CHAMPIONING GREAT VALUE FOR CUSTOMERS DELIVERS STRONG PERFORMANCE.

Performance highlights[1,2]:	2021/22	2020/21[3]	Change at actual rate	Change at constant rate
Group sales (exc. VAT, exc. fuel)[4]	**£54,768m**	£53,445m	2.5%	3.0%
Adjusted operating profit[5]	**£2,825m**	£1,788m	58.0%	58.9%
- Retail	£2,649m	£1,963m	34.9%	35.8%
- Tesco Bank	£176m	£(175)m	n/m	n/m
Retail free cash flow[6]	**£2,277m**	£1,340m	69.9%	
Net debt[2,6]	**£(10.5)bn**	£(12.0)bn	down 12.0%	
Adjusted diluted EPS[5,7]	**21.86p**	11.58p	88.8%	
Dividend per share	**10.90p**	9.15p	19.1%	
Statutory measures:				
Revenue (exc. VAT, inc. fuel)	**£61.3bn**	£57.9bn	6.0%	
Operating profit	**£2,560m**	£1,547m	65.5%	
Profit before tax	**£2,033m**	£636m	219.7%	
Retail cash generated from operating activities	**£3,614m**	£321m	1,025.9%	
Diluted EPS	**19.64p**	5.58p	252.0%	

Strong sales and profit performance leading to retail free cash flow ahead of expectations:

- Strong sales throughout the year; Retail 1-yr LFL[8] sales growth includes UK market outperformance and sharp recovery in Booker; 2-yr LFL reflects strong performance throughout the pandemic across all businesses:

	UK	ROI	Booker	**UK&ROI**	C.Europe	**Retail**
1-yr LFL sales	0.4%	(2.9)%	15.3%	**2.2%**	2.9%	**2.3%**
2-yr LFL sales	8.2%	10.6%	11.9%	**8.8%**	2.5%	**8.3%**

- Total retail adjusted operating profit[5] £2,649m, +35.8% at constant rates
  - UK & ROI adjusted operating profit £2,481m, +35.4% due to higher sales and lower COVID-19 costs
  - C. Europe adjusted operating profit £168m, +41.1% due to lower COVID-19 costs & higher YoY mall income
- Bank adjusted operating profit £176m, returning to profit following last year's increase in potential bad debt provision
- Statutory revenue £61.3bn, +6.0% and statutory operating profit £2,560m, +65.5%; driven by strong sales, reduced COVID-19 costs and a return to profitability in Tesco Bank
- Retail free cashflow[6] £2,277m, +69.9% from higher profit, lower pension contribution[9] & higher working capital inflow
- Net debt[2,6] reduced by +£1.4bn since last year driven by strong cash flow; net debt ratio down to 2.5x
- Adjusted diluted EPS[5,7] 21.86p, +88.8%; statutory diluted EPS 19.64p, +252.0%; reflecting higher profits
- Proposed final dividend of 7.70pps to take full year dividend to 10.90pps – up +19.1% YoY

Strengthening our customer proposition:

- Market share gains in UK, ROI & C.Europe; including +30bps to 27.7% in UK, outperforming on value and volume
- Highest Brand NPS to date; Brand index further improved +9bps YoY (+63bps vs competitor average)
- Aldi Price Match extended to c.650 lines, all promotions now on Clubcard Prices, re-launched 1,600 Low Everyday Prices
- Value perception: outperformed market by 91bps; Quality perception: +11bps vs market decline of (32)bps
- UK online share +142bps to 34.8%; 9.0m digital Clubcard app users; 'Tesco Whoosh' now in over 200 stores

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

- Substantial new pay deals agreed for hourly paid colleagues; additional thank you payment announced
- Group supplier viewpoint survey reached highest ever score of 86.4% (+1.4% pts YoY)
- Donated 53m meals through food redistribution programmes and 3m meals through 'Buy One to Help a Child' campaign
- Ambitious targets for net zero (2035: own operations, 2050: scope 3); first UK-wide soft plastic recycling network
- Multi-year performance & capital allocation frameworks set out, underpinned by four strategic priorities
- £300m capital returned to date through share buyback programme; committing to a further £750m by April 2023

Detail on financial footnotes can be found on page 4. Other data sources are referenced on page 15.

Ken Murphy, Chief Executive:

"Before reflecting on business performance, I want to say that the entire Tesco family is thinking of all the people affected by the war in Ukraine. The impact is particularly close to home for our colleagues in Central Europe, who are supporting with logistics and donations of food and clothing, as well as helping to transport donations to the Red Cross at the Ukrainian border. Combining our own donations and matching those of customers, together we have raised almost £4m to support the vital work of the Red Cross, as well as more than £500k for humanitarian organisations in Central Europe. We continue to offer support to those in Ukraine however we can.

Over the last year, we delivered a strong performance across the Group, growing share in every part of our business. We did this by staying focused on our customers and doing the right thing for our colleagues, our supplier partners and the communities we serve. I want to thank all of our colleagues who did a brilliant job navigating the ongoing pandemic, dealing with the supply chain challenges in the industry and tackling the onset of increasing inflation.

In October, we shared the four strategic priorities that will help us to stay competitive, accelerate our growth and ensure that we can sustainably generate strong levels of retail free cash flow. We have already made good progress: our value perception is the strongest it has been for many years; we are building deeper relationships with more customers through the digitisation of Clubcard; and we are serving more customers wherever, whenever and however they want through more convenience stores, more than 100 new Click & Collect sites and the launch of Tesco Whoosh.

Tesco is at its best when it puts customers first – it's what we did during the pandemic and it is what we will continue to do now. Clearly, the external environment has become more challenging in recent months. Against a tough backdrop for our customers and with household budgets under pressure, we are laser-focused on keeping the cost of the weekly shop in check – working in close partnership with our suppliers, as well as doing everything we can to reduce our own costs. Through our powerful combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices, we are making more products more affordable, in more places than anyone else.

We are confident that taking this approach will enable us to deliver on the multi-year performance framework we shared in October, driving sustainable growth and generating strong retail free cash flow. This confidence, and our strong performance to date is reflected in the increased pace and scale of our capital return programme, with a commitment to repurchase shares worth £750m over the next twelve months."

OUTLOOK.

We are running the business to generate sustainable value for all stakeholders and will continue to champion great value for customers at a time when they are facing increasing pressure on household budgets.

Given the significant uncertainties in the external environment, we believe it is appropriate to provide profit guidance in the form of a wider than usual range. Our guidance for the 2022/23 financial year is therefore for retail adjusted operating profit of between £2.4bn and £2.6bn. Three main factors are likely to influence our actual performance:

- the extent of further normalisation in customer behaviour as we come out of the pandemic
- the level of cost inflation that we experience and our ability to partially offset it through accelerating Save to Invest
- the investment required to maintain the strength of our price position relative to the market

We expect Bank adjusted operating profit of c.£120m to £160m.

Our focus on cash flow remains unchanged and we expect another strong retail free cash flow performance within our £1.4bn to £1.8bn range.

CAPITAL RETURN PROGRAMME.

To date, we have purchased £300m worth of Tesco shares as part of our ongoing share buyback programme.

Reflecting our strong retail free cash flow to date and confidence in our ability to sustainably generate retail free cash flow within our guidance range of £1.4bn to £1.8bn going forwards, we are pleased to confirm a commitment to buy back a total of £750m worth of shares over the next twelve months. This means that by April 2023 we will have bought back a cumulative £1.05bn worth of shares since the start of the programme.

Going forward, we plan to announce any new forward commitments regarding our capital return programme as part of our preliminary results each April.

STRATEGIC UPDATE.

Tesco has a uniquely strong position in terms of reach, capability and market share, built up through decades of focusing on meeting our customers' needs. We are hugely proud of the capability and commitment of our team of 345,000 colleagues, serving millions of customers across the Group. We have market-leading positions in every channel and format in our core UK retail and wholesale markets, and through Clubcard, dunnhumby and over 40 million transactions every week, we have the insight to be able to understand and anticipate customers' changing needs. We have the broadest, most compelling product range and strong relationships with our supplier partners, together with efficient, well-invested supply chain, distribution and fulfilment infrastructure.

In October, we refreshed our capital allocation framework and shared a new multi-year performance framework to guide our actions and track our progress over the coming years. We shared four strategic priorities which will help drive top-line growth, grow our absolute profits and in doing so, generate between £1.4bn and £1.8bn retail free cash flow per year. We are confident that this will enable us to maintain a strong and efficient balance sheet, invest for growth and deliver improved returns for our shareholders.

We have already made good progress:

1) **Magnetic value for customers** - Re-defining value to become the customer's favourite

- Strongest UK price position in six years with shelf price index improved by +70bps YoY, achieved through:
  - Aldi Price Match increased to c.650 lines; Aldi Price Match products feature in 99% of large baskets
  - Re-launched Low Everyday Prices on 1,600 lines, with a particular emphasis on household and health & beauty
  - 100% of promotions now on Clubcard Prices, including our iconic £3 meal deal
- Value perception outperformed market by 91bps; Quality perception +11bps vs market decline of (32)bps
- Brand index further improved +9bps (vs competitor decline of (54)bps) on top of an exceptionally strong performance last year; 2-yr Brand index +413bps vs competitor average +132bps
- Continuing to offer healthier choices through reformulation, with 7.7bn more calories removed
- Removed 1.6bn pieces of plastic to date; UK's first nationwide soft plastic recycling network rolled out from March 2021
- Launched first electric HGVs in UK, with pilot in Hungary & Czech Republic; EV charging points now in 500 UK stores

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

- Continuing to drive Clubcard penetration +390bps YoY: Clubcard Prices launched in Tesco Express stores (May), Tesco Mobile (September) and Tesco Bank (October); also rolled out in ROI and launched Clubcard events in Central Europe
- Number of customers accessing Clubcard via app now at 9.0m, with more than half of customers now receiving e-statements; Clubcard households reached over 20m
- In-app personalised digital summary of customers' experience and value with Tesco trialled with one million customers
- dunnhumby leveraging insights from >800m customers with team of >500 data scientists; new CEO started Jan 2022

3) **Easily the most convenient** - Serving customers wherever, whenever and however they want to be served

- Online sales remain significantly ahead of pre-COVID levels; market share +142bps to 34.8%; orders held at c.1.2m/wk
- Four UFCs with pick rates around four times higher than store-based picking; added 102 new Click & Collect sites
- 'Tesco Whoosh' superfast delivery service now available from >200 stores, rolling out to 600 stores this year
- Simplified our offering, transitioned 89 Metro's to Express; opened 40 Express stores and 283 Booker retail partners
- Announced intention in November to acquire ten Joyce's Supermarkets in Republic of Ireland, subject to CCPC approval

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

- New three-year savings plan underway, with target of c.£1bn through four streams – goods & services not for resale (GSNFR), property, store and distribution operations, and central overheads
- Announced removal of counters in 317 stores in February, repurposing space to better reflect customers' needs
- Announced the closure of Jack's format; six stores converted to superstores & seven due to close in FY22/23
- Simpler supplier arrangements and improved procurement processes underway for goods & services not for resale

GROUP REVIEW OF PERFORMANCE.

52 weeks ended 26 February 2022[1,2]	FY 2021/22	FY[3] 2020/21	Total change YoY Actual rate	Total change YoY Constant rate
Group sales (exc. VAT, exc. fuel)[4]	**£54,768m**	**£53,445m**	**2.5%**	**3.0%**
Fuel	£6,576m	£4,442m	48.1%	48.1%
Revenue (exc. VAT, inc. fuel)	**£61,344m**	**£57,887m**	**6.0%**	**6.4%**
Adjusted operating profit[5]	**£2,825m**	**£1,788m**	**58.0%**	**58.9%**
Adjusting items[1]	£(265)m	£(241)m		
Group statutory operating profit	**£2,560m**	**£1,547m**	**65.5%**	
Net finance costs	£(542)m	£(937)m		
Joint ventures and associates	£15m	£26m		
Group statutory profit before tax	**£2,033m**	**£636m**	**219.7%**	
Group tax	£(510)m	£(104)m		
Group statutory profit after tax	**£1,523m**	**£532m**	**186.3%**	
Adjusted diluted EPS[5,7]	21.86p	11.58p	88.8%	
Statutory diluted EPS	19.64p	5.58p	252.0%	
Dividend per share	**10.90p**	**9.15p**	19.1%	
Net debt[2,6]	**£(10.5)bn**	**£(12.0)bn**		
Retail free cash flow[6]	**£2.3bn**	**£1.3bn**		
Capex[10]	**£1.1bn**	**£1.0bn**		

Group sales[4] increased by +3.0% at constant rates, with growth across all regions on top of exceptionally strong sales last year. Revenue increased by +6.4% at constant rates including fuel sales growth of +48.1% as customers travelled more following the easing of government restrictions. Whilst two-year like-for-like fuel sales growth was negative at (6.4)%, this primarily reflects lower demand in the first half, with fuel sales ahead of pre-pandemic levels by the end of the year.

Group adjusted operating profit[5] grew by +58.9% at constant rates, reflecting the strong sales performance across the retail businesses, a reduction in COVID-19 related costs and a return to profitability in Tesco Bank. These benefits were partially offset by inflationary pressures in the cost base, particularly in distribution costs. Group statutory operating profit, which includes adjusting items related to the costs of historical shareholder litigation claims, grew by +65.5%.

Finance income and finance costs reduced year-on-year primarily due to fair value remeasurement gains related to the mark-to-market movement on inflation-linked swaps, which were a £123m benefit this year compared to a £(214)m charge in the prior year. The reduction in our share of profit from joint ventures and associates was principally due to profit from Tesco Underwriting being recognised within Tesco Bank operating profit following its full acquisition in May. The increase in tax this year primarily reflects higher levels of both retail and Tesco Bank operating profit, in addition to the revaluation of deferred tax relating to the announced change in the UK corporation tax rate from 19% to 25%, effective 1 April 2023.

Our adjusted diluted EPS[5,7] rose by +88.8%, reflecting the increase in retail and Tesco Bank operating profit and a reduction in net finance costs. We have proposed a final dividend of 7.70 pence per ordinary share, taking the full-year dividend to 10.90 pence per ordinary share, an increase of 19.1% year-on-year.

Net debt[2,6] reduced by £1.4bn year-on-year, primarily driven by strong free cash flow generation. Retail free cash flow[6] increased by £0.9bn year-on-year due to higher retail operating profits, the elimination of UK pension contributions (following the £2.5bn one-off contribution last year from the Asia disposal proceeds) and a working capital benefit from higher sales. These benefits were partly offset by an increase in capital expenditure. The net debt/ EBITDA ratio was 2.5 times at the year-end, compared to 3.3 times last year.

Further commentary on all of these metrics can be found below and a full income statement can be found on page 17.

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 58. During the year, the operating profit and EPS APMs were renamed. Profit has changed from 'Group operating profit before exceptional items and amortisation of acquired intangibles' to 'Adjusted operating profit'. EPS has changed from 'Diluted EPS before exceptional and other items' to 'Adjusted diluted EPS'. The definitions are unchanged. The Retail free cash flow APM was amended in order to provide a more consistent and predictable view of free cash flow generated by the Group's retail operation. 'Exceptional items and amortisation of acquired intangibles' within operating profit, along with net pension finance costs, fair value remeasurements of financial instruments, and the tax impact of such items (below operating profit), are now called 'Adjusting items'. The policy for determining adjusting items, and the items adjusted for, are unchanged from the prior year and hence there is no impact on previously reported APMs.
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, starting on page 34.
3. The Group has changed its accounting policy for property buybacks in light of an evolution of accepted practice in relation to the application of IFRS 16 'Leases' to such transactions. Comparatives have been restated for this change in accounting policy (see Note 1 on page 23 for further details).
4. Group sales exclude VAT and fuel. Sales change shown on a comparable days basis for Central Europe.
5. Adjusted operating profit and Adjusted diluted EPS exclude Adjusting items as noted in footnote 1.
6. Net debt and retail free cash flow exclude Tesco Bank.
7. The share base used in Adjusted diluted EPS in the prior year is adjusted to capture the full impact of the share consolidation which followed the sale of our businesses in Thailand and Malaysia, as if it took place at the start of the 2020/21 financial year. As such, Adjusted diluted EPS (adjusted for share consolidation) is presented on a basis other than in accordance with IAS 33. Please see page 61 for a reconciliation to Adjusted diluted EPS.
8. Like-for-like is a measure of growth in Group online sales and sales from stores that have been open for at least a year (at constant exchange rates, excluding VAT and fuel).
9. UK pension contributions were eliminated following the £2.5bn one-off contribution made to the scheme in the prior year from the proceeds from the sale of our businesses in Thailand and Malaysia.
10. Capex excludes additions arising from business combinations and buybacks of properties (typically stores), as well as additions relating to decommissioning provisions and similar items.

Segmental review of performance:

Sales performance:

(exc. VAT, exc. fuel)[4]

	Sales	LFL sales change[8]		Total sales change YoY	
		One-year	Two-year	Actual rate	Constant rate
- *UK*	*£39,742m*	*0.4%*	*8.2%*	*0.8%*	*0.8%*
- *ROI*	*£2,487m*	*(2.9)%*	*10.6%*	*(7.1)%*	*(2.4)%*
- *Booker*	*£7,755m*	*15.3%*	*11.9%*	*15.1%*	*15.1%*
UK & ROI	**£49,984m**	**2.2%**	**8.8%**	**2.3%**	**2.6%**
Central Europe	**£3,862m**	**2.9%**	**2.5%**	**(0.0)%**	**3.7%**
Retail	**£53,846m**	**2.3%**	**8.3%**	**2.2%**	**2.7%**
Bank	£922m	-	-	25.4%	25.4%
Group Sales	**£54,768m**	**2.3%**	**8.3%**	**2.5%**	**3.0%**
Fuel	£6,576m	48.0%	(6.4)%	48.1%	48.1%
Group Revenue	**£61,344m**	**5.9%**	**6.4%**	**6.0%**	**6.4%**

Further information on sales performance is included in the supplementary information starting on page 55.

Adjusted operating profit[5] performance:

	Profit	Total change YoY		Margin %	Margin % change
		Actual rate	Constant rate	Actual rate	Actual rate
UK & ROI	£2,481m	34.9%	35.4%	4.40%	+94bps
Central Europe	£168m	35.5%	41.1%	4.18%	+107bps
Retail	**£2,649m**	**34.9%**	**35.8%**	**4.38%**	+95bps
Bank	£176m	n/m	n/m	19.09%	n/m
Group	**£2,825m**	**58.0%**	**58.9%**	**4.61%**	+152bps

Further information on operating profit performance is included in Note 2 starting on page 25.

UK & ROI overview:

In the UK & Republic of Ireland (ROI), one-year like-for-like sales increased by +2.2% on top of exceptional growth last year, driven by a sharp recovery in Booker catering sales, strong non-food sales in the UK & ROI and sustained market outperformance in the UK. Two-year like-for-like sales increased by +8.8% with all businesses growing versus pre-pandemic levels.

UK & ROI adjusted operating profit was £2,481m, up +35.4% at constant rates as higher sales volumes and lower COVID-19 costs year-on-year offset underlying operating cost inflation.

In the UK, we continued to incur COVID-19 related costs, primarily relating to colleague absence for those colleagues who were sick or self-isolating and additional costs related to sustained elevated online sales. Total COVID-19 related costs were £(220)m, significantly less than the £(892)m incurred last year. Our assumption for the current year is that we will incur a significantly lower level of COVID-19 costs as colleague absence rates return to pre-pandemic levels. Around £(80)m of residual costs will remain, relating to increased online demand, however we do not plan to report these separately going forwards.

Adjusted operating margin was up +94 basis points versus last year. Our core UK business benefited from strong growth in higher margin clothing sales, including an increase in full price sales from 77% last year to 86% this year, and Booker profitability recovered as catering demand increased following the reopening of the hospitality sector. Lower COVID-19 related costs were partly offset by our investments in value and service. We were able to more than offset inflationary pressures in the cost base this year with cost savings related to further simplifying our operating model.

UK – strong market outperformance, with sales growth on a one-year and two-year basis:

One-year like-for-like sales grew by +0.4%, including growth of +1.2% in the first half before sales declined by (0.5)% in the second half as we traded over elevated demand during the second and third national lockdowns in the prior year. First half growth was driven by non-food and increased levels of discretionary spend compared to last year, when footfall in stores was lower and customers prioritised spending on food during the first national lockdown. In the second half, food sales declined as customers were able to return to eating more out of home, and reflected very strong comparators last year, including double-digit growth in the fourth quarter.

We sought to mitigate as much price inflation as possible, ending the year with our strongest relative price position in over six years. Our ongoing value investments and a higher promotional participation meant we saw sales deflation for the year as a whole, but with inflation increasing during the second half of the year, as the grocery market faced significant cost pressures.

Two-year like-for-like sales grew by +8.2%, with growth both in stores and online, and in food and non-food. Average basket sizes across the business remained higher than pre-pandemic levels, partially offset by fewer shopping trips.

Our relentless focus on providing customers with great value and service resulted in consistent outperformance against the market throughout the year. Our UK market share reached its highest level in over four years and we saw 23 consecutive periods of net switching gains. We gained market share in the year on both a value and volume basis, with volume growing ahead of value as we did everything we could to minimise inflation for our customers. We have market leading two-year improvements in brand index (+413bps), value (+483bps) and quality (+385bps) perception. During the year we extended Clubcard Prices to all Express stores, increasing Clubcard sales penetration by +21%pts year-on-year in those stores. Clubcard penetration in Large stores was 86%, increasing by +7%pts year-on-year.

Online one-year like-for-like sales declined by (6.5)% as some customers chose to return to shopping in our stores as the pandemic eased. Online sales participation was 14% across the full year, with a peak during the first quarter of 15.5%. Two-year like-for-like sales grew by +66.1% and sales participation in online was 5% higher than before the pandemic, driven by both a sustained increase in orders and higher basket sizes. We have added £2.3 billion of online sales and fulfilled an average of over 1.2 million customer orders per week versus 0.7 million pre-pandemic.

We have included the table below to aid understanding of our online performance:

Online performance	**FY 2021/22**	**One-year change**	**Two-year change**
LFL sales	**£5.9bn**	(6.5)%	+66.1%
Orders per week	**1.22m**	+0.9%	+63.3%
Basket size £	**£94**	(6.8)%	+2.2%
Online % of UK total sales	**14.0%**	(1.1)%pts	+4.8%pts
Delivery saver subscribers	**683k**	+11%	+38%
Click & Collect (C&C) locations	**510**	+39%	+55%

We opened three Urban Fulfilment Centres (UFCs) in the year, including Lakeside in the first half and Bradford and Horwich in the second half, taking the total number to four, with pick rates around four times higher than store-based picking. The fifth UFC is expected to open next month, in Rutherglen.

Following encouraging initial trials, we expanded 'Tesco Whoosh' – our 60-minute delivery service – from 50 stores in the first half to over 200 stores by the end of the year. We offer customers over 1,700 products, including fresh food, and delivery slots are available between 7am and 10pm, every day. We plan to roll the service out to 600 stores over the coming year. In October, we launched a pilot with Gorillas in our Thornton Heath store in London, offering customers grocery deliveries within ten minutes on a range of 2,000 products.

