TESCO

Preliminary Results 2023/24

MARKET SHARE GAINS AND RETURN TO POSITIVE VOLUME GROWTH AS CUSTOMERS SHOP MORE AT TESCO.

Performance highlights (on a continuing operations basis)[1,2]	FY 23/24	FY 22/23[3]	Change at actual rates	Change at constant rates
Group sales (exc. VAT, exc. fuel)[4]	**£61,477m**	£57,216m	7.4%	7.2%
Adjusted operating profit[5]	**£2,829m**	£2,509m	12.8%	12.7%
- Retail	£2,760m	£2,487m	11.0%	10.9%
- Tesco Bank[1]	£69m	£22m	213.6%	213.6%
Retail free cash flow[6]	**£2,063m**	£2,133m	(3.3)%	
Net debt[6,7]	**£(9,764)m**	£(10,493)m	6.9%	
Adjusted diluted EPS[5]	**23.41p**	20.53p	14.0%	
Dividend per share[7]	**12.10p**	10.90p	11.0%	
Statutory measures (on a continuing operations basis)[1]				
Revenue (exc. VAT, inc. fuel)	**£68,187m**	£65,322m	4.4%	
Operating profit	**£2,821m**	£1,410m	100.1%	
Profit before tax	**£2,289m**	£882m	159.5%	
Retail cash generated from operating activities	**£3,712m**	£3,752m	(1.1)%	
Diluted EPS	**24.53p**	8.81p	178.4%	
Statutory measures (including discontinued operations)[1]				
Profit for the year (after tax)	**£1,192m**	£736m	62.0%	
Diluted EPS	**16.56p**	9.85p	68.1%	

The results of our existing banking operations (credit cards, loans and savings) have been treated as discontinued following our 9 February 2024 announcement of the proposed sale to Barclays. As such, Tesco Bank results included in continuing operations above refer only to the retained Tesco Bank business, i.e. insurance and money services. Total Tesco Bank adjusted operating profit including discontinued operations was £148m[1].

Ken Murphy, Chief Executive

"This strong performance reflects the hard work of colleagues across the whole Tesco Group, and their commitment to serving our customers. Customers are choosing to shop more at Tesco, which is reflected in growing market share as they respond to the improvements we've made to the value and quality of our products.

Inflationary pressures have lessened substantially, however we are conscious that things are still difficult for many customers, so we have worked hard to reduce prices and have now been the cheapest full-line grocer for well over a year. We have continued to invest in helping customers where it matters most, cutting prices on more than 4,000 products and doubling down on our powerful combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices. Customer perception of the quality of our products is growing ahead of the market and we continue to win customers from premium retailers, with sales of Tesco Finest now exceeding £2bn.

We have strong momentum in our business, and are encouraged by signs of improving consumer sentiment. We're excited about the opportunities ahead, with the right plans to keep winning with customers, as well as a great team to deliver them."

Sales growth across all markets and continued cost savings deliver strong financial performance:

- Strong sales performance across the Group, with Retail LFL[8] sales up 6.8%; inflation fell throughout the year, with volume growth in the UK and Republic of Ireland across the second half
  - UK & ROI LFL sales up 7.3%, including UK up 7.7%, ROI up 6.8% and Booker up 5.4%
  - Central Europe LFL sales up 0.2% in a challenging trading environment, with our investments in value supporting an improving volume trajectory during the second half
- Statutory revenue £68,187m, up 4.4%, includes impact of (17.2)% lower fuel sales, primarily due to reduced retail prices
- Retail adjusted operating profit[5] £2,760m, up 10.9% at constant rates, including Save to Invest delivery of c.£640m
  - UK & ROI adjusted operating profit £2,670m, up 15.7%, as a strong trading performance and accelerated cost savings offset significant cost headwinds and our investments in value, quality and service
  - Central Europe adjusted operating profit £90m, down (50.0)%, primarily driven by cost inflation headwinds and regulatory actions in Hungary
- Statutory operating profit[1] £2,821m, up 100.1%, reflects last year's £(982)m non-cash impairment charge compared to a £28m net release this year
- Strong retail free cash flow[6] £2,063m, including a positive working capital inflow of £418m
- Net debt[6,7] reduced by £729m due to strong cash flow and Bank special dividend of £250m; net debt/EBITDA ratio at 2.2x
- Supporting returns to shareholders through ongoing buyback programme; £750m of shares purchased during 23/24
- Proposed final dividend of 8.25pps, with full year dividend of 12.10pps, up 11.0% year-on-year

Footnotes can be found on page 5

Winning with customers through investments in value, quality and service:

- Strengthening brand perception in both value and quality; all customer satisfaction measures improving
- Overall gains in both value and volume share in UK and ROI; UK value +28bps and volume +8bps, with 12 consecutive periods of switching gains; ROI value +73bps and volume +76bps, with 15 consecutive periods of switching gains
- Latest market share results (to 17 March 2024) strengthened further, with UK value +53bps and volume +26bps
- Unique customer offer combining Aldi Price Match on >600 lines, Low Everyday Prices on >1,000 lines and c.8,000 exclusive Clubcard Prices deals each week, means we have been the cheapest full-line grocer for 16 consecutive months
- Investing in product quality and innovation, launching over 1,000 new products and improving c.2,700 existing lines
- Value for money and quality reflected in 19 consecutive periods of net switching gains from premium retailers

Maintaining disciplined approach to investment whilst investing in high-returning future growth & digital capability:

- Continued store expansion & improvement, with net increase of 87 stores (UK 74, ROI 4, CE 9) and 389 store refreshes
- Developing AI technology solutions to drive productivity, competitiveness and value for customers, including new range optimisation tool which automates bespoke product selection based on store location and demographic
- Enhanced transport scheduling system and new stock assembly processes driving greater supply chain efficiency
- Started construction of fresh food distribution centre in Aylesford, Kent, incorporating robotic automation technology
- Stepped up investment to support Booker growth, including conversion of Fareham Makro into c.120k sq.ft retail hub, unlocking more choice for retail customers and freeing up catering capacity
- Continuing to selectively invest in high-returning initiatives, with total capital expenditure of £1.3bn in 23/24; expected spend of £1.4bn in 24/25
- Entered into global grocery retail innovation partnership with Ahold Delhaize, Sobeys, Shoprite and Woolworths, to jointly invest in startups which accelerate growth and sustainability

Balancing the needs of all stakeholders to create long-term, sustainable value:

- Largest ever increase in colleague pay, in addition to 'Thank You' payment for hourly paid colleagues and new wellbeing benefits, including virtual GP appointments and enhanced family leave
- Investing in skills and employment with more hours for existing colleagues, the launch of a new retail apprenticeship programme, and plans to create c.2,000 additional UK roles across 70 new stores and our technology and online teams
- Continued strong support for our communities with launch of Stronger Starts programme, funding activities and nutrition in 4,000 projects, and significantly increased donations to food banks and charities, now at 4 million meals per month
- Improving product sourcing and efficiency of supply chain through collaboration with suppliers, contributing an additional £75m to British agriculture; #1 position in Advantage supplier survey for eighth year in a row
- Healthy products now 63% of sales volume in UK and ROI, well on track to achieve 2025 target of 65%

Planned sale of banking operations and long-term strategic partnership with Barclays announced in February 2024:

- Sale expected to complete in second half of 2024, generating c.£700m cash (net of transaction costs) made up of c.£600m consideration and c.£100m other net cash; planned sale results in a remeasurement loss of £(628)m (post-tax)
- Combined with £250m special dividend paid to the Group by Tesco Bank in August 2023, expected to deliver c.£1bn of cash
- Total Tesco Bank adjusted operating profit for the year of £148m, in line with guidance; including £69m from retained business (insurance and money services), presented within continuing operations
- Banking operations classified as discontinued, with £79m adjusted operating profit excluded from headline performance
- On an annualised basis, we expect the retained Tesco Bank business to generate £80m to £100m adjusted operating profit, including income from partnership with Barclays, enabling us to offer Tesco-branded financial products and services

CAPITAL RETURN PROGRAMME.

Since launching our capital return programme in October 2021, we have now purchased £1.8bn worth of shares, including £750m in the twelve months to April 2024. We continue to see the buyback programme as an ongoing and critical driver of shareholder returns and we are pleased to announce that we will buy back £1.0bn worth of shares over the next twelve months, including £250m funded by the special dividend paid by Tesco Bank in August 2023. A further update on our plans for the return of the proceeds generated from the sale of our banking operations will be provided following completion.

OUTLOOK.

The investments we've made to date have strengthened our offer to customers, made us more efficient, and more digitally capable, establishing a strong foundation for future growth. We are building a consistent track record of delivery against the performance framework we set out in October 2021.

For the 2024/25 financial year, we expect retail adjusted operating profit of at least £2.8bn. In addition, we expect total adjusted operating profit from the retained Tesco Bank business of around £80m, which includes a part-year amount of partnership income, based on the completion of the transaction towards the end of this calendar year. We expect to generate retail free cash flow within our guidance range of £1.4bn to £1.8bn.

STRATEGIC PRIORITIES.

Our strategic priorities ensure that we focus on offering great value, quality and convenience whilst also rewarding loyalty. Through our colleagues, our reach and our supplier relationships we are well-placed to serve our customers whenever, wherever and however they need us. Our strategy guides us to drive top-line growth, grow profit and generate cash and in doing so, deliver for all our stakeholders.

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

- Led the way on passing savings on to customers; prices cut on over 4,000 products by an average of c.12% over the year
- Clubcard Prices on around 8,000 products each week, saving customers up to £360 off the annual cost of their groceries
- Continual process of quality innovation and improvement, with 1,047 new lines introduced during the year, including our new Finest Summer, 'Slow Cooked' and Christmas party food ranges and meat-free Plant Chef ready meals
- Finest sales now >£2bn, up 15.7% during the year, with volumes up 9.0% and more than 23m customers buying into our Finest brand, including one in four customer baskets containing a Finest product over Christmas
- Increases in all customer perception scores, including satisfaction (+101bps), quality (+96bps) and value (+88bps)
- Further strengthening our non-food offering with the introduction of Paperchase and The Entertainer brands, adding premium stationery and an even more compelling toys range to our stores, respectively
- Quality of Booker offer reflected in winning 2023 Quality Awards Foodservice Operator of the year
- Largest ever Booker Catering price lock on over 700 products throughout the Christmas period, with a further 600 products locked through to May 2024

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

- Expanding Clubcard reach: now over 22m Clubcard households in UK, +6.2% YoY; Tesco app users increased to 16.3m across the Group: UK 12.7m, ROI 1.0m, Central Europe 2.6m
- Clubcard sales penetration up in all markets, now at: UK 82%, ROI 85%, Central Europe 87%, Mobile 88% and Bank 66%
- Double Clubcard points event for first time in a decade, >10bn Clubcard points issued during January & February event
- Growing personalisation: issuing 289m personalised coupons to 7.6m customers during the year; 'Clubcard Unpacked' shopper insight reached over 17m customers, up from 9m last year
- Growing reach of digital media with significant increase in number of connected screens; c.2,000 now installed
- Leveraging Clubcard insights and dunnhumby expertise to create sophisticated digital platform; more than 17,000 campaigns delivered in the year, with newly created team focused on growing our retail media contribution

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

- Opened 113 stores across the Group (seven new superstores, 60 Express stores & 27 One Stop stores in UK, one superstore and four Express stores in ROI, and 14 new stores in Central Europe)
- UK online market share strong at c.34%; further strengthened availability to 98.1% with 'perfect orders' up 20ppts YoY
- Whoosh now available in 1,424 stores; available to 66% of population; with 74% of deliveries within 30 minutes and larger baskets now available in over 1,000 stores
- Opened a further three Urban Fulfilment Centres in Gallions Reach, King's Lynn and Coventry; now at nine UFCs in total
- Almost doubled number of electric home delivery vans to 571, now at 11% of fleet; target to be fully electric in UK by 2030
- Working with 354 net new Booker retail partners; converted existing Fareham site into c.120k sq.ft retail hub, unlocking more choice for retail customers and freeing up catering capacity
- Tesco Mobile ranked highest mobile brand in the UK Customer Satisfaction index - also won overall network of the year and best network for customer service at the 2024 Uswitch Telecoms Awards

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

- Exceeded savings target, with c.£640m of savings in 23/24 and £1.2bn total cumulative savings over past two years
- Strong delivery across all areas: goods and services not for resale, property, operations and central overheads
- Completed space realignment and optimisation of management structures in large stores
- End-to-end review of promotional replenishment to strengthen availability and deliver efficiency gains
- Further energy consumption initiatives delivered in the year, including upgraded LED lighting
- Strong plan to deliver a further £500m of efficiency savings in 24/25

COMMUNITIES.

During the year, we launched Stronger Starts, our £5m grant programme, which has so far supported around 4,000 projects for children and young people, providing support around health, nutrition and physical activity.

