

TESCO PLC: 2018/19 FINANCIAL STATEMENTS ON A POST-IFRS 16 BASIS

Tesco is introducing IFRS 16, the new financial reporting standard on accounting for leases, for its 2019/20 financial year. As previously indicated, we are adopting the standard fully retrospectively.

The first accounts prepared under IFRS 16 will be the 2019/20 interim results, published in October 2019, followed by the 2019/20 preliminary results, published in April 2020. In order to help investors and analysts update their models in advance of these results, on 15 February 2019 we issued the first half 2018/19 financial statements on a post-IFRS 16 basis and today we are also issuing the 2018/19 full-year financial statements under IFRS 16.

The headline impacts of IFRS 16 on the 2018/19 full-year financial statements can be summarised as follows:

- Group sales and total cash flow are completely unaffected.
- Group operating profit¹ increases by £401m to £2,607m as rent is removed and only part-replaced by depreciation.
- Group operating margin² increases by 63 basis points to 4.08%, including an increase of 64 basis points to 3.62% in the UK & ROI, an increase of 56 basis points to 3.51% in Central Europe, an increase of 68 basis points to 6.55% in Asia and an increase of 19 basis points to 18.14% in Tesco Bank.
- Profit before tax and Diluted EPS³ both decrease, by £(152)m and (1.39)p respectively, due to the combination of depreciation and interest being higher than the rent they replace. This is due to the relative immaturity of the Group's lease portfolio, with leases being around one-third expired on average. The proportion of EPS dilution will reduce as the portfolio matures and, most notably, as underlying earnings increase.
- Whilst the impact of IFRS 16 would normally be expected to be broadly equal between the first and second half of any given year, the weighting can be affected by one-off items such as foreign exchange movements and gains on termination of leases. In the 2018/19 year, a number of one-off credits of this nature were recognised in the second half.
- Net assets reduce by £(1.3)bn to £13.5bn, as a 'new' lease liability of £(10.4)bn and 'new' right of use asset of £7.7bn are recognised and onerous lease provisions and other working capital balances are derecognised.
- Total indebtedness increases by £(3.3)bn to £(15.5)bn due to lease extensions and contingent commitments being included and lease-specific discount rates being applied.

Further detail on the impact of IFRS 16 on our 2018/19 financial statements can be found in Note 1 of this press release.

Additional information about the implementation of IFRS 16 and the impact of IFRS 16 on the first half 2018/19 financial statements were outlined in the Group's 'Introducing IFRS 16' analyst and investor briefing which was held on 15 February 2019. The relevant release, presentation and webcast of the briefing are available on www.tescoplc.com/investors/reports-results-and-presentations.

1. Excludes exceptional items and amortisation of acquired intangibles

Group operating profit before exceptional items and amortisation of acquired intangibles divided by Group Revenue
Excludes exceptional items, amortisation of acquired intangibles, net pension finance costs and fair value remeasurements on financial instruments

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Note 1

These condensed consolidated financial statements for the 52 weeks ended 23 February 2019 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the 52 weeks ended 23 February 2019 will be filed with the Registrar of Companies following their approval at the AGM. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Income statement restatement for the 52 weeks ended 23 February 2019