Convenience one-year like-for-like sales declined by (0.8)%, with a decline in the first half partially offset by growth of +4.0% in the second half as footfall in city centres recovered. Growth was particularly strong in our 'on-the go' stores and in 'food to go' and 'food for tonight' ranges, where sales grew by +34.9% and +21.6% respectively. Sales in our stores in neighbourhood locations declined following very high levels of demand last year as customers shopped closer to home.

Non-food sales growth was particularly strong this year, driven mainly by Clothing +19.4% as customers spent more time shopping our ranges in-store and we responded to changing customer demand in our ranges. Growth was particularly strong in Womenswear and Kids, and benefited from a re-balancing of space between Clothing and General Merchandise, now completed in 116 of our large stores, making Clothing more of a destination shop and making our food-adjacent General Merchandise ranges simpler and easier to shop. Food sales were marginally behind last year, down (0.4)%, driven mainly by lower demand in those categories which benefited from elevated levels of in-home consumption last year, including meat, fish & poultry, and grocery. Demand for plant-based products continues to grow at pace, with sales of plant-based meat alternatives growing by 130% since our 2018 baseline. We expanded our plant-based ranges further in the year, launching an additional 173 products, including our Wicked Kitchen meal deal in January. On a two-year basis, total UK like-for-like sales grew across all categories, with a particularly strong contribution from food. Sales in Finest* ranges grew by +25% on a two-year basis as customers treated themselves at home.

We rolled out soft plastic recycling facilities across all of our large UK stores and launched an innovative Reuse proposition in ten stores as we continue to tackle plastic waste. We removed an additional 600 million pieces of plastic from our packaging this year, taking the cumulative total pieces of plastic removed over the past two years to 1.6 billion. We removed a further 7.7 billion calories from our own brand ranges as part of our work towards achieving 65% of our sales from healthy products by 2025. Our 'Buy One to Help a Child' campaign – where we gave a donation for every piece of fruit and vegetables purchased across our stores and online – provided FareShare with 3 million meals-worth of food to help charities and community groups.

In September, we announced accelerated climate ambitions, bringing forward our Group own operations net zero target to 2035. We also launched a new goal to be net zero across our entire value chain by 2050, aligned to a 1.5-degree pathway. We continued to roll out electric online delivery vans, set up new renewable energy projects and launched our first two electric HGVs in our distribution operations this year. We also launched our sustainability-linked supply-chain financing programme and issued our second sustainability-linked bond. In November, we were delighted to be awarded the Prince of Wales's Terra Carta Seal in recognition of our commitment to and momentum towards a climate and nature-positive future.

ROI – one-year LFL (2.9)% reflecting higher demand last year; +10.6% growth on a two-year basis:

One-year like-for-like sales declined by (2.9)% as we traded over exceptional COVID-19 demand last year. The COVID-19 impact was particularly strong in ROI as the restrictions on hospitality were in place for a longer period than in the UK. Despite the exceptionally strong comparative, ROI like-for-like sales grew by +0.3% over Christmas and we gained market share in the fourth quarter. Two-year like-for-like sales grew by +10.6%, reflecting a significant benefit from retained levels of higher in-home consumption.

Our online business grew by +3.1% on a one-year basis and now represents 8% of our sales. We have maintained a leading position, with a market share of 59%. We expanded our online offering further this year, rolling out an additional 37 Click & Collect locations and increasing our total slot capacity by 69%.

We launched Aldi Price Match in ROI in January, with hundreds of products matched. We have started to roll out Clubcard Prices, following successful Clubcard Prices Events. We also focused on making shopping easier for customers, including rolling out 'Scan As You Shop' to all large stores.

We announced an intention to acquire ten Joyce's Supermarkets in Galway in November. The acquisition is subject to the approval of the Competition and Consumer Protection Commission (CCPC).

BOOKER - strong sales growth on both a one-year and two-year basis:

	Sales	LFL sales change	
		One-year	Two-year
Retail	**£4,651m**	**0.7%**	**19.3%**
Retail exc. Tobacco	*£2,630m*	*(0.7)%*	*16.8%*
Tobacco	*£2,021m*	*2.5%*	*22.6%*
Catering	**£2,866m**	**56.1%**	**(1.6)%**
Catering exc. BFL	*£1,687m*	*52.0%*	*(1.6)%*
Best Food Logistics (BFL)	*£1,179m*	*62.5%*	*n/a*
Total Booker*	**£7,755m**	**15.3%**	**11.9%**

* Total Booker also include small business sales of £238m

Booker delivered double-digit like-for-like sales growth on both a one-year and two-year basis. One-year growth of +15.3% was driven by a sharp recovery in catering sales as hospitality outlets re-opened, with a strong contribution from Best Food Logistics, the majority of whose customers are fast-service restaurants. Two-year catering sales declined by (1.6)% in total, impacted by the phased re-opening of the hospitality sector in the first half. In the second half catering sales were ahead of pre-pandemic levels, with growth of +9.6% supported by strong execution and competitive pricing.

In the retail business, one-year like-for-like sales grew +0.7%, primarily due to inflation in tobacco driven by annual duty increases. Retail sales excluding tobacco were marginally lower than last year as we lapped a strong uplift in neighbourhood-based convenience stores as customers shopped closer to home. Despite supply chain challenges, we delivered a resilient performance and gained new customers. Two-year retail like-for-like sales grew +19.3% driven by strong customer retention.

CENTRAL EUROPE – growth across all channels and categories on a one-year and two-year like-for-like basis:

Like-for-like sales grew by +2.9% on a one-year basis and by +2.5% on a two-year basis, with growth across all channels and categories. Growth was particularly strong in Slovakia and Hungary, and in our compact hypermarket and supermarket formats as customer footfall improved and we were able to offer our full range following non-food selling restrictions last year. Trading conditions were more challenging in the Czech Republic, due to non-food sales restrictions in the first quarter.

Non-food sales grew by +13.3%, with strong growth in both Clothing and General Merchandise. We saw a particularly positive customer response to our seasonal events. Food sales grew by +1.0%.

Customer NPS improved significantly across all markets year-on-year, driven by improvements in the shopping trip, with scores almost doubling by the end of the year for the region as a whole. We continued to strengthen our value proposition in the region, including the launch of Clubcard Prices Events in Slovakia and Hungary. Clubcard penetration increased during these events as customers accessed market-leading prices. Following the success of these initial events, we will expand Clubcard Prices to all markets and categories in the current year.

Central Europe adjusted operating profit was £168m, an increase of +41.1% at constant rates. Adjusted operating profit growth was driven by strong sales, lower COVID-19 related costs and higher margins from more full-priced non-food sales.

We have agreed the sale of 17 malls and one retail park in Central Europe. The transaction is expected to complete in the first half of the current year, generating proceeds of c.£200m and resulting in a c.£(12)m impact to adjusted operating profit in the current year, driven by a reduction in mall income. We will continue to operate the Tesco hypermarkets in the malls on a long-term leasehold basis.

TESCO BANK - year-on-year profit increase reflecting prior year COVID-19 impact on potential bad debts:

	This year	Last year	YoY
Revenue	**£922m**	**£735m**	**25.4%**
Adjusted operating profit/ (loss)	**£176m**	**£(175)m**	**n/m**
Lending to customers	£6.5bn	£6.4bn	1.6%
Customer deposits	£(5.3)bn	£(5.7)bn	7.0%
Net interest margin[1]	5.0%	4.7%	0.3%pts
Total capital ratio[2]	27.2%	28.5%	(1.3)%pts

1. The prior period net interest margin has been restated from 5.2% to 4.7%.
2. The prior period total capital ratio has been restated from 28.4% to 28.5%.

Revenue grew by +25.4%, due to the benefit of the full acquisition of Tesco Underwriting which completed in May 2021. Revenue excluding Tesco Underwriting declined by (9.4)%, primarily as a result of lower income from unsecured lending due to lower average balances as customers paid down their debt during the pandemic, or increased savings buffers which reduced the need for new credit. We did however see a strong recovery in credit card customers' spending levels and in new business unsecured lending volumes.

ATM transactions increased by 13.6% year-on-year as cash usage recovered post-lockdown. Travel money continued to be impacted by the pandemic and international travel restrictions, although we saw an encouraging increase in demand at the end of the year as restrictions eased.

Tesco Bank adjusted operating profit was £176m, including a £13m contribution from Tesco Underwriting being fully consolidated. The significant recovery reflects the charge last year related to an increase in the provision for potential bad debts which accounted for the anticipated macroeconomic impact from COVID-19. We released part of this provision in the second half as the macroeconomic outlook improved and customer defaults remained low. We then recognised a separate provision in the second half to reflect the increased risk associated with cost of living pressures.

The Bank's balance sheet remains strong and we continue to have sufficient capital and liquidity to absorb changes in both regulatory and funding requirements. In recognition of the sharp recovery in profitability in the year, the Bank paid a dividend of £87m to the Group. This comprises the typical annual £50m dividend for the 21/22 financial year and a catch-up of £37m in relation to the reduced payment of £13m in the prior year.

Tesco Bank won 'Best Overall Provider' at the 2021 YourMoney Awards, in recognition of the quality of our customer service and competitive pricing of our products. We introduced a number of new products and services for customers this year including Clubcard Pay+ in January. We also expanded our offer with the re-launch of travel insurance. Since August, all new and renewing Tesco Bank car and home insurance policies are being underwritten by Tesco Underwriting following the completion of its acquisition in May.

Adjusting items in statutory operating profit:

	This year	Last year
Litigation costs	£(193)m	£(93)m
Property transactions	£128m	£26m
Net impairment (loss)/reversal of non-current assets	£(115)m	£128m
Amortisation of acquired intangible assets	£(76)m	£(76)m
Restructuring provisions	£(44)m	-
Asia licence fee income	£26m	-
Disposal of China associate	£15m	-
Fair value less cost of disposal movements on assets held for sale	£(6)m	-
Impairment charge on Tesco Bank goodwill	-	£(295)m
UK - ATM business rates	-	£105m
Booker integration costs	-	£(25)m
GMP equalisation	-	£(7)m
Employee share scheme	-	£(4)m
Total adjusting items in statutory operating profit	**£(265)m**	**£(241)m**

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 in the year resulted in a charge of £(265)m, compared to a charge of £(241)m in the prior year.

In September 2020, two claimant law firms issued proceedings against us in relation to the overstatement of expected profit announced in 2014. These claims have now been settled and we have recognised an adjusting charge of £(193)m. The settlement of these claims was paid in full in the year, £(105)m in the first half and £(88)m in the second half. This cash outflow is presented within adjusting cash items. Given that the legal timeframe for bringing a claim has now elapsed, no further related claims can be brought by shareholders.

We recognised an adjusting credit of £128m related to the profit generated on disposal of properties in the year. The majority of the property profits recognised related to the sale of our Fenny Lock distribution centre which generated proceeds of £146m and a £103m profit on disposal.

During the period, the Group recognised a net impairment charge of £(115)m on non-current assets. This includes £(62)m required as a result of the Group's acquisition of our partner's stake in The Tesco Sarum Limited Partnership joint venture which brought into full ownership eleven stores. The remaining charge largely reflects normal fluctuations in store level performance, property fair values and changes in discount rates, as well as any specific store closures.

Amortisation of acquired intangible assets is excluded from our headline performance measures. We incurred a charge of £(76)m in the period, which primarily relates to our merger with Booker in March 2018, which resulted in the recognition of £755m of intangible assets.

Restructuring provisions of £(44)m were recognised in the second half, relating to operational restructuring changes announced in February 2022 as part of our 'Save to Invest' programme.

We received software licence fee income of £26m from services provided to CP Group following the sale of our businesses in Asia.

Further detail on adjusting items can be found in Note 3, starting on page 31.

Joint ventures and associates:

Our share of post-tax profits from joint ventures and associates was £15m, compared to £26m in the prior year. The year-on-year reduction was primarily due to profits from Tesco Underwriting Limited now being recognised in Tesco Bank adjusted operating profit following its full acquisition in May 2021 and a reduction in profits generated by our Trent Hypermarket Limited joint venture in India due to the adverse trading impacts of COVID-19 in the year.

Net finance costs:

	This year	Last year
Net interest on medium term notes, loans and bonds	**£(208)m**	**£(218)m**
Other interest receivable and similar income	£9m	£15m
Other finance charges and interest payable	£(39)m	£(31)m
Finance charges payable on lease liabilities	£(405)m	£(446)m
Net finance costs before net pension finance costs and fair value remeasurements of financial instruments	**£(643)m**	**£(680)m**
Fair value remeasurements of financial instruments	£123m	£(214)m
Net pension finance costs	£(22)m	£(43)m
Net finance costs	**£(542)m**	**£(937)m**

Net interest on medium term notes, loans and bonds was £(208)m, down £10m year-on-year. The reduction in finance costs from bond maturities, tenders and new debt issuances at lower rates of interest was largely offset by interest payable on the £(453)m of net debt we acquired with The Tesco Property (No. 2) Partnership in September 2020 and with the £(585)m of debt acquired with The Tesco Sarum Limited Partnership in December 2021. The acquisition of The Tesco Sarum Limited Partnership brings into full ownership eleven stores and resulted in a reduction in the lease liability of £355m.

The de-recognition of lease liabilities related to these property buybacks and the reducing nature of our total lease liability over time is the primary driver of the £41m reduction in finance charges payable on lease liabilities year-on-year.

A non-cash fair value remeasurement credit of £123m primarily related to the mark-to-market movement on inflation-linked swaps, driven by the impact of an increase in expected future inflation 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 costs of £(22)m decreased by £21m, primarily driven by a reduction in the pension deficit following the £2.5bn one-off contribution made in the prior year from the proceeds from the sale of our businesses in Thailand and Malaysia. We expect net pension finance income of £79m in the current year as a result of the closing IAS 19 pension surplus.

In February, we exercised the option to buy back our partner's equity in the Tesco Dorney Limited Partnership property joint venture. We expect the transaction to complete towards the end of our 2022/23 financial year, bringing seven large stores back into full ownership. This will result in annual cash rental savings of c.£30m and a c.£(0.3)bn increase in net debt, comprising a c.£(0.7)bn impact on borrowings, partially offset by a c.£0.4bn reduction in lease liabilities. Following this transaction, we will have five UK property JV structures still in place, from a peak of 13 structures in 2015. These five remaining structures contain property worth £3.2bn and debt of £2.1bn, with £1.9bn of associated lease liabilities on our balance sheet. The three largest of our remaining property JVs are with the Tesco Pension fund.

Further detail on finance income and costs can be found in Note 4 on page 32, as well as further detail on the adjusting items in Note 3 on page 31.

Group tax:

	This year	Last year
Tax on adjusted profit	£(502)m	£(249)m
Tax on adjusting items	£(8)m	£145m
Tax on profit	**£(510)m**	**£(104)m**

Tax on adjusted Group profit was £(502)m, £(253)m higher than last year, reflecting higher levels of both retail and Tesco Bank operating profit, in addition to a one-off charge related to the revaluation of deferred tax, following the announced increase in the corporation tax rate in the UK from 19% to 25%, effective 1 April 2023.

The effective tax rate on adjusted Group profit was 22.8%, higher than the current UK statutory rate of 19%, primarily due to the revaluation of deferred tax. The banking surcharge levied on Tesco Bank profit and depreciation of assets which do not qualify for tax relief also increased the tax rate.

We expect an adjusted effective tax rate of between 21% and 22% in the current financial year. We forecast our adjusted effective tax rate to increase to around 26% from our 2023/24 financial year driven by the increase in the UK corporation tax rate in April 2023. Further detail on Group tax can be found in Note 5 on page 32.

Total Group cash tax paid in the year was £(199)m on a continuing operations basis, which included £(152)m of tax paid in the UK. Tax paid in the year was £(29)m higher than in the prior year, primarily due to higher levels of retail and Tesco Bank operating profit. This was partly offset by prior-year tax losses and a benefit from the super-deduction allowance on certain capital investments, introduced in the Chancellor's budget in March 2021, along with £120m in relation to the £2.5bn one-off pension contribution made in the prior year, the relief for which is required to be spread over four years for tax purposes.

Earnings per share:

	This year	Last year
Adjusted diluted EPS	21.86p	11.58p
Statutory diluted earnings per share	19.64p	5.58p
Statutory basic earnings per share	19.86p	5.60p

The share base used in Adjusted diluted EPS in the prior year is adjusted to capture the full impact of the share consolidation which followed the sale of our businesses in Thailand and Malaysia, as if it took place at the start of the 2020/21 financial year. As such, Adjusted diluted EPS (adjusted for share consolidation) is presented on a basis other than in accordance with IAS 33. Please see page 61 for a reconciliation to Adjusted diluted EPS.

Adjusted diluted EPS was 21.86p (LY: 11.58p), +88.8% higher year-on-year as the recovery in retail and Tesco Bank profits, the drivers of which are described more fully in the segmental review of performance section above, more than offset the higher tax charge.

Statutory diluted earnings per share was 19.64p (LY: 5.58p) +252.0% higher year-on-year. In addition to the recovery in adjusted operating profit, we saw a significant reduction in the net finance charge due to an offsetting credit from fair value remeasurement of financial instruments, the drivers of which are described in the net finance costs section. These benefits more than offset a higher charge related to adjusting items and a higher tax charge in year, driven by higher adjusted operating profit.

Discontinued operations:

We completed the sale of our business in Poland to Salling Group A/S in March 2021, generating proceeds of £122m and a loss on disposal of £(23)m.

Following the sale of Homeplus for £4.2bn in 2015, we received legal claims from the purchasers. Although the majority of the claims were dismissed, some findings of liability were made. On 17 September 2021, a Final Award to the purchasers of £119m in damages, interest and costs was granted. An adjusting charge increasing the provision held by £33m was recognised in the year, with the total cash payment of £119m made in the second half.

Further information on discontinued operations is included in Note 6, starting on page 34.

Dividend:

Last year we held the full-year dividend in line with the 2019/20 financial year to recognise the strong cash generation of the business, despite the significant operating profit impact from the COVID-19 pandemic. This represented an exception to our dividend policy and resulted in a dividend per share which exceeded 50% of adjusted diluted EPS.

We propose to pay a final dividend of 7.70 pence per ordinary share, taking the full-year dividend to 10.90 pence per ordinary share, including the payment of an interim dividend of 3.20 pence per ordinary share in November 2021. This year's final dividend is +19.1% higher than last year, reflecting the increase in retail and Tesco Bank adjusted operating profit and the impact from last year's policy exception. It is our intention to pay a progressive dividend going forward – i.e. we aim to grow the dividend per share each year, broadly targeting a pay-out of around 50% of earnings.

The proposed final dividend was approved by the Board of Directors on 12 April 2022 and is subject to the approval of shareholders at this year's Annual General Meeting. The final dividend will be paid on 24 June 2022 to shareholders who are on the register of members at close of business on 20 May 2022 (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 7 June 2022.

Summary of total indebtedness (excludes Tesco Bank):

	Feb-22	Feb-21	Movement
Net debt before lease liabilities	£(2,570)m	£(3,449)m	£879m
Lease liabilities	£(7,946)m	£(8,506)m	£560m
Net debt	**£(10,516)m**	**£(11,955)m**	**£1,439m**
Pension deficit, IAS 19 basis (post-tax)	£(242)m	£(1,004)m	£762m
Total indebtedness	**£(10,758)m**	**£(12,959)m**	**£2,201m**
Net debt / EBITDA	**2.5x**	**3.3x**	
Total indebtedness ratio	**2.5x**	**3.6x**	

Total indebtedness was £(10,758)m, down £2,201m year-on-year primarily driven by strong free cash flow generation leading to a reduction in net debt, net of dividends paid and a £762m reduction in the IAS 19 pension deficit.

Lease liabilities were £(7,946)m, down £560m year-on-year largely due to the de-recognition of £355m relating to the eleven stores we took back into full ownership following the purchase of our partner's stake in The Tesco Sarum Limited Partnership. We also de-recognised £120m of lease liabilities relating to our Polish business following the sale of the business to Salling Group A/S in March 2021.

The acquisition of our partner's stake in The Tesco Sarum Limited Partnership increased net debt by c.£(300)m, including £(585)m of borrowings acquired and £(64)m of derivatives, net of a reduction in the related lease liabilities.

Pension liabilities significantly decreased during the year, primarily due to an increase in discount rates driven by higher corporate bond yields, partially offset by underlying market movements in inflation rates and gilts. The pension assets increased year-on-year due to strong investment returns. As a result, we carried a net IAS 19 pension surplus (post-tax) at the end of the year of £2,121m, compared to a net deficit of £(1,004)m last year. The Group IAS 19 pension surplus is disregarded in total indebtedness and only pension schemes which are in a net deficit position are considered.

We had strong levels of liquidity at the end of the year of £3.0 billion and our £2.5 billion committed facility remained undrawn. Our committed facility currently matures in September 2024 and we have the option to extend this by a further year. The rate of interest payable on this facility is linked to three of our sustainability commitments. As we delivered these sustainability targets, we achieved the corresponding margin reduction in the year. In October, we issued our second sustainability-linked bond, raising £400m at a low rate of interest. This was issued to refinance a bond which was approaching maturity and the refinancing will result in an annual interest saving of £18m.

Our net debt to EBITDA ratio was 2.5 times, down from 3.3 times at the prior year-end and within our targeted range of 2.8 to 2.3 times. The year-on-year improvement represents both an increase in our retail EBITDA due to higher sales and lower COVID-19 costs, and a reduction in net debt before lease liabilities driven by strong free cash flow generation. The total indebtedness ratio was 2.5 times compared to 3.6 times last year.

Fixed charge cover was 3.5 times this year, compared to 2.9 times last year, reflecting a reduction in net finance costs, lease interest payments, lease principal payments and higher retail EBITDA.

Summary retail cash flow:

Our retail free cash flow APM definition was updated at the interim results this year to provide a better view of operational cash performance and excludes cashflows related to acquisitions & disposals, property transactions and adjusting cash items. We continue to fully disclose these lines but they do not form part of the retail free cash flow headline APM.

The following table reconciles Group adjusted operating profit to retail free cash flow. Further details are included on page 62.

	This year	Last year
Adjusted operating profit	**£2,825m**	**£1,788m**
Less: Tesco Bank adjusted operating (profit) / loss	£(176)m	£175m
Retail adjusted operating profit	**£2,649m**	**£1,963m**
Add back: Depreciation and amortisation	£1,577m	£1,611m
Other reconciling items	£61m	£4m
Pension deficit contribution	£(19)m	£(351)m
Decrease in working capital	£501m	£450m
Retail cash generated from operations before adjusting items	**£4,769m**	**£3,677m**
Cash capex	£(1,050)m	£(902)m
Net interest	£(641)m	£(670)m
- Interest related to Net debt (exc. lease liabilities)	*£(239)m*	*£(226)m*
- Interest related to lease liabilities	*£(402)m*	*£(444)m*
Tax paid	£(195)m	£(161)m
Dividends received	£109m	£23m
Repayments of obligations under leases	£(571)m	£(561)m
Own shares purchased for share schemes	£(144)m	£(66)m
Retail free cash flow	**£2,277m**	**£1,340m**
Memo:		
Acquisitions & disposals	*£122m*	*£(2)m*
Property proceeds & purchases	*£228m*	*£(110)m*
Cash impact of adjusting items	*£(316)m*	*£(41)m*

Retail free cash flow increased by +£937m year-on-year to £2,277m, driven by higher retail adjusted operating profit, a reduction in the pension contribution, a benefit from lower working capital and an increase in the dividend received from Tesco Bank following its return to profitability this year.