We have worked with our redistribution partners to significantly increase the amount of surplus food we donate to charities and local communities in the UK, donating over four million meals per month, bringing our total to date to over 200 million meals. In ROI, we celebrated ten years of the Surplus Redistribution Programme, with 20 million meals donated to date, whilst Booker have joined Tesco in being awarded the FareShare Food Partner Logo in recognition of their consistent food donation work.

We've made strong progress on health in the year, with healthy products now accounting for 63% of sales volume in the UK and ROI, well on track towards achieving our target of 65% by 2025. We remain committed to making healthy options more accessible and affordable for all our customers, and we expanded our Better Baskets campaign in the year, with dedicated zones now in seven different aisles in our large stores.

PLANET.

We continue to take action on climate change and this year we became one of the first companies globally to set validated science-based targets on all greenhouse gas emissions across our full Group value chain, including those originating from forests, land and agriculture (FLAG). The Science Based Targets Initiative (SBTi) validated our stretching commitments, as we work towards our objective of net zero across our entire value chain by 2050, aligned to a 1.5-degree pathway. We have made significant progress in the year in reducing emissions in our own operations (Scope 1 and 2), delivering a 61% reduction against our baseline, exceeding our 2025 target of 60%. Our actions included rolling out 278 more electric delivery vans in the UK, moving to lower emissions refrigerant gases in our chilled distribution network, and installing heat pumps which are now in most of our UK Express stores and a small number of stores across ROI and Central Europe.

We already use 100% renewable electricity across the Group and plan to roll-out solar panels on 100 of our stores across the UK over the next three years. We generate renewable energy as part of our partnership with EDF Renewables and a number of other partners, through offsite power purchase arrangements. These partnerships are expected to generate around a third of our UK electricity demand within the next 18 months. We are also supporting our agricultural suppliers' transition to low-carbon fertilisers, with our second year of trials underway and covering ten times the area of the first year; and engaging our suppliers to better support our net zero commitment, with over 70% (by cost of goods sold) now having publicly set a net zero ambition.

GROUP REVIEW OF PERFORMANCE.

On a continuing operations basis[1]

As set out on page 1 of this release, the results of our existing banking operations have been treated as discontinued following the announcement of our proposed sale to Barclays. As such, Tesco Bank results included in the table below and within the segmental review of performance, refer only to the retained Tesco Bank business, i.e. insurance and money services, unless otherwise stated.

52 weeks ended 24 February 2024[2,7]	FY 23/24	FY 22/23[3]	Change at actual rates	Change at constant rates
Sales (exc. VAT, exc. fuel)[4]	**£61,477m**	**£57,216m**	**7.4%**	**7.2%**
Fuel	£6,710m	£8,106m	(17.2)%	(17.2)%
Revenue (exc. VAT, inc. fuel)	**£68,187m**	**£65,322m**	**4.4%**	**4.2%**
Adjusted operating profit[5]	**£2,829m**	**£2,509m**	**12.8%**	**12.7%**
Adjusting items	£(8)m	£(1,099)m		
Statutory operating profit	**£2,821m**	**£1,410m**	**100.1%**	
Net finance costs	£(538)m	£(536)m		
Joint ventures and associates	£6m	£8m		
Statutory profit before tax	**£2,289m**	**£882m**	**159.5%**	
Group tax	£(525)m	£(224)m		
Statutory profit after tax	**£1,764m**	**£658m**	**168.1%**	
Adjusted diluted EPS[5]	23.41p	20.53p	14.0%	
Statutory diluted EPS	24.53p	8.81p	178.4%	
Dividend per share[7]	**12.10p**	**10.90p**	**11.0%**	
Net debt[6,7]	**£(9,764)m**	**£(10,493)m**	**6.9%**	
Retail free cash flow[6]	**£2,063m**	**£2,133m**	**(3.3)%**	
Capex[9]	**£1,314m**	**£1,235m**	**6.4%**	

Group sales[4] increased by 7.2% at constant rates, with growth across all segments. The impact of inflation was evident across all markets, although reduced gradually across the year as many global commodity prices fell and we passed savings on to customers by cutting prices across everyday grocery lines. Customer demand was resilient and volume performance improved across the year, supported by our ongoing investments in value, quality, and service. Revenue increased by 4.2% at constant rates, including a (17.2)% decline in fuel sales, primarily driven by lower retail prices year-on-year.

Group adjusted operating profit[5] increased by 12.7% at constant rates, including a further c.£640m contribution from Save to Invest in the year. We effectively managed significant cost headwinds, whilst our ongoing investments in the customer offer drove stronger than expected volumes.

Group statutory operating profit improved by 100.1% year-on-year, primarily due to a £(982)m non-cash net impairment charge in the prior year. The non-cash net impairment release of £28m in the current year reflects an improvement in UK & ROI performance, partially offset by lower property market values.

Net finance costs were broadly flat year-on-year, with stable net interest costs and a £(98)m increase in net pensions finance costs, being largely offset by a £91m movement in fair value remeasurements of financial instruments.

The higher tax charge this year was driven mainly by an increase in UK corporation tax rates effective from April 2023, the impact of higher retail operating profits and a lower tax credit on adjusting items, driven by last year's net impairment charge.

Adjusted diluted EPS[5] increased by 14.0%, due to higher retail adjusted operating profits and the ongoing benefit from our share buyback programme. We have announced a full year dividend of 12.10 pence per ordinary share, up 11.0% year-on-year.

We generated £2,063m of retail free cash flow[6], including a net £418m working capital inflow. Net debt[6,7] reduced by £729m to £9.8bn, driven by this strong retail free cash flow and the £250m special dividend from Tesco Bank. This was partially offset by cash returned to shareholders via our ongoing share buyback programme and dividend payments made in the year. The net debt/EBITDA ratio was 2.2 times, compared to 2.6 times last year, driven by strong cash generation and higher retail EBITDA.

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

Notes:

1. Following the announcement in February 2024 that we have reached an agreement to sell our Banking operations, the performance of these banking operations has been presented as a discontinued operation with comparatives also restated. Discontinued operations are excluded from our headline performance metrics. The assets and liabilities related to the discontinued operations have been classified as held for sale. Retained business (money services and insurance) has been presented on a continuing operations basis and therefore within headline performance measures. Further details on discontinued operations can be found in Note 6, starting on page 30, and please refer to Note 2 for the segmental results of the Bank.
2. The Group has defined and outlined the purpose of its alternative performance measures, including its performance highlights, in the Glossary starting on page 50.
3. Comparatives have been restated for the adoption of IFRS 17 'Insurance contracts' and to present Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 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.
6. Net debt and Retail free cash flow exclude Tesco Bank.
7. All measures apart from Net debt and Dividend per share are shown on a continuing operations basis unless otherwise stated. Further information on Net debt can be found in Note 21, starting on page 45.
8. Like-for-like (LFL) is a measure of growth in Group sales from stores that have been open for at least a year and online sales (at constant exchange rates, excluding VAT and fuel).
9. Capex excludes additions arising from business combinations, property buybacks (typically stores) and other store purchases. Refer to page 54 for further details.