Em Em<		52 weeks ended	23 February 2019 (r	eported)		IFRS 16 impact		52 weeks ende	d 23 February 2019 (restated)
Em Em<		exceptional items and amortisation of acquired	items and amortisation of acquired	Total	exceptional items and amortisation of acquired	items and amortisation of acquired	Total	exceptional items and amortisation of acquired	items and amortisation of acquired	Total
Revenue 63,911 - 63,917 - - 63,911 2,13 (10) 334 95 488 6,901 2,33 6,3 4,14 334 95 486 6,207 42 2,20 2,153 401 95 496 2,607 42 2,20 3 - 33 2,15 401 95 496 2,607 42 2,07 43 2,10 10 11 35 30,3 - 33 2,10 11 35 11 33 13 33 13 13 33 14		£m	£m	£m		£m	£m	£m	£m	£m
Cost of sales (59,695) (72) (59,767) 394 95 489 (59,301) 23 (59, (59,767) Gross profit/(loss) 4,216 (72) (4,14) 394 95 489 4,610 23 4, 4, 4, 4, 4, 4, 4, 4, 4, 4, 4, 4, 4, 4	Continuing operations									
Gross profit/(loss) 4,216 (72) 4,144 394 95 489 4,610 23 4, Administrative expenses (1,989) (66) (2,075) 7 - 7 (1,982) (66) (2,075) Profits/(losses) arising on property-related items (21) 105 84 - - - (21) 105 Operating profit/(loss) 2,206 (53) 2,153 401 95 496 2,607 42 2, Share of post-tax profits/(losses) of joint ventures and associates 24 11 35 (3) - (3) 21 11 Finance income 22 - 22 3 - 3 25 - Profit/(loss) before tax 1,716 (42) 1,674 (152) 951 (57) 1,564 53 11, Taxation (413) 59 (354) 16 (9) 7 (397) 50 (0 Basic 13.65p (0.52)p 13 13 13 55 13 13 13	Revenue	63,911	-	63,911	-	-	-	63,911	-	63,911
Administrative expenses (1,989) (86) (2,075) 7 - 7 (1,922) (86) (2,075) Profit/(loss) 2,206 (53) 2,153 401 95 496 2,607 42 2,205 Share of post-tax profits/(losse) of joint ventures and associates 2,204 (53) 2,153 401 95 496 2,607 42 2,205 Share of post-tax profits/(losse) of joint ventures and associates 2,2 - 2,2 3 - 3 2,5 -	Cost of sales	(59,695)	(72)	(59,767)	394	95	489	(59,301)	23	(59,278)
Profits/(losses) arising on property-related items (21) 105 84 - - (21) 105 Operating profits/(losses) of joint ventures and associates 2,206 (53) 2,153 401 95 496 2,607 42 2, Share of post-tax profits/(losses) of joint ventures and associates 24 11 35 (3) - (3) 21 11 Finance income 22 - 22 3 - (3) 215 (1,089) - (1,080) - (1,080) - (1,080) - (1,080) - (1,080) - - (1,080) - (1,080) -	Gross profit/(loss)	4,216	(72)	4,144	394	95	489	4,610	23	4,633
Operating profit/loss 2,206 (53) 2,153 401 95 496 2,607 42 2, 2,507 Share of post-tax profits/llosses) of joint ventures and associates 24 11 35 (3) - (3) 21 11 Finance income 22 - 22 3 - 3 25 - Finance costs (536) - (553) - (553) (1,089) - (1,0 Profit/(loss) before tax 1,716 (42) 1,674 (152) 951 (672) 1,564 53 1,1 Taxation (413) 59 (354) 16 (9) 7 (397) 50 0 Profit/(loss) for the year 1,303 17 1,320 (136) 86 (50) 1,167 103 1, Basic 13.65p (0.52)p (0.51)p 13 13 13 13 13 13 Diluted 13.55p (0.51)p 13	Administrative expenses	(1,989)	(86)	(2,075)	7	-	7	(1,982)	(86)	(2,068)
Share of post-tax profits/(losses) of joint ventures and associates 24 11 35 (3) - (3) 21 11 Finance income 22 - 22 3 - 3 25 - Finance costs (536) - (536) (553) - (553) (1,089) - (1,0 Profit/(loss) before tax 1,716 (42) 1,674 (152) 95' (57)' 1,564 53 1, Taxation (413) 59 (354) 16 (9) 7 (397) 50 1, Profit/(loss) for the year 1,303 17 1,320 (136) 86 (50) 1,167 103 1, Basic 13.65p (0.52)p 13 13. 13. 13. 13. 13. 13. 13. 13. 13. Diluted 13.65p (0.52)p 13. 13. 13. 13. 13. 13. 13. France scale 13.65p (0.52)p 13. 13. 13. 13. 13. 1	Profits/(losses) arising on property-related items	(21)	105	84	-	-	-	(21)	105	84
Finance income 22 - 22 3 - 3 25 - Finance costs (536) - (536) (553) - (553) (1,089) - (1,0 Profit/(loss) before tax 1,716 (42) 1,674 (152) 95' (57)2 1,564 53 1, Taxation (413) 59 (354) 16 (9) 7 (397) 50 (0.57) Profit/(loss) for the year 1,303 17 1,320 (136) 86 (50) 1,167 103 1,167 Basic 1,303 17 1,320 13.65p (0.52)p	Operating profit/(loss)	2,206	(53)	2,153	401	95	496	2,607	42	2,649