Following a £2.5bn one-off contribution towards the pension deficit in the prior year using the proceeds from the sale of our businesses in Thailand and Malaysia, UK pension contributions were eliminated. We expect an annual benefit of c.£260m in retail free cash flow as a result of lower pension deficit contributions. The pension cash outflow of £(19)m in the year mainly relates to Booker pension scheme.

Our total working capital inflow was £501m, driven by the sharp recovery in fuel volumes and Booker's catering business in the first half as travel and hospitality sector restrictions were significantly fewer than at the end of the prior year. In the second half, working capital was broadly neutral, as the seasonal unwind we would normally see following peak trading over the summer was offset by strong UK sales and higher fuel payables due to both higher volumes and cost price inflation.

Cash capex increased by £(148)m year-on-year as we opened more stores in the UK than in the prior year as a result of COVID-19 and continued to expand our online proposition across the UK & ROI businesses.

Interest paid related to net debt (exc. lease liabilities) of £(239)m was £(13)m higher year-on-year. The benefit of bond buybacks and refinancing at lower rates of interest was more than offset by the impact of borrowings acquired as part of The Tesco Property (No. 2) Limited Partnership from September 2020 and The Tesco Sarum Limited Partnership from December 2021. Interest paid related to lease liabilities decreased by £42m year-on-year primarily due to a reduction in the total lease liability following the de-recognition of the liabilities related to these properties.

Cash tax paid in the year was £(195)m, compared to £(161)m last year. The increase reflects higher retail adjusted operating profits year-on-year, which was partially offset by prior-year tax losses and a benefit from the super-deduction allowance on certain capital investments, which was introduced in the Chancellor's budget in March 2021. We also continue to receive tax relief in relation to the £2.5bn one-off pension contribution made in the prior year. This amounted to £120m for the full-year.

We saw a net cash outflow of £(144)m related to the purchase of our own shares, which includes £(191)m of shares purchased in the market to offset the dilution from the issuance of new shares to satisfy the requirements of share schemes and a £47m cash inflow related to proceeds from colleague share saving schemes. The net impact was £(78)m higher than the prior year, driven by the phasing of purchases to satisfy current year maturities. This will lead to a significant reduction in the net spend in the current year.

Cashflows related to acquisitions & disposals, property transactions and adjusting cash items are now excluded from our simplified definition of retail free cash flow.

The inflow from disposals in the year of £122m includes the proceeds from the sale of our business in Poland to Salling Group A/S, which completed in March 2021.

We generated a net £228m from property transactions, which includes £308m generated from the sale of properties, net of an outflow of £(80)m related to property buybacks. We disposed of our Fenny Lock distribution centre in the second half for proceeds of £146m and generated £109m from the sale of properties in Poland which were not included in the corporate transaction with Salling Group A/S. We bought back one Extra store in Bury for £(37)m and paid cash consideration of £(43)m to buy back a full stake in The Tesco Sarum Limited Partnership.

The cash impact of adjusting items was £(316)m, of which £(312)m related to the settlement of shareholder litigation claims and a legal claim from the purchasers of our Homeplus business during the period.

Capital expenditure and space:

	UK & ROI		Central Europe		Tesco Bank		Group	
	This year	Last year	This year	Last year	This year	Last year	This year	Last year
Capex	**£963m**	**£875m**	**£91m**	**£85m**	**£47m**	**£55m**	**£1,101m**	**£1,015m**
Openings (k sq ft)	180	135	54	30	-	-	234	165
Closures (k sq ft)	(146)	(113)	(25)	(22)	-	-	(171)	(135)
Repurposed (k sq ft)	-	1	(125)	(63)	-	-	(125)	(62)
Net space change (k sq ft)	**34**	**23**	**(96)**	**(55)**	**-**	**-**	**(62)**	**(32)**

'Retail Selling Space' is defined as net space in store adjusted to exclude checkouts, space behind checkouts, customer service desks and customer toilets. The supplementary information (p.55) provides a full breakdown of space by segment.

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 £1,101m, +£86m higher year-on-year, which primarily relates to the ongoing investment in our online proposition, and the opening of new Tesco Express and One Stop stores in the UK. We opened a further three UFCs in the UK and rolled out more delivery vans and an additional 37 Click & Collect sites in ROI. We also purchased an additional 20 electric delivery vans and two electric HGVs in the UK as we continue to work to reduce emissions from our own operations.

We opened two superstores in the UK, with sites in Mablethorpe and Wolverhampton, and a further 21 Tesco Express sites, which was slightly fewer than expected. We expect to open 65 Tesco Express stores in the current year.

We expect 2022/23 full year capital expenditure to be at the top end of our £0.9bn to £1.2bn guidance range.

Statutory capital expenditure of £1.8bn includes £0.6bn relating to the buyback of one UK Extra store in Bury and The Tesco Sarum Limited Partnership property joint venture referred to above.

Further details of current and forecast space can be found in the supplementary information starting on page 55.

Property:

	This year			Last year		
	UK & ROI	C. Europe	Group	UK & ROI	C. Europe	Group
Property[1] – fully owned						
- Estimated market value	£16.6bn	£1.5bn	£18.1bn	£15.9bn	£2.0bn	£17.9bn
- NBV[2]	£15.1bn	£1.4bn	£16.5bn	£14.8bn	£1.7bn	£16.5bn
% net selling space owned	56%	68%	58%	54%	77%	59%
% property owned by value[3]	58%	64%	58%	57%	73%	58%

1. Stores, malls, investment property, offices, distribution centres, fixtures and fittings and work-in-progress. Excludes joint ventures.
2. Property, plant and equipment excluding vehicles.
3. Excludes fixtures and fittings.

The estimated market value of our fully owned property as at the year-end increased by £0.2bn to £18.1bn. The market value of £18.1bn represents a surplus of £1.6bn over the net book value (NBV).

Our Group freehold property ownership percentage, by value was in-line with the prior year at 58%. In December, we completed the purchase of our partner's 50% stake in The Tesco Sarum Limited Partnership, bringing back into full ownership seven sites. This acquisition contributed to a 1% increase in the percentage of fully owned properties in the UK & ROI and will deliver an annual cash rental saving of c.£30m. We also repurchased one Extra store in the UK.

In Central Europe, the reduction in the market value of fully owned property year-on-year reflects the reclassification of a number of mall properties which are held for sale. In the year, we released £109m of proceeds through the disposal of properties in Poland which were not included as part of the corporate sale.

Contacts:

Investor Relations:	Chris Griffith	01707 940 900
Media:	Simon Rew	0330 6780 639
	Nick Claydon, Teneo	07974 982 547

This document is available at www.tescoplc.com/prelims2022.

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/prelims2022. 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 Friday 17th June 2022.

Information contained within this announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014. This announcement is being released on behalf of Tesco PLC by Robert Welch, Company Secretary.

Sources:

UK market share based on Kantar Total Tesco year-on-year market share gains of Grocers Total Till Roll on 12 week rolling basis to 20 February 2022.

UK online market share based on Kantar Total Tesco year-on-year market share gains of Total Till Roll online channel on 12 week rolling basis to 20 February 2022.

ROI online market share based on Kantar ROI Total Tesco market share of Total Till Roll online channel on 12 week rolling basis to 20 February 2022.

Brand Index, Value perception and Quality perception based on YouGov 12 week rolling basis to 27 February 2022. 'Market' consists of Sainsbury's, Morrisons, Asda, Aldi, Lidl, Waitrose, M&S, Co-op & Iceland.

Price index is calculated using the single retail selling price of each item, including price cut promotions across Q4; the index is weighted by sales and market share to reflect customer importance and competitor size. Competitor set consists of Sainsbury's, Morrison's, Asda, Aldi & Lidl.

YoY Clubcard sales penetration is based on Large, Express and All stores from February 2021 to February 2022.

UK Express store openings include 19 One Stop conversions.

Number of new Booker retail partners shown net of openings and closures.

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 26 February 2022 Before adjusting items £m	Adjusting items[b] (Note 3) £m	Total £m	52 weeks ended 27 February 2021[a] Before adjusting items £m	Adjusting items[b] (Note 3) £m	Total £m
Continuing operations							
Revenue	2	**61,344**	**–**	**61,344**	**57,887**	**–**	**57,887**
Cost of sales		(56,574)	(176)	(56,750)	(53,948)	221	(53,727)
Impairment reversal/(loss) on financial assets	2	39	–	39	(384)	–	(384)
Gross profit/(loss)		**4,809**	**(176)**	**4,633**	**3,555**	**221**	**3,776**
Administrative expenses		(1,984)	(89)	(2,073)	(1,767)	(462)	(2,229)
Operating profit/(loss)		**2,825**	**(265)**	**2,560**	**1,788**	**(241)**	**1,547**
Share of post-tax profits/(losses) of joint ventures and associates		15	–	15	26	–	26
Finance income	4	9	–	9	15	–	15
Finance costs	4	(652)	101	(551)	(695)	(257)	(952)
Profit/(loss) before tax		**2,197**	**(164)**	**2,033**	**1,134**	**(498)**	**636**
Taxation	5	(502)	(8)	(510)	(249)	145	(104)
Profit/(loss) for the year from continuing operations		**1,695**	**(172)**	**1,523**	**885**	**(353)**	**532**
Discontinued operations							
Profit/(loss) for the year from discontinued operations	6	(2)	(38)	(40)	309	5,117	5,426
Profit/(loss) for the year		**1,693**	**(210)**	**1,483**	**1,194**	**4,764**	**5,958**
Attributable to:							
Owners of the parent		1,691	(210)	1,481	1,190	4,764	5,954
Non-controlling interests		2	–	2	4	–	4
		1,693	**(210)**	**1,483**	**1,194**	**4,764**	**5,958**
Earnings/(losses) per share from continuing and discontinued operations							
Basic	8			19.34p			61.83p
Diluted	8			19.12p			61.66p
Earnings/(losses) per share from continuing operations							
Basic	8			19.86p			5.60p
Diluted	8			19.64p			5.58p

(a) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.
(b) 'Exceptional items and amortisation of acquired intangibles' have been renamed 'Adjusting items'. Refer to Note 1 for further details.

The notes on pages 23 to 54 form part of this condensed consolidated financial information.

Group statement of comprehensive income/(loss)

	Notes	52 weeks 2022 £m	52 weeks 2021* £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		4	–
Remeasurements of defined benefit pension schemes	20	4,075	(963)
Net fair value gains/(losses) on inventory cash flow hedges		33	(3)
Tax on items that will not be reclassified		(918)	248
		3,194	**(718)**
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		(25)	(1)
Currency translation differences:			
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		(39)	(68)
Movements in foreign exchange reserve and net investment hedging on subsidiary disposed, reclassified and reported in the Group income statement		66	(413)
Gains/(losses) on cash flow hedges:			
Net fair value gains/(losses)		44	59
Reclassified and reported in the Group income statement		(45)	(86)
Tax on items that may be reclassified		(5)	(3)
		(4)	**(512)**
Total other comprehensive income/(loss) for the year		**3,190**	**(1,230)**
Profit/(loss) for the period		1,483	5,958
Total comprehensive income/(loss) for the year		**4,673**	**4,728**
Attributable to:			
Owners of the parent		4,671	4,724
Non-controlling interests		2	4
Total comprehensive income/(loss) for the year		**4,673**	**4,728**
Total comprehensive income/(loss) attributable to owners of the parent arising from:			
Continuing operations		4,645	(254)
Discontinued operations		26	4,978
		4,671	**4,724**

* Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.

The notes on pages 23 to 54 form part of this condensed consolidated financial information.

Group balance sheet

	Notes	26 February 2022 £m	27 February 2021[a] £m	29 February 2020[a] £m
Non-current assets				
Goodwill and other intangible assets	9	5,360	5,393	6,078
Property, plant and equipment	10	17,060	16,945	19,157
Right of use assets	11	5,720	5,951	6,874
Investment property		22	19	26
Investments in joint ventures and associates		86	178	307
Other investments[b]		1,253	763	866
Trade and other receivables		159	170	166
Loans and advances to customers and banks		3,141	3,309	4,171
Reinsurance assets	14	184	–	–
Post-employment benefit surplus	20	3,150	–	–
Derivative financial instruments		942	1,425	1,083
Deferred tax assets	5	85	552	449
		37,162	**34,705**	**39,177**
Current assets				
Other investments[b]		226	178	202
Inventories		2,339	2,069	2,433
Trade and other receivables		1,263	1,263	1,396
Loans and advances to customers and banks		3,349	3,093	4,280
Reinsurance assets	14	61	–	–
Derivative financial instruments		69	37	63
Current tax assets		93	41	21
Short-term investments	13	2,076	1,011	1,076
Cash and cash equivalents	13	2,345	2,510	4,137
		11,821	**10,202**	**13,608**
Assets of the disposal group and non-current assets classified as held for sale	6	368	605	285
		12,189	**10,807**	**13,893**
Current liabilities				
Trade and other payables		(9,181)	(8,399)	(8,922)
Borrowings	16	(725)	(1,080)	(2,219)
Lease liabilities	11	(547)	(575)	(598)
Derivative financial instruments		(26)	(81)	(61)
Customer deposits and deposits from banks		(4,729)	(5,321)	(6,377)
Insurance contract provisions	14	(623)	–	–
Current tax liabilities		(11)	(79)	(324)
Provisions	18	(283)	(186)	(155)
		(16,125)	**(15,721)**	**(18,656)**
Liabilities of the disposal group classified as held for sale	6	(14)	(276)	–
Net current liabilities		**(3,950)**	**(5,190)**	**(4,763)**
Non-current liabilities				
Trade and other payables		(53)	(109)	(170)
Borrowings	16	(6,674)	(6,188)	(6,005)
Lease liabilities	11	(7,411)	(7,827)	(8,968)
Derivative financial instruments		(357)	(926)	(887)
Customer deposits and deposits from banks		(1,650)	(1,017)	(1,830)
Insurance contract provisions	14	(27)	–	–
Post-employment benefit deficit	20	(303)	(1,222)	(3,085)
Deferred tax liabilities	5	(910)	(48)	(40)
Provisions	18	(183)	(119)	(137)
		(17,568)	**(17,456)**	**(21,122)**
Net assets		**15,644**	**12,059**	**13,292**
Equity				
Share capital	21	484	490	490
Share premium		5,165	5,165	5,165
Other reserves		3,079	3,183	3,658
Retained earnings		6,932	3,239	4,001
Equity attributable to owners of the parent		**15,660**	**12,077**	**13,314**
Non-controlling interests		(16)	(18)	(22)
Total equity		**15,644**	**12,059**	**13,292**

(a) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.
(b) Refer to Note 1 for further details regarding changes in presentation of the primary financial statements.

The notes on pages 23 to 54 form part of this condensed consolidated financial information.

Group statement of changes in equity

	Share capital £m	Share premium £m	Other reserves Capital redemption reserve £m	Hedging reserve £m	Translation reserve £m	Own shares held £m	Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 27 February 2021 (restated*)	**490**	**5,165**	**16**	**90**	**175**	**(188)**	**3,090**	**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 (Note 6)	–	–	–	–	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 20)	–	–	–	–	–	–	–	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)	**–**	**–**	**–**	**10**	**27**	**–**	**–**	**3,153**	**3,190**	**–**	**3,190**
Total comprehensive income/(loss)	**–**	**–**	**–**	**10**	**27**	**–**	**–**	**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 21)	(6)	–	6	–	–	(37)	–	(264)	(301)	–	(301)
Own shares purchased for share schemes (Note 21)	–	–	–	–	–	(279)	–	–	(279)	–	(279)
Share-based payments (Note 21)	–	–	–	–	–	139	–	12	151	–	151
Dividends (Note 7)	–	–	–	–	–	–	–	(704)	(704)	–	(704)
Tax on items credited to equity	–	–	–	–	–	–	–	15	15	–	15
Total transactions with owners	**(6)**	**–**	**6**	**–**	**–**	**(177)**	**–**	**(941)**	**(1,118)**	**–**	**(1,118)**
At 26 February 2022	**484**	**5,165**	**22**	**130**	**202**	**(365)**	**3,090**	**6,932**	**15,660**	**(16)**	**15,644**

* Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.

The notes on pages 23 to 54 form part of this condensed consolidated financial information.

Group statement of changes in equity continued

	Share capital £m	Share premium £m	Capital redemption reserve £m	Cost of hedging reserve £m	Hedging reserve £m	Translation reserve £m	Own shares held £m	Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
			Other reserves									
At 29 February 2020 (as previously reported)	**490**	**5,165**	**16**	**(15)**	**154**	**663**	**(250)**	**3,090**	**4,078**	**13,391**	**(22)**	**13,369**
Cumulative adjustment to opening balances	–	–	–	–	–	–	–	–	(77)	(77)	–	(77)
At 29 February 2020 (restated*)	**490**	**5,165**	**16**	**(15)**	**154**	**663**	**(250)**	**3,090**	**4,001**	**13,314**	**(22)**	**13,292**
Profit/(loss) for the year (restated*)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,954**	**5,954**	**4**	**5,958**
Other comprehensive income/(loss)												
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	–	–	–	(68)	–	–	–	(68)	–	(68)
Movements in foreign exchange reserve and net investment hedging on subsidiary disposed, reclassified and reported in the Group income statement	–	–	–	–	–	(413)	–	–	–	(413)	–	(413)
Change in fair value of financial instruments at fair value through other comprehensive income	–	–	–	–	–	–	–	–	(1)	(1)	–	(1)
Remeasurements of defined benefit pension schemes (Note 20)	–	–	–	–	–	–	–	–	(963)	(963)	–	(963)
Gains/(losses) on cash flow hedges	–	–	–	17	39	–	–	–	–	56	–	56
Cash flow hedges reclassified and reported in the Group income statement	–	–	–	–	(86)	–	–	–	–	(86)	–	(86)
Tax relating to components of other comprehensive income	–	–	–	(2)	11	(7)	–	–	243	245	–	245
Total other comprehensive income/(loss)	**–**	**–**	**–**	**15**	**(36)**	**(488)**	**–**	**–**	**(721)**	**(1,230)**	**–**	**(1,230)**
Total comprehensive income/(loss) (restated*)	**–**	**–**	**–**	**15**	**(36)**	**(488)**	**–**	**–**	**5,233**	**4,724**	**4**	**4,728**
Inventory cash flow hedge movements												
Gains/(losses) transferred to the cost of inventory	–	–	–	–	(28)	–	–	–	–	(28)	–	(28)
Total inventory cash flow hedge movements	**–**	**–**	**–**	**–**	**(28)**	**–**	**–**	**–**	**–**	**(28)**	**–**	**(28)**
Transactions with owners												
Own shares purchased for share schemes (Note 21)	–	–	–	–	–	–	(246)	–	–	(246)	–	(246)
Share-based payments (Note 21)	–	–	–	–	–	–	308	–	(97)	211	–	211
Dividends (Note 7)	–	–	–	–	–	–	–	–	(5,892)	(5,892)	–	(5,892)
Tax on items charged to equity	–	–	–	–	–	–	–	–	(6)	(6)	–	(6)
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**62**	**–**	**(5,995)**	**(5,933)**	**–**	**(5,933)**
At 27 February 2021 (restated*)	**490**	**5,165**	**16**	**–**	**90**	**175**	**(188)**	**3,090**	**3,239**	**12,077**	**(18)**	**12,059**

* Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.

The notes on pages 23 to 54 form part of this condensed consolidated financial information.

Group cash flow statement

	Notes	52 weeks 2022 £m	52 weeks 2021[a] £m
Cash flows generated from/(used in) operating activities			
Operating profit/(loss) of continuing operations		**2,560**	**1,547**
Operating profit/(loss) of discontinued operations		**(51)**	**5,482**
Depreciation and amortisation		1,718	1,764
(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		(123)	(23)
(Profit)/loss arising on sale of joint ventures and associates		(25)	–
(Profit)/loss arising on sale of subsidiaries	6	23	(5,197)
Transaction costs associated with sale of subsidiaries		–	6
Net impairment loss/(reversal) on property, plant and equipment, right of use assets, intangible assets and investment property	12	115	(89)
Impairment of goodwill	12	–	295
Net remeasurement (gain)/loss of non-current assets held for sale		3	(5)
Adjustment for non-cash element of pensions charge		7	14
Other defined benefit pension scheme payments	20	(19)	(2,851)
Share-based payments	19	66	30
Tesco Bank fair value movements included in operating profit/(loss)		(28)	367
Retail (increase)/decrease in inventories		(281)	(52)
Retail (increase)/decrease in development stock		–	2
Retail (increase)/decrease in trade and other receivables		27	63
Retail increase/(decrease) in trade and other payables		743	329
Retail increase/(decrease) in provisions		(65)	56
Retail (increase)/decrease in working capital		424	398
Tesco Bank (increase)/decrease in loans and advances to customers and banks		(95)	1,686
Tesco Bank (increase)/decrease in trade, reinsurance and other receivables		8	62
Tesco Bank increase/(decrease) in customer and bank deposits, trade, insurance and other payables		47	(1,902)
Tesco Bank increase/(decrease) in provisions		(22)	2
Tesco Bank (increase)/decrease in working capital		(62)	(152)
Cash generated from/(used in) operations		**4,608**	**1,586**
Interest paid		(650)	(729)
Corporation tax paid		(201)	(255)
Net cash generated from/(used in) operating activities		**3,757**	**602**
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		309	237
Purchase of property, plant and equipment and investment property		(949)	(1,171)
Purchase of intangible assets		(229)	(206)
Disposal of subsidiaries, net of cash disposed	6	161	7,093
Acquisition of subsidiaries, net of cash acquired	24	(48)	15
Proceeds from sale of joint ventures and associates		15	–
Increase in loans to joint ventures and associates		(4)	(2)
Investments in joint ventures and associates		(11)	(11)
Net (investments in)/proceeds from sale of short-term investments		(1,067)	62
Proceeds from sale of other investments[b]		274	201
Purchase of other investments[b]		(221)	(85)
Dividends received from joint ventures and associates		32	26
Interest received		3	12
Net cash generated from/(used in) investing activities		**(1,735)**	**6,171**
Cash flows generated from/(used in) financing activities			
Own shares purchased for cancellation	21	(278)	–
Own shares purchased for share schemes	19	(144)	(66)
Repayment of capital element of obligations under leases		(577)	(621)
Increase in borrowings		394	1,098
Repayment of borrowings		(775)	(1,814)
Cash inflows from derivative financial instruments[b]		798	1,696
Cash outflows from derivative financial instruments[b]		(921)	(2,276)
Dividends paid to equity owners	7	(731)	(5,858)
Net cash generated from/(used in) financing activities		**(2,234)**	**(7,841)**
Net increase/(decrease) in cash and cash equivalents		**(212)**	**(1,068)**
Cash and cash equivalents at the beginning of the year		1,971	3,031
Effect of foreign exchange rate changes		12	8
Cash and cash equivalents including cash and overdrafts held in disposal groups at the end of the year		**1,771**	**1,971**
Cash and overdrafts held in disposal groups	6	–	7
Cash and cash equivalents at the end of the year	13	**1,771**	**1,978**

(a) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.
(b) Refer to Note 1 for further details regarding the presentation of primary financial statements.

The notes on pages 23 to 54 form part of this condensed consolidated financial information.