Segmental review of performance:

Sales performance:

(exc. VAT, exc. fuel)[3,4,7]

On a continuing operations basis[1]	Sales (£m)	LFL sales change[8]	Total sales change at actual rates[3]	Total sales change at constant rates[3]
- UK	44,371	7.7%	8.1%	8.1%
- ROI	2,891	6.8%	9.3%	8.5%
- Booker	9,082	5.4%	4.6%	4.6%
UK & ROI	**56,344**	**7.3%**	**7.6%**	**7.6%**
Central Europe	**4,322**	**0.2%**	**3.1%**	**0.6%**
Retail	**60,666**	**6.8%**	**7.3%**	**7.0%**
Tesco Bank	811		21.7%	21.7%
Group sales	**61,477**		**7.4%**	**7.2%**
Fuel	6,710	(17.3)%	(17.2)%	(17.2)%
Group revenue	**68,187**		**4.4%**	**4.2%**

Further information on sales performance is included in the supplementary information starting on page 57.

Adjusted operating profit[3,5,7] performance:

On a continuing operations basis[1]	Profit (£m)	Change at actual rates	Change at constant rates	Margin % at actual rates	Margin % change at actual rates
UK & ROI	2,670	15.7%	15.7%	4.2%	42 bps
Central Europe	90	(50.0)%	(50.0)%	2.0%	(208) bps
Retail	**2,760**	**11.0%**	**10.9%**	**4.1%**	**25 bps**
Tesco Bank	69	213.6%	213.6%	8.5%	520 bps
Group	**2,829**	**12.8%**	**12.7%**	**4.1%**	**31 bps**

Further information on operating profit performance is included in Note 2 starting on page 22.

UK & ROI OVERVIEW:

In the UK, Republic of Ireland (ROI) and Booker, like-for-like sales increased by 7.3%. Inflation fell gradually across the year as we worked hard to cut prices across everyday grocery lines in response to falling global commodity prices. Volumes were stronger than anticipated across the year and returned to growth in the second half.

UK & ROI adjusted operating profit was £2,670m, up 15.7% at constant rates, reflecting the accelerated delivery of our Save to Invest programme, effective management of inflationary cost pressures, resilient volumes, and a strong contribution from Booker.

Adjusted operating margin was 4.2%, 42bps higher year-on-year, reflecting the cumulative effect of our Save to Invest programme. Our current year operating margin is now similar to pre-pandemic levels.

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

UK – Executing strongly across all areas of the shopping trip, leading to market share gains:

Like-for-like sales grew by 7.7%, driven by a strong performance across all formats and channels. Sales inflation fell across the year, whilst volumes improved as customers responded well to our efforts to cut prices ahead of the market, our investments in service and market-leading availability.

Overall market share grew by +28bps year-on-year to 27.6%, with a particularly strong performance in our large stores. We delivered eight consecutive four-week periods of market share gains and in the latest period (to 17 March 2024), we grew volumes ahead of the market. We have now delivered 12 consecutive four-week periods of switching gains, including continued gains from the premium retailers, supported by ongoing investments in quality. Our Finest range performed well, with volumes up 9.0% and record sales over Christmas.

Food sales grew by 9.3%, with volume growth in the second half supported by market-leading availability, our continued investment in price and our focus on great quality across the range. We launched 1,047 new products and reformulated and improved a further c.2,700, including re-launches across our 'food for tonight' customer mission, such as our new Tex Mex Feast range, meat-free Plant Chef ready meals and Finest 'Dinner for Two' offer, in addition to category relaunches across chocolate, fish and pasta. Overall brand perception increased by 133bps at the end of the year, driven by a significant step up across all drivers, including satisfaction (+101bps), quality (+96bps) and value (+88bps).

We have been the cheapest of the full-line grocers since November 2022 and our price position strengthened again this year, including a further improvement against the limited-range discounters. Over 4,000 products were cheaper at the end of the year than at the start, with an average reduction of around 12%.

Clubcard Prices continue to offer customers exclusive access to around 8,000 great value promotions each week. We also ran the first double Clubcard points event in over a decade, with more than 10 billion Clubcard points issued across January and February. Clubcard sales penetration grew by a further 3ppts in the year to 82%. The number of customers engaging with the Tesco app reached 12.7 million by the end of the year and has increased by over 40% since we completed the roll-out of Clubcard Prices in March 2022.

Home and Clothing sales, which now account for around 7% of total UK sales, declined by (3.4)% for the full year, reflecting the impact of strategic ranging decisions, including exiting low returning categories such as large electricals. Excluding these impacts, sales were broadly flat. Our clothing sales grew faster than the broader store-based clothing market, with Womenswear a particular highlight, growing 3.7%. We launched the Paperchase brand in 120 stores in time for Christmas, offering more customers access to a range of premium stationery and cards which reflects the heritage of the brand. In January, we announced a new partnership with The Entertainer and we will roll-out a leading range of toy brands to around 750 UK stores across the coming year.

Sales grew across both large and convenience store formats, by 8.2% and 4.5% respectively. In our large stores, we invested across key seasonal events, including increasing the number of colleagues on the shop floor, delivering market-leading availability, leading to an improvement across our customer metrics, including price satisfaction and service. Convenience sales were impacted by trading over exceptionally hot weather in the first half and by some customers switching a greater level of spend to our large stores. Our city-centre stores continue to perform well, growing by 6.0%.

Online sales grew by 10.4%, including a c.2ppts contribution from the roll-out of Tesco Whoosh. Overall online average orders per week were up 5.3% year-on-year to 1.2 million and we further improved the proportion of 'perfect orders', meaning more customers received their order on time and at full availability. Customer satisfaction scores improved as a result, with availability up 21ppts and price satisfaction up 9ppts year-on-year. Online sales participation remains stable at c.13% of total UK sales.

Tesco Whoosh, our rapid delivery service, is now available in 1,424 stores, adding a further 424 in the year. The number of active Tesco Whoosh customers more than doubled year-on-year as we expanded the offer to 66% of the population. Customers can access a range of 2,900 products on average, with some of our larger stores offering an even broader range. Customer satisfaction scores continue to improve, including a particularly strong step forward in availability, with 74% of orders delivered within 30 minutes.