Finance costs (536) - (536) - (553) - (1089) - (1109) Profit/(loss) before tax 1,716 (42) 1,674 (152) 95' (57)2 1,564 53 1, Taxation (413) 59 (354) 16 (9) 7 (397) 50 (0 Profit/(loss) for the year 1,303 17 1,320 (136) 86 (50) 1,167 103 1, Earnings/(losses) per share from continuing and discontinued operations 13.65p (0.52)p (0.52)p 13	Share of post-tax profits/(losses) of joint ventures and associates	24	11	35	(3)	-	(3)	21	11	32
Profit/(loss) before tax 1,716 (42) 1,674 (152) 951 (57)2 1,564 53 1,717 Taxation (413) 59 (354) 16 (9) 7 (397) 50 (0 Profit/(loss) for the year 1,303 17 1,320 (136) 86 (50) 1,167 103 1, Earnings/(losses) per share from continuing and discontinued operations 31.65p (0.52)p 13 13 Diluted 13.55p (0.51)p 13 13 13 13 13 Earnings/(losses) per share from continuing operations 8aic 13.65p (0.51)p 13 13 Earnings/(losses) per share from continuing operations 13.65p (0.51)p 13 13 Basic 13.65p (0.51)p 13 13 13 13 13 Diluted 13.55p (0.51)p 13 13 13 13 13 KPIs and APMs 13.55p 13.55p 13.55p 13.55p 13.55p 13.55p 13.55p 13.55p	Finance income	22	-	22	3	-	3	25	-	25
Taxation (413) 59 (354) 16 (9) 7 (397) 50 (7) Profit/(loss) for the year 1,303 17 1,320 (136) 86 (50) 1,167 103 1 Earnings/(losses) per share from continuing and discontinued operations 33.65p (0.52)p 13 Basic 13.55p (0.51)p 13 13 Earnings/(losses) per share from continuing operations 33.65p (0.52)p 13 Basic 13.65p (0.51)p 13 Diluted 13.65p (0.52)p 13 Basic 13.65p (0.52)p 13 Diluted 13.55p (0.52)p 13 Basic 13.65p (0.52)p 13 Diluted 13.55p (0.51)p 13 Vers and APMs 13.55p 13.55p 13.55p	Finance costs	(536)	-	(536)	(553)	-	(553)	(1,089)	-	(1,089)
Profit/(loss) for the year 1,303 17 1,320 (136) 86 (50) 1,167 103 1, Earnings/(losses) per share from continuing and discontinued operations 13.65p (0.52)p 13 Basic 13.55p (0.51)p 13 Diluted 13.65p (0.52)p 13 Earnings/(losses) per share from continuing operations 13.65p (0.52)p 13 Basic 13.65p (0.52)p 13 Diluted 13.55p (0.52)p 13 KPIs and APMs 13.55p 13.55p 13.55p	Profit/(loss) before tax	1,716	(42)	1,674	(152)	95 ¹	(57) ²	1,564	53	1,617
Earnings/(losses) per share from continuing and discontinued operations Basic 13.65p (0.52)p 13 Diluted 13.55p (0.51)p 13 Earnings/(losses) per share from continuing operations Basic 13.65p (0.52)p 13 Diluted 13.55p (0.52)p 13 Diluted 13.55p (0.51)p 13 Diluted 13.55p (0.51)p 13	Taxation	(413)	59	(354)	16	(9)	7	(397)	50	(347)
Basic 13.65p (0.52)p 13 Diluted 13.55p (0.51)p 13. Earnings/(losses) per share from continuing operations Basic 13.65p 13.55p (0.52)p 13 Diluted 13.55p 10.51)p 13. KPIs and APMs	Profit/(loss) for the year	1,303	17	1,320	(136)	86	(50)	1,167	103	1,270
Basic 13.65p (0.52)p 13 Diluted 13.55p (0.51)p 13. Earnings/(losses) per share from continuing operations Basic 13.65p 13.55p (0.52)p 13 Diluted 13.55p 10.51)p 13. KPIs and APMs	Earnings/(losses) per share from continuing and discontinued operation	ns								
Earnings/(losses) per share from continuing operations Basic 13.65p Diluted 13.55p KPIs and APMs				13.65p			(0.52)p			13.13p
Basic 13.65p (0.52)p 13 Diluted 13.55p (0.51)p 13 KPIs and APMs	Diluted			13.55p			(0.51)p			13.04p
Diluted 13.55p (0.51)p 13. KPIs and APMs Image: Comparison of the second	Earnings/(losses) per share from continuing operations									
Diluted 13.55p (0.51)p 13. KPIs and APMs Image: Comparison of the second	Basic			13.65p			(0.52)p			13.13p
	Diluted			•			•			13.04p
	KPIs and APMs									
5.5% 0.0% 4	Operating margin			3.5%			0.6%			4.1%
Diluted adjusted EPS 15.40p (1.39)p 14.	Diluted adjusted EPS			15.40p			(1.39)p			14.01p

