventures.

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 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 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/(liabilities)	**1,225**	**196**	**413**	**1,834**

Note 16 Financial instruments continued

At 26 February 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	585	–	12	597
Short-term investments at fair value through profit or loss*	1,170	–	–	1,170
Cash and cash equivalents at fair value through profit or loss	–	26	–	26
Investments at fair value through profit or loss	–	23	2	25
Derivative financial instruments:				
Interest rate swaps	–	55	–	55
Cross-currency swaps	–	25	198	223
Index-linked swaps	–	115	551	666
Foreign currency forward contracts	–	44	–	44
Diesel forward contracts	–	23	–	23
Total assets	**1,755**	**311**	**763**	**2,829**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(273)	–	(273)
Cross-currency swaps	–	(85)	–	(85)
Foreign currency forward contracts	–	(25)	–	(25)
Total liabilities	**–**	**(383)**	**–**	**(383)**
Net assets/(liabilities)	**1,755**	**(72)**	**763**	**2,446**

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

During the financial year, there were no transfers (2022: no transfers) between Level 1 and Level 2 fair value measurements.

Level 3 Instruments

During the financial year, there were £nil (2022: £nil) of transfers from Level 3 to Level 2 and £nil (2022: £nil) transfer from Level 3 to Level 1. There were £18m of transfers of unlisted investments (2022: £nil) and £(223)m of derivative liabilities (2022: derivative assets of £749m) to Level 3 from Level 2 and £nil (2022: £nil) to Level 3 from Level 1.

As part of financial risk management, the Group holds certain uncollateralised derivative financial instruments, including interest rate and inflation swaps, cross-currency swaps, and forward contracts. These are valued using relevant inputs which are considered observable (Level 2), such as forward rates and foreign exchange rates from available market data. Unobservable inputs (Level 3) relate to the funding valuation adjustment (FVA), which is the estimate of the adjustment to the fair value that a market participant would make to account for funding costs. These are calculated on the future valuation of the derivative, based on the best estimate available to management of suitable relevant cost of funds. A 10 basis points increase in the cost of funds would increase the FVA by £11m (2022: £18m).

The following table presents the changes in Level 3 instruments:

	2023		2022	
	Uncollateralised derivatives £m	**Unlisted investments £m**	Uncollateralised derivatives £m	Unlisted investments £m
At the beginning of the year	**749**	**14**	**–**	**11**
Gains/(losses) recognised in finance costs*	(114)	–	–	–
Gains/(losses) recognised in other comprehensive income not reclassified to the income statement	–	2	–	4
Gains/(losses) recognised in other comprehensive income that may subsequently be reclassified to the income statement	6	–	–	–
Additions	–	–	–	1
Disposals	(39)	–	–	(2)
Transfers of assets/(liabilities) into Level 3	(223)	18	749	–
At the end of the year	**379**	**34**	**749**	**14**

* All gains or losses are unrealised.

Tesco Bank expected credit losses (ECL)

Tesco Bank has commissioned four scenarios from its third-party provider: a Base scenario, an Upside scenario and two different Downside scenarios. The Base scenario assumes the continuation of war in Ukraine affecting energy prices and inflation, with GDP not expected to return to pre-pandemic levels until Q2 2025. The scenario projects cost-of-living pressures continuing, real disposable income declining and unemployment peaking at 5.7% by Q4 2024. The Upside scenario sees a dissipation in global supply chain disruption and a peak unemployment rate of 4.4% in 2024, while Downside scenario 1 assumes a 7.3% unemployment peak by 2025. Downside scenario 2 postulates spikes in energy prices, higher inflation and further deprecation of Sterling against the US Dollar, with subsequent GDP declines and a 9.6% unemployment peak in 2025. These scenarios are also reviewed to ensure an unbiased estimate of ECL by ensuring the credit loss distribution under a larger number of scenarios is adequately captured using these four scenarios and their respective weightings. The Base, Upside, Downside 1 and Downside 2 scenarios have been assigned weighting of 40%, 30%, 25% and 5% respectively.

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

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%

Note 16 Financial instruments continued

As at 26 February 2022 (five-year average)	Base 40%	Upside 30%	Downside 1 25%	Downside 2 5%
Bank of England base rate[a]	1.0%	1.2%	0.7%	0.4%
Gross domestic product[b]	1.8%	2.2%	1.5%	1.2%
Unemployment rate	4.1%	3.9%	4.9%	6.3%
Unemployment rate peak in year	4.2%	3.9%	5.1%	6.7%

(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 25 February 2023 and excludes specific management overlays which are discussed further below.

Key assumption	Reasonably possible change	Impact on the loss allowance 2023 £m	2022 £m
Closing ECL allowance		**461**	**489**
Macroeconomic factors (100% weighted)	Upside scenario	(59)	(27)
	Base scenario	(11)	(13)
	Downside scenario 1	65	31
	Downside scenario 2	161	110
Probability of default	Increase of 10% (2022: 2.5%)	32	6
	Decrease of 10% (2022: 2.5%)	(31)	(6)
Loss given default	Increase of 2.5%	10	7
	Decrease of 2.5%	(10)	(7)
Probability of default threshold (staging)	Increase of 20%	(9)	(9)
	Decrease of 20%	13	13
Expected lifetime (revolving credit facility)	Increase of 1 year	3	11
	Decrease of 1 year	(5)	(10)