We opened three further Urban Fulfilment Centres (UFC) in the year, in Gallions Reach and King's Lynn in the first half, followed by Coventry in September, adding a total of one million order capacity per year.

Online performance	**FY 23/24**	**YoY change**
Sales inc. VAT	**£6.2bn**	10.4%
Orders per week	**1.20m**	5.3%
Basket size	**£99**	4.2%
Online % of UK total sales	**13.1%**	0.3ppts

ROI – Volume growth driving strong market share gains:

We have now gained market share in ROI for 24 consecutive four-week periods, taking our share to 23.6% at the end of the year, up 73bps year-on-year.

Like-for like sales grew by 6.8% for the full year, including three consecutive quarters of volume growth. Total sales grew by 8.5% at constant rates, including a 1.7ppts contribution from new stores, driven by the full-year impact of the nine Joyce's stores we acquired in 2022, the opening of a new superstore in Adamstown and four new Tesco Express stores.

Food sales grew by 9.1%, including volume growth in fresh food supported by an extensive refresh in 22 stores, with new and improved produce and bakery areas and innovations in coffee, hot food and food-on-the-go offers. The investments we are making in the overall quality of our products was recognised when we won 45 awards at the 'Blas na hÉireann' ('Taste of Ireland') awards in October, with strong coverage across our range.

We lowered the price of over 800 essential products by an average of c.12%, through our 'Price Cuts' campaign, leading to a gradual decline in inflation across the year. Clubcard sales penetration stepped up by a further 8ppts year-on-year to 85%, supported by exclusive Clubcard Prices deals, including market-leading offers over Christmas.

The reallocation of space towards food through our store refresh programme impacted Home and Clothing sales, which declined by (3.9)%.

BOOKER – Strong growth across core catering and retail; building profitable growth capacity:

	Sales £m	LFL
Retail (excluding tobacco)	3,205	11.0%
Tobacco	1,858	(4.3)%
Catering*	2,501	10.2%
Best Food Logistics	1,518	(0.1)%
Total Booker	**9,082**	**5.4%**

* Includes small businesses sales

Booker delivered overall like-for-like sales growth of 5.4%, with further growth across the two key business streams of catering and retail.

Retail sales (excluding tobacco) grew by 11.0%, supported by a further 211 net new retail partners in the second half and record levels of availability. Our entry level ranges, Euroshopper and Jack's, performed particularly strongly, with sales up 16% year-on-year as we expanded the number of lines within these ranges in response to customer demand. Customer satisfaction improved across the year due to our focus on availability and value. Tobacco sales declined by (4.3)% overall, reflecting an ongoing market volume contraction.

Catering sales increased by 10.2%, with particularly strong growth in our own label 'Chef's Essential' and 'Chef's Larder' ranges. We launched our largest ever Price Lock, on over 700 products throughout the festive period, and our 'On-Trade' club now offers almost 9,000 licensed customers access to discounted prices on some of our most popular products, including snacks, drinks and food. We also have 45,000 customers signed up to our 'Fast Food' club, which provides them with access to exclusive deals and discounts. Our investments in quality were recognised when we were awarded 2023 Quality Awards Foodservice Operator of the year.

Best Food Logistics sales declined by (0.1)%, which includes a sales decline of (5.4)% in the second half, driven by our actions to exit unprofitable contracts.

In November, we repurposed a former Makro freehold store in Fareham, converting the site to a c.120k sq.ft. distribution centre which further centralises fulfilment to our retail customers, offering them a broader range, whilst creating capacity in our branches to grow our catering business. We have plans in place to further enhance our capacity in the current year.

CENTRAL EUROPE – Challenging backdrop across markets; encouraging volume response to value investments:

Like-for-like sales grew by 0.2%, reflecting a challenging trading environment due to ongoing inflationary pressures. Inflation fell sharply across the second half, whilst the volume trajectory improved and we delivered volume growth over the key Christmas trading period, driven by a strong customer response to our value investments, which included a 'Low Price Guarantee' on over 500 lines.

Food sales grew by 1.1%, with growth across both fresh and packaged categories, including volume growth across the fourth quarter. Non-food sales declined by (4.8)%, mainly driven by a reduction in discretionary spending across the markets. We launched a new 'Basics' range in Clothing and Home, offering customers great value and quality at a competitive, entry price point. We recently expanded this range to all of our largest stores in the region. Clubcard penetration is now at 87%, which is 2ppts higher than last year.

Central Europe adjusted operating profit was £90m, a decrease of (50.0)% year-on-year at constant rates, primarily driven by external factors facing our business in Hungary and a challenging trading environment across the region, which was partially offset by a strong Save to Invest delivery. In Hungary, local regulatory actions, such as incremental retail taxes, price caps and mandatory promotions on everyday grocery products remained in place and limited our ability to recover the impact of higher operating costs.

TESCO BANK:

Our existing banking operations (credit cards, loans and savings), which are due to be sold to Barclays Bank UK plc, have been treated as discontinued operations within these results. Our headline performance measures therefore only include those business lines which are treated as continuing operations, i.e. insurance, ATMs, travel money and gift cards.

Full detail on the accounting impacts of the announced sale can be found within Note 6, starting on page 30. The key impacts are to present banking operations (credit cards, loans and savings) as discontinued, remeasuring assets and liabilities as held for sale on the balance sheet to £7.7bn and £7.1bn, respectively. In doing so, we have recognised a post-tax loss of £(628)m, which includes a £(211)m write-down of goodwill allocated to the banking operations and contributes to an overall loss for the year from discontinued operations of £(572)m after tax.

Subject to usual regulatory approvals, the sale will generate c.£600m of proceeds on completion, and a further c.£100m of cash after the settlement of certain regulatory capital amounts and transaction costs. When combined with this year's £250m special dividend paid by Tesco Bank, the Group will have generated a total of c.£1bn of cash, the majority of which will be returned to shareholders by means of incremental share buybacks.

The breakdown of our overall performance between continuing and discontinued operations is shown in the table below.

	FY 23/24	FY 22/23[3]	YoY change
Revenue	**£1,521m**	**£1,234m**	**23.1%**
Continuing operations	£811m	£666m	21.7%
Discontinued operations	£710m	£568m	24.9%
Adjusted operating profit	**£148m**	**£135m**	**9.6%**
Continuing operations*	£69m	£22m	213.6%
Discontinued operations	£79m	£113m	(30.1)%

* Includes net investment income associated with banking operations which will cease on completion of the proposed sale to Barclays (FY 23/24: £12m, FY 22/23: £(6)m)

Continuing operations revenue grew by 21.7%, primarily driven by strong growth in insurance due to high levels of renewals and new business volumes.