1. £95m gain relates to a net impairment reversal following our annual impairment review and an onerous lease provision credit.

2. £(57)m PBT impact comprises: £1,060m rental charge removal, £(675)m additional depreciation, £(550)m additional net interest charge and £108m other net gains.

Balance sheet restatement	As at 2	23 February	2019	As at 24 February 2018		I	
		IFRS 16			IFRS 16		
	Reported	impact	Restated	Reported ¹	impact	Restated	
Non-current assets	£m	£m	£m	£m	£m	£m	
Goodwill and other intangible assets	6,264	_	6,264	2,661	_	2,661	
Property, plant and equipment	19,023	163	19,186	18,521	191	18,712	
Right of use assets ²	-	7,713	7,713	-	7,527	7,527	
Investment property	36	-	36	100	-	100	
Investments in joint ventures and associates	704	(38)	666	689	(35)	654	
Financial assets at fair value through other comprehensive income	979	(50)	979	860	(33)	860	
Trade and other receivables	195	48	243	186	31	217	
Loans and advances to customers and banks	7,868	-	7,868	6,885	-	6,885	
Derivative financial instruments	1,178	_	1,178	1,117	_	1,117	
Deferred tax assets	1,178	- 119	251	1,17	285	401	
	36,379	8,005	44,384	31,135	7,999	39,134	
Current assets	30,373	0,003	44,004	51,155	7,555	55,154	
Financial assets at fair value through other comprehensive income	67	-	67	68	-	68	
Inventories	2,617	_	2,617	2,264	_	2,264	
Trade and other receivables	1,640	(90)	1,550	1,504	(89)	1,415	
Loans and advances to customers and banks	4,882	(30)	4,882	4,637	-	4,637	
Derivative financial instruments	-,002	_	-,002	-,007	_	4,007	
Current tax assets	6		6	12		12	
Short-term investments	390	_	390	1,029	_	1,029	
	2,916	_	2,916	4,059	_	4,059	
Cash and cash equivalents	12,570	(90)	12,480	13,600	(89)	4,059 13,511	
Non-current assets classified as held for sale	98	(30)	98	149	-	149	
	12,668	(90)	12,578	13,749	(89)	13,660	
Current liabilities	,		,	,		,	
Trade and other payables	(9,354)	223	(9,131)	(8,994)	221	(8,773)	
Borrowings	(1,599)	36	(1,563)	(1,479)	12	(1,467)	
Lease liability ³	· -	(646)	(646)	· -	(712)	(712)	
Derivative financial instruments	(250)	-	(250)	(69)	-	(69)	
Customer deposits and deposits from banks	(8,832)	-	(8,832)	(7,812)	-	(7,812)	
Current tax liabilities	(325)	-	(325)	(335)	-	(335)	
Provisions	(320)	94	(226)	(544)	128	(416)	
	(20,680)	(293)	(20,973)	(19,233)	(351)	(19,584)	
Net current liabilities	(8,012)	(383)	(8,395)	(5,484)	(440)	(5,924)	
Non-current liabilities							
Trade and other payables	(384)	19	(365)	(364)	-	(364)	
Borrowings	(5,673)	93	(5,580)	(7,142)	110	(7,032)	
Lease liability ³	-	(9,859)	(9,859)	-	(9,560)	(9,560)	
Derivative financial instruments	(389)	-	(389)	(594)	-	(594)	
Customer deposits and deposits from banks	(3,296)	-	(3,296)	(2,972)	-	(2,972)	
Post-employment benefit obligations	(2,808)	-	(2,808)	(3,282)	-	(3,282)	
Deferred tax liabilities	(236)	187	(49)	(96)	14	(82)	
Provisions	(747)	600	(147)	(721)	592	(129)	
	(13,533)	(8,960)	(22,493)	(15,171)	(8,844)	(24,015)	
Net assets	14,834	(1,338)	13,496	10,480	(1,285)	9,195	
Equity							
Share capital	490	-	490	410	-	410	
Share premium	5,165	-	5,165	5,107	-	5,107	
All other reserves	3,798	(21)	3,777	735	(18)	717	
Retained earnings	5,405	(1,317)	4,088	4,250	(1,267)	2,983	
Equity attributable to the owners of the parent	14,858	(1,338)	13,520	10,502	(1,285)	9,217	
Non-controlling interests	(24)	_	(24)	(22)	-	(22)	
Total equity	14,834	(1,338)	13,496	10,480	(1,285)	9,195	
APMs						-	
Net debt ⁴	(2,863)	(10,341)	(13,204)	(2,625)	(10,114)	(12,739)	
Total indebtedness ⁵	(12,200)	(3,342)	(15,542)	(12,284)	(3,183)	(15,467)	

1. After restating for the adoption of IFRS 15 'Revenue from Contracts with Customers'.

2. The right of use assets of £7,713m (2017/18: £7,527m) includes £104m (2017/18: £107m) assets held under finance leases, previously included in PP&E.

3. Total lease liabilities of £(10,505)m (2017/18: £(10,272)m) include £(129)m (2017/18: £(122)m) finance lease liabilities previously included in borrowings.

4. Net debt comprises bank and other borrowings, lease liabilities, net derivative financial instruments, joint venture loans and other receivables/ payables, offset by cash and cash equivalents and short-term investments. It excludes the net debt of Tesco Bank, which has lease liabilities of £35m (2018: £36m).

5. Total indebtedness pre-IFRS 16 comprises Net debt plus the IAS 19 deficit in the pension schemes (net of associated deferred tax) plus the present value of future minimum lease payments under non-cancellable operating leases. Post-IFRS 16, lease liabilities are included in Net debt, replacing the present value of future minimum lease payments under non-cancellable operating leases.

Summary Retail Cash Flow Restatement for the 52 weeks ended 23 February 2019

	52 weeks ended 23 February 2019 reported £m	IFRS 16 impact £m	52 weeks ended 23 February 2019 restated £m
Operating profit before exceptional items and amortisation of acquired intangibles	2,206	401	2,607
Less: Tesco Bank operating profit before exceptional items	(197)	(2)	(199)
Retail operating profit from continuing operations before exceptional items and amortisation of acquired intangibles	2,009	399	2,408
Add back: Depreciation and amortisation	1,214	673	1,887
Other reconciling items	94	(24)	70
Pension deficit contribution	(266)	-	(266)
Underlying (increase) / decrease in working capital	(312)	6	(306)
Retail cash generated from operations before exceptional items	2,739	1,054	3,793
Exceptional cash items:			
Relating to prior years:			
- Shareholder Compensation Scheme payments and SFO fine	(43)	-	(43)
- Utilisation of onerous lease provisions	(81)	81	-
- Restructuring payments	(60)	-	(60)
Relating to current year:			
- Restructuring payments	(68)	-	(68)
Other	15	-	15
Retail operating cash flow	2,502	1,135	3,637
Cash capex	(1,126)	-	(1,126)
Net interest	(283)	(547)	(830)
Тах	(302)	-	(302)
Property proceeds	285	-	285
Property purchases – store buybacks	(136)	-	(136)
Market purchases of shares (net of proceeds)	(146)	-	(146)
Acquisitions and disposals and dividends received	(635)	-	(635)
Add back: Booker acquisition costs (included in Acquisition & disposals above) ¹	747	-	747
Repayments of obligations under leases	(17)	(588)	(605)
Retail free cash flow	889 ²	-	889