Notes

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 2022, which are the same as those used in preparing the Annual Report and Group financial statements 2021, except as noted below. The financial year represents the 52 weeks ended 26 February 2022 (prior financial year 52 weeks ended 27 February 2021). This preliminary consolidated financial information does not constitute statutory consolidated financial statements for the 52 weeks ended 26 February 2022 as defined under section 434 of the Companies Act 2006.

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 Annual Report and Group financial statements for 2022 will be filed with the Registrar in due course.

The Annual Report and Group financial statements for the 52 weeks ended 27 February 2021 were approved by the Board of Directors on 13 April 2021. 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 financial statements. Further information on the Group's strong liquidity position is given in the Summary of total indebtedness section.

Adoption of new IFRSs

The Group early-adopted 'interest rate benchmark reform' phase 2 amendments in the prior year. The Group has elected not to apply the exemption granted in the 'COVID-19-related rent concessions beyond 30 June 2021' amendment to IFRS 16, 'Leases', as the Group has not received material COVID-19-related rent concessions as a lessee.

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

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

- IFRS 17 'Insurance contracts', which will become effective in the Group financial statements for the financial year ending 24 February 2024, subject to UK endorsement. IFRS 17 is expected to have an impact on the Group's subsidiary, Tesco Underwriting Limited (TU), which provides the insurance underwriting service for a number of the Group's general insurance products. An IFRS 17 project team has been established and work is well progressed on the design and build of reporting systems and processes for reporting under IFRS 17. It is expected that the simplified premium allocation approach will be applied to all material insurance and reinsurance contract groups. During the next financial year, parallel reporting for the comparative period will be established. Until the impact assessment is complete, it is not practical to provide an estimate of the financial impact of adopting IFRS 17.

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

Change in accounting policy

The Group has changed its accounting policy for property buybacks in light of an evolution of accepted practice in relation to the application of IFRS 16 'Leases' to such transactions. Property buybacks outside of a corporate wrapper are now viewed as the modification of a lease to include a purchase option, followed by the immediate exercise of that purchase option. Applying lease modification accounting to property buybacks results in the lease liability being settled and the right of use asset forming part of the cost of the property, plant and equipment acquired, and no gain or loss being recognised in the income statement from the property buyback. Previously, they were treated as an immediate lease termination followed by a property purchase. As a result of the change in accounting policy, there is no longer an immediate income statement impact of such transactions, and the cost of the property, plant and equipment acquired is reduced accordingly.

Property buybacks inside a corporate wrapper (such as a special purpose vehicle or joint venture structure) that do not meet the definition of a business combination continue to be treated as asset acquisitions. The Group has changed its policy for such asset acquisitions to include in the cost of the asset acquisition the carrying values of pre-existing lease contracts and previously held interests, and no gain or loss is recognised in the income statement from the property buyback. Previously, pre-existing equity interests were remeasured to fair value by analogy to IFRS 3 'Business combinations' and surrendered as part of the cost of acquiring the underlying property and pre-existing lease contracts were treated as terminated, with any resulting gain or loss recognised in the income statement. This change in accounting policy for property buybacks inside a corporate wrapper means that the same accounting treatment is applied for all buybacks, consistent with the economics of such transactions being similar. The Group therefore believes that this approach is reliable and more relevant.

The impact on the 29 February 2020 balance sheet is to decrease property, plant and equipment by £77m, and decrease both net assets and retained earnings by £77m. The impact on the 27 February 2021 balance sheet is to decrease property, plant and equipment by £266m, and decrease both net assets and retained earnings by £266m. In the comparative period income statement, cost of sales increases and gross profit/(loss), operating profit/(loss), profit before tax, profit for the year from continuing operations and profit for the year all decrease by £189m, of which £162m relates to adjusting items. Basic and diluted EPS decrease by 1.96 pence. There is no impact on operating, investing or financing cash flows, Net debt or Total indebtedness.

Primary financial statements presentation

'Exceptional items and amortisation of acquired intangibles' within operating profit, along with net pension finance costs, fair value remeasurements of financial instruments, and the tax impact of such items (below operating profit), are now called 'Adjusting items', and are presented on the face of the income statement in the 'Adjusting items' column. The policy for determining adjusting items, and the items adjusted for, are unchanged from the prior year hence there is no impact on previously reported alternative performance measures from this change in presentation. Further detail on adjusting items is given in the 'Critical accounting judgements' section of this note.

Note 1 Basis of preparation continued

'Financial assets at fair value through other comprehensive income' and 'Investment securities at amortised cost' are now reported in 'Other investments' on the balance sheet.

On 4 May 2021, the Group acquired control over Tesco Underwriting Limited (TU), an insurance business which was previously a joint venture. The following new line items are added to the balance sheet: 'Reinsurance assets' and 'Insurance contract provisions'. In the income statement, gross insurance income is reported within 'Revenue' and insurance premium income ceded to reinsurers and net insurance claims are reported within 'Cost of sales'. Further detail is given in Note 14.

Cash inflows and outflows on other investments and derivative financial instruments previously presented on a net basis in the Group cash flow statement have been reassessed and are now reported separately, including for prior periods. Comparative net (investments in)/proceeds from sale of other investments of £116m are presented on a gross basis as proceeds from sale of other investments of £201m and purchase of other investments of £(85)m. Comparative net cash flows from derivative financial instruments of £(580)m are presented on a gross basis as cash inflows from derivative financial instruments of £1,696m and cash outflows from derivative financial instruments of £(2,276)m. There is no impact on net cash generated from operating, investing, or financing activities, and no impact on Net debt or Total indebtedness.

Accounting policies

Insurance

Prior to the acquisition of TU on 4 May 2021, the Group generated commission from the sale and service of motor and home insurance policies underwritten by TU. Following the acquisition, these amounts represent intercompany transactions which are fully eliminated in the Group income statement. The Group also generated commission from the sale and service of motor and home insurance policies underwritten by a third-party underwriter until August 2021 when the Group brought in-house the writing of home and motor insurance policies which were previously underwritten through its broker panel. Commission was based on commission rates which were independent of the profitability of underlying insurance policies. Similar commission income is also generated from the sale of white label insurance products underwritten by other third-party providers. This commission income is recognised on a net basis as such policies are sold.

In the case of some commission income on insurance policies managed and underwritten by a third party, the Group recognises commission income from policy renewals as such policies are sold. This is when the Group has satisfied all of its performance obligations in relation to the policy sold and it is considered highly probable that a significant reversal in the amount of revenue recognised will not occur in future periods. This calculation takes into account both estimates of future renewal volumes and renewal commission rates. A contract asset is recognised in relation to this revenue. This is unwound over the remainder of the contract with the customer, in this case being the third-party insurance provider.

The end policyholders have the right to cancel an insurance policy at any time. Therefore, a contract liability is recognised for the amount of any expected refunds due and the revenue recognised in relation to these sales is reduced accordingly. This contract refund liability is estimated using prior experience of customer refunds. The appropriateness of the assumptions used in this calculation is reassessed at each reporting date.

Classification of insurance contracts

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

Insurance income

Gross written premiums comprise premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period, and exclude tax and levies. An estimate is made at the balance sheet date to recognise retrospective adjustments to premiums. The earned portion of premiums written is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

Insurance claims

Claims and claims handling expenses are recognised as incurred, based on the estimated cost of settling all liabilities arising on events occurring up to the balance sheet date.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements, including quota share, excess of loss and adverse development cover contracts, do not relieve the Group from its direct obligations to its policyholders. Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are generally recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance) are accounted for as financial instruments.

Reinsurance assets include balances due from reinsurance companies for reinsurance claims. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy. The earned portion of reinsurance premiums (insurance premium income ceded to reinsurers) is recognised as reinsurance premium expense, and the provision for unearned reinsurance premiums comprises the element of reinsurance premiums relating to services to be received in future years. Amounts recoverable under reinsurance contracts are assessed for impairment at each year end date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Provision for outstanding claims

The provision for outstanding claims represents the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims data and making an allowance for claims incurred but not yet reported, adjusted for the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, substantively enacted legislative changes and past experience and trends. Reinsurance and other recoveries are assessed in a manner similar to the claims outstanding and presented separately as assets.

Note 1 Basis of preparation continued

Unearned premium and unexpired risk provision
The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent accounting periods, calculated separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract. Where the value of expected claims and expenses attributable to unexpired periods of policies in force exceeds the unearned premium provision, a further provision is made, calculated by reference to classes of business which are managed together.

Critical accounting judgements

APMs – Adjusting items
Adjusting items relate to certain costs or incomes that derive from events or transactions that fall within the normal activities of the Group but which, individually or, if of a similar type, in aggregate, are excluded from the Group's APMs by virtue of their size and nature in order to provide a helpful alternative perspective of the year-on-year trends, performance and position of the Group's trading business that is more comparable over time. This alternative view 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.

Management exercises judgement in determining the adjustments to apply to IFRS measurements, and this assessment covers the nature of the item, cause of occurrence and the scale of impact of that item on reported performance and individual financial statement line items, as well as consistency with prior periods. Reversals of previous adjusting items are assessed based on the same criteria to ensure an even-handed treatment of gains and losses. The amount and timing of adjusting items can be unpredictable and subject to a higher level of scrutiny by users of the accounts. Adjusting items can include, but are not limited to: litigation costs; impairment charges and reversals; property transactions such as disposals; amortisation of acquired intangibles; changes in uncertain tax positions; restructuring and redundancy costs; profits or losses on disposal of businesses; net pension finance costs; and fair value remeasurements of financial instruments. The tax effect of such items is also classified as adjusting.

The Group income statement is presented in a columnar format to enable users of the accounts to see the Group's performance before adjusting items, the adjusting items, and the statutory total on a line by line basis. An analysis of the adjusting items included in the Group income statement, together with the impact of these items on the Group cash flow statement, is disclosed in Note 3.

Refer to pages 58 to 63 for further details on the Group's APMs.

Key sources of estimation uncertainty

Impact of the war in Ukraine
In light of the war in Ukraine which commenced on 24 February 2022, the Group has considered whether any adjustments are required to reported amounts in the financial statements. The Group does not have any operations in Ukraine or Russia, but does have operations in Hungary and Slovakia, which border Ukraine. The Group is therefore not directly affected by trading restrictions or sanctions, but could be affected in future by possible wider macroeconomic consequences should the situation develop further. This could include an increase in domestic inflation from supply chain disruption, commodity shortages or commodity price increases affecting cash flows, or changes in market discount rates and valuations.

To the extent that there were observable indicators of change at the 26 February 2022 balance sheet date, these have been factored into the Group's financial statements as at 26 February 2022, in particular: assessing the impact on discount rates and cash flow scenarios used in impairment testing of goodwill and non-current assets; incorporating the latest macroeconomic data into ECL calculations in Tesco Bank; and evaluating the effect on pension discount rate and plan asset fair values. In Central Europe, the Group considered whether there were any specific impairment indicators for stores in Hungary and Slovakia and concluded that there were not. Also in Central Europe, the Group established that it remained appropriate to continue to classify certain properties as held for sale. Finally, the Group decided that there are more than sufficient future taxable profits to continue to recognise deferred tax assets.

Sensitivities of reasonably possible changes in key inputs to impairment testing of goodwill and non-current assets, Tesco Bank ECL and pension obligations are given in Notes 12, 17 and 20 respectively.

The Group reviewed non-adjusting macroeconomic movements after the balance sheet date (for example discount rates, asset values and inflation impact from fuel price increases and/or supply chain disruption) and concluded that those movements were within the range of the Group's existing sensitivities, hence no additional disclosures were required. The Group will continue to monitor the situation as it develops.

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 is more comparable 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.

Note 2 Segmental reporting continued

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 26 February 2022 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	56,539	4,167	60,706	922	61,628	(284)	61,344
Less: Fuel sales	(6,420)	(160)	(6,580)	–	(6,580)	4	(6,576)
APM: Sales	50,119	4,007	54,126	922	55,048	(280)	54,768
Adjusted operating profit/(loss)	**2,490**	**175**	**2,665**	**176**	**2,841**	**(16)**	**2,825**
Adjusting items	(292)	26	(266)	–	(266)	1	(265)
Operating profit/(loss)	**2,198**	**201**	**2,399**	**176**	**2,575**	**(15)**	**2,560**
Adjusted operating margin	**4.4%**	**4.2%**	**4.4%**	**19.1%**	**4.6%**		**4.6%**

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/(loss)	**2,481**	**168**	**2,649**	**176**	**2,825**
Adjusting items	(290)	25	(265)	–	(265)
Operating profit/(loss)	**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/(losses) of joint ventures and associates					15
Finance income					9
Finance costs					(551)
Profit/(loss) before tax					**2,033**

Tesco Bank revenue of £922m (2021: £735m) comprises interest and similar revenues of £473m (2021: £542m), fees and commissions revenue of £210m (2021: £193m), and insurance revenue of £239m (2021: £nil). For insurance, refer to Note 14.

52 weeks ended 27 February 2021 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations					
Revenue	53,170	3,982	57,152	735	57,887
Less: Fuel sales	(4,322)	(120)	(4,442)	–	(4,442)
APM: Sales	48,848	3,862	52,710	735	53,445
Adjusted operating profit/(loss)*	**1,839**	**124**	**1,963**	**(175)**	**1,788**
Adjusting items*	51	3	54	(295)	(241)
Operating profit/(loss)*	**1,890**	**127**	**2,017**	**(470)**	**1,547**
Adjusted operating margin*	**3.5%**	**3.1%**	**3.4%**	**(23.8)%**	**3.1%**
Share of post-tax profits/(losses) of joint ventures and associates					26
Finance income					15
Finance costs					(952)
Profit/(loss) before tax*					**636**

* Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.

Note 2 Segmental reporting continued

Balance sheet

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

At 26 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 and banks	–	–	3,141	–	3,141	–	3,141
Non-current reinsurance assets[(b)]	–	–	184	–	184	–	184
Post-employment benefit surplus	3,150	–	–	–	3,150	–	3,150
Deferred tax assets	2	19	64	–	85	–	85
Non-current assets[(c)]	**28,947**	**1,867**	**5,397**	**-**	**36,211**	**-**	**36,211**
Inventories and current trade and other receivables[(d)]	2,981	285	239	–	3,505	–	3,505
Current loans and advances to customers and banks	–	–	3,349	–	3,349	–	3,349
Current reinsurance assets[(b)]	–	–	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[(b)]	–	–	(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
Liabilities of the disposal group classified as held for sale	–	–	–	–	–	(14)	(14)
Net debt[(e)]	(7,350)	(474)	300	(2,678)	(10,202)	-	(10,202)
Net assets	**14,772**	**1,373**	**2,153**	**(2,678)**	**15,620**	**24**	**15,644**

(a) Excludes non-current loans to joint ventures of £9m (2021: £21m) which form part of net debt.
(b) Includes assets and liabilities acquired in the acquisition of Tesco Underwriting Limited. Refer to Notes 14 and 24 for further details.
(c) Excludes derivative financial instruments of £942m (2021: £1,425m) which form part of net debt.
(d) Excludes net interest and other receivables of £1m (2021: £nil), and current loans to joint ventures of £96m (2021: £101m), both forming part of net debt.
(e) Refer to Note 23. Net debt at 26 February 2022 excludes net debt of the disposal groups classified as held for sale of £(14)m (2021: £(276)m).

Note 2 Segmental reporting continued

At 27 February 2021	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	4,750	32	611	–	5,393	–	5,393
Property, plant and equipment and investment property[f]	15,131	1,768	65	–	16,964	–	16,964
Right of use assets	5,571	368	12	–	5,951	–	5,951
Investments in joint ventures and associates	84	1	93	–	178	–	178
Non-current other investments	9	–	754	–	763	–	763
Non-current trade and other receivables[a]	97	–	52	–	149	–	149
Non-current loans and advances to customers and banks	–	–	3,309	–	3,309	–	3,309
Deferred tax assets	460	25	67	–	552	–	552
Non-current assets[c]	**26,102**	**2,194**	**4,963**	**–**	**33,259**	**–**	**33,259**
Inventories and current trade and other receivables[d]	2,684	325	222	–	3,231	–	3,231
Current loans and advances to customers and banks	–	–	3,093	–	3,093	–	3,093
Current other investments	–	–	178	–	178	–	178
Total trade and other payables	(7,797)	(495)	(216)	–	(8,508)	–	(8,508)
Total customer deposits and deposits from banks	–	–	(6,338)	–	(6,338)	–	(6,338)
Total provisions	(224)	(22)	(59)	–	(305)	–	(305)
Deferred tax liabilities	(9)	(39)	–	–	(48)	–	(48)
Net current tax	(79)	5	36	–	(38)	–	(38)
Post-employment benefit deficit	(1,222)	–	–	–	(1,222)	–	(1,222)
Assets of the disposal group and non-current assets classified as held for sale	53	–	–	–	53	552	605
Liabilities of the disposal group classified as held for sale	–	–	–	–	–	(276)	(276)
Net debt[e]	(7,879)	(493)	242	(3,442)	(11,572)	–	(11,572)
Net assets	**11,629**	**1,475**	**2,121**	**(3,442)**	**11,783**	**276**	**12,059**

(a)–(e) Refer to previous table for further footnotes.
(f) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.

Other segment information

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

(a) Includes £584m related to obtaining control of The Tesco Sarum Limited Partnership (2021: £310m related to obtaining control of The Tesco Property (No. 2) Limited Partnership). Refer to Note 24 for further details.
(b) Includes £1m (2021: £12m) of property, plant and equipment acquired through business combinations.
(c) Includes £38m (2021: £5m) of goodwill and other intangible assets acquired through business combinations.

52 weeks ended 27 February 2021	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total continuing operations £m	Discontinued operations £m	Total £m
Capital expenditure (including acquisitions through business combinations):						
Property, plant and equipment [a][b][d]	1,270	79	15	1,364	2	1,366
Goodwill and other intangible assets[c]	156	10	40	206	–	206
Depreciation and amortisation:						
Property, plant and equipment[d]	(796)	(99)	(9)	(904)	(14)	(918)
Right of use assets	(522)	(37)	(2)	(561)	(5)	(566)
Investment property	(1)	–	–	(1)	–	(1)
Other intangible assets	(225)	(7)	(46)	(278)	(1)	(279)
Impairment						
(Loss)/reversal on financial assets	(23)	(1)	(360)	(384)	(2)	(386)

(a)–(c) Refer to previous table for further footnotes.
(d) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.

Note 2 Segmental reporting continued

Cash flow statement

The following tables provide further analysis of the Group cash flow statement, including a split of cash flows between Retail continuing operations and Tesco Bank as well as an analysis of Group continuing and discontinued operations.

	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/(reversal) on property, plant and equipment, right of use assets, intangible assets and investment property	–	115	115	–	–	–	–	115
Net remeasurement (gain)/loss of 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[(a)]	**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 and investment property – property buybacks	(37)	(43)	(80)	–	–	–	–	(80)
Purchase of property, plant and equipment and investment property – 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 businesses, 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[(b)]	2	–	2	272	–	272	–	274
Purchase of other investments[(b)]	(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[(a)]	**(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[(b)]	798	–	798	–	–	–	–	798
Cash outflows from derivative financial instruments[(b)]	(921)	–	(921)	–	–	–	–	(921)
Dividends paid to equity holders	(704)	(27)	(731)	–	–	–	–	(731)
Net cash generated from/(used in) financing activities[(a)]	**(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**
Cash and overdrafts held in disposal groups								–
Cash and cash equivalents not held in disposal groups								**1,771**

(a) Refer to page 62 for the reconciliation of the APM: Retail free cash flow.
(b) Refer to Note 1 for further details regarding the presentation of primary financial statements.

Note 2 Segmental reporting continued

52 weeks ended 27 February 2021	Retail Before adjusting items £m	 Adjusting items £m	 Retail Total £m	Bank Before adjusting items £m	 Adjusting items £m	 Tesco Bank Total £m	Discontinued operations Total £m	Tesco Group Total £m
Operating profit/(loss)[c]	**1,963**	**54**	**2,017**	**(175)**	**(295)**	**(470)**	**5,482**	**7,029**
Depreciation and amortisation[c]	1,611	76	1,687	57	–	57	20	1,764
ATM net income	(13)	–	(13)	13	–	13	–	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases[c]	(17)	(13)	(30)	2	–	2	5	(23)
(Profit)/loss arising on sale of subsidiaries	–	–	–	–	–	–	(5,197)	(5,197)
Transaction and derivative costs associated with sale of subsidiaries	–	–	–	–	–	–	6	6
Net impairment loss/(reversal) on property, plant and equipment, right of use assets, intangible assets and investment property[c]	(4)	(128)	(132)	–	–	–	43	(89)
Impairment of goodwill	–	–	–	–	295	295	–	295
Net remeasurement (gain)/loss of non-current assets held for sale	–	–	–	–	–	–	(5)	(5)
Adjustment for non-cash element of pensions charge	7	7	14	–	–	–	–	14
Other defined benefit pension scheme payments	(351)	(2,500)	(2,851)	–	–	–	–	(2,851)
Share-based payments	31	–	31	(3)	–	(3)	2	30
Tesco Bank fair value movements included in operating profit/(loss)	–	–	–	367	–	367	–	367
Cash flows generated from operations excluding working capital	**3,227**	**(2,504)**	**723**	**261**	**–**	**261**	**356**	**1,340**
(Increase)/decrease in working capital	450	(11)	439	(133)	(19)	(152)	(41)	246
Cash generated from/(used in) operations	**3,677**	**(2,515)**	**1,162**	**128**	**(19)**	**109**	**315**	**1,586**
Interest paid	(680)	–	(680)	(6)	–	(6)	(43)	(729)
Corporation tax paid	(161)	–	(161)	(9)	–	(9)	(85)	(255)
Net cash generated from/(used in) operating activities[a]	**2,836**	**(2,515)**	**321**	**113**	**(19)**	**94**	**187**	**602**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	33	148	181	–	51	51	5	237
Purchase of property, plant and equipment and investment property – property buybacks	(239)	(52)	(291)	–	–	–	–	(291)
Purchase of property, plant and equipment and investment property – other capital expenditure	(740)	–	(740)	(21)	–	(21)	(119)	(880)
Purchase of intangible assets	(162)	–	(162)	(40)	–	(40)	(4)	(206)
Disposal of subsidiaries, net of cash disposed	–	7,806	7,806	–	–	–	(713)	7,093
Acquisition of businesses, net of cash acquired	15	–	15	–	–	–	–	15
Increase in loans to joint ventures and associates	(2)	–	(2)	–	–	–	–	(2)
Investments in joint ventures and associates	(11)	–	(11)	–	–	–	–	(11)
Net (investments in)/proceeds from sale of short-term investments	62	–	62	–	–	–	–	62
Proceeds from sale of other investments[b]	–	–	–	201	–	201	–	201
Purchase of other investments[b]	(1)	–	(1)	(84)	–	(84)	–	(85)
Dividends received from joint ventures and associates	10	–	10	7	–	7	9	26
Dividends received from Tesco Bank	13	–	13	(13)	–	(13)	–	–
Interest received	10	–	10	–	–	–	2	12
Net cash generated from/(used in) investing activities[a]	**(1,012)**	**7,902**	**6,890**	**50**	**51**	**101**	**(820)**	**6,171**
Own shares purchased for share schemes	(66)	–	(66)	–	–	–	–	(66)
Repayment of capital element of obligations under leases	(561)	–	(561)	(3)	–	(3)	(57)	(621)
Increase in borrowings	1,097	–	1,097	1	–	1	–	1,098
Repayment of borrowings	(1,039)	–	(1,039)	(775)	–	(775)	–	(1,814)
Cash inflows from derivative financial instruments[b]	1,644	52	1,696	–	–	–	–	1,696
Cash outflows from derivative financial instruments[b]	(2,276)	–	(2,276)	–	–	–	–	(2,276)
Dividends paid to equity holders	(942)	(4,916)	(5,858)	–	–	–	–	(5,858)
Net cash generated from/(used in) financing activities[a]	**(2,143)**	**(4,864)**	**(7,007)**	**(777)**	**–**	**(777)**	**(57)**	**(7,841)**
Net increase/(decrease) in cash and cash equivalents	**(319)**	**523**	**204**	**(614)**	**32**	**(582)**	**(690)**	**(1,068)**
Cash and cash equivalents at the beginning of the year								3,031
Effect of foreign exchange rate changes								8
Cash and cash equivalents at the end of the year								**1,971**
Cash and overdrafts held in disposal groups								7
Cash and cash equivalents not held in disposal groups								**1,978**

(a)-(b) Refer to previous table for footnotes.
(c) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.