Despite stability in the performance of the underlying portfolio, the increased risk from a high inflationary environment and cost-of-living crisis creates uncertainty on future loss projections and the current model outputs. 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	**2023 £m**	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	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	22	75
Consumer spending	In respect of the beneficial modelling impact of lower consumer spending through the pandemic	–	113
Emergence of customer defaults	The emergence of defaults will be more aligned with previous economic downturns	–	19
War in Ukraine	Further potential inflationary pressures on cost of living	–	6
Total overlays		**90**	**213**

Note 17 Share-based payments

The table below shows amounts charged to the Group income statement in respect of share-based payments:

	2023 £m	2022 £m
Income statement		
Equity-settled share-based payment charge	101	109
Cash-settled National Insurance contributions	11	13
	112	**122**

Note 17 Share-based payments continued

The table below shows amounts included in the Group cash flow statement in relation to share-based payments and own shares purchased for share schemes:

	2023 £m	2022 £m
Share-based payment charge included in operating profit/(loss)	**(112)**	**(122)**
Share-based payments non-cash movement	59	66
Increase/(decrease) in trade and other payables*	53	56
Included in Group operating cash flows	**–**	**–**
Cash paid to purchase own shares including related fees and taxes	(134)	(191)
Cash received from employees exercising SAYE options	48	47
Included in Group financing cash flows	**(86)**	**(144)**

* Shares withheld from employees in order to settle their tax liability and National Insurance.

Note 18 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 has shown a funding surplus of £0.9bn. It was agreed with the Scheme Trustee that no pension deficit contributions would be required and that the expense payments made to the Scheme by the Group, including the Pension Protection Fund levy, will reduce to £17m per annum (previously £25m per annum) from October 2022. The Scheme remained in a funding surplus as at 25 February 2023.

The Republic of Ireland (ROI) defined benefit pension schemes were closed to future accrual in March 2022. Following this, a new defined contribution scheme was launched for colleagues in the ROI.

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.

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

	Net defined benefit surplus/(deficit)	
	2023 £m	2022 £m
Opening balance	**2,847**	**(1,222)**
Current service cost	(24)	(39)
Settlement charge[(a)]	–	(1)
Finance income/(cost)	80	(22)
Included in the Group income statement	**56**	**(62)**
Remeasurement gain/(loss):		
Financial assumptions gain/(loss)	7,652	1,881
Demographic assumptions gain/(loss)	(228)	21
Experience gain/(loss)	(1,244)	(212)
Return on plan assets excluding finance income	(9,518)	2,385
Foreign currency translation	(3)	4
Included in the Group statement of comprehensive income/(loss)	**(3,341)**	**4,079**
Employer contributions	24	33
Additional employer contributions	20	16
Benefits paid	3	3
Other movements	**47**	**52**
Closing balance	**(391)**	**2,847**
Withholding tax on surplus[(b)]	(3)	–
Closing balance, net of withholding tax	**(394)**	**2,847**
Consisting of:		
Schemes in deficit	(400)	(303)
Schemes in surplus[(c)]	6	3,150
Deferred tax asset/(liability)	100	(726)
Surplus/(deficit) in schemes at the end of the year, net of deferred tax	**(294)**	**2,121**

(a) Settlement charge on Londis Scheme buy-out in 2022.
(b) Recognised through other comprehensive income in remeasurements of defined benefit pension schemes.
(c) In 2023, schemes in surplus in the UK are presented on the balance sheet net of a 35% withholding tax.

Note 18 Post-employment benefits continued

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:

	2023 %	2022 %
Discount rate	4.9	2.8
Price inflation	3.0	3.3
Rate of increase in deferred pensions*	2.6	2.9
Rate of increase in pensions in payment*		
Benefits accrued before 1 June 2012	2.9	3.1
Benefits accrued after 1 June 2012	2.5	2.8

* 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 £(213)m or £(1,921)m respectively. If this assumption decreased by 0.1% or 1%, the Scheme defined benefit obligation would increase by approximately £226m or £2,498m respectively.

If the inflation assumption increased by 0.1% or 1% the Scheme defined benefit obligation would increase by approximately £201m and £2,147m respectively. If this assumption decreased by 0.1% or 1%, the Scheme defined benefit obligation would decrease by approximately £(201)m or £(1,783)m respectively.

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

Note 19 Share capital and other reserves

Share capital

	2023 Ordinary shares of 6 ⅓p each		2022 Ordinary shares of 6 ⅓p each	
	Number	£m	Number	£m
Allotted, called-up and fully paid:				
At the beginning of the year	**7,637,986,531**	**484**	**7,731,707,820**	**490**
Shares cancelled	(319,645,336)	(21)	(93,721,289)	(6)
At the end of the financial year	**7,318,341,195**	**463**	**7,637,986,531**	**484**

No shares were issued during the current financial year in relation to share options. 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.