The cost of major acquisitions and disposals are removed from the Group's definition of free cash flow.
Retail cash flow has been redefined to include repayments of obligations under leases due to IFRS 16. This results in a minor adjustment of £17m, restating reported retail cash flow of £906m to £889m. There is no overall impact to cash / cash equivalents at the end of the period.

Segmental reporting The tables below set out the reported segmental income statement and the IFRS 16 impact, together with the expected comparative period segmental income statement for the 52 weeks ended 23 February 2019.

Segmental income statement

52 weeks ended 23 February 2019 (reported) At actual exchange rates	UK & ROI £m	Central Europe £m	Asia £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations					
Revenue	51,643	6,298	4,873	1,097	63,911
Operating profit/ (loss) before exceptional items and amortisation of acquired intangibles	1,537	186	286	197	2,206
Exceptional items and amortisation of acquired intangibles	(2)	46	(67)	(30)	(53)
Operating profit/(loss)	1,535	232	219	167	2,153
Operating margin	2.98%	2.95%	5.87%	17.95%	3.45%

		Central		Tesco	Total at actual
52 weeks ended 23 February 2019 (IFRS 16 impact)	UK & ROI	Europe	Asia	Bank	exchange
At actual exchange rates	£m	£m	£m	£m	£m
Continuing operations					
Revenue	-	-	-	-	-
Operating profit/ (loss) before exceptional items and amortisation of acquired intangibles	331	35	33	2	401
Exceptional items and amortisation of acquired intangibles	83	12	-	-	95
Operating profit/(loss)	414	47	33	2	496
Operating margin	0.64%	0.56%	0.68%	0.19%	0.63%

		Central		Tesco	Total at actual
52 weeks ended 23 February 2019 (restated)	UK & ROI	Europe	Asia	Bank	exchange
At actual exchange rates	£m	£m	£m	£m	£m
Continuing operations					
Revenue	51,643	6,298	4,873	1,097	63,911
Operating profit/ (loss) before exceptional items and amortisation of acquired intangibles	1,868	221	319	199	2,607
Exceptional items and amortisation of acquired intangibles	81	58	(67)	(30)	42
Operating profit/(loss)	1,949	279	252	169	2,649
Operating margin	3.62%	3.51%	6.55%	18.14%	4.08%

The table below sets out the segmental balance sheet as at 23 February 2019, restated for the impact of IFRS 16.

Segmental balance sheet restatement

Segmental balance sheet restatement						
		Central		Tesco		
	UK & ROI	Europe	Asia	Bank	Unallocated	Total
At 23 February 2019 (restated)	£m	£m	£m	£m	£m	£m
Goodwill and other intangible assets	4,927	27	284	1,026	-	6,264
Property, plant and equipment and investment property	14,017	2,694	2,449	62	-	19,222
Right of use assets	6,537	479	682	15	-	7,713
Investments in joint ventures and associates	12	1	567	86	-	666
Non-current financial assets at fair value through other	3	-	-	976	-	979
comprehensive income						
Non-current trade and other receivables ¹	100	5	14	19	-	138
Non-current loans and advances to customers and banks	-	-	-	7,868	-	7,868
Deferred tax assets	86	34	71	60	-	251
Non-current assets ²	25,682	3,240	4,067	10,112	-	43,101
Inventories and current trade and other receivables ^{3,4}	2,999	482	372	285	-	4,138
Current loans and advances to customers and banks	-	-	-	4,882	-	4,882
Current financial assets at fair value through other	-	-	-	67	-	67
comprehensive income						
Total trade and other payables	(7,452)	(800)	(1,016)	(228)	-	(9,496)
Total customer deposits and deposits from banks	-	-	-	(12,128)	-	(12,128)
Total provisions	(245)	(27)	(49)	(52)	-	(373)
Deferred tax liabilities	(15)	(24)	(10)	-	-	(49)
Net current tax	(265)	(12)	(11)	(31)	-	(319)
Post-employment benefits	(2,788)	-	(20)	-	-	(2,808)
Assets classified as held for sale	68	30	-	-	-	98
Net debt (including Tesco Bank)⁵	(9,060)	(728)	(682)	(413)	(2,734)	(13,617)
Net assets	8,924	2,161	2,651	2,494	(2,734)	13,496

1. Excludes loans to joint ventures of £105m which form part of net debt.

2. Excludes derivative financial instrument non-current assets of $\pounds 1,178m$.

3. Excludes net interest and other receivables of £1m which form part of net debt.

4. Excludes loans to joint ventures of £28m which form part of net debt.

5. Includes lease liabilities in UK & ROI £9,060m, Central Europe £728m, Asia £682m, Tesco Bank £35m, Unallocated £nil and Total £10,505m.