Note 3 Adjusting items

Group income statement

Refer to Note 1 for further details regarding the assessment of items as adjusting.

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 costs £m	Taxation £m	Adjusting items included within discontinued operations £m
Property transactions[a]	1	127	128	–	–	(21)	–
Net impairment (loss)/reversal of non-current assets[b]	(140)	25	(115)	–	–	(26)	–
Fair value less cost of disposal movements on assets held for sale	–	(6)	(6)	–	–	–	–
Asia licence fee[c]	–	26	26	–	–	(5)	–
Litigation costs[d]	–	(193)	(193)	–	–	–	–
Disposal of China associate[e]	–	15	15	–	–	–	–
Restructuring provisions[f]	(37)	(7)	(44)	–	–	8	–
Amortisation of acquired intangible assets[g]	–	(76)	(76)	–	–	(7)	–
Net pension finance costs[h]	–	–	–	–	(22)	6	–
Fair value remeasurements of financial instruments[h]	–	–	–	–	123	(19)	–
Release of tax provisions[i]	–	–	–	–	–	56	–
Total adjusting items from continuing operations	**(176)**	**(89)**	**(265)**	**–**	**101**	**(8)**	**–**
Adjusting items relating to discontinued operations[j]	–	–	–	–	–	–	(38)
Total adjusting items	**(176)**	**(89)**	**(265)**	**–**	**101**	**(8)**	**(38)**

(a) The Group disposed of surplus properties that generated a profit before tax of £128m.
(b) Includes £(62)m relating to impairment on acquisition of The Tesco Sarum Limited Partnership, refer to Note 24. Refer to Note 12 for further details on net impairment (loss)/reversal of non-current assets.
(c) Software licence fee income from services provided to CP Group as part of the Transitional Services Agreement relating to the sale of Asia.
(d) Costs arising from the 2020 claims against Tesco PLC for matters arising out of or in connection with the overstatement of expected profit announced in 2014.
(e) Additional proceeds received from escrow relating to the sale of the Group's 20% share of Gain Land to China Resources Holdings in the year ended 2020.
(f) Provisions relating to operational restructuring changes announced in February 2022 as part of 'Save to Invest', a multi-year programme. Future cost savings will not be reported within adjusting items.
(g) Amortisation of acquired intangibles relating to historical inorganic business combinations and does not reflect the Group's ongoing trading performance.
(h) Net pension finance costs and fair value remeasurements of financial instruments are now included within adjusting items, as they can fluctuate significantly due to external market factors that are outside management's control. Refer to Note 1 for more details. Refer to Note 4 for details of finance income and costs.
(i) The agreement of previously uncertain tax positions arising in prior periods has resulted in a release of tax provisions no longer required.
(j) Refer to Note 6 for explanation of adjusting items relating to discontinued operations.

52 weeks ended 27 February 2021

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 costs £m	Taxation £m	Adjusting items included within discontinued operations £m
Property transactions	19	7	26	–	–	18	–
Booker integration costs	(21)	(4)	(25)	–	–	4	–
ATM business rates	105	–	105	–	–	(20)	–
Litigation costs	–	(93)	(93)	–	–	–	–
GMP equalisation	(6)	(1)	(7)	–	–	1	–
Net impairment reversal of non-current assets*	128	–	128	–	–	(15)	–
Impairment charge on goodwill	–	(295)	(295)	–	–	–	–
Employee Share Scheme	(4)	–	(4)	–	–	–	–
Release of tax provisions	–	–	–	–	–	106	–
Amortisation of acquired intangible assets	–	(76)	(76)	–	–	2	–
Fair value remeasurements of financial instruments	–	–	–	–	(214)	41	–
Net pension finance costs	–	–	–	–	(43)	8	–
Total adjusting items from continuing operations*	**221**	**(462)**	**(241)**	**–**	**(257)**	**145**	**–**
Adjusting items relating to discontinued operations	–	–	–	–	–	–	5,117
Total adjusting items*	**221**	**(462)**	**(241)**	**–**	**(257)**	**145**	**5,117**

* Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.

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 2022 £m	52 weeks 2021 £m	52 weeks 2022 £m	52 weeks 2021 £m	52 weeks 2022 £m	52 weeks 2021 £m
Property transactions[a]	–	–	308	148	–	–
Poland sale proceeds and costs[b]	–	–	122	(3)	–	–
Litigation costs[c]	(312)	(93)	–	(2)	–	–
Acquisition of property joint venture	–	–	(43)	(52)	–	–
Booker integration cash payments	(18)	(2)	–	–	–	–
Settlement of claims for customer redress in Tesco Bank	(8)	(19)	–	–	–	–
Disposal of China associate[d]	–	–	15	–	–	–
ATM business rates[e]	14	90	–	–	–	–
Special dividend[f]	–	–	–	–	(27)	(4,916)
Disposal of Asia operations	–	26	(5)	7,811	–	52
Additional pension contribution	–	(2,500)	–	–	–	–
Tesco Bank mortgage book disposal proceeds	–	–	–	51	–	–
Prior year restructuring and redundancy costs	–	(36)	–	–	–	–
Total continuing operations	**(324)**	**(2,534)**	**397**	**7,953**	**(27)**	**(4,864)**
Cash flows from discontinued operations[g]	(1)	(15)	44	(713)	–	–
Total	**(325)**	**(2,549)**	**441**	**7,240**	**(27)**	**(4,864)**

(a) Property transactions include £109m proceeds relating to the sale of stores in Poland not included in the sale of the corporate business.
(b) Poland sale proceeds and costs include £106m in respect of intercompany debt settled by the purchaser upon completion. Refer to Note 6 for further details.
(c) Cash settlements arising from the claims against Tesco PLC for matters arising out of, or in connection with the overstatement of expected profit announced in 2014 and the 2015 sale of Korea Homeplus.
(d) Additional proceeds received from escrow relating to the sale of the Group's 20% share of Gain Land to China Resources Holdings in the year ended 2020.
(e) Amounts received in the year with respect to the Supreme Court ruling in May 2020 that the Tesco Group is due a refund of business rates related to ATMs in stores.
(f) The Group paid a special dividend to shareholders in the previous financial year. Amounts paid in the current year relate to those balances not settled at the previous reporting date.
(g) Cash flows from investing activities of £44m from discontinued operations are the movements in cash and cash equivalents from the disposal of the Poland business. This comprised a £57m reduction in overdrafts less £13m cash disposed. Refer to Note 6 for details.

Note 4 Finance income and costs

Continuing operations	Notes	52 weeks 2022 £m	52 weeks 2021 £m
Finance income			
Interest receivable and similar income		4	10
Finance income receivable on net investment in leases		5	5
Total finance income		**9**	**15**
Finance costs			
GBP MTNs and loans		(161)	(158)
EUR MTNs		(42)	(51)
USD bonds		(5)	(9)
Finance charges payable on lease liabilities		(405)	(446)
Other interest payable		(39)	(31)
Total finance costs before adjusting items		**(652)**	**(695)**
Fair value remeasurements of financial instruments*		123	(214)
Net pension finance costs	20	(22)	(43)
Total finance costs		**(551)**	**(952)**
Net finance costs		**(542)**	**(937)**

* Fair value remeasurements of financial instruments included £nil (2021: £(160)m) relating to the premium paid on the repurchase of long-dated bonds.

Note 5 Taxation

Recognised in the Group Income statement

Continuing operations	52 weeks 2022 £m	52 weeks 2021 £m
Current tax (credit)/charge		
UK corporation tax	201	228
Overseas tax	69	60
Adjustments in respect of prior years	(55)	(110)
	215	**178**
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	216	(67)
Adjustments in respect of prior years	1	(19)
Change in tax rate*	78	12
	295	**(74)**
Total income tax (credit)/charge	**510**	**104**

* The UK Government announced an increase in the corporation tax rate from 19% to 25%, with an effective date of 1 April 2023, which was substantively enacted on 24 May 2021. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised, giving rise to a change in tax rate impact of £78m.

Note 5 Taxation continued

Reconciliation of effective tax charge

Continuing operations	52 weeks 2022 £m	52 weeks 2021[a] £m
Profit/(loss) before tax	**2,033**	**636**
Tax credit/(charge) at 19.0% (2021: 19.0%)	(386)	(121)
Effect of:		
Non-qualifying depreciation[b]	(7)	(33)
Expenses not deductible	(57)	(40)
Property items taxed on a different basis to accounting entries	7	4
Impairment of non-current assets	(43)	(58)
Banking surcharge tax	(13)	13
Differences in overseas taxation rates	10	10
Adjustments in respect of prior years[c]	54	129
Share of losses of joint ventures and associates	3	5
Change in tax rate	(78)	(12)
Irrecoverable withholding tax	–	(1)
Total income tax credit/(charge)	**(510)**	**(104)**
Effective tax rate	**25.1%**	**16.4%**

(a) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.
(b) This figure has been reduced by the tax effect of the super-deduction of £23m in respect of tax relief for fixed assets.
(c) Prior year adjustments include tax credits of £56m in relation to uncertain tax positions (2021: £106m).

Reconciliation of effective tax charge on adjusted profit before tax

Continuing operations	52 weeks 2022 £m	52 weeks 2021[a] £m
Profit/(loss) before tax	**2,033**	**636**
Less: Adjusting items	164	498
Adjusted profit before tax	**2,197**	**1,134**
Tax credit/(charge) at 19.0% (2021: 19.0%)	(417)	(216)
Effect of:		
Non-qualifying depreciation[b]	(7)	(33)
Expenses not deductible	(32)	(21)
Property items taxed on a different basis to accounting entries	(1)	–
Impairment of non-current assets	–	(4)
Banking surcharge tax	(13)	13
Differences in overseas taxation rates	10	10
Adjustments in respect of prior years	(2)	(1)
Share of profits of joint ventures and associates	3	5
Change in tax rate	(43)	(1)
Irrecoverable withholding tax	–	(1)
Total income tax credit/(charge) before adjusting items	**(502)**	**(249)**
Adjusted effective tax rate	**22.8%**	**22.0%**

(a) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.
(b) This figure has been reduced by the tax effect of the super-deduction of £23m in respect of tax relief for fixed assets.

Note 5 Taxation continued

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:

	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 29 February 2020	**(168)**	**(100)**	**512**	**51**	**93**	**4**	**17**	**409**
Discontinued operations	14	–	(6)	(6)	(63)	–	–	(61)
(Charge)/credit to the Group income statement	32	2	9	(3)	40	(1)	(5)	74
(Charge)/credit to the Group statement of changes in equity	–	–	–	(11)	–	–	–	(11)
(Charge)/credit to the Group statement of comprehensive income/(loss)	–	–	67	–	–	–	9	76
Acquisitions	(2)	–	–	–	–	–	19	17
Foreign exchange and other movements	(1)	–	–	–	(1)	–	2	–
At 27 February 2021	**(125)**	**(98)**	**582**	**31**	**69**	**3**	**42**	**504**
Discontinued operations	–	–	–	–	–	–	–	–
(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)
Acquisitions	–	–	–	–	–	–	–	–
Foreign exchange and other movements	–	–	(2)	–	–	1	–	(1)
At 26 February 2022	**(352)**	**(108)**	**(451)**	**39**	**45**	**6**	**(4)**	**(825)**

(a) Property-related items include a deferred tax liability on rolled-over gains of £423m (2021: £305m), deferred tax assets on capital losses of £248m (2021: £187m) and deferred tax assets on IFRS 16 balances of £238m (2021: £267m). The remaining balance relates to accelerated tax depreciation.
(b) The deferred tax liability on retirement benefits is the net of a deferred tax asset of £275m arising from additional contributions paid in the prior year and the deferred tax liability related to the pension surplus of £726m (see Note 20).

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

	2022 £m	2021 £m
Assets of the disposal group[a]	11	404
Non-current assets classified as held for sale[b]	357	201
Total assets of the disposal group and non-current assets classified as held for sale	**368**	**605**
Liabilities of the disposal group[a]	(14)	(276)
Total net assets of the disposal group and non-current assets classified as held for sale	**354**	**329**

(a) The disposal group as at 26 February 2022, including £(14)m of net debt (2021: £(141)m), relates to residual properties and leases with respect to the Group's operation in Poland. Balances as at 27 February 2021 were 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.

Note 6 Discontinued operations and assets classified as held for sale continued

Discontinued operations

Income statement of discontinued operations

	2022			2021			
	Poland £m	Other £m	Total £m	Thailand and Malaysia £m	Poland £m	Other £m	Total £m
Revenue	32	–	32	3,932	974	–	4,906
Operating costs[(a)]	(34)	–	(34)	(3,492)	(982)	–	(4,474)
Adjusted operating profit/(loss)	**(2)**	**–**	**(2)**	**440**	**(8)**	**–**	**432**
Share of post-tax profits/(losses) of joint ventures and associates	–	–	–	9	–	–	9
Finance (costs)/income	–	–	–	(26)	(19)	–	(45)
Adjusted profit/(loss) before tax	**(2)**	**–**	**(2)**	**423**	**(27)**	**–**	**396**
Taxation	–	–	–	(84)	(3)	–	(87)
Adjusted profit/(loss) after tax	**(2)**	**–**	**(2)**	**339**	**(30)**	**–**	**309**
Loss on disposal of Poland	(23)	–	(23)	–	–	–	–
Homeplus (Korea) claims settlement[(b)]	–	(33)	(33)	–	–	(88)	(88)
Other adjusting items[(c)-(d)]	3	4	7	(3)	(56)	–	(59)
Tax on adjusting items[(e)]	–	11	11	–	–	–	–
Profit after tax on disposal of Thailand and Malaysia	–	–	–	5,264	–	–	5,264
Total adjusting items	**(20)**	**(18)**	**(38)**	**5,261**	**(56)**	**(88)**	**5,117**
Total profit/(loss) after tax of discontinued operations	**(22)**	**(18)**	**(40)**	**5,600**	**(86)**	**(88)**	**5,426**

(a) Operating costs include £nil depreciation and amortisation charges (2021: £(20)m).
(b) £(33)m relates to the claims settlement from Homeplus (Korea) purchasers (2021: £(88)m).
(c) Other adjusting items of £7m in the current year includes £4m reversal of accruals relating to legal costs and £3m fair value remeasurement of non-current assets classified as held for sale.
(d) Other adjusting items of £(59)m in the prior year relates to £(7)m of net restructuring and redundancy costs, £(43)m of net impairment loss on non-current assets, £5m fair value remeasurement of non-current assets classified as held for sale, £(8)m loss on disposal of surplus properties and £(6)m of other corporate activity costs.
(e) £11m tax on adjusting items relates to the reduction of withholding tax paid at the time of the sale relating to the Homeplus claim (2021: £nil).

On 18 June 2020, the Group reached agreement on the terms of a proposed corporate sale of its business in Poland, which was previously presented in the Group's Central Europe segment. The assets and liabilities related to the Group's Poland operation, as well as certain other properties that met the criteria to be classified as held for sale during the year ended 27 February 2021, were presented within discontinued operations. The corporate disposal completed on 16 March 2021.

The loss after tax for the Poland corporate sale comprises the following:

	£m
Gross proceeds[(a)]	**139**
Costs to sell[(b)]	(12)
Net proceeds	**127**
Net book value of assets disposed	
Goodwill and other intangible assets	(3)
Property, plant and equipment	(212)
Right of use assets	(69)
Inventories	(59)
Trade and other receivables	(15)
Cash and cash equivalents	(13)
Trade and other payables	105
Borrowings	57
Lease liabilities	110
Provisions	15
Net book value of assets and liabilities disposed	**(84)**
Currency translation reserve reclassified to income statement	(66)
Loss before and after tax on disposal	**(23)**

(a) Proceeds include £106m with respect to intercompany debt settled by the purchaser upon completion.
(b) Total costs associated with the sale of the business amounted to £(18)m, of which £(6)m was expensed in the prior financial year.

The disposal of the operations in Poland has reduced Net debt by £276m. This comprises £110m lease liabilities disposed and £166m net cash inflows, consisting of £139m proceeds less £(5)m received in the prior year, £57m reduction in overdrafts less £(13)m cash disposed, and £(12)m cash costs to sell. The total cash flows associated with the disposal are presented in 'disposal of subsidiaries, net of cash disposed', within investing cash flows.

During the year £5m was paid in relation to legal fees for the sale of the Asia business, expensed in the year ended 27 February 2021.

Cash flow statement

	2022	2021		
	Poland £m	Thailand and Malaysia £m	Poland £m	Total £m
Net cash flows from operating activities	(6)	225	(38)	187
Net cash flows from investing activities	43	(811)	(9)	(820)
Net cash flows from financing activities	(2)	(42)	(15)	(57)
Net cash flows from discontinued operations	**35**	**(628)**	**(62)**	**(690)**

Note 6 Discontinued operations and assets classified as held for sale continued

In the prior year, the profit after tax on disposal of the Group's Thailand and Malaysia operations was £5,264m. The disposal of the Asia operations and use of proceeds reduced Net debt by £525m, consisting of £765m of lease liabilities disposed and total cash flows associated with the disposal of £(240)m. The £(240)m cash flow included gross proceeds of £7,938m, cash and cash equivalents disposed of £(464)m excluding intercompany loans repaid prior to closing, net intercompany loans repaid of £(249)m, additional contribution into the defined benefit pension scheme of £(2,500)m, £(4,916)m special dividends paid to equity holders and other associated cash flows. The £(240)m total cash flows were presented £(2,474)m in operating cash flows, £7,098m in investing cash flows and £(4,864)m in financing cash flows.

Note 7 Dividends

	2022		2021	
	Pence/share	£m	Pence/share	£m
Amounts recognised as distributions to owners in the financial year:				
Paid prior financial year final dividend[a]	5.95	458	6.50	634
Paid interim dividend[b]	3.20	246	3.20	310
Paid special dividend[c]	–	–	50.93	4,948
Dividends paid to equity owners in the financial year	**9.15**	**704**	**60.63**	**5,892**
Proposed final dividend at financial year end	**7.70**	**588**	**5.95**	**460**

(a) Excludes £2m prior financial year final dividend waived (2021: £3m).
(b) Excludes £1m interim dividend waived (2021: £3m).
(c) Excludes £nil special dividend waived (2021: £43m).

The proposed final dividend was approved by the Board of Directors on 12 April 2022 and is subject to the approval of shareholders at the AGM. The proposed dividend has not been included as a liability as at 26 February 2022, in accordance with IAS 10 'Events after the reporting period'. It will be paid on 24 June 2022 to shareholders who are on the Register of members at close of business on 20 May 2022.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP, the last date for receipt of a new election is 7 June 2022.

The Group has a share forfeiture programme following the completion of a tracing and notification exercise to any shareholders who have not had contact with Tesco PLC over the past 12 years, in accordance with the provisions set out in the Company's Articles of Association. £nil (2021: £nil) of unclaimed dividends in relation to these shares have been adjusted for in retained earnings. Refer to Note 21 for further details.

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

Basic earnings/(losses) per share amounts are calculated by dividing the profit/(loss) attributable to owners of the parent by the weighted average number of Ordinary shares in issue during the financial year, excluding own shares held. The share consolidation and special dividend in 2021 and the share buyback programme commencing in 2022 affect earnings per share on a prospective basis, with comparatives not restated.

Diluted earnings/(losses) per share amounts are calculated by dividing the profit/(loss) attributable to owners of the parent by the weighted average number of Ordinary shares in issue during the financial year adjusted for the effects of potentially dilutive options. The dilutive effect is calculated on the full exercise of all potentially dilutive Ordinary share options granted by the Group, including performance-based options which the Group considers to have been earned.

For the 52 weeks ended 26 February 2022 there were 88 million (2021: 27 million) potentially dilutive share options. 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.

	2022			2021[a]		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
Profit/(loss) (£m)						
Continuing operations[b]	1,521	–	1,521	539	–	539
Discontinued operations[c]	(40)	–	(40)	5,415	–	5,415
Total	**1,481**	**–**	**1,481**	**5,954**	**–**	**5,954**
Weighted average number of shares (millions)	**7,658**	**88**	**7,746**	**9,629**	**27**	**9,656**
Earnings/(losses) per share (pence)						
Continuing operations	19.86	(0.22)	19.64	5.60	(0.02)	5.58
Discontinued operations	(0.52)	–	(0.52)	56.23	(0.15)	56.08
Total	**19.34**	**(0.22)**	**19.12**	**61.83**	**(0.17)**	**61.66**

(a) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.
(b) Excludes profits/(losses) from non-controlling interests of £2m (2021: £(7)m).
(c) Excludes profits from non-controlling interests of £nil (2021: £11m).

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 2022	52 weeks 2021[a]
Profit/(loss) before tax		2,033	636
Less: adjusting items	3	164	498
Adjusted profit before tax (£m)		**2,197**	**1,134**
Adjusted profit before tax attributable to the owners of the parent (£m)[b]		2,195	1,141
Taxation on adjusted profit before tax attributable to the owners of the parent (£m)[c]		(502)	(249)
Adjusted profit after tax attributable to the owners of the parent (£m)		**1,693**	**892**
Basic weighted average number of shares (millions)		7,658	9,629
Adjusted basic earnings per share (pence)		**22.11**	**9.26**
Diluted weighted average number of shares (millions)		7,746	9,656
Adjusted diluted earnings per share (pence)		**21.86**	**9.24**

(a) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.
(b) Excludes profit before tax attributable to non-controlling interests of £2m (2021: £(7)m).
(c) Excludes tax charges on losses attributable to non-controlling interests of £nil (2021: £nil).

Refer to page 61 in the Glossary for the Group's APM Adjusted diluted earnings per share (adjusted for share consolidation).

Note 9 Goodwill and other intangible assets

Goodwill of £4,291m (2021: £4,271m) consists of UK £3,788m (2021: £3,788m), ROI £3m (2021: £3m) and Tesco Bank £500m (2021: £480m). £20m of goodwill was recognised in Tesco Bank in the period from the acquisition of Tesco Underwriting Limited. Refer to Note 24 for further details.