Other reserves

The table below sets out the movements in other reserves:

	Capital redemption reserve £m	Hedging reserve* £m	Translation reserve £m	Own shares held £m	Merger reserve £m	Total £m
At 26 February 2022	**22**	**130**	**202**	**(365)**	**3,090**	**3,079**
Other comprehensive income/(loss)						
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	120	–	–	120
Gains/(losses) on cash flow hedges	–	63	–	–	–	63
Cash flow hedges reclassified and reported in the Group income statement	–	(61)	–	–	–	(61)
Tax relating to components of other comprehensive income	–	22	–	–	–	22
Total other comprehensive income/(loss)	**–**	**24**	**120**	**–**	**–**	**144**
Inventory cash flow hedge movements						
(Gains)/losses transferred to the cost of inventory	–	(127)	–	–	–	(127)
Total inventory cash flow hedge movements	**–**	**(127)**	**–**	**–**	**–**	**(127)**
Transactions with owners						
Own shares purchased for cancellation	–	–	–	(758)	–	(758)
Own shares cancelled	21	–	–	795	–	816
Own shares purchased for share schemes	–	–	–	(188)	–	(188)
Share-based payments (Note 17)	–	–	–	157	–	157
Total transactions with owners	**21**	**–**	**–**	**6**	**–**	**27**
At 25 February 2023	**43**	**27**	**322**	**(359)**	**3,090**	**3,123**

* Movements in cost of hedging reserve is £nil (2022: £nil) and balance at 25 February 2023 is £nil (2022: £nil).

Note 19 Share capital and other reserves continued

	Capital redemption reserve £m	Hedging reserve* £m	Translation reserve £m	Own shares held £m	Merger reserve £m	Total £m
At 27 February 2021	**16**	**90**	**175**	**(188)**	**3,090**	**3,183**
Other comprehensive income/(loss)						
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	(39)	–	–	(39)
Movements in foreign exchange reserve and net investment hedging on subsidiary disposed, reclassified and reported in the Group income statement	–	–	66	–	–	66
Gains/(losses) on cash flow hedges	–	77	–	–	–	77
Cash flow hedges reclassified and reported in the Group income statement	–	(45)	–	–	–	(45)
Tax relating to components of other comprehensive income	–	(22)	–	–	–	(22)
Total other comprehensive income/(loss)	**–**	**10**	**27**	**–**	**–**	**37**
Inventory cash flow hedge movements						
(Gains)/losses transferred to the cost of inventory	–	30	–	–	–	30
Total inventory cash flow hedge movements	**–**	**30**	**–**	**–**	**–**	**30**
Transactions with owners						
Own shares purchased for cancellation	–	–	–	(301)	–	(301)
Own shares cancelled	6	–	–	264	–	270
Own shares purchased for share schemes	–	–	–	(279)	–	(279)
Share-based payments (Note 17)	–	–	–	139	–	139
Total transactions with owners	**6**	**–**	**–**	**(177)**	**–**	**(171)**
At 26 February 2022	**22**	**130**	**202**	**(365)**	**3,090**	**3,079**

Refer to previous table for footnote.

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	2023 £m	2022 £m
Included in the Group statement of changes in equity[a]	**(758)**	**(301)**
Payments in relation to prior year financial liabilities	(23)	–
Outstanding amount recognised as financial liabilities[b]	–	23
Included in the Group cash flow statement[c]	**(781)**	**(278)**

(a) 319.6 million (2022: 93.7 million) shares were cancelled, representing 4.4% of the called-up share capital as at 25 February 2023 (2022: 1.2%). This includes 4.8 million shares purchased not yet cancelled as at 26 February 2022 with total consideration of £14m. The total consideration of £795m (2022: £264m), including expenses of £9m (2022: £1m), was charged to retained earnings.
(b) Shares to be delivered under a share repurchase agreement with an external bank, included in other payables.
(c) 314.8 million (2022: 98.5 million) shares purchased at an average price of £2.48 per share (2022: £2.82).

Note 20 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures and associates are disclosed below:

Transactions

	Joint ventures 2023 £m	2022 £m
Sales to related parties	599	501
Purchases from related parties	122	111
Dividends received	14	32
Injection of equity funding	10	11

Sales to related parties consist of service/management fees and loan interest.

Transactions between the Group and the Group's pension plans are disclosed in Note 18.

Balances

	Joint ventures 2023 £m	2022 £m
Amounts owed to related parties	(7)	(9)
Amounts owed by related parties	27	36
Lease liabilities payable to related parties[a]	(1,950)	(2,335)
Loans to related parties (net of deferred profits)[b]	106	105

(a) Lease liabilities payable to related parties represent leases entered into by the Group for properties held by joint ventures.
(b) Loans to related parties of £106m (2022: £105m) are presented net of deferred profits of £38m (2022: £38m), historically arising from the sale of property assets to joint ventures. For loans to related parties, a 12-month expected credit loss (ECL) allowance is recorded on initial recognition. In the current and prior financial years, the ECL allowance was immaterial.

Amounts owed to and owed by related parties are measured at amortised cost and the carrying values approximate fair value.

There were no transactions or balances held with associates in the current or prior financial year.

Note 21 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.

	2023			2022		
	Group £m	Bank £m	Retail £m	Group £m	Bank £m	Retail £m
Bank and other borrowings, excluding overdrafts	(6,451)	(375)	(6,076)	(6,825)	(481)	(6,344)
Lease liabilities	(7,727)	(23)	(7,704)	(7,958)	(26)	(7,932)
Net financing derivatives	472	(9)	481	553	(6)	559
Share purchase obligations	(55)	–	(55)	(73)	–	(73)
Liabilities from financing activities	**(13,761)**	**(407)**	**(13,354)**	**(14,303)**	**(513)**	**(13,790)**
Cash and cash equivalents in the balance sheet	2,465	444	2,021	2,345	789	1,556
Overdrafts*	(900)	–	(900)	(574)	–	(574)
Cash and cash equivalents (including overdrafts) in the cash flow statement	1,565	444	1,121	1,771	789	982
Short-term investments	1,628	–	1,628	2,076	–	2,076
Joint venture loans	106	–	106	105	–	105
Interest and other receivables	8	–	8	1	–	1
Net operating and investing derivatives	71	114	(43)	75	24	51
Net debt of disposal group	(14)	–	(14)	(14)	–	(14)
Less: Share purchase obligations	55	–	55	73	–	73
Net debt APM			**(10,493)**			**(10,516)**

* 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 13.