The growth in adjusted operating profit on a continuing operations basis was driven by a strong performance in insurance, gift cards and travel money, in addition to £15m benefit resulting from the up-front recognition of a one-year extension of our pet insurance agreement and £12m of net investment income which will cease following completion of the proposed sale to Barclays. Adjusted operating profit from discontinued operations includes a £(28)m charge relating to customer redress provisions.

We expect the transaction to complete in the second half of this calendar year. Post-completion, the revenue and adjusted operating profit contribution from the retained business will be included within retail adjusted operating profit. For the 24/25 financial year, we expect a contribution from the retained business of around £80m, which includes a part-year amount of strategic partnership income, based on the expected completion timeline. On an on-going basis, we expect an adjusted operating profit contribution of between £80m to £100m per year.

Adjusting items:

	FY 23/24 £m	FY 22/23 £m
Net impairment release / (charge) on non-current assets	28	(982)
Save to Invest restructuring provisions	(50)	(132)
Property transactions	75	91
Amortisation of acquired intangible assets	(74)	(76)
Other*	13	-
Total adjusting items in statutory operating profit (continuing operations)	**(8)**	**(1,099)**
Net finance income	20	27
Tax	68	195
Total adjusting items (continuing operations)	**80**	**(877)**
Adjusting items (discontinued operations)	(628)	(13)
Total adjusting items	**(548)**	**(890)**

* Other includes the disposal of Booker's Ritter-Courivaud Limited subsidiary, see page 27 for further detail.

Adjusting items are excluded from our adjusted operating profit performance by virtue of their size and nature to provide a helpful perspective of the year-on-year performance of the Group's ongoing business. Total adjusting items in statutory operating profit from continuing operations resulted in a net charge of £(8)m, compared to a £(1,099)m net charge in the prior year.

In the current year, there was a non-cash net impairment release on non-current assets of £28m, primarily reflecting an improvement in UK & ROI performance, partially offset by a reduction in property fair values due to market factors, and a challenging performance in Central Europe. This compares to a £(982)m non-cash net impairment charge in the prior year as a consequence of higher discount rates, which have remained broadly stable in the current year.

We recognised an adjusting credit of £75m related to property transactions, including £30m generated on exiting a leasehold site in Gateshead and a further £12m from the remeasurement of assets held for sale. In the prior year, we recognised an adjusting credit of £91m related to the disposal of the Middlewich distribution centre in the UK, and 17 mall properties and one retail park in Central Europe.

Amortisation of acquired intangible assets is excluded from our headline performance measures. We incurred a charge of £(74)m in the year, which primarily relates to the intangible assets that were recognised as a result of our merger with Booker in March 2018.

In the current year, we recognised a £(50)m restructuring provision related to our ongoing Save to Invest programme. In the prior year, we recognised a provision of £(132)m which included changes made to our store management structures and the closure of our remaining UK counters.

Further detail on adjusting items can be found in Note 3, starting on page 27 and on discontinued operations in Note 6, starting on page 30.

Net finance costs:

On a continuing operations basis	FY 23/24 £m	FY 22/23[3] £m
Net interest costs	(179)	(189)
Net finance expenses from insurance contracts	(6)	(3)
Finance charges payable on lease liabilities	(373)	(371)
Net finance costs before adjusting items	**(558)**	**(563)**
Fair value remeasurements of financial instruments	38	(53)
Net pension finance income / (costs)	(18)	80
Net finance costs	**(538)**	**(536)**

Net finance costs of £(538)m were broadly flat year-on-year. Within adjusting items, fair value remeasurements of financial instruments led to a credit of £38m compared to a £(53)m charge in the prior year, largely driven by non-cash mark-to-market gains on index-linked swaps and other derivatives. This was partially offset by net pension finance costs this year of £(18)m, compared to an income of £80m in the prior year, which reflects the IAS 19 pension deficit at the start of 2023/24, compared to an opening surplus in 2022/23.

Further detail on finance income and costs can be found in Note 4 on page 28, as well as further detail on the adjusting items in Note 3, starting on page 27.

Group tax:

On a continuing operations basis	FY 23/24 £m	FY 22/23[3] £m
Tax on adjusted profit	(593)	(419)
Tax on adjusting items	68	195
Tax on profit	**(525)**	**(224)**

Tax on adjusted Group profit was £(593)m, £(174)m higher than last year, primarily reflecting an increase in the UK corporation tax rate from 19% to 25%, effective from 1 April 2023, as well as stronger retail adjusted operating profit year-on-year.

The £68m credit in tax on adjusting items primarily relates to tax relief on impairment charges on qualifying assets, as well as a settlement related to our exit from the Gain Land associate in China in 2020. In the prior year, the £195m adjusting credit was driven by tax relief relating to the non-cash impairment charge of £(982)m.

The effective tax rate on adjusted Group profit was 26.0%, higher than the current UK statutory rate, primarily due to the depreciation of assets which do not qualify for tax relief. We expect our 2024/25 effective tax rate to be around 27%, reflecting the full-year impact of the increase in the UK statutory rate mentioned above.

Earnings per share:

On a continuing operations basis	FY 23/24	FY 22/23[3]	YoY change
Adjusted diluted EPS	23.41p	20.53p	14.0%
Statutory diluted EPS	24.53p	8.81p	178.4%
Statutory basic EPS	24.80p	8.89p	179.0%
On a total basis, including discontinued operations			
Statutory diluted EPS	16.56p	9.85p	68.1%
Statutory basic EPS	16.74p	9.94p	68.4%

Adjusted diluted EPS was 23.41p, 14.0% higher year-on-year, due to an increase in retail operating profit and the benefit from our ongoing share buyback programme, partially offset by a higher tax charge.

Statutory diluted EPS was 24.53p, 178.4% higher year-on-year, due to a significant reduction in adjusting items driven by the £(982)m non-cash net impairment charge in the prior year.

On a total basis, including discontinued operations, statutory diluted EPS was 16.56p, 68.1% higher year-on-year. The adjusted diluted EPS growth described above and the effect of last year's net impairment charge were partially offset by the remeasurement loss related to the planned sale of our banking operations, which was recognised in the year.

Dividend:

We propose to pay a final dividend of 8.25 pence per ordinary share, taking the full year dividend to 12.10 pence per ordinary share. The full year dividend is based on our 50% pay-out policy, applied to total Group earnings per share in the year, including the discontinued operations of Tesco Bank as it was under Group ownership for the entire financial year. This includes the payment of an interim dividend of 3.85 pence per ordinary share in November 2023.