The table below sets out the expected impact of IFRS 16 on the comparative period cash flow statement for the 52 weeks ended 23 February 2019 and related APMs. IFRS 16 has no impact on total cash flow for the year or cash and cash equivalents at the end of the year. Cash generated from operations and free cash flow measures increase as operating lease rental expenses are no longer recognised as operating cash outflows. Cash outflows are instead split between interest paid and repayments of obligations under leases, which both increase.

Cash flow statement restatement for the 52 weeks ended 23 February 2019

Head Head <thhead< th=""> Head Head <thh< th=""><th></th><th></th><th>Retail</th><th></th><th>т</th><th>esco Banl</th><th>,</th><th>Tesc</th><th>o Group</th><th></th></thh<></thhead<>			Retail		т	esco Banl	,	Tesc	o Group	
Import Import<		Retail		Retail						Tesco Group
g2 weeks and a 22 reform (1000) tm										(restated)
Operations profit/(loss) of contruing 1,986 444 2,480 167 2 169 2,158 496 2,646 Depretation and amortisation 1,292 673 1,965 6.33 2 65 1,375 675 2,056 Aff met income (13,4) -4 (14,4) -4 -4 -4 -6 -7 -6 0	52 weeks ended 23 February 2019		£m		•	£m			£m	£m
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Dependention and amortisation 1.292 673 1.965 8.3 2 85 1.375 675 2.057 (Profit/Diss arising on sale of property, paral and apply termination of leases 199 (24) (123) 181 - 180 1007 (24) 113 prior and opply termination of leases 180 - (80) - - 180 180 <t< td=""><td></td><td>,</td><td></td><td>,</td><td></td><td></td><td></td><td>,</td><td></td><td></td></t<>		,		,				,		
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IP or IL (Ass arising on sale of property, plant and equipment and it angulable assets and early termination of leases IP (123) (18) - (18) (107) (120) (110) IP or IL (Ass arising on sale of subsidinies (18) - (18) - - (18) - (19) IP or IL (Ass arising on sale of subsidinies (18) (18) (114) - - (18) (110) - - (18) (110) - - (18) (110) - - - (18) (110) - - - - 0		,		,				_	_	_
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and service comparison set of subdicines (a) comparison (b) comparison (b) comparison (b) comparison (c) (c) (c)										
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pension schemes B2 CB	pensions charge									
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Tesco Bank fair value movements included - - - 127 - 127 128 128 128 128 128 128 128 128 128 128 128 128 128 128 128 128 128 128 128 <th< td=""><td>pension schemes</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></th<>	pension schemes									
Tesco Bank fair value movements included - - - 127 - 127 128 128 128 128 128 128 128 128 128 128 128 128 128 128 128 128 128 128 128 <th< td=""><td>Share-based payments</td><td>82</td><td>-</td><td>82</td><td>(5)</td><td>-</td><td>(5)</td><td>77</td><td>-</td><td>77</td></th<>	Share-based payments	82	-	82	(5)	-	(5)	77	-	77
Cash flows generated from operations 2,940 1,087 4,027 398 4 402 3,338 1,091 4,422 increase/ideoresae in working capital (438) 48 (390) (258) - (258) (666) 48 (644) Cash generated from/fused ini operations 2,502 1,135 3,637 140 4 144 2,642 1,139 3,78 Interest paid (300) (550) (68) (68) (68) (68) (68) (68) (68) (68) (68) (68) (68) (68) (68) (70) </td <td></td> <td>-</td> <td>-</td> <td>-</td> <td></td> <td>-</td> <td></td> <td>127</td> <td>-</td> <td>127</td>		-	-	-		-		127	-	127
Cash flows generated from operations 2,940 1,087 4,027 398 4 402 3,338 1,091 4,422 increase/ideoresae in working capital (438) 48 (390) (258) - (258) (666) 48 (644) Cash generated from/fused ini operations 2,502 1,135 3,637 140 4 144 2,642 1,139 3,78 Interest paid (300) (550) (68) (68) (68) (68) (68) (68) (68) (68) (68) (68) (68) (68) (68) (70) </td <td>in operating profit/(loss)</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	in operating profit/(loss)									
Increase/decrease in working capital (438) 48 (390) (258) - (258) (696) 48 (644) Cash generated from/lused ini operations 2,502 1,138 3,637 140 44 2,642 1,139 3,78 Interest paid (301) (550) (651) (5) (5) (6) (370) - (37) Net cash generated from/lused ini 1,899 585 2,484 67 1 68 1,966 586 2,55 operating activities - - 2,855 1 - 1 2,86 - 2,87 Proceeds from the sale of property, plant and concurrent assets classified as held for sale - <	Cash flows generated from operations	2,940	1,087	4,027	398	4	402	3,338	1,091	4,429
Cash generated from/lused in operations 2,502 1,135 3,637 140 4 144 2,642 1,139 3,78 Interest paid (301) (550) (651) (5) (3) (8) (306) (553) (685) (68) (370) - (377) Net cash generated from/lused in) 1,899 585 2,484 67 1 68 1,966 586 2,55 operating activities - 1 286 - 285 1 - 1 286 - 285 and equipment, investment property, plant and equipment, investment property and non-current assets classified as held for sale - - - (136) - - - (136) - - - (136) - - - (136) - - - 138 - - - 136 - - - - - - - - - - - - - -	excluding working capital									
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Corporation tax (paid)/received (302) (68) (68) (370) (370) (370) Net cash generated from/(used in) 1,899 555 2,484 67 1 68 1,966 2,55 operating activities 7 285 1 - 1 286 2,85 Proceeds from the sale of property, plant 225 - 285 1 - 1 286 - 286 Purchase of property, plant and (136) - 28 - - - (136) - - - (136) - <t< td=""><td>Cash generated from/(used in) operations</td><td>2,502</td><td>1,135</td><td>3,637</td><td>140</td><td>4</td><td>144</td><td>2,642</td><td>1,139</td><td>3,781</td></t<>	Cash generated from/(used in) operations	2,502	1,135	3,637	140	4	144	2,642	1,139	3,781