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

	2023 £m	2022 £m
Opening Net debt	**(10,516)**	**(11,955)**
Change in liabilities from Group financing activities	2,327	1,359
Less: Change in cash flows arising from share purchase obligations	(886)	(278)
Less: Change in cash flows from Tesco Bank financing activities	(111)	(25)
Change in Net debt from financing activities	**1,330**	**1,056**
Net increase/(decrease) in Retail cash and cash equivalents including overdrafts*	173	(221)
Interest paid on components of Net debt	643	645
Interest received on components of Net debt	(70)	(3)
Net increase/(decrease) in short-term investments	(451)	1,067
Net increase/(decrease) in joint venture loans	1	4
Change in cash flows from operating and investing derivatives	(48)	–
Other changes in Net debt from cash flow activities	**248**	**1,492**
Retail net interest charge on components of Net debt	(558)	(632)
Retail fair value and foreign exchange movements of Net debt	(254)	199
Retail other non-cash movements	(697)	(492)
Acquisitions and disposals	(46)	(184)
Change in Net debt from non-cash movements	**(1,555)**	**(1,109)**
Closing Net debt	**(10,493)**	**(10,516)**

* Net increase/(decrease) in Retail cash and cash equivalents including overdrafts includes £nil (2022: £35m) movement in cash and cash equivalents of discontinued operations and £(1)m (2022: £(4)m) intragroup funding and intercompany transactions.

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[c] £m
At 26 February 2022	**(6,825)**	**(7,958)**	**553**	**(73)**	**(14,303)**
Cash flows arising from financing activities	709	593	139	886	2,327
Cash flows arising from operating activities:					
Interest paid	241	373	44	–	658
Non-cash movements:					
Fair value gains/(losses)	199	–	(170)	–	29
Foreign exchange	(160)	(45)	–	–	(205)
Interest income/(charge)	(227)	(373)	(55)	–	(655)
Acquisitions and disposals[d]	(388)	381	(39)	–	(46)
Lease additions, terminations, modifications and reassessments	–	(698)	–	–	(698)
Share purchase agreements	–	–	–	(868)	(868)
At 25 February 2023	**(6,451)**	**(7,727)**	**472**	**(55)**	**(13,761)**

(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 £(29)m (2022: £(191)m) cash outflows relating to other cancellable arrangements and £48m (2022: £47m) cash received from employees exercising SAYE options.
(c) Liabilities from Group financing activities are represented to include liabilities from share purchase obligations of £(55)m (2022: £(73)m) and exclude net operating and investing derivatives of £71m (2022: £75m).
(d) Acquisitions and disposals include a derecognition of £385m of lease liabilities and an increase of £(384)m in borrowings and £(39)m in net financing derivatives from the acquisition of The Tesco Dorney Limited Partnership. Refer to Note 22.

Note 21 Analysis of changes in net debt continued

	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[c] £m
At 27 February 2021	**(6,736)**	**(8,402)**	**521**	**-**	**(14,617)**
Cash flows arising from financing activities	381	577	123	278	1,359
Cash flows arising from operating activities					
Interest paid	202	405	36	-	643
Non-cash movements:					
Fair value gains/(losses)	82	-	(30)	-	52
Foreign exchange	61	14	-	-	75
Interest income/(charge)	(209)	(405)	(33)	-	(647)
Acquisitions and disposals	(606)	355	(64)	-	(315)
Lease additions, terminations, modifications and reassessments	-	(492)	-	-	(492)
Share purchase agreements	-		-	(351)	(351)
Discontinued operations	-	(10)	-	-	(10)
At 26 February 2022	**(6,825)**	**(7,958)**	**553**	**(73)**	**(14,303)**

Refer to previous table for footnotes.

Note 22 Acquisitions

Acquisition of property joint venture – The Tesco Dorney Limited Partnership

On 6 October 2022, the Group obtained control of The Tesco Dorney Limited Partnership (the partnership), previously accounted for as a joint venture, through the acquisition of the other partner's 50% interest for £40m. The Group paid £12m stamp duty on the acquisition. The partnership had bond and derivative liabilities, and long-leased four stores, and three mixed-use sites anchored by stores which the partnership previously leased to the Group. The Group in turn subleases certain commercial units and residential accommodation to third parties. The acquisition, which has been treated as an asset acquisition, increased the Group's owned and leased property portfolio and borrowings, replacing the Group's associated right of use assets and lease liabilities.

The table below sets out the values to the Group in respect of obtaining control of the partnership:

	Notes	£m
Property, plant and equipment	10	248
Right of use assets	11	70
Cash and cash equivalents		12
Other working capital		(3)
Borrowings	21	(384)
Derivative liabilities	21	(39)
Total assets and liabilities acquired		**(96)**
Consideration paid		40
Stamp duty paid		12
Derecognition of the Group's lease liabilities with the partnership	21	(385)
Derecognition of the Group's right of use assets with the partnership	11	198
Derecognition of the Group's finance lease receivable		39
Total cost*		**(96)**

* The carrying value of the pre-existing joint venture interest was £nil.