Other intangible assets of £1,069m (2021: £1,122m) comprise software of £557m (2021: £532m), customer relationships of £418m (2021: £494m) and other intangible assets of £94m (2021: £96m), with additions in the year of £229m (2021: £201m) excluding assets acquired through business combinations.

Of the £287m (2021: £279m) amortisation of other intangible assets, £76m (2021: £76m) arising from the amortisation of intangible assets acquired through business combinations has been included within adjusting items. Refer to Note 3 for further details.

Note 10 Property, plant and equipment

	Land and buildings £m	Other[a] £m	Total £m
Cost			
At 27 February 2021 (restated[b])	**21,653**	**5,743**	**27,396**
Foreign currency translation	(76)	(15)	(91)
Additions[c][d]	992	595	1,587
Acquired through business combinations[e]	–	1	1
Reclassification[f]	(72)	–	(72)
Transfers to assets classified as held for sale	(446)	(17)	(463)
Disposals	(74)	(658)	(732)
At 26 February 2022	**21,977**	**5,649**	**27,626**
Accumulated depreciation and impairment losses			
At 27 February 2021 (restated[b])	**6,554**	**3,897**	**10,451**
Foreign currency translation	(25)	(10)	(35)
Charge for the year	426	467	893
Impairment losses[g]	417	89	506
Reversal of impairment losses[g]	(324)	(43)	(367)
Transfers to assets classified as held for sale	(163)	(6)	(169)
Disposals	(71)	(642)	(713)
At 26 February 2022	**6,814**	**3,752**	**10,566**
Net carrying value			
At 26 February 2022[h]	**15,163**	**1,897**	**17,060**
At 29 February 2021 (restated[b])	15,099	1,846	16,945
Construction in progress included above[i]			
At 26 February 2022	**97**	**212**	**309**
At 27 February 2021	77	210	287

(a) Other assets consist of fixtures and fittings with a net carrying value of £1,387m (2021: £1,349m), office equipment with a net carrying value of £200m (2021: £214m) and motor vehicles with a net carrying value of £310m (2021: £283m).
(b) Comparatives have been restated due to a change in accounting policy. Refer to Note 1.
(c) Includes £584m of land and buildings related to obtaining control of The Tesco Sarum Limited Partnership, which was impaired by £(62)m on acquisition (2021: £310m of land and buildings related to obtaining control of The Tesco Property (No. 2) Limited Partnership, which was impaired by £(2)m on acquisition). The £584m (2021: £310m) additions comprised £584m (2021: £326m) cost of acquisition offset by £nil (2021: £16m) of historical deferred profit. Refer to Note 24.
(d) Includes £37m (2021: £209m) relating to other property buyback transactions.
(e) Assets recognised on acquisition of Tesco Underwriting Limited. Refer to Note 24.
(f) £72m transferred to investment property subsequent to signing of sublease agreements with third parties.
(g) Refer to Note 12.
(h) Includes £2,231m (2021: £2,099m) of assets pledged as security for secured bonds and £914m (2021: £826m) of property held as security in favour of the Tesco PLC Pension Scheme.
(i) Construction in progress does not include land.

	Land and buildings £m	Other[a] £m	Total £m
Cost			
At 29 February 2020 (restated[b])	**24,693**	**6,925**	**31,618**
Foreign currency translation	(38)	(15)	(53)
Additions[c][d]	731	623	1,354
Acquired through business combinations	8	4	12
Transfers (to)/from assets classified as held for sale	29	–	29
Transfer to disposal group classified as held for sale	(3,642)	(1,415)	(5,057)
Disposals	(128)	(379)	(507)
At 27 February 2021 (restated[b])	**21,653**	**5,743**	**27,396**
Accumulated depreciation and impairment losses			
At 29 February 2020 (restated[b])	**7,745**	**4,716**	**12,461**
Foreign currency translation	(15)	(10)	(25)
Charge for the year	429	489	918
Impairment losses[g]	323	107	430
Reversal of impairment losses[g]	(485)	(47)	(532)
Transfers (to)/from assets classified as held for sale	15	–	15
Transfer to disposal group classified as held for sale	(1,386)	(987)	(2,373)
Disposals	(72)	(371)	(443)
At 27 February 2021 (restated[b])	**6,554**	**3,897**	**10,451**
Net carrying value (restated[b])	**15,099**	**1,846**	**16,945**

Refer to previous table for footnotes.

Note 11 Leases

Group as lessee

On 17 December 2021, the Group obtained control of The Tesco Sarum Limited Partnership (2021: The Tesco Property (No. 2) Limited Partnership on 18 September 2020), 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 24 for further details.

Right of use assets

	Land and buildings £m	Other £m	Total £m
Net carrying value at 27 February 2021	**5,866**	**85**	**5,951**
Additions	544	39	583
Depreciation charge for the year	(497)	(40)	(537)
Impairment losses[(a)]	(195)	–	(195)
Reversal of impairment losses[(a)]	234	–	234
Derecognition on acquisition of property joint venture (Note 24)	(243)	–	(243)
Other movements[(b)]	(75)	2	(73)
Net carrying value at 26 February 2022	**5,634**	**86**	**5,720**

(a) Refer to Note 12.
(b) Other movements include lease terminations, modifications and reassessments, foreign exchange, reclassifications between asset classes and entering into finance subleases.

	Land and buildings £m	Other £m	Total £m
Net carrying value at 29 February 2020	**6,734**	**140**	**6,874**
Additions (including through business combinations)	308	42	350
Depreciation charge for the year	(517)	(49)	(566)
Impairment losses[(a)]	(225)	–	(225)
Reversal of impairment losses[(a)]	230	–	230
Derecognition on acquisition of property joint venture	(130)	–	(130)
Transfer to disposal group classified as held for sale	(724)	(20)	(744)
Other movements[(b)]	190	(28)	162
Net carrying value at 27 February 2021	**5,866**	**85**	**5,951**

Refer to previous table for footnotes.

Lease liabilities

The following table shows the discounted lease liabilities included in the Group balance sheet:

	2022 £m	2021 £m
Current	547	575
Non-current	7,411	7,827
Total lease liabilities	**7,958**	**8,402**
Total undiscounted lease payments	**11,515**	**12,527**

A reconciliation of the Group's opening to closing lease liabilities balance is presented in Note 23.

Note 12 Impairment of non-current assets

Impairment losses and reversals

No impairment of goodwill was recognised in the current year (2021: £295m impairment of goodwill associated with Tesco Bank).

The table below summarises the Group's pre-tax impairment losses and reversals on other non-current assets and investments in joint ventures and associates, with the former 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 (2021: £nil) with respect to Investments in joint ventures and associates and no impairments in other non-current assets and investments in joint ventures and associates in Tesco Bank (2021: Nil). All impairment losses and reversals are classified as adjusting items (2021: £128m net reversal).

	UK & ROI		Central Europe		Total		Net
52 weeks ended 26 February 2022	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment (loss)/reversal £m
Group balance sheet							
Other intangible assets	(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 – adjusting	(682)	536	(19)	25	(701)	561	(140)
Administrative expenses – adjusting	(20)	20	(4)	29	(24)	49	25
Total impairment (loss)/reversal from continuing and discontinued operations	**(702)**	**556**	**(23)**	**54**	**(725)**	**610**	**(115)**

	UK & ROI		Central Europe		Total continuing operations		Discontinued operations		Total*		Net
52 weeks ended 27 February 2021	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	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	(32)	9	(2)	7	(34)	16	–	–	(34)	16	(18)
Property, plant and equipment	(341)	471	(23)	38	(364)	509	(66)	23	(430)	532	102
Right of use assets	(209)	229	(16)	1	(225)	230	–	–	(225)	230	5
Investment property	(2)	2	–	–	(2)	2	–	–	(2)	2	–
Total impairment (loss)/reversal of other non-current assets	**(584)**	**711**	**(41)**	**46**	**(625)**	**757**	**(66)**	**23**	**(691)**	**780**	**89**
Group income statement											
Cost of sales – non-adjusting	(2)	–	–	–	(2)	–	–	–	(2)	–	(2)
Cost of sales – adjusting	(534)	657	(41)	46	(575)	703	–	–	(575)	703	128
Administrative expenses – non-adjusting	(48)	54	–	–	(48)	54	–	–	(48)	54	6
Administrative expenses – adjusting	–	–	–	–	–	–	–	–	–	–	–
Total impairment (loss)/reversal from continuing operations	**(584)**	**711**	**(41)**	**46**	**(625)**	**757**	**–**	**–**	**(625)**	**757**	**132**
Discontinued operations – non-adjusting	–	–	–	–	–	–	–	–	–	–	–
Discontinued operations – adjusting	–	–	–	–	–	–	(66)	23	(66)	23	(43)
Total impairment (loss)/reversal	**(584)**	**711**	**(41)**	**46**	**(625)**	**757**	**(66)**	**23**	**(691)**	**780**	**89**

* Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.

Note 12 Impairment of non-current assets continued

The net impairment loss in UK & ROI includes an impairment loss of £62m in the UK in respect of the Group obtaining control of The Tesco Sarum Limited Partnership (2021: £2m impairment loss in the UK & ROI in respect of the Group obtaining control of The Tesco Property (No. 2) Limited Partnership). Refer to Note 24 for further details.

The remaining other non-current assets impairment losses and reversals for the Group largely reflect normal fluctuations expected from store-level performance, property fair values and changes in discount rates, 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 2021.

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, future cash flows (incorporating sales volumes and prices and costs) and probabilities assigned to cash flow scenarios. For fair value less costs of disposal calculations, the key assumption is property fair values.

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.

(a) With the exception of Tesco Bank goodwill, neither a reasonably possible one percentage point increase in discount rates, a 5% decrease in future cash flows nor a one percentage point decrease in long-term growth rates would indicate impairment in any group of cash-generating units to which goodwill has been allocated. Tesco Bank goodwill is not sensitive to a reasonably possible change in long-term growth rates, but is sensitive to a change in the discount rate and annual equity cash flows. An increase of 1.0%pt in the discount rate or a decrease in annual equity cash flows of 14.2% would reduce the year-end headroom of £212m to £nil.

(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:

Key assumption	Reasonably possible change	Impact on impairment	2022 £m
Post-tax discount rates	Increase of 1.0%pt for each geographic region	Increase	(435)
	Decrease of 1.0%pt for each geographic region	Decrease	365
Future cash flows	Increase of 5.0% for each geographic region	Decrease	106
	Decrease of 5.0% for each geographic region	Increase	(115)
Long-term growth rates	Increase of 1.0%pt for each geographic region	Decrease	266
	Decrease of 1.0%pt for each geographic region	Increase	(268)

Note 13 Cash and cash equivalents and short-term investments

Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and on hand	2,322	2,495
Short-term deposits	23	15
Cash and cash equivalents in the Group balance sheet	**2,345**	**2,510**
Bank overdrafts	(574)	(532)
Cash and cash equivalents in the Group cash flow statement	**1,771**	**1,978**

Short-term investments

	2022 £m	2021 £m
Money market funds and similar instruments	2,076	1,011

Cash and cash equivalents includes £84m (2021: £101m) of restricted amounts mainly relating to the Group's pension schemes and employee benefit trusts.

Note 14 Insurance

On 4 May 2021 the Group acquired the remaining 50.1% ordinary share capital of its joint venture entity, Tesco Underwriting Limited (TU). TU is an authorised insurance company which provides the insurance underwriting service for a number of the Group's general insurance products. Refer to Note 24 for further details regarding the acquisition. As balances in this note have arisen as a result of the acquisition of TU on 4 May 2021, there are no prior period comparative balances for the Group.

Insurance profit/(loss)

Continuing operations	52 weeks 2022 £m
Gross insurance premium income	**239**
Insurance premium income ceded to reinsurers	**(105)**
Current year claims paid	(104)
Change in prior year claims provision	52
Additional liabilities arising during the year	(98)
Insurance claims incurred	**(150)**
Reinsurers' share of claims incurred[a]	62
Net insurance claims	**(88)**
Net insurance profit/(loss)[b]	**46**

(a) Includes £3m related to reinsurance quota share commission and profit commission.
(b) The net insurance profit above arose subsequent to acquisition by the Group and is reported in the Tesco Bank operating segment.

Insurance contract provisions and reinsurance assets

The following tables show the breakdown of the Group's insurance contract provisions and reinsurance assets at 26 February 2022.

	Gross £m	Reinsurance £m	Net £m
Unearned premiums	156	(64)	92
Claims	494	(181)	313
Total insurance contract provisions	**650**	**(245)**	**405**
Of which:			
Current	623	(61)	562
Non-current	27	(184)	(157)

Gross insurance provisions, unlike reinsurance assets, are classified as current or non-current based on contractual rights to defer settlement for at least 12 months after the reporting period, rather than expected timing of settlement. The table below shows the timing of cash outflows in relation to insurance claims liabilities, net of salvage and subrogation recoveries, based on current best estimates, at 26 February 2022. The actual timing of future settlement cash flows may differ from that disclosed below.

	2022 £m	%
Due within one year	83	18
Due between two to five years	194	41
Due beyond five years	195	41
Total outstanding claims, net of salvage and subrogation recoveries	**472**	**100**

Analysis of movement in insurance contract provisions	Gross £m	Reinsurance £m	Net £m
Balance at 27 February 2021	**–**	**–**	**–**
Acquired through business combinations	650	(247)	403
Claims (paid)/recovered through insurers	(171)	66	(105)
Movement in claims outstanding	156	(59)	97
Changes in provisions for unearned premiums	15	(5)	10
Balance at 26 February 2022	**650**	**(245)**	**405**

Analysis of movement in provision for gross unearned premiums	£m
Balance at 27 February 2021	**–**
Acquired through business combinations	141
Premiums written during the period	254
Less: premiums earned during the period	(239)
Balance at 26 February 2022	**156**

Note 14 Insurance continued

Analysis of movement in outstanding claims	Gross £m	Salvage and subrogation recoveries £m	Net £m
Balance at 27 February 2021	**–**	**–**	**–**
Acquired through business combinations	509	(16)	493
Current period claims	213	(20)	193
Change in prior period claims	(57)	14	(43)
Current period claims paid	(104)	–	(104)
Prior period claims paid	(67)	–	(67)
Balance at 26 February 2022	**494**	**(22)**	**472**

Funds withheld

Funds withheld of £115m, included within trade and other payables, represent the balance due to reinsurers arising from Quota Share arrangements, by which a fixed proportion of both premiums and losses are ceded to third party reinsurers as part of the overall reinsurance protection strategy.

Claims provision and development

The nature of insurance makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case-by-case, basis with due regard to the claim circumstances and historical evidence of the size of similar claims and provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

The cost of outstanding claims and the incurred but not reported (IBNR) claims provisions are estimated using various statistical methods. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each accident period based upon observed development of earlier periods, with reference to suitable benchmarks. Assumptions used for insurance provisions are based on detailed studies, checked to ensure that they are consistent with observable market prices or other published information, with greater emphasis on current trends where there is sufficient information. To the extent that assumptions use historical claims development information, they also assume that the historical claims development pattern will occur again in the future, after allowing (where possible) for instances where this might not be the case, such as changing economic or legal trends.

Provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The Group is covered by a variety of excess of loss and quota share reinsurance programmes. The Group takes into account historical data, specific details for individual large claims and details of the reinsurance programme to assess the expected size of reinsurance recoveries.

Insurance risk management

The Group is exposed to insurance risk through its wholly owned subsidiary, TU. The Group defines insurance risk as the risks accepted through the provision of insurance products in return for a premium. These risks may or may not occur as expected and the amount and timing of these risks are uncertain and determined by events outside of the Group's control (e.g. flood or vehicular accident).

TU underwrites motor and home insurance policies, typically of one-year duration, in the UK and Channel Islands. TU operates a separate risk framework with dedicated risk and compliance teams and a suite of risk policies to ensure that the insurance portfolio is operating within an agreed risk appetite, with monthly monitoring of the portfolio against specific performance indicator thresholds and limits. Risks such as geographic concentration or high-severity, low frequency events (e.g. natural disasters in a particular area, severe bodily injury motor accidents) are mitigated through a high-quality backed reinsurance portfolio, and TU undertakes a Stress and Scenario Testing programme, considering multiple scenarios such as various adverse weather events, the hardening/softening of the insurance market and severe large bodily injury losses.

Insurance capital

Solvency II (SII) came into force on 1 January 2016. It provides a framework for managing and measuring the risks and the solvency position for all insurance companies in the EU. Following the UK's departure from the EU, the SII framework continues to be applied in the UK and its requirements are applicable to TU. TU assesses its Solvency Capital Requirement (SCR) using a Partial Internal Model for capital which was approved by the Prudential Regulation Authority (PRA) in 2020. TU models a range of stress and scenario tests that are published in its annual Solvency and Financial Condition Report. These show that TU's capital position is resilient to a range of possible scenarios. TU also maintains a capital contingency plan supported by its direct shareholder, Tesco Personal Finance plc. Available capital has remained above the SCR requirement during the period to 26 February 2022; and capital coverage of TU's SCR at end of February 2022 was 151.0% (unaudited).

Note 15 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.

	2022 £m	2021 £m
Current assets		
Inventories	(15)	(24)
Trade and other receivables		
Trade/other receivables	68	90
Accrued income	124	125
Current liabilities		
Trade and other payables		
Trade payables	112	170
Accruals	–	(2)

Note 16 Borrowings

Borrowings are classified as current and non-current based on their scheduled redemption date, and not their maturity date. Repayments of principal amounts are classified as current if the repayment is scheduled to be made within one year of the balance sheet date.

Current

	2022 £m	2021 £m
Bank loans and overdrafts	605	559
Borrowings*	120	521
	725	**1,080**

Non-current

	2022 £m	2021 £m
Borrowings*	6,674	6,188

* £1m of current and £243m of non-current borrowings (2021: £1m and £250m) relate to borrowings issued by Tesco Bank.

Borrowing facilities

The Group has a £2.5bn undrawn committed facility available at 26 February 2022, 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 of the facility during the financial year.

Note 17 Financial instruments

The fair values of financial instruments are determined by reference to prices available from the markets on which the instruments are traded, where they are available. Where market prices are not available, the fair value is calculated by discounting expected future cash flows at prevailing interest rates. The fair value of financial assets and liabilities measured at amortised cost is shown below.

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

Fair value of financial assets and liabilities measured at amortised cost

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

	2022		2021	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets measured at amortised cost				
Loans and advances to customers – Tesco Bank (Level 3)	6,490	6,566	6,402	6,618
Investment securities at amortised cost (Level 1 and 2)[(a)]	857	867	927	932
Joint ventures and associates loan receivables (Level 2)[(b)]	105	126	122	153
Financial liabilities measured at amortised cost				
Borrowings				
Amortised cost (Level 1 and 2)[(a)]	(5,057)	(5,942)	(4,711)	(5,761)
Bonds in fair value hedge relationships (Level 1)	(2,342)	(2,401)	(2,557)	(2,658)
Customer deposits – Tesco Bank (Level 3)	(5,327)	(5,296)	(5,738)	(5,744)
Deposits from banks – Tesco Bank (Level 2)	(1,052)	(1,052)	(600)	(600)

(a) These are principally Level 1 instruments.
(b) Joint ventures and associates loan receivables carrying amounts of £105m (2021: £122m) are presented in the Group balance sheet net of deferred profits of £38m (2021: £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, uncollateralised derivates 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.

Note 17 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
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
Forward contracts	–	67	–	67
Total assets	**585**	**311**	**763**	**1,659**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(273)	–	(273)
Cross-currency swaps	–	(85)	–	(85)
Forward contracts	–	(25)	–	(25)
Total liabilities	**–**	**(383)**	**–**	**(383)**
Net assets/(liabilities)	**585**	**(72)**	**763**	**1,276**

At 27 February 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	–	3	11	14
Cash and cash equivalents at fair value through profit or loss	–	14	–	14
Derivative financial instruments:				
Interest rate swaps	–	42	–	42
Cross-currency swaps	–	298	–	298
Index-linked swaps	–	1,080	–	1,080
Forward contracts	–	42	–	42
Total assets	**–**	**1,479**	**11**	**1,490**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(162)	–	(162)
Cross-currency swaps	–	(38)	–	(38)
Index-linked swaps	–	(729)	–	(729)
Forward contracts	–	(78)	–	(78)
Total liabilities	**–**	**(1,007)**	**–**	**(1,007)**
Net assets/(liabilities)	**–**	**472**	**11**	**483**

During the financial year, there were no transfers (2021: no transfers) between Level 1 and Level 2 fair value measurements.

Level 3 Instruments

At the end of the period there was a transfer of £749m into Level 3 fair value measurement from Level 2 (2021: no transfers), arising from inclusion of a funding valuation adjustment (FVA) to certain derivatives due to evolving market practices, which incorporate unobservable input elements. There were no other transfers into or out of Level 3 (2021: no transfers).

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 FX rates from available market data. Unobservable inputs (Level 3) relate to the 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 ten basis points increase in the cost of funds would increase the FVA by £18m.

The following table presents the changes in Level 3 instruments:

	2022		2021	
	Uncollateralised derivatives £m	Unlisted equity investments £m	Uncollateralised derivatives £m	Unlisted equity investments £m
At the beginning of the year	**–**	**11**	**–**	**10**
Gains/(losses) recognised in the Group statement of comprehensive income/(loss)	–	4	–	3
Disposal of financial asset at fair value through other comprehensive income	–	(2)	–	(4)
Addition of financial asset at fair value through other comprehensive income	–	1	–	2
Transfers into Level 3	749	–	–	–
At the end of the year	**749**	**14**	**–**	**11**

Tesco Bank expected credit losses (ECL)

Tesco Bank has commissioned four scenarios from its third-party provider, all of which were based on an economic outlook that sought to take account of the ramifications of the COVID-19 pandemic and cost-of-living pressures. These scenarios include a Base scenario, an Upside scenario and two different Downside scenarios. As the economic outlook continues to remain uncertain, the scenarios are based on the speed at which consumer and business confidence will support the recovery in GDP and the labour market. The Base scenario sees a return to pre-pandemic GDP by Q3 2022, with cost-of-living pressures stagnating growth and unemployment peaking at 4.7% by Q2 2022. The Upside scenario sees a sharper recovery driven by utilisation of accumulated savings from lockdown periods, while Downside 1 scenario assumes a 6.2% unemployment peak by Q2 2022. Downside 2 postulates the impact of recurrent COVID-19 variants driving new restrictions, with subsequent GDP declines and an

Note 17 Financial instruments continued

8.0% unemployment peak in Q2 2022. 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 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%
As at 27 February 2021 (five-year average)	Base 40%	Upside 30%	Downside 1 25%	Downside 2 5%
Bank of England base rate[(a)]	0.1%	0.2%	0.1%	0.1%
Gross domestic product[(b)]	2.6%	3.5%	2.2%	1.8%
Unemployment rate	5.5%	4.7%	6.7%	8.6%
Unemployment rate peak in year	5.8%	4.9%	7.4%	9.3%

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

Key assumptions and sensitivity

The key assumptions to which the Tesco Bank ECL is most sensitive are macroeconomic factors, probability of default (PD), loss given default (LGD), PD threshold (staging), and expected lifetime (revolving credit facilities). The table below sets out the changes in the ECL allowance that would arise from reasonably possible changes in these assumptions from those used in Tesco Bank's calculations as at 26 February 2022 and excludes specific management overlays which are discussed further below.