The proposed final dividend was approved by the Board of Directors on 9 April 2024 and is subject to the approval of shareholders at this year's Annual General Meeting. The final dividend will be paid on 28 June 2024 to shareholders who are on the register of members at close of business on 17 May 2024 (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 2024.

Summary of total indebtedness (excludes Tesco Bank):

	Feb-24 £m	Feb-23 £m	Movement £m
Net debt before lease liabilities	(2,144)	(2,775)	631
Lease liabilities	(7,620)	(7,718)	98
Net debt	**(9,764)**	**(10,493)**	**729**
Pension deficit, IAS 19 basis (post-tax)	(493)	(300)	(193)
Total indebtedness	**(10,257)**	**(10,793)**	**536**
Net debt / EBITDA	**2.2x**	**2.6x**	
Total indebtedness ratio	**2.4x**	**2.7x**	

Net debt was £(9,764)m, a reduction of £729m year-on-year, predominantly driven by strong retail free cash flow generation of £2,063m and the receipt of a £250m special dividend from Tesco Bank, which more than offset a total of £(1.5)bn of shareholder returns, including the £(750)m share buyback and dividend payments of £(778)m. Lease liabilities reduced by £98m year-on-year, driven by the overall reducing nature of our lease liability, partially offset by the impact of rent reviews and new stores.

Total indebtedness was £(10,257)m, a reduction of £536m year-on-year, which was primarily driven by the £729m reduction in net debt explained above, partially offset by a £(193)m increase in the IAS 19 pension deficit. The IAS 19 pension deficit does not determine the extent of pension contributions and reflects movements in discount rate assumptions mandated by the accounting standard, which can be volatile. The trustees of each pension scheme, including the main Tesco Pension Scheme are required to calculate the net surplus/deficit on the basis of Technical Provisions issued by the Pensions Regulator. On this basis, the main UK scheme continues to be in surplus. The next triennial valuation for this scheme, on a Technical Provisions basis, is scheduled in March 2025.

We had strong levels of liquidity at the year-end, including £3.2 billion of cash and highly liquid short-term deposits and money market investments. In addition, our £2.5 billion committed revolving credit facility remained undrawn throughout the year.

Our Net debt to EBITDA ratio was 2.2 times at the end of the year, down from 2.6 times in the prior year. The year-on-year reduction was driven by an increase in Retail EBITDA and a decrease in net debt which includes a £250m benefit from the special dividend paid by Tesco Bank in the first half. The total indebtedness ratio was 2.4 times compared to 2.7 times last year-end.

Fixed charge cover was 3.7 times at the end of the year, an improvement year-on-year, primarily driven by an increase in Retail EBITDA.

Summary retail free cash flow:

The following table reconciles Group adjusted operating profit to retail free cash flow. Further details are included in Note 2, starting on page 22.

On a continuing operations basis	FY 23/24 £m	FY 22/23[3] £m
Adjusted operating profit	**2,829**	**2,509**
Less: Tesco Bank adjusted operating (profit) / loss	(69)	(22)
Retail adjusted operating profit	**2,760**	**2,487**
Add back: Depreciation and amortisation	1,602	1,570
Other reconciling items	82	61
Pensions	(29)	(23)
Decrease in working capital	418	468
Retail cash generated from operations before adjusting items	**4,833**	**4,563**
Cash capex	(1,289)	(1,143)
Net interest	(560)	(573)
- Interest related to Net debt before lease liabilities	*(188)*	*(202)*
- Interest related to lease liabilities	*(372)*	*(371)*
Tax paid	(214)	(107)
Dividends received	9	68
Repayments of obligations under leases	(623)	(589)
Own shares purchased for share schemes	(93)	(86)
Retail free cash flow	**2,063**	**2,133**
Memo (not included in Retail free cash flow definition):		
- Special dividend received from Tesco Bank	250	-
- Net acquisitions and disposals	(2)	(281)
- Property buybacks, store purchases and disposal proceeds	(66)	266
- Cash impact of adjusting items	(98)	(61)

We delivered strong retail free cash flow of £2,063m, significantly ahead of our medium-term target range of between £1.4bn to £1.8bn, driven by higher retail adjusted operating profit and another strong working capital performance. The year-on-year reduction of £(70)m primarily reflects the higher cash capital expenditure (Capex) and tax paid.

Our total working capital inflow was £418m, reflecting the strong sales performance in the year and the impact of input cost inflation, leading to higher trade balances.

Net interest paid was broadly flat year-on-year.

Tax paid was £(107)m higher year-on-year, driven by an increase in the UK statutory tax rate in addition to higher retail profits. We continued to benefit from in-year tax relief of £155m related to the £2.5bn one-off pension contribution made in 2021, which was required to be spread over four years. Moving forward, we will no longer benefit from this relief.

Dividends received of £9m were £(59)m lower year-on-year due to the removal of the annual dividend received from Tesco Bank, following the announcement of the planned sale of our existing banking operations. In the first half of the year, Tesco Bank paid a one-off special dividend of £250m to the Group, reflecting the strength of the Bank's balance sheet and capital ratios. This special dividend is not included within retail free cash flow.

Within the memo lines shown, the net £(66)m outflow relating to property transactions results from the buyback of three stores and two freehold sites in the UK, partially offset by proceeds generated from held for sale sites in Central Europe, and the exit of a leasehold site in Gateshead. The £266m inflow in the prior year primarily related to the sale of 17 malls and one retail park in Central Europe and our distribution centre in Middlewich in the UK.

The cash impact of adjusting items of £(98)m relates to operational restructuring changes as part of our Save to Invest programme which were announced at the end of the prior financial year.

Capital expenditure and space:

On a continuing operations basis	UK & ROI FY 23/24	UK & ROI FY 22/23	Central Europe FY 23/24	Central Europe FY 22/23	Tesco Bank FY 23/24	Tesco Bank FY 22/23	Group FY 23/24	Group FY 22/23
Capex	**£1,171m**	**£1,069m**	**£113m**	**£115m**	**£30m**	**£51m**	**£1,314m**	**£1,235m**
Openings (k sq ft)	366	318	87	77	-	-	453	395
Closures (k sq ft)	(204)	(233)	(22)	(25)	-	-	(226)	(258)
Repurposed (k sq ft)	-	9	(342)	(407)	-	-	(342)	(398)
Net space change (k sq ft)	**162**	**94**	**(277)**	**(355)**	**-**	**-**	**(115)**	**(261)**

'Retail Selling Space' is defined as net space in store adjusted to exclude checkouts, space behind checkouts, customer service desks and customer toilets. The data above excludes space relating to franchise stores. A full breakdown of space by segment is included in the supplementary information starting on page 57.