The Group recognised the following gains and losses as an adjusting item within cost of sales in the Group income statement. The related tax charge on acquisition of £29m has also been classified as an adjusting item. Refer to Note 3 for further details.

	Notes	£m
Impairment of property, plant and equipment acquired	12	(7)
Total adjusting gain/(loss) within cost of sales		**(7)**
Taxation – adjusting item	3	(29)
Total adjusting gain/(loss) after taxation		**(36)**

Note 23 Contingent liabilities

As previously reported, Tesco Stores Limited (TSL) (along with all the major supermarkets) has received claims from current and former hourly-paid store colleagues alleging that they do work of equal value to that of colleagues working in its distribution centres and that differences in terms and conditions relating to pay are not objectively justifiable (the Equal Pay Claims). The claimants are seeking the differential between the pay terms looking back, and equivalence of pay terms moving forward. As at the date of this disclosure, there are approximately 42,000 claims against TSL, with the number of claims expected to continue to increase as the litigation progresses.

UK equal pay law provides that an employee is entitled to the same terms in relation to pay as those of a comparator of the opposite sex in the same employment if they are employed to do work of equal value. The legislation achieves this by implying a clause into the contract of employment, which has the effect of importing into the employee's contract the more favourable term(s) of the comparator.

Equal pay claims are typically heard in three stages and the claimants have to win at every stage in order to succeed. The first stage is comparability which is effectively a technical gateway to the claims proceeding. The claimants have to show that there is a valid basis in law for comparing their pay and the pay of any comparator. One of the legal bases here is that pay terms are set by the same body. Following a European court ruling on this, TSL has made a concession on comparability.

The second and third stages are an equal value assessment and the consideration of TSL's material factor defences (non-discriminatory reasons for differentials in pay terms) to any claims which succeed at the equal value assessment stage. Completion of these two stages is a lengthy process and likely to take many years with hearings and appeals a part of that process. A final date is impossible to predict with any certainty and any final decision may be delayed further by any final appeals.

At present, the total number of Equal Pay Claims that may be received, the merits, and likely outcome of those claims and of TSL's defences to them, and the potential impact on the Group, are subject to various and substantial uncertainties. There are multiple factual and legal defences to these claims and the Group intends to defend them vigorously, while at the same time taking appropriate steps to mitigate the risks. The Group therefore cannot make an assessment of the likely outcome of the litigation, or the potential quantum of its liability or the potential impact on the Group at this stage. Depending on the outcome at the various stages of the Equal Pay Claims, and dependent on the number of any ultimately successful claims, the potential quantum of its liability could be material.

There are a number of other contingent liabilities that arise in the normal course of business, which if realised, are not expected to result in a material liability to the Group.

Note 24 Events after the reporting period

On 27 February, the Group issued a €500m and a £250m bond, maturing 2031 and 2035 respectively. There were no other events after the reporting period requiring disclosure.

Supplementary information (unaudited)

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

	Like-for-like sales						
	Q1 2022/23	Q2 2022/23	Q3 2022/23	Q4 2022/23	H1 2022/23	H2 2022/23	FY 2022/23
UK & ROI	**1.5%**	**3.9%**	**5.2%**	**8.1%**	**2.7%**	**6.7%**	**4.7%**
UK	(1.5)%	2.8%	4.3%	7.6%	0.7%	6.0%	3.3%
ROI	(2.4)%	2.4%	5.3%	7.8%	(0.1)%	6.6%	3.3%
Booker	19.4%	9.3%	9.3%	11.1%	13.9%	10.2%	12.0%
Central Europe	**9.0%**	**11.8%**	**12.3%**	**8.5%**	**10.4%**	**10.3%**	**10.4%**
Total Retail	**2.0%**	**4.5%**	**5.7%**	**8.2%**	**3.2%**	**6.9%**	**5.1%**

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

	Like-for-like sales						
	Q1 2022/23	Q2 2022/23	Q3 2022/23	Q4 2022/23	H1 2022/23	H2 2022/23	FY 2022/23
UK & ROI	**9.7%**	**13.3%**	**13.7%**	**17.3%**	**11.5%**	**15.5%**	**13.5%**
UK	8.1%	11.6%	11.9%	16.3%	9.9%	14.1%	12.0%
ROI	10.1%	14.3%	14.3%	20.1%	12.1%	17.3%	14.7%
Booker	19.6%	22.3%	24.0%	23.1%	21.0%	23.6%	22.2%
Central Europe	**11.3%**	**10.6%**	**16.9%**	**14.2%**	**11.0%**	**15.5%**	**13.2%**
Total Retail	**9.9%**	**13.1%**	**13.9%**	**17.1%**	**11.5%**	**15.5%**	**13.5%**