		Impact on the loss allowance	
Key assumption	Reasonably possible change	2022 £m	2021 £m
Closing ECL allowance		**489**	**625**
Macroeconomic factors (100% weighted)	Upside scenario	(27)	(66)
	Base scenario	(13)	(1)
	Downside scenario 1	31	57
	Downside scenario 2	110	117
Probability of default	Increase of 2.5%	6	8
	Decrease of 2.5%	(6)	(8)
Loss given default	Increase of 2.5%	7	10
	Decrease of 2.5%	(7)	(10)
Probability of default threshold (staging)	Increase of 20%	(9)	(7)
	Decrease of 20%	13	11
Expected lifetime (revolving credit facility)	Increase of 1 year	11	9
	Decrease of 1 year	(10)	(9)

COVID-19 and cost-of-living pressures have had a significant impact on the UK economy and there remains a large degree of uncertainty around the scale and stress of the peak of the economic downturn and the speed and shape of any subsequent recovery. While there has been significant recovery observed in the wider economy, the degree of uncertainty remains high. 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	2022 £m	2021 £m
Consumer spending[(a)]	In respect of the beneficial modelling impact of lower consumer spending through the pandemic	113	129
Cost of living[(b)]	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	75	–
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	–
Customer support	The impact of customer support measures on arrears and defaults	–	64
Payment holidays	Increase in credit risk in respect of customers who sought an extension to their initial payment holiday	–	21
Total overlays		**213**	**214**

(a) An increase or decrease of 10% on the adjustment for lower drawn balances would not result in a material increase or decrease of this management overlay.
(b) Expanding the affected population to include customers who are five points lower on the indebtedness index would increase the overlay by £41m.

Note 18 Provisions

	Property provisions £m	Restructuring provisions £m	Legal and regulatory provisions £m	Operational insurance provisions £m	Other provisions £m	Total £m
At 27 February 2021	**132**	**–**	**123**	**10**	**40**	**305**
Foreign currency translation	–	–	(1)	(1)	–	(2)
Reclassifications	–	–	–	149	–	149
Amount released in the year	(32)	(2)	(5)	(49)	(1)	(89)
Amount provided in the year	120	70	253	73	5	521
Amount utilised in the year	(8)	(24)	(326)	(47)	(14)	(419)
Unwinding of discount	1	–	–	–	–	1
At 26 February 2022	**213**	**44**	**44**	**135**	**30**	**466**

The balances are analysed as follows:

	2022 £m	2021 £m
Current	283	186
Non-current	183	119
	466	**305**

Provisions are discounted based on the relevant risk-free rate and are risk-adjusted through adjusting the cash flow estimates.

Property provisions
Property provisions comprise onerous contracts related to unprofitable stores and vacant properties, decommissioning provisions and remediation works and dilapidations provisions.

Amounts provided in the year primarily relate to decommissioning, and amounts released in the year primarily relate to releases of dilapidation and similar remediation provisions.

The expected undiscounted aging of property provisions as at 26 February 2022:

	Current £m	1 to 5 years £m	6 to 10 years £m	11 to 15 years £m	Over 15 years £m	Total £m
Property provisions	37	51	23	12	135	**258**

Restructuring provisions
Restructuring provisions of £44m, primarily relating to expected employee costs, are expected to be fully utilised in the following financial year to 25 February 2023. The provision is calculated in line with the expected settlement costs of impacted employees and excludes future operating costs.

Legal and regulatory provisions
Legal and regulatory provisions contain balances in relation to either ongoing or expected legal proceedings against the Group, or for costs associated with regulatory matters and/or breaches. Due to the nature of legal and regulatory matters, including unpredictable timings of legal cases or regulatory investigations, there is often uncertainty as to when provisions will be fully utilised.

During the year, the Group recognised a charge of £193m in relation to 2020 claims against Tesco PLC for matters arising out of or in connection with the overstatement of expected profit announced in 2014. These claims were settled in full during the year and, given that the legal timeframe for bringing a claim has now elapsed, no further related claims can be brought by shareholders.

During the year, an Arbitral Tribunal made findings of liability relating to claims regarding the sale of Homeplus (Korea) against the Group and made a Final Award of £119m in damages, interest and costs. Arbitration judgments are final and may not be appealed by either party. The Group recognised a charge of £33m within discontinued operations, increasing the provision held. The Final Award was cash settled during the year.

Other legal and regulatory provisions of £44m include £14m (2021: £22m) of provision relating to customer redress from Payment Protection Insurance (PPI) sales, with the remainder relating to various individually immaterial provisions.

Operational insurance provisions
Insurance provisions relate to outstanding liabilities from public and employer's liability and third-party motor claims across the Group's trading operations, separate to the Tesco Underwriting insurance balances in Note 14. Provisions relate to claims arising from incidents reported prior to the reporting date, including an allowance for those currently incurred but not reported. Amounts are measured considering claims history, including claims volume and average cost of claims, with assessment and projection by third-party actuaries. Releases in the year primarily relate to improved estimates of future outflows from revised actuarial valuations. The balance as at the financial year end is expected to be materially utilised within three years from the reporting date. This was reclassified to a provision during the financial year from trade and other payables, reflecting the uncertainties around the expected outflow for these balances.

Other provisions
Other provisions amounts primarily relate to a Tesco Bank expected credit loss provision recognised under IFRS 9 which exceeds the gross carrying amount of the related financial asset, primarily loans to customers. Further information on expected credit losses can be found within Note 17. The remaining balance relates to individually immaterial provisions that do not fall into any of the other categories.

Note 19 Share-based payments

The Group income statement charge for the financial year recognised in respect of share-based payments is £122m (2021: £73m), comprising £122m (2021: £69m) of continuing operations and £nil (2021: £4m) of discontinued operations, which is made up of share option schemes and share bonus payments. Of this amount, £109m (2021: £64m) will be settled in equity (refer to Note 21) and £13m (2021: £9m) in cash representing National Insurance contributions.

The share-based payment income statement charge is split in the cash flow statement with £66m (2021: £30m) in the 'share-based payment' non-cash movement line and £56m (2021: £43m) in the working capital movement 'Increase/decrease in trade and other payables' line, where the latter represents shares withheld from employees in order to settle their tax liability and national insurance. The 'own shares purchased for share schemes' financing cash outflow of £144m (2021: £66m) represents £191m (2021: £213m) cash paid to purchase own shares including related fees and taxes, offset by £47m (2021: £147m) cash received from employees exercising SAYE options.

Note 20 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 most recent completed triennial funding assessment of the Scheme was performed as at 31 December 2019 using the projected unit credit method. Subsequent to this triennial funding assessment it was agreed that no further pension deficit contributions would be required, with contributions being assessed at the next triennial review.

The Trustees of the Londis Pension Scheme entered into a buy-in agreement to secure the Londis Scheme's pension benefits in full with an insurer through the purchase of a bulk annuity policy. A premium of £8m was paid to the insurer on 24 March 2021. The Londis Scheme Trustees have subsequently announced that the buy-in will be converted to a buy-out, with individual annuity policies issued to the Londis Scheme members, and the Londis Scheme will be wound up. Commencement of the wind-up was triggered on 29 June 2021. The income statement charge in respect of this transaction is £1m based on the market conditions on the wind-up date and has been included in the Group income statement.

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

	Fair value of plan assets		Defined benefit obligation		Net defined benefit surplus/(deficit)	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Opening balance	**20,082**	**17,425**	**(21,304)**	**(20,510)**	**(1,222)**	**(3,085)**
Current service cost	–	–	(39)	(41)	(39)	(41)
Past service cost	–	–	–	(7)	–	(7)
Settlement charge[a]	–	–	(1)	–	(1)	–
Finance income/(cost)	391	341	(413)	(384)	(22)	(43)
Included in the Group income statement	**391**	**341**	**(453)**	**(432)**	**(62)**	**(91)**
Remeasurement gain/(loss):						
Financial assumptions gain/(loss)	–	–	1,881	(1,193)	1,881	(1,193)
Demographic assumptions gain/(loss)	–	–	21	18	21	18
Experience gain/(loss)	–	–	(212)	354	(212)	354
Return on plan assets excluding finance income	2,385	(136)	–	–	2,385	(136)
Foreign currency translation	(9)	1	13	(4)	4	(3)
Included in the Group statement of comprehensive income/(loss)	**2,376**	**(135)**	**1,703**	**(825)**	**4,079**	**(960)**
Member contributions	2	2	(2)	(2)	–	–
Employer contributions	33	34	–	–	33	34
Additional employer contributions	16	2,836	–	–	16	2,836
Benefits paid	(502)	(421)	505	436	3	15
Scheme settlement	(8)	–	8	–	–	–
Classified as held for sale[b]	–	–	–	29	–	29
Other movements	**(459)**	**2,451**	**511**	**463**	**52**	**2,914**
Closing balance	**22,390**	**20,082**	**(19,543)**	**(21,304)**	**2,847**	**(1,222)**
Deferred tax asset/(liability)					(726)	218
Surplus/(deficit) in schemes at the end of the year, net of deferred tax					**2,121**	**(1,004)**
Consisting of:						
Schemes in deficit[c]					(303)	(1,222)
Schemes in surplus					3,150	–
					2,847	**(1,222)**

(a) Settlement charge on Londis Scheme wind-up.
(b) Movements in relation to discontinued operations up to classification as held for sale included £nil (2021: £(1)m) within the Group income statement, £nil (2021: £(6)m) in the Group statement of comprehensive income/loss and £nil (2021: £2m) in other movements.
(c) Schemes in deficit, net of deferred tax £(242)m (2021: £(1,004)m).

Note 20 Post-employment benefits continued

Scheme principal assumptions

The major principal assumptions, used to value the defined benefit obligation of the Scheme are as follows:

	2022 %	2021 %
Discount rate	2.8	2.0
Price inflation	3.3	2.9
Rate of increase in deferred pensions*	2.9	2.5
Rate of increase in pensions in payment*		
Benefits accrued before 1 June 2012	3.1	2.8
Benefits accrued after 1 June 2012	2.8	2.5

* 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 £(404)m or £(3,467)m respectively. If this assumption decreased by 0.1% or 1%, the Scheme defined benefit obligation would increase by approximately £404m or £4,732m respectively.

If the inflation assumption increased by 0.1% or 1%, the Scheme defined benefit obligation would increase by approximately £367m or £3,889m respectively. If this assumption decreased by 0.1% or 1%, the Scheme defined benefit obligation would decrease by approximately £(349)m or £(3,173)m respectively.

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

Note 21 Called-up share capital and reserves

	2022		2021	
	Number of Ordinary shares	£m	Number of Ordinary shares	£m
Allotted, called-up and fully paid:				
At the beginning of the year	**7,731,707,820**	**490**	**9,793,496,561**	**490**
Share consolidation (including shares issued*)	–	–	(2,061,788,741)	–
Shares purchased and cancelled	(93,721,289)	(6)	–	–
At the end of the year	**7,637,986,531**	**484**	**7,731,707,820**	**490**

* To effect the share consolidation, 11 additional Ordinary shares were issued so that the total Ordinary shares is exactly divisible by 19

In order to maintain the comparability of the Company's share price before and after a special dividend of £4.9bn was declared in the prior financial year, a share consolidation was approved at the General Meeting held on 11 February 2021. Shareholders received 15 new Ordinary shares of 6 ⅓ pence each for every existing 19 Ordinary shares of 5 pence each.

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

The Group has a share forfeiture programme, following the completion of a tracing and notification exercise to any shareholders who have not had contact with the Company over the past 12 years, in accordance with the provisions set out in the Company's Articles of Association. Under the share forfeiture programme, the shares and dividends associated with shares of untraced members are forfeited, with the resulting proceeds transferred to the Group to use for good causes in line with the Group's corporate responsibility strategy. During the current financial year, the Group received £nil (2021: £nil) proceeds from sale of untraced shares and £nil (2021: £nil) write-back of unclaimed dividends, which are reflected in share premium and retained earnings respectively.

As at 26 February 2022, the Directors were authorised, on behalf of the Company, to purchase up to a maximum in aggregate of 773.2 million (2021: 773.2 million) Ordinary shares until the conclusion of the 2022 AGM.

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.

Own shares held

The own shares held represents shares in Tesco PLC purchased from the market and held by the Tesco International Employee Benefit Trust to satisfy share awards under the Group's share scheme plans (refer to Note 19), and shares purchased for cancellation as part of the share buyback programme. Shares purchased for cancellation are included in own shares held until cancellation, at which point the consideration is transferred to retained earnings, and the nominal value of the shares is transferred from share capital to the capital redemption reserve. Own shares held can include equity elements of forward contracts where the Group has an obligation to purchase its own shares.

In relation to own shares purchased for cancellation, the Group had total cash outflows of £278m (2021: £nil) with the purchase of 98.5 million (2021: Nil) shares of 6 ⅓ pence each at an average price of £2.82 per share (2021: n/a). 93.7 million shares were cancelled, representing 1.2% (2021: Nil) of the called-up share capital as at 26 February 2022, with total consideration of £264m (2021: £nil), including expenses of £1m, charged to retained earnings. At 26 February 2022, the Group had not yet cancelled 4.8 million (2021: Nil) shares with a total consideration of £14m (2021: £nil), representing 0.1% of the called-up share capital as at 26 February 2022 (2021: Nil). The uncancelled shares are included in the £37m (2021: £nil) increase in own shares purchased for cancellation within the statement of changes in equity, with the remaining £23m (2021: £nil) relating to shares to be delivered under a share repurchase agreement with an external bank.

In relation to own shares purchase for share schemes in the Group statement of changes in equity, the £279m (2021: £246m) increase in own shares held includes £191m (2021: £213m) paid to purchase own shares (including related fees and taxes), £50m (2021: £nil) of shares to be delivered under a share repurchase agreement with an external bank, £38m (2021: £30m) of shares withheld to settle employee tax and other minor movements of £nil (2021: £3m). The £139m (2021: £308m) decrease in own shares held is the gross amount of shares that employees were entitled to receive (of which £38m (2021: £30m) is withheld to settle employee tax). The £12m increase (2021: £97m decrease) in retained earnings primarily relates to £139m (2021: £308m) shares delivered to employees offset by £47m (2021: £147m) cash received from employees exercising SAYE options, £109m (2021: £64m) income statement charge and other minor movements of £(5)m (2021: £nil).

The number of Ordinary shares held by the Tesco International Employee Benefit Trust at 26 February 2022 was 49.9 million (2021: 58.4 million). This represents 0.65% of called-up share capital at the end of the year (2021: 0.76%).

Note 21 Called-up share capital and reserves continued

A financial liability of £73m (2021: £nil) in respect of shares to be delivered under share repurchase agreements with external banks is included in other payables.

Capital redemption reserve

The capital redemption reserve relates to the repurchase and cancellation of shares of the Company. During the financial year, the aggregate nominal value of shares cancelled and transferred to the capital redemption reserve was £6m (2021: £nil).

Merger reserve

The merger reserve represents the difference between the market value and nominal value of shares issued for the acquisition of Booker on 2 March 2018.

Note 22 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		Associates	
	2022 £m	2021 £m	2022 £m	2021 £m
Sales to related parties	501	479	–	–
Purchases from related parties	111	87	–	10
Dividends received	32	18	–	8
Injection of equity funding	11	14	–	–

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 20.

Balances

	Joint ventures		Associates	
	2022 £m	2021 £m	2022 £m	2021 £m
Amounts owed to related parties	(9)	(23)	–	–
Amounts owed by related parties	36	40	–	–
Lease liabilities payable to related parties[a]	(2,335)	(2,718)	–	(144)
Loans to related parties (net of deferred profits)[b]	105	122	–	–

(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 £105m (2021: £122m) are presented net of deferred profits of £38m (2021: £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.

A number of the Group's subsidiaries are members of one or more partnerships to whom the provisions of the Partnerships (Accounts) Regulations 2008 (Regulations) apply. The financial statements for those partnerships have been consolidated into these financial statements pursuant to Regulation 7 of the Regulations.

Note 23 Analysis of changes in net debt

Net debt 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.

				Non-cash movements						
	At 27 February 2021 £m	Cash flows arising from financing activities £m	Other cash flows[a] £m	Fair value gains/(losses) £m	Foreign exchange £m	Interest income/ (charge) £m	Acquisitions and disposals[b] £m	Other £m	Discontinued operations[c] £m	At 26 February 2022 £m
Total Group										
Bank and other borrowings, excluding overdrafts	(6,736)	381	202	82	61	(209)	(606)	–	–	(6,825)
Lease liabilities	(8,402)	577	405	–	14	(405)	355	(492)	(10)	(7,958)
Net derivative financial instruments	455	123	43	100	–	(29)	(64)	–	–	628
Arising from financing activities	**(14,683)**	**1,081**	**650**	**182**	**75**	**(643)**	**(315)**	**(492)**	**(10)**	**(14,155)**
Cash and cash equivalents in the Group balance sheet	2,510	–	(204)	–	11	–	–	–	28	2,345
Overdrafts[d]	(532)	–	(8)	–	1	–	–	–	(35)	(574)
Cash and cash equivalents (including overdrafts) in the Group cash flow statement	1,978	–	(212)	–	12	–	–	–	(7)	1,771
Short-term investments	1,011	–	1,067	–	(2)	–	–	–	–	2,076
Joint venture loans	122	–	4	–	–	–	(21)	–	–	105
Interest and other receivables	–	–	(3)	–	–	4	–	–	–	1
Net debt of the disposal group	(141)	–	–	–	–	–	110	–	17	(14)
Total Group	**(11,713)**	**1,081**	**1,506**	**182**	**85**	**(639)**	**(226)**	**(492)**	**–**	**(10,216)**
Less: Tesco Bank	**242**	**25**	**14**	**68**	**–**	**(7)**	**(42)**	**–**	**–**	**300**
Retail										
Bank and other borrowings, excluding overdrafts	(6,249)	360	200	74	61	(205)	(585)	–	–	(6,344)
Lease liabilities	(8,372)	573	402	–	14	(402)	355	(492)	(10)	(7,932)
Net derivative financial instruments	497	123	43	40	–	(29)	(64)	–	–	610
Arising from financing activities	**(14,124)**	**1,056**	**645**	**114**	**75**	**(636)**	**(294)**	**(492)**	**(10)**	**(13,666)**
Cash and cash equivalents in the Group balance sheet	1,730	–	(213)	–	11	–	–	–	28	1,556
Overdrafts[d]	(532)	–	(8)	–	1	–	–	–	(35)	(574)
Cash and cash equivalents (including overdrafts) in the Group cash flow statement[e]	1,198	–	(221)	–	12	–	–	–	(7)	982
Short-term investments	1,011	–	1,067	–	(2)	–	–	–	–	2,076
Joint venture loans	101	–	4	–	–	–	–	–	–	105
Interest and other receivables	–	–	(3)	–	–	4	–	–	–	1
Net debt of the disposal group	(141)	–	–	–	–	–	110	–	17	(14)
Net debt APM	**(11,955)**	**1,056**	**1,492**	**114**	**85**	**(632)**	**(184)**	**(492)**	**–**	**(10,516)**

(a) Other cash flows for bank and other borrowings excluding overdrafts, lease liabilities and net derivative financial instruments relate to elements of operating and investing activities. Refer to Group cash flow statement.
(b) Movements in Group net debt arising from acquisitions/disposals include an increase in borrowings of £21m and joint venture loans of £21m from the acquisition of Tesco Underwriting Limited, with the remainder relating to the acquisition of The Tesco Sarum Limited Partnership and disposal of Poland. Refer to Note 24 and Note 6. In the prior year, the movements include the disposal of the Group's Thailand and Malaysia operations, the acquisition of The Tesco Property (No. 2) Limited Partnership and the acquisition of the trade and assets of Best Food Logistics.
(c) Movements in lease liabilities in discontinued operations includes repayment of capital element of obligations under leases of £2m, lease terminations of £6m and foreign exchange translation of £2m.
(d) 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.
(e) The movement in cash and cash equivalents including overdrafts for Retail includes £4m (2021: £2m) intragroup funding and intercompany transactions.

Note 23 Analysis of changes in net debt continued

	At 29 February 2020 £m	Cash flows arising from financing activities £m	Other cash flows[a] £m	Non-cash movements Fair value gains/(losses) £m	Foreign exchange £m	Interest income/ (charge) £m	Acquisitions and disposals[b] £m	Other £m	Discontinued operations £m	At 27 February 2021 £m
Total Group										
Bank and other borrowings, excluding overdrafts	(7,118)	716	223	(41)	(2)	(226)	(288)	–	–	(6,736)
Lease liabilities	(9,566)	621	488	–	–	(488)	977	(568)	134	(8,402)
Net derivative financial instruments	198	580	18	(203)	–	(20)	(118)	–	–	455
Arising from financing activities	**(16,486)**	**1,917**	**729**	**(244)**	**(2)**	**(734)**	**571**	**(568)**	**134**	**(14,683)**
Cash and cash equivalents in the Group balance sheet	4,137	–	(1,607)	–	8	–	–	–	(28)	2,510
Overdrafts[d]	(1,106)	–	539	–	–	–	–	–	35	(532)
Cash and cash equivalents (including overdrafts) in the Group cash flow statement	3,031	–	(1,068)	–	8	–	–	–	7	1,978
Short-term investments	1,076	–	(62)	–	(3)	–	–	–	–	1,011
Joint venture loans	127	–	2	–	–	2	(9)	–	–	122
Interest and other receivables	1	–	(12)	–	–	11	–	–	–	–
Net debt of the disposal group	–	–	–	–	–	–	–	–	(141)	(141)
Total Group	**(12,251)**	**1,917**	**(411)**	**(244)**	**3**	**(721)**	**562**	**(568)**	**–**	**(11,713)**
Less: Tesco Bank	**47**	**777**	**(578)**	**2**	**–**	**(6)**	**–**	**–**	**–**	**242**
Retail										
Bank and other borrowings, excluding overdrafts	(5,858)	(58)	219	(40)	(2)	(222)	(288)	–	–	(6,249)
Lease liabilities	(9,533)	618	486	–	–	(486)	977	(568)	134	(8,372)
Net derivative financial instruments	243	580	18	(206)	–	(20)	(118)	–	–	497
Arising from financing activities	**(15,148)**	**1,140**	**723**	**(246)**	**(2)**	**(728)**	**571**	**(568)**	**134**	**(14,124)**
Cash and cash equivalents in the Group balance sheet	2,773	–	(1,023)	–	8	–	–	–	(28)	1,730
Overdrafts[d]	(1,106)	–	539	–	–	–	–	–	35	(532)
Cash and cash equivalents (including overdrafts) in the Group cash flow statement[e]	1,667	–	(484)	–	8	–	–	–	7	1,198
Short-term investments	1,076	–	(62)	–	(3)	–	–	–	–	1,011
Joint venture loans	106	–	2	–	–	2	(9)	–	–	101
Interest and other receivables	1	–	(12)	–	–	11	–	–	–	–
Net debt of the disposal group	–	–	–	–	–	–	–	–	(141)	(141)
Net debt APM	**(12,298)**	**1,140**	**167**	**(246)**	**3**	**(715)**	**562**	**(568)**	**–**	**(11,955)**

Refer to previous table for footnotes.