Capital expenditure shown in the table above reflects expenditure on ongoing business activities across the Group, excluding property buybacks and store purchases.

We have been pleased with the results of our continued investment in our store estate, including refreshing a total of 389 stores and opening seven superstores, 60 Tesco Express stores and 27 One Stop stores in the UK. We also opened an additional UFC in the second half taking our full year openings to three and our total number of UFCs to nine. In Ireland, we opened one superstore in Adamstown in the first half, followed by four Tesco Express stores in the second half. In Central Europe, we opened 14 new convenience stores.

Our total capital expenditure for the year was £1,314m, £79m higher year-on-year. This reflects increased investment in high-returning areas such as Save to Invest and our digital platforms, in addition to the impact of inflation. We continue to see attractive opportunities to commit capital to these types of high-returning investments going forwards, with next year's overall capital investment expected to total around £1.4bn.

Statutory capital expenditure for the year was £1.5bn.

Further details of current space can be found in the supplementary information starting on page 57.

Property:

	UK & ROI Feb-24	UK & ROI Feb-23	Central Europe Feb-24	Central Europe Feb-23	Group Feb-24	Group Feb-23
Property[1] – fully owned						
- Estimated market value	£15.1bn	£15.4bn	£1.8bn	£1.8bn	£16.9bn	£17.2bn
- NBV	£15.2bn	£14.9bn	£1.5bn	£1.5bn	£16.7bn	£16.4bn
% store selling space owned	58%	58%	68%	68%	60%	60%
% property owned by value[2]	59%	59%	65%	65%	60%	60%

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

The estimated market value of our fully owned property as at the year-end reduced by £(0.3)bn to £16.9bn due to a small decline in the UK property investment market year-on-year. The market value represents a surplus of £0.2bn over the net book value (NBV).

Our Group freehold property ownership percentage was 60%, flat year-on-year. In January 2024, we obtained control of The Tesco Coral Limited Partnership property joint venture, bringing back two large stores into full ownership with the remaining two stores operating on a leased basis, under full ownership of the previous joint venture partner. We also repurchased two large stores as part of our ongoing buyback strategy, Milton Cambridge and New Oscott Extra, and purchased the freehold to two new large stores in the UK.

In Central Europe, the market value of fully owned property remains flat year-on-year, with small increases in value offset by foreign exchange movements.

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This document is available at www.tescoplc.com/prelims2024.

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/prelims2024. 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 14 June 2024.

Sources.

- UK market share based on Kantar Total Grocers Total Till Roll on 12 week rolling basis to 18 February 2024.
- UK Kantar net switching gains 12 w/e rolling basis to 18 February 2024.
- ROI market share based on Kantar Total Till Roll on 12 week rolling basis to 18 February 2024.
- 'Latest market share' based on Kantar Total Grocers Total Till Roll on a 4 week basis to 17 March 2024.
- Premium retailer gains refers to Kantar net switching gains from Waitrose & M&S on 12 week rolling basis to 18 February 2024.
- 'Full-line grocers' refers to Tesco, Sainsbury's, Asda and Morrisons and 'Limited-range discounters' refers to Aldi and Lidl.
- UK Price index is an internal measure calculated using the retail selling price of each item on a per unit or unit of measure basis. Competitor retail selling prices are collected weekly by a third party. The price index includes price cut promotions and is weighted by sales to reflect customer importance.
- c.£360 of savings for Clubcard: c.£360 saving is based on the top 25% of Tesco Clubcard members and large stores sales between 27/02/2023 – 25/02/2024. Tesco Clubcard Price savings versus regular Tesco price.
- Customer satisfaction and Brand Perception based on YoY changes in YouGov BrandIndex scores for the 12 weeks ended 25 February 2024.
- Availability based on Multi channel tracker. 3 period rolling data. Responses to question: "Had any products that you wanted to buy sold out?".
- 63% healthy volume sales by 2025: Tesco tracks the healthiness of its products and ranges using the UK Government's nutrient profiling model.
- Number of Booker retail partners and Premier stores 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 24 February 2024 Before adjusting items £m	Adjusting items (Note 3) £m	Total £m	52 weeks ended 25 February 2023 (restated[a]) Before adjusting items £m	Adjusting items (Note 3) £m	Total £m
Continuing operations							
Revenue from sale of goods and services		67,673	–	67,673	64,864	–	64,864
Insurance revenue[b]		514	–	514	458	–	458
Revenue	2	**68,187**	**–**	**68,187**	**65,322**	**–**	**65,322**
Cost of sales		(62,832)	(4)	(62,836)	(60,487)	(1,029)	(61,516)
Insurance service expenses[b]		(454)	–	(454)	(408)	–	(408)
Net expenses from reinsurance contracts held[b]		(48)	–	(48)	(37)	–	(37)
Gross profit/(loss)		**4,853**	**(4)**	**4,849**	**4,390**	**(1,029)**	**3,361**
Administrative expenses		(2,024)	(4)	(2,028)	(1,881)	(70)	(1,951)
Operating profit/(loss)	2	**2,829**	**(8)**	**2,821**	**2,509**	**(1,099)**	**1,410**
Share of post-tax profits of joint ventures and associates		6	–	6	8	–	8
Finance income	4	267	–	267	87	–	87
Finance costs	4	(825)	20	(805)	(650)	27	(623)
Profit/(loss) before tax from continuing operations		**2,277**	**12**	**2,289**	**1,954**	**(1,072)**	**882**
Taxation	5	(593)	68	(525)	(419)	195	(224)
Profit/(loss) for the year from continuing operations		**1,684**	**80**	**1,764**	**1,535**	**(877)**	**658**
Discontinued operations							
Profit/(loss) for the year from discontinued operations	6	56	(628)	(572)	91	(13)	78
Profit/(loss) for the year		**1,740**	**(548)**	**1,192**	**1,626**	**(890)**	**736**
Attributable to:							
Owners of the parent		1,736	(548)	1,188	1,627	(890)	737
Non-controlling interests		4	–	4	(1)	–	(1)
		1,740	**(548)**	**1,192**	**1,626**	**(890)**	**736**
Earnings per share from continuing and discontinued operations							
Basic	8			16.74p			9.94p
Diluted	8			16.56p			9.85p
Earnings per share from continuing operations							
Basic	8			24.80p			8.89p
Diluted	8			24.53p			8.81p

(a) Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.
(b) Following the adoption of IFRS 17, the income statement has been re-presented to separately present insurance revenue, insurance service expenses and net expenses from reinsurance contracts held. Refer to Note 1 for further details.

The notes on pages 20 to 49 form part of this condensed consolidated