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

	Actual rates			Constant rates		
	H1 2022/23	H2 2022/23	FY 2022/23	H1 2022/23	H2 2022/23	FY 2022/23
UK & ROI	**2.6%**	**7.0%**	**4.8%**	**2.6%**	**6.8%**	**4.7%**
UK	0.6%	6.0%	3.3%	0.6%	6.0%	3.3%
ROI	(0.6)%	13.2%	6.3%	1.0%	9.7%	5.4%
Booker	13.8%	10.2%	12.0%	13.8%	10.2%	12.0%
Central Europe	**5.9%**	**10.7%**	**8.3%**	**9.5%**	**10.4%**	**10.0%**
Total Retail	**2.8%**	**7.2%**	**5.0%**	**3.1%**	**7.1%**	**5.1%**
Tesco Bank	**24.6%**	**16.0%**	**20.1%**	**24.6%**	**16.0%**	**20.1%**
Total Group	**3.1%**	**7.4%**	**5.3%**	**3.5%**	**7.2%**	**5.3%**

Country detail – Retail

	Revenue (exc. VAT, inc. fuel)			
	Local currency (m)	£m	Average exchange rate	Closing exchange rate
UK	48,917	48,917	1.0	1.0
ROI	3,077	2,645	1.2	1.1
Booker	8,684	8,684	1.0	1.0
Czech Republic	45,603	1,601	28.5	26.8
Hungary	668,601	1,451	460.8	430.4
Slovakia	1,580	1,358	1.2	1.1

UK sales area by size of store

	25 February 2023			26 February 2022		
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	2,605	5.6	14.6%	2,556	5.5	14.2%
3,001-20,000	276	2.9	7.6%	281	3.0	7.8%
20,001-40,000	286	8.2	21.2%	286	8.3	21.4%
40,001-60,000	182	8.8	22.8%	182	8.8	22.7%
60,001-80,000	119	8.4	21.6%	120	8.4	21.7%
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*	**3,521**	**38.6**	**100.0%**	**3,478**	**38.7**	**100.0%**

* Excludes Booker and franchise stores.

Actual Group space – store numbers[a]

	2021/22 year end	Openings	Closures/ disposals	Net gain/ (reduction)[b]	2022/23 year end	Repurposing/ extensions[c]
Large[d]	798	2	(1)	1	799	6
Convenience	1,966	50	(18)	32	1,998	–
Dotcom only	6	–	–	–	6	–
Total Tesco	**2,770**	**52**	**(19)**	**33**	**2,803**	**6**
One Stop[e]	695	18	(1)	17	712	–
Booker	192	–	(1)	(1)	191	–
Jack's	13	–	(7)	(7)	6	(6)
UK[e]	3,670	70	(28)	42	3,712	–
ROI[f]	152	14	–	14	166	1
UK & ROI[e]	**3,822**	**84**	**(28)**	**56**	**3,878**	**1**
Czech Republic[e]	185	4	(2)	2	187	8
Hungary	198	–	(1)	(1)	197	13
Slovakia[e]	154	3	–	3	157	14
Central Europe[e]	**537**	**7**	**(3)**	**4**	**541**	**35**
Group[e]	**4,359**	**91**	**(31)**	**60**	**4,419**	**36**
UK (One Stop)	252	53	(14)	39	291	–
Czech Republic	126	4	(6)	(2)	124	–
Slovakia	15	12	(2)	10	25	–
Franchise stores	**393**	**69**	**(22)**	**47**	**440**	**–**
Total Group	**4,752**	**160**	**(53)**	**107**	**4,859**	**36**

Actual Group space – '000 sq. ft.[a]

	2021/22 year end	Openings	Closures/ disposals	Repurposing/ extensions[c]	Net gain/ (reduction)	2022/23 year end
Large[d]	31,402	26	(65)	64	25	31,427
Convenience	5,287	129	(72)	–	57	5,344
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,405**	**155**	**(137)**	**64**	**82**	**37,487**
One Stop[e]	1,134	37	(2)	–	35	1,169
Booker	8,210	–	(29)	–	(29)	8,181
Jack's	128	–	(65)	(63)	(128)	-
UK[e]	46,877	192	(233)	1	(40)	46,837
ROI[f]	3,344	126	–	8	134	3,478
UK & ROI[e]	**50,221**	**318**	**(233)**	**9**	**94**	**50,315**
Czech Republic[e]	4,248	46	(22)	(126)	(102)	4,146
Hungary	5,927	–	(3)	(254)	(257)	5,670
Slovakia[e]	3,143	31	-	(27)	4	3,147
Central Europe[e]	**13,318**	**77**	**(25)**	**(407)**	**(355)**	**12,963**
Group[e]	**63,539**	**395**	**(258)**	**(398)**	**(261)**	**63,278**
UK (One Stop)	367	71	(18)	–	53	420
Czech Republic	115	3	(4)	–	(1)	114
Slovakia	13	11	(1)	–	10	23
Franchise stores	**495**	**85**	**(23)**	**–**	**62**	**557**
Total Group	**64,034**	**480**	**(281)**	**(398)**	**(199)**	**63,835**

(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) Six Jack's stores converted to Large stores; reflected within repurposing/extensions.
(e) Excludes franchise stores.
(f) Openings include 10 stores as a result of the acquisition of Joyce's stores, one of which we will sell as a condition of the clearance of the transaction.