Corporation tax (paid)/received (302) (68) (68) (370) (370) (370) Net cash generated from/(used in) 1,899 555 2,484 67 1 68 1,966 2,55 operating activities 7 285 1 - 1 286 2,85 Proceeds from the sale of property, plant 225 - 285 1 - 1 286 - 286 Purchase of property, plant and (136) - 28 - - - (136) - - - (136) - <t< td=""><td></td><td>(0.04)</td><td>(550)</td><td>(054)</td><td>(5)</td><td>(0)</td><td>(0)</td><td>(0.0.0)</td><td>(550)</td><td>(050)</td></t<>		(0.04)	(550)	(054)	(5)	(0)	(0)	(0.0.0)	(550)	(050)
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and equipment, investment property, intangible assets and non-current assets classified as held for sale Purchase of property, plant and (136) - (136)		005		005						
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classified as held for saleImage: set of property, plant and equipment, investment property and non-current assets classified as held for sale - store buy backsImage: set of property, plant and (962)Image: set of proper										
Purchase of property, plant and equipment, investment property and non-current assets classified as held for sale - store buy backs	5									
equipment, investment property and non-current assets classified as held for sale - store buy backs Purchase of property, plant and (962) - (962) (3) - (3) (965) - (966) equipment, investment property and non-current assets classified as held for sale - other capital expenditure Purchase of intangible assets (164) - (164) (27) - (27) (191) - (191) Disposal of subsidiaries, net of cash 8 - 8 8 8 - disposed Acquisition of subsidiaries, net of cash (715) - (715) (715) - (715) - Acquired 5 - 5 5 5 5 - Investments in loans to joint 5 - 5 5 5 5 - Investments in joint ventures and associates (11) - (11) (11) - (11) - Net investments in/proceeds from sale 639 - 639 633 - 633 of short-term investments Net (investments in/proceeds from sale 2 - 2 (124) - (124) (122) - (124) (124) - (124) - (124) (122) - (124) (124) - (124) - (124) (124) - ((120)		(12.0)				(120)		(120)
non-current assets classified as held for sale - store buy backs Purchase of property, plant and (962) - (962) (3) - (3) (965) - (3) (965) - (962) equipment, investment property and non-current assets classified as held for sale - other capital expenditure Purchase of intangible assets (164) - (164) (27) - (27) (191) - (191) Disposal of subsidiaries, net of cash 8 - 8 - 8 7 - 8 - 8 - (192) Disposed Acquisition of subsidiaries, net of cash (171) - (1715)		(130)	-	(136)	-	-	-	(136)	-	(136)
sale - store buy backsImage: sale - store buy										
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equipment, investment property and non-current assets classified as held for sale - other capital expenditure19Purchase of intangible assets(164)-(164)(27)-(27)(191)-(199)Disposal of subsidiaries, net of cash8-8819Acquisition of subsidiaries, net of cash(715)-(715)7015715-715-715-715-715-715-715-715-715-715-715715-715-715715-715716715715715715 </td <td>-</td> <td>(000)</td> <td></td> <td>(000)</td> <td>(2)</td> <td></td> <td>(2)</td> <td>(005)</td> <td></td> <td>(005)</td>	-	(000)		(000)	(2)		(2)	(005)		(005)
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sale - other capital expenditure Image: constraint of cash integration of subsidiaries, net of cash integratintex integration of subsidiarite, net of cash										
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Disposal of subsidiaries, net of cash 8 - 8 - - 8 - 1 Acquisition of subsidiaries, net of cash (715) - (715) - - (715) - - (715) - - (715) - - (715) - - - (715) - - - (715) - - - (715) - - - (715) - - - - (715) - - - - (715) - </td <td></td> <td>(16.4)</td> <td></td> <td>(16.4)</td> <td>(27)</td> <td></td> <td>(27)</td> <td>(101)</td> <td></td> <td>(101)</td>		(16.4)		(16.4)	(27)		(27)	(101)		(101)
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Acquisition of subsidiaries, net of cash (715) - - (715) - - (715) -		8		0	-	_	-	8	-	0
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Net increase/(decrease) in loans to joint - - 5 5 - </td <td>-</td> <td>(713)</td> <td></td> <td>(713)</td> <td></td> <td></td> <td></td> <td>(713)</td> <td></td> <td>(715)</td>	-	(713)		(713)				(713)		(715)
ventures and associates(11)-(11)(11)-(11) </td <td></td> <td>_</td> <td></td> <td>_</td> <td>Б</td> <td>_</td> <td>F</td> <td>F</td> <td></td> <td>5</td>		_		_	Б	_	F	F		5
Investments in joint ventures and associates(11)-(11)(11)-(11) <th< td=""><td>-</td><td>_</td><td>_</td><td>_</td><td>5</td><td>_</td><td>J</td><td>5</td><td>_</td><td>5</td></th<>	-	_	_	_	5	_	J	5	_	5
Net (investments in)/proceeds from sale639-639639-<		(11)	_	(11)	_	_	_	(11)	_	(11)
of short-term investmentsAA	-				_		_			639
Net (investments in)/proceeds from sale2-2(124)-(122)-(122)of financial assets at fair value through	-	039	_	039	-	-	_	039	_	039
of financial assets at fair value through other comprehensive incomeImage: second sec		n		2	(12 /)	_	(12 /)	(122)		(122)
other comprehensive incomeImage: comprehe		Z		Z	(124)		(124)	(122)		(122)
Dividends received from joint ventures and 31 31 10 - 10 41 - 44 associates -	-									
associates 50		21		21	10	-	10	Л1	_	41
Dividends received from Tesco Bank 50 - 50 (50) - - - Interest received 18 3 21 - - 18 3 2 Net cash generated from/(used in) (955) 3 (952) (188) - (188) (1,143) 3 (1,144)	-	51		51	10		U.	41		41
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Net cash generated from/(used in) (955) 3 (952) (188) - (1,143) 3 (1,144)						_		18		21
						_				(1,140)
Investing activities	investing activities		-						-	. ,