	2022 £m	2021 £m
Net increase/(decrease) in cash and cash equivalents including overdrafts	(212)	(1,068)
Elimination of Tesco Bank movement in cash and cash equivalents including overdrafts*	(9)	584
Retail cash movement in other Net debt items:		
Net increase/(decrease) in short-term investments	1,067	(62)
Net increase/(decrease) in joint venture loans	4	2
Net (increase)/decrease in borrowings and lease liabilities	933	560
Net cash flows from derivative financial instruments	123	580
Net interest paid on components of Net debt	642	711
Change in Net debt resulting from cash flow	**2,548**	**1,307**
Retail net interest charge on components of Net debt	(632)	(715)
Retail fair value and foreign exchange movements	199	(243)
Retail other non-cash movements	(492)	(568)
Acquisition of property joint venture (Note 24)	(294)	(161)
Acquisition of Best Food Logistics	–	(42)
Disposal of Poland operations (Note 6)	110	–
Disposal of the Asia business	–	765
(Increase)/decrease in Net debt	**1,439**	**343**
Opening Net debt	(11,955)	(12,298)
Closing Net debt	**(10,516)**	**(11,955)**

* The movement in cash and cash equivalents including overdrafts for Tesco Bank includes £(4)m (2021: £(2)m) intragroup funding and intercompany transactions.

Note 24 Acquisitions

Acquisition of Tesco Underwriting Limited

On 4 May 2021 the Group acquired the remaining 50.1% ordinary share capital of its joint venture entity, Tesco Underwriting Limited (TU), from its joint venture partner, Ageas (UK) Limited. TU is an authorised insurance company which provides the insurance underwriting service for several of the Group's general insurance products.

The transaction has been accounted for as an acquisition of a business in accordance with IFRS 3 'Business Combinations'. The acquisition is in line with the Group's strategy of focusing on propositions which better meet the needs of Tesco shoppers. The investment will significantly enhance the Group's insurance capability. Total cash consideration of £90m has been paid to date, with an additional deferred payment of £5m due to be paid on expiry of the exit period, subject to the fulfilment of the joint venture partner's obligations in relation to the migration and transition of the TU business to the Group. Payment is expected to take place in May 2022. In line with the requirements of IFRS 3, the existing equity interest in TU held by the Group immediately before the acquisition date was remeasured to a fair value of £89m. This resulted in a remeasurement gain for the Group of £5m, included in the Group income statement.

The Group also recognised a gain of £5m in relation to its share of TU's available-for-sale (AFS) reserve immediately prior to acquisition, included in the Group income statement.

	£m
Cash consideration paid	90
Contingent consideration	5
Non-cash settlement of pre-existing relationships	12
Fair value of the Group's 49.9% investment	89
Total purchase consideration	**196**

The table below sets out the fair values of the identifiable assets and liabilities acquired:

Assets	£m
Cash and balances with central banks	42
Investment securities	635
Reinsurance assets	247
Prepayments and accrued income	2
Other assets	24
Intangible assets	18
Property, plant and equipment	1
Total assets	**969**
Liabilities	
Accruals and deferred income	(15)
Other liabilities	(5)
Deferred tax liability	(2)
Insurance fund withheld	(100)
Insurance contract provisions	(650)
Subordinated liabilities	(21)
Total liabilities	**(793)**
Total fair value acquired	**176**
Total purchase consideration	196
Less: Fair value recognised	(176)
Goodwill recognised	**20**

The goodwill arising on the acquisition is primarily attributable to synergies which are expected to be realised from the acquisition and having full control over the insurance business and has been allocated to the Tesco Bank segment. None of the goodwill is expected to be deductible for tax purposes. Acquired intangible assets comprise internally generated computer software of £18m, which is amortised over a period of five years. The fair value of acquired insurance and other receivables was £26m.

The contribution of the business since acquisition to revenue, operating profit and profit before tax was £239m, £13m and £16m respectively. If the acquisition had occurred on 28 February 2021, the Group's revenue for the year would have increased by £51m to £61,395m, operating profit would have increased by £5m to £2,565m and profit before tax would have increased by £2m to £2,035m.

Transaction costs of £3m, included in administrative expenses, were incurred by the Group in relation to the acquisition during the year to 26 February 2022 (2021: £nil).

Note 24 Acquisitions continued

Acquisition of property joint venture – The Tesco Sarum Limited Partnership

On 17 December 2021, the Group obtained control of The Tesco Sarum Limited Partnership (the partnership), previously accounted for as a joint venture, through the acquisition of the other partner's 50% interest for £35m. The Group paid £13m stamp duty on the acquisition. The partnership had bond and derivative liabilities, and owned 11 stores, which the partnership previously leased to the Group. The acquisition, which has been treated as an asset acquisition, increased the Group's owned 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	584
Cash and cash equivalents		5
Other working capital		(4)
Borrowings	23	(585)
Derivative liabilities	23	(64)
Total assets and liabilities acquired		**(64)**
Consideration paid		35
Stamp duty paid		13
Derecognition of the Group's lease liabilities with the partnership	23	(355)
Derecognition of the Group's right of use assets with the partnership	11	243
Total cost*		**(64)**

* 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 on the Group income statement. The related tax charge on acquisition of £25m 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	(62)
Total adjusting gain/(loss) within cost of sales		**(62)**
Taxation – adjusting item	3	(25)
Total adjusting gain/(loss) after taxation		**(87)**

Note 25 Contingent liabilities

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 30,000 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 their pay and the pay of any comparator are set by the same body. Following superior court decisions involving other major supermarkets, TSL has conceded this point.

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. These two stages remain some time away and it is currently estimated that the Equal Pay Claims are unlikely to be determined before 2027, although a final date is impossible to predict with any certainty and any final decision may be delayed further by any 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. In the event TSL were to be unsuccessful in its legal defences at all 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 26 Events after the reporting period

See Note 1 for further details of the Group's assessment of the impact of the war in Ukraine, both before and after the balance sheet date. 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 2021/22	Q2 2021/22	Q3 2021/22	Q4 2021/22	H1 2021/22	H2 2021/22	FY 2021/22
UK & ROI	**1.3%**	**3.6%**	**2.3%**	**1.9%**	**2.4%**	**2.1%**	**2.2%**
UK	0.5%	2.0%	0.2%	(1.2)%	1.2%	(0.5)%	0.4%
ROI	(6.1)%	1.2%	(3.3)%	(3.0)%	(2.6)%	(3.2)%	(2.9)%
Booker	9.2%	12.5%	16.2%	24.2%	11.0%	19.9%	15.3%
Central Europe	**(1.6)%**	**4.3%**	**3.1%**	**5.8%**	**1.4%**	**4.5%**	**2.9%**
Total Retail	**1.0%**	**3.6%**	**2.4%**	**2.2%**	**2.3%**	**2.3%**	**2.3%**
Tesco Bank	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Total Group	**1.0%**	**3.6%**	**2.4%**	**2.2%**	**2.3%**	**2.3%**	**2.3%**

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

	Actual rates			Constant rates		
	H1 2021/22	H2 2021/22	FY 2021/22	H1 2021/22	H2 2021/22	FY 2021/22
UK & ROI	**2.7%**	**2.0%**	**2.3%**	**2.9%**	**2.3%**	**2.6%**
UK	1.8%	(0.2)%	0.8%	1.8%	(0.2)%	0.8%
ROI	(5.8)%	(8.4)%	(7.1)%	(2.0)%	(2.9)%	(2.4)%
Booker	11.1%	19.4%	15.1%	11.1%	19.4%	15.1%
Central Europe	**(0.8)%**	**0.7%**	**(0.0)%**	**2.6%**	**4.9%**	**3.7%**
Total Retail	**2.4%**	**1.9%**	**2.2%**	**2.9%**	**2.5%**	**2.7%**
Tesco Bank	**12.2%**	**39.9%**	**25.4%**	**12.2%**	**39.9%**	**25.4%**
Total Group	**2.6%**	**2.4%**	**2.5%**	**3.0%**	**3.0%**	**3.0%**

Country detail – Retail

	Revenue (exc. VAT, inc. fuel)			
	Local currency (m)	£m	Average exchange rate	Closing exchange rate
UK	46,161	46,161	1.0	1.0
ROI	2,919	2,488	1.2	1.2
Booker	7,755	7,755	1.0	1.0
Czech Republic	41,832	1,404	29.8	29.4
Hungary	575,048	1,368	420.4	434.6
Slovakia	1,441	1,228	1.2	1.2

UK sales area by size of store

	26 February 2022			27 February 2021		
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	2,556	5.5	14.2%	2,534	5.5	14.2%
3,001-20,000	281	3.0	7.8%	282	3.0	7.8%
20,001-40,000	286	8.3	21.4%	285	8.2	21.2%
40,001-60,000	182	8.8	22.7%	182	8.8	22.8%
60,001-80,000	120	8.4	21.7%	120	8.4	21.8%
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*	**3,478**	**38.7**	**100.0%**	**3,456**	**38.6**	**100.0%**

* Excludes Booker and franchise stores.

Supplementary information (unaudited) continued

Group space summary

Actual Group space – store numbers[a]

	2020/21 year end	Openings	Closures/ disposals	Net gain/ (reduction)[b]	2021/22 year end	Repurposing/ extensions[c]
Large[d]	797	2	(1)	1	798	–
Convenience[d]	1,936	40	(10)	30	1,966	–
Dotcom only	6	–	–	–	6	–
Total Tesco	**2,739**	**42**	**(11)**	**31**	**2,770**	**–**
One Stop[e]	705	10	(20)	(10)	695	–
Booker	194	–	(2)	(2)	192	–
Jack's	12	1	–	1	13	–
UK[e]	3,650	53	(33)	20	3,670	–
ROI	151	1	–	1	152	–
UK & ROI[e]	**3,801**	**54**	**(33)**	**21**	**3,822**	**–**
Czech Republic[e]	183	2	–	2	185	3
Hungary	201	–	(3)	(3)	198	4
Slovakia[e]	153	1	–	1	154	5
Central Europe[e]	**537**	**3**	**(3)**	**–**	**537**	**12**
Group[e]	**4,338**	**57**	**(36)**	**21**	**4,359**	**12**
UK (One Stop)	207	55	(10)	45	252	–
Czech Republic	123	7	(4)	3	126	–
Slovakia	5	10	–	10	15	–
Franchise stores	**335**	**72**	**(14)**	**58**	**393**	**–**
Total Group	**4,673**	**129**	**(50)**	**79**	**4,752**	**12**

Actual Group space – '000 sq. ft.[a]

	2020/21 year end	Openings	Closures/ disposals	Repurposing/ extensions[c]	Net gain/ (reduction)[b]	2021/22 year end
Large[d]	31,356	55	(9)	–	46	31,402
Convenience[d]	5,227	85	(25)	–	60	5,287
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,299**	**140**	**(34)**	**–**	**106**	**37,405**
One Stop[e]	1,150	22	(38)	–	(16)	1,134
Booker	8,284	–	(74)	–	(74)	8,210
Jack's	119	9	–	–	9	128
UK[e]	46,852	171	(146)	–	25	46,877
ROI	3,335	9	–	–	9	3,344
UK & ROI[e]	**50,187**	**180**	**(146)**	**–**	**34**	**50,221**
Czech Republic[e]	4,266	41	–	(59)	(18)	4,248
Hungary	5,997	–	(25)	(45)	(70)	5,927
Slovakia[e]	3,151	13	–	(21)	(8)	3,143
Central Europe[e]	**13,414**	**54**	**(25)**	**(125)**	**(96)**	**13,318**
Group[e]	**63,601**	**234**	**(171)**	**(125)**	**(62)**	**63,539**
UK (One Stop)	256	81	(12)	42	111	367
Czech Republic	118	5	(8)	–	(3)	115
Slovakia	5	8	–	–	8	13
Franchise stores	**379**	**94**	**(20)**	**42**	**116**	**495**
Total Group	**63,980**	**328**	**(191)**	**(83)**	**54**	**64,034**

(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) Following the rebranding of Metro stores in the first half of 2021/22, 2 stores (17,361 sq. ft. of space) have been reclassified from Convenience to Large in the 2020/21 brought forward figures.
(e) Excludes franchise stores.

Supplementary information (unaudited) continued

Group space forecast to 25 February 2023 – ’000 sq. ft.[a]

	2021/22 year end	Openings	Closures/ disposals	Repurposing/ extensions	Net gain/ (reduction)	2022/23 year end
Large	31,402	94	(65)	9	38	31,440
Convenience	5,287	150	(16)	-	134	5,421
Dotcom only	716	-	-	-	-	716
Total Tesco	**37,405**	**244**	**(81)**	**9**	**172**	**37,577**
One Stop[b]	1,134	40	-	-	40	1,174
Booker	8,210	-	-	-	-	8,210
Jack’s	128	-	(128)	-	(128)	-
UK[b]	46,877	284	(209)	9	84	46,961
ROI	3,344	43	-	7	50	3,394
UK & ROI[b]	**50,221**	**327**	**(209)**	**16**	**134**	**50,355**
Czech Republic[b]	4,248	45	-	(134)	(89)	4,159
Hungary	5,927	-	-	(141)	(141)	5,786
Slovakia	3,143	69	-	(29)	40	3,183
Central Europe[b]	**13,318**	**114**	-	**(304)**	**(190)**	**13,128**
Group[b]	**63,539**	**441**	**(209)**	**(288)**	**(56)**	**63,483**
UK (One Stop)	367	126	-	-	126	493
Czech Republic	115	6	(1)	-	5	120
Slovakia	13	18	-	-	18	31
Franchise stores	**495**	**150**	**(1)**	-	**149**	**644**
Total Group	**64,034**	**591**	**(210)**	**(288)**	**93**	**64,127**

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

Tesco Bank income statement

	2022[a] £m	2021[a] £m
Revenue		
Interest receivable and similar income	473	542
Fees and commissions receivable	210	193
Gross insurance premium income	239	–
	922	**735**
Direct costs		
Interest payable	(42)	(83)
Fees and commissions payable	(20)	(17)
Insurance premium income ceded to reinsurers	(105)	–
Insurance claims	(150)	–
Reinsurers’ share of claims incurred	62	–
	(255)	**(100)**
Other income	15	–
Gross profit	**682**	**635**
Other expenses		
Staff costs	(210)	(176)
Premises and equipment	(68)	(75)
Other administrative expenses	(193)	(142)
Depreciation and amortisation	(65)	(57)
Impairment reversal/(loss) on financial assets	30	(360)
Operating profit/(loss) before adjusting items	**176**	**(175)**
Adjusting items[b]	–	(295)
Operating profit/(loss)	**176**	**(470)**
Finance income/(costs): movements on derivatives and hedge accounting	2	(2)
Finance income/(costs): interest	(4)	(6)
Finance income/(costs): leases	(2)	(1)
Share of profit/(loss) of joint venture	3	16
Profit/(loss) for the year	**175**	**(463)**

(a) These results are for the 12 months ended 28 February 2022 and the previous period represents the 12 months ended 28 February 2021.
(b) Adjusting items in 2022 comprise a goodwill impairment charge of £nil (2021: goodwill impairment charge of £(295)m).

Glossary – Alternative performance measures

Introduction

In the reporting of financial information, the Directors have adopted various 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 is more comparable 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 Notes 1 and 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 Directors and management have redefined Retail free cash flow to exclude cash flows from business acquisitions and disposals, investments in joint ventures, associates, unlisted equity investments, cash flows from the sale of property and other fixed assets, buyback of property and other adjusted cash flows. 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.

The Retail operating cash flow and Free cash flow APMs are no longer used following the redefinition of the Retail free cash flow APM.

The Directors and management have simplified the naming of the Group's profit and EPS APMs. References to: exceptional items and amortisation of acquired intangibles, net pension finance costs and/or fair value remeasurements of financial instruments, as applicable, have been replaced with 'adjusted' in the names of the measures. The definitions of these APMs have not altered. For consistency, net pension finance costs and fair value remeasurements of financial instruments have been included within adjusting items on the face of the income statement.

Comparative information has been restated for these changes.

The Directors and management have added Net debt/EBITDA ratio as a new indebtedness APM, which is defined as Net debt divided by Retail EBITDA. This metric is used to demonstrate the Group's ability to meet its payment obligations and removes any movements in the IAS 19 pension obligation, largely driven by external market factors outside of the control of management, that are present in the Total Indebtedness measure. Since the new APM is intended to provide additional useful information on trends in indebtedness, the Directors and management will continue to present the existing indebtedness APMs.

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 and Note 1 for further information on adjusting items. – 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 costs and fair value measurements. Net pension finance 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 and Note 1 for further information on adjusting items.
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.
Adjusted diluted earnings per share (adjusted for share consolidation)	Diluted earnings per share from continuing operations	– Adjusting items[(b)] – Weighted average number of diluted shares	– To aid comparability, this measure is adjusted to reflect the full impact of the 2020/21 financial year share consolidation as if it had taken place at the start of the previous financial year, providing an alternative view of the year-on-year progression of adjusted diluted earnings per share. – By presenting the weighted average number of diluted shares in this way, it removes the impact of the sale of our businesses in Thailand and Malaysia to provide a consistent view between numerator and denominator. Earnings from discontinued operations are excluded from the numerator, but the weighted average share base used in the statutory IAS 33 denominator reflects the full impact of the share consolidation and special dividend in the 2020/21 financial year.
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.
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 other receivables 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 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 1 and Note 3.

Glossary – Alternative performance measures continued

APMs: Reconciliation of income statement measures

Adjusted diluted earnings/(loss) per share (adjusted for share consolidation)

		APM 2022	APM* 2021
Adjusted profit after tax attributable to owners of the parent (£m)	8	**1,693**	**892**
Diluted weighted average number of shares (millions)		7,746	9,656
Adjustment to reflect the post-consolidation share base as if it had been in place from the start of the previous financial year (millions)		–	(1,956)
Adjusted diluted weighted average number of shares (adjusted for share consolidation) (millions)		**7,746**	**7,700**
Adjusted diluted earnings per share (pence)		**21.86**	**9.24**
Adjustment to reflect the post-consolidation share base as if it had been in place from the start of the previous financial year (pence)		–	2.34
Adjusted diluted earnings per share (adjusted for share consolidation) (pence)		**21.86**	**11.58**

* Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.

Retail EBITDA

	Notes	APM 2022 £m	APM* 2021 £m
Operating profit/(loss)	2	**2,560**	**1,547**
Less: Adjusting items	2	265	241
Adjusted operating profit	2	**2,825**	**1,788**
Less: Adjusted Tesco Bank operating (profit)/loss	2	(176)	175
Retail adjusted operating profit	2	**2,649**	**1,963**
Add: Depreciation and amortisation before adjusting items	2	1,642	1,668
Less: Tesco Bank depreciation and amortisation	2	(65)	(57)
Retail EBITDA		**4,226**	**3,574**

* Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.

APMs: Reconciliation of balance sheet measures

Net debt/EBITDA and Total indebtedness ratio

	Notes	APM 2022	APM 2021
Net debt (£m)	23	10,516	11,955
Retail EBITDA (£m)		4,226	3,574
Net debt/EBITDA ratio		**2.5**	**3.3**
Net debt (£m)	23	10,516	11,955
Add: Defined benefit pension deficit, net of deferred tax (£m)	20	242	1,004
Total indebtedness (£m)		**10,758**	**12,959**
Retail EBITDA (£m)		**4,226**	**3,574**
Total indebtedness ratio		**2.5**	**3.6**

Fixed charge cover

	Notes	APM 2022	APM 2021
Net finance costs (£m)	4	542	937
Less: Net pension finance costs (£m)	4	(22)	(43)
Add: Fair value remeasurements of financial instruments (£m)	4	123	(214)
Adjusted total finance costs (£m)		**643**	**680**
Less: Finance charges payable on lease liabilities (£m)	4	(405)	(446)
Adjusted total finance cost, excluding capitalised interest and finance charges payable on lease liabilities (£m)		**238**	**234**
Add: Retail total lease liability payments (£m)	23	977	1,104
Less: Retail discontinued operations total lease liability payments (£m)		(2)	(99)
		1,213	1,239
Retail EBITDA (£m)		**4,226**	**3,574**
Fixed charge cover		**3.5**	**2.9**

Capex

	Notes	APM 2022 £m	APM 2021[a] £m
Property, plant and equipment additions[b]	10	**1,587**	**1,354**
Goodwill and other intangible asset additions[b]	9	**229**	**201**
Less: Additions from obtaining control of property joint venture[c]	10	(584)	(326)
Less: Additions from other property buybacks	10	(37)	(209)
Less: Additions relating to decommissioning provisions and similar items		(94)	(5)
Capex		**1,101**	**1,015**

(a) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.
(b) Excluding amounts acquired through business combinations.
(c) Acquisition of The Tesco Sarum Limited Partnership in 2022 and The Tesco Property (No.2) Limited Partnership in 2021.

Glossary – Alternative performance measures continued

APMs: Reconciliation of cash flow measures

	Notes	APM 2022 £m	APM 2021 £m
Cash generated from/(used in) operating activities	2	**3,757**	**602**
Cash generated from/(used in) investing activities	2	**(1,735)**	**6,171**
Less: Cash generated from/(used in) operating activities in Tesco Bank	2	(149)	(94)
Less: Cash generated from/(used in) operating activities in discontinued operations	2	6	(187)
Less: Cash generated from/(used in) investing activities in Tesco Bank	2	119	(101)
Less: Cash generated from/(used in) investing activities in discontinued operations	2	(43)	820
	2	**1,955**	**7,211**
Own shares purchased in relation to share schemes	2	(144)	(66)
Retail repayments of capital element of obligations under leases	2	(571)	(561)
Exclude/add back:			
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	(308)	(181)
Retail purchase of property, plant and equipment and investment property – property buybacks	2	80	291
Retail disposal of subsidiaries, net of cash disposed	2	(117)	(7,806)
Retail acquisition of businesses, net of cash acquired	2	–	(15)
Retail investments in/(proceeds from sale of) joint ventures and associates	2	(4)	11
Retail adjusting net cash (generated from)/used in operating activities	2	316	2,515
Retail increase/(decrease) in loans to joint ventures and associates	2	4	2
Retail net investments in/(proceeds from sale of) other investments	2	(1)	1
Retail net investments in/(proceeds from sale of) short-term investments	2	1,067	(62)
Retail free cash flow	2	**2,277**	**1,340**

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

	Notes	APM 2022 £m	APM 2021 £m
Retail free cash flow	2	**2,277**	**1,340**
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	308	181
Retail purchase of property, plant and equipment and investment property – property buybacks	2	(80)	(291)
Retail disposal of subsidiaries, net of cash disposed	2	117	7,806
Add: Cash outflow from major disposal*		–	(5,337)
Retail acquisition of businesses, net of cash acquired	2	–	15
Retail (investments in)/proceeds from sale of joint ventures and associates	2	4	(11)
Retail (investments in)/proceeds from sale of other investments	2	1	(1)
Retail adjusting net cash (generated from)/used in operating activities	2	(316)	(2,515)
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	**2,311**	**1,187**

* Retail cash flow from major disposal of £5,337m in the financial year ended 27 February 2021 principally comprises the £7.8bn proceeds on disposal of the Group's Asia operations, excluding cash disposed and intercompany loan repayments, less the £2.5bn additional pension contribution.

Glossary – Other

CPI
Consumer price index.

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.

EURIBOR
Euro Interbank Offered Rate.

ESG
Environmental, social and governance.

FTE
Full-time equivalents.

LIBOR
London Interbank Offered Rate.

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 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).

RPI
Retail price index.

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.