Supplementary information (unaudited) continued

Group space forecast to 24 February 2024 – '000 sq. ft.[(a)]

	2022/23 year end	Openings	Closures/ disposals	Repurposing/ extensions	Net gain/ (reduction)	2023/24 year end
Large	31,427	36	(15)	–	21	31,448
Convenience	5,344	196	(21)	–	175	5,519
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,487**	**232**	**(36)**	**–**	**196**	**37,683**
One Stop[(b)]	1,169	68	(9)	–	59	1,228
Booker	8,181	–	–	–	–	8,181
UK[(b)]	46,837	300	(45)	–	255	47,092
ROI	3,478	51	(17)	–	34	3,512
UK & ROI[(b)]	**50,315**	**351**	**(62)**	**–**	**289**	**50,604**
Czech Republic[(b)]	4,146	20	(13)	(80)	(73)	4,073
Hungary	5,670	–	–	(305)	(305)	5,365
Slovakia[(b)]	3,147	59	–	(27)	32	3,179
Central Europe[(b)]	**12,963**	**79**	**(13)**	**(412)**	**(346)**	**12,617**
Group[(b)]	**63,278**	**430**	**(75)**	**(412)**	**(57)**	**63,221**
UK (One Stop)	420	161	(16)	–	145	565
Czech Republic	114	3	(3)	–	–	114
Slovakia	23	10	–	–	10	33
Franchise stores	**557**	**174**	**(19)**	**–**	**155**	**712**
Total Group	**63,835**	**604**	**(94)**	**(412)**	**98**	**63,933**

(a) Continuing operations.
(b) Excludes franchise stores.

Tesco Bank income statement

	2023[(a)] £m	2022[(a)] £m
Revenue		
Interest receivable and similar income	540	473
Fees and commissions receivable	257	210
Gross insurance premium income	309	239
	1,106	**922**
Direct costs		
Interest payable	(99)	(42)
Fees and commissions payable	(10)	(20)
Insurance premium income ceded to reinsurers	(139)	(105)
Insurance claims incurred	(175)	(150)
Reinsurers' share of claims incurred	90	62
	(333)	**(255)**
Other income/(expenses)	(5)	15
Gross profit	**768**	**682**
Other expenses		
Staff costs	(218)	(210)
Premises and equipment	(70)	(68)
Other administrative expenses	(222)	(193)
Depreciation and amortisation	(54)	(65)
Impairment (loss)/reversal on financial assets	(61)	30
Adjusted operating profit	**143**	**176**
Adjusting items[(b)]	(11)	–
Operating profit/(loss)	**132**	**176**
Finance income/(costs): movements on derivatives and hedge accounting	2	2
Finance income/(costs): interest	(8)	(4)
Finance income/(costs): leases	(2)	(2)
Share of profit/(loss) of joint venture	–	3
Profit/(loss) for the year	**124**	**175**

(a) These results are for the 12 months ended 28 February 2023 and the previous period represents the 12 months ended 28 February 2022.
(b) Adjusting items of £(11)m in 2023 (2022: £nil) relate to operational restructuring changes, as part of the multi-year 'Save to Invest' programme. Refer to Note 3 for further details.

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

The Adjusted diluted earnings per share (adjusted for share consolidation) APM was previously provided to aid year-on-year comparability in the event of a share consolidation. The APM is no longer relevant for the 2022/23 financial year so has been removed.

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 52 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.

Glossary – Alternative performance measures continued

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
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.
Adjusted total finance costs	Finance costs	– Adjusting items[b]	– Adjusting items within finance costs include net pension finance income/costs and fair value remeasurements. 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 potentially 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.

Glossary – Alternative performance measures continued

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Balance sheet measures			
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, net derivative financial instruments, joint venture loans, and net interest receivables/payables, offset by cash and cash equivalents and short-term investments. – 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.
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 income/costs, finance charges payable on lease liabilities, capitalised interest and fair value remeasurements) 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 – Additions relating to decommissioning provisions and similar items	– Capex excludes additions arising from business combinations and buybacks of properties (typically stores), as well as additions relating to decommissioning provisions and similar items. – Property buybacks are variable in timing, with the number and value of buybacks dependent on opportunities that arise within any given financial year. Excluding property buybacks 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; proceeds from the sale of subsidiaries; cash utilised in business acquisitions; cash used for investment in joint ventures, associates and unlisted equity investments ; 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.

APMs: Reconciliation of income statement measures

Retail EBITDA

	Notes	APM 2023 £m	APM 2022 £m
Operating profit	2	**1,525**	**2,560**
Less: Adjusting items	2	1,105	265
Adjusted operating profit	2	**2,630**	**2,825**
Less: Tesco Bank adjusted operating profit	2	(143)	(176)
Retail adjusted operating profit	2	**2,487**	**2,649**
Add: Retail depreciation and amortisation before adjusting items	2	1,570	1,577
Retail EBITDA		**4,057**	**4,226**

Net interest margin

	Notes	APM 2023 £m	APM 2022 £m
Tesco Bank revenue	2	**1,106**	**922**
Less: Tesco Bank revenue from fees and commissions receivable	2	(257)	(210)
Less: Tesco Bank revenue from gross insurance premium income	2	(309)	(239)
Tesco Bank interest expense within operating profit		(99)	(42)
Tesco Bank interest expense within finance income/(costs)		(8)	(4)
Net interest income		**433**	**427**
Average interest earning assets		**8,835**	**8,505**
Net interest margin (%)		**4.9%**	**5.0%**

APMs: Reconciliation of balance sheet measures

Net debt

A reconciliation of Net debt is provided in Note 21.

Net debt/EBITDA and Total indebtedness ratio

	Notes	APM 2023 £m	APM 2022 £m
Net debt	21	10,493	10,516
Retail EBITDA		4,057	4,226
Net debt/EBITDA ratio		**2.6**	**2.5**
Net debt	21	10,493	10,516
Add: Defined benefit pension deficit, net of deferred tax	18	300	242
Total indebtedness		**10,793**	**10,758**
Retail EBITDA		**4,057**	**4,226**
Total indebtedness ratio		**2.7**	**2.5**

Fixed charge cover

	Notes	APM 2023 £m	APM 2022 £m
Net finance costs	4	533	542
Less: Net pension finance income/(costs)	4	80	(22)
Less: Fair value remeasurements of financial instruments	4	(51)	123
Adjusted total finance costs		**562**	**643**
Less: Finance charges payable on lease liabilities	4	(373)	(405)
Adjusted total finance cost, excluding capitalised interest and finance charges payable on lease liabilities		**189**	**238**
Add: Total lease liability payments		966	977
Less: Discontinued operations total lease liability payments		–	(2)
		1,155	1,213
Retail EBITDA		**4,057**	**4,226**
Fixed charge cover (ratio)		**3.5**	**3.5**

Glossary – Alternative performance measures continued

Capex

	Notes	APM 2023 £m	APM 2022 £m
Property, plant and equipment additions[(a)]	10	**1,252**	**1,587**
Other intangible asset additions[(a)]	9	**277**	**229**
Less: Additions from obtaining control of property joint venture[(b)]	10	(248)	(584)
Less: Additions from other property buybacks	10	(29)	(37)
Less: Additions relating to decommissioning provisions and similar items		(17)	(94)
Capex		**1,235**	**1,101**

(a) Excluding amounts acquired through business combinations.
(b) Acquisition of The Tesco Dorney Limited Partnership in 2023 and The Tesco Sarum Limited Partnership in 2022.

APMs: Reconciliation of cash flow measures

	Notes	APM 2023 £m	APM 2022 £m
Cash generated from/(used in) operating activities	2	**3,722**	**3,757**
Cash generated from/(used in) investing activities	2	**(706)**	**(1,735)**
Less: Cash generated from/(used in) operating activities in Tesco Bank	2	30	(149)
Less: Cash generated from/(used in) operating activities in discontinued operations	2	–	6
Less: Cash generated from/(used in) investing activities in Tesco Bank	2	205	119
Less: Cash generated from/(used in) investing activities in discontinued operations	2	–	(43)
	2	**3,251**	**1,955**
Own shares purchased in relation to share schemes	2	(86)	(144)
Retail repayments of capital element of obligations under leases	2	(589)	(571)
Exclude/add back:			
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	(341)	(308)
Retail purchase of property, plant and equipment, investment property and other long-term assets – property buybacks	2	54	80
Retail disposal of subsidiaries, net of cash disposed	2	–	(117)
Retail acquisition of businesses, net of cash acquired	2	66	–
Retail investments in/(proceeds from sale of) joint ventures and associates	2	10	(4)
Retail adjusting net cash (generated from)/used in operating activities	2	61	316
Retail increase in loans to joint ventures and associates	2	1	4
Retail net investments in/(proceeds from sale of) other investments	2	205	(1)
Retail net investments in/(proceeds from sale of) short-term investments	2	(451)	1,067
Retail cash inflows from derivative financial instruments within investing activities	2	(54)	-
Retail cash outflows from derivative financial instruments within investing activities	2	6	-
Retail free cash flow	2	**2,133**	**2,277**

The following table reconciles the Retail free cash flow APM to that previously presented:

	Notes	APM 2023 £m	APM 2022 £m
Retail free cash flow	2	**2,133**	**2,277**
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	341	308
Retail purchase of property, plant and equipment and investment property – property buybacks	2	(54)	(80)
Retail cash outflows exceeding the incremental increase in assets in a property buyback	2	(21)	–
Retail disposal of subsidiaries, net of cash disposed	2	-	117
Retail acquisition of businesses, net of cash acquired	2	(66)	–
Retail (investments in)/proceeds from sale of joint ventures and associates	2	(10)	4
Retail (investments in)/proceeds from sale of other investments	2	(205)	1
Retail adjusting net cash (generated from)/used in operating activities	2	(61)	(316)
Memo: Retail free cash flow including cash flows from non-major corporate acquisitions and disposals, cash flows from the sale or buyback of properties, and Retail adjusting cash flows from operating activities	2	**2,057**	**2,311**

Glossary – Other

CPI
Consumer price index.

Capital employed
This is calculated as net assets less net debt less net assets of the disposal group and non-current assets classified as held for sale.

Dividend per share
This is calculated as interim dividend per share paid plus final dividend per share declared in respect of that financial year.

Enterprise value
This is calculated as market capitalisation plus net debt.

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.

FTE
Full-time equivalents.

LPI
Limited price index.

Market capitalisation
The total value of all Tesco shares calculated as total number of shares multiplied by the closing share price at the year end.

MTN
Medium term note.

MREL
Minimum requirements for own funds and eligible liabilities (European Banking Authority).

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.

Return
Profit before adjusting items and interest, after tax (applied at effective rate of tax).

Return on capital employed (ROCE)
Return divided by the average of opening and closing capital employed.

RPI
Retail price index.

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

SONIA
Sterling Overnight Index Average.

Total shareholder return
The notional annualised return from a share, measured as the percentage change in the share price, plus the dividends paid with the gross dividends, reinvested in Tesco shares. This is measured over both a one and five-year period.