Cash flow statement restatement for the 52 weeks ended 23 February 2019 continued

		Retail Tesco Bank					Tesco Group			
-	Retail	IFRS 16	Retail	Tesco Bank	IFRS 16	Tesco Bank	Tesco Group	IFRS 16	Tesco Group	
	(reported)	impact	(restated)	(reported)	impact	(restated)	(reported)	impact	(restated)	
52 weeks ended 23 February 2019	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Proceeds from issue of ordinary share	60	-	60	-	-	-	60	-	60	
capital										
Own shares purchased	(206)	-	(206)	-	-	-	(206)	-	(206)	
Repayment of obligations under leases	(17)	(588)	(605)	-	(1)	(1)	(17)	(589)	(606)	
Add: Cash outflow from major acquisition	747	-	747	-	-	-	747	-	747	
Less: Net increase/(decrease) in loans to	-	-	-	(5)	-	(5)	(5)	-	(5)	
joint ventures and associates										
Less: Net investments in/(proceeds from	(639)	-	(639)	-	-	-	(639)	-	(639)	
sale of) short-term investments										
APM: Free Cash Flow [*]	889	-	889	(126)	-	(126)	763	-	763	
Increase in borrowings	704	-	704	271	-	271	975	-	975	
Repayment of borrowings	(2,046)	-	(2,046)	(425)	-	(425)	(2,471)	-	(2,471)	
Net cash flows from derivative financial	35	-	35	-	-	-	35	-	35	
instruments										
Dividends paid to equity owners	(357)	-	(357)	-	-	-	(357)	-	(357)	
Net cash generated from/(used in) financing	(1,827)	(588)	(2,415)	(154)	(1)	(155)	(1,981)	(589)	(2,570)	
activities										
Intra-Group funding and intercompany	(14)	-	(14)	14	-	14	-	-	-	
transactions										
Net increase/(decrease) in cash and cash	(897)	_	(897)	(261)	-	(261)	(1,158)	_	(1,158)	
equivalents										
Cash and cash equivalents at the beginning	2,755	-	2,755	1,304	-	1,304	4,059	-	4,059	
of the year										
Effect of foreign exchange rate changes	15	-	15	-	-	-	15	-	15	
Cash and cash equivalents at the end of	1,873	-	1,873	1,043	-	1,043	2,916	-	2,916	
the year										

* Free cash flow has been redefined to include repayments of obligations under leases due to IFRS 16. This results in a minor adjustment of £17m, restating reported retail free cash flow of £906m to £889m. There is no overall impact to cash / cash equivalents at the end of the period.

Disclaimer

This document may contain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and operating margins, 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 involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the 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. Tesco does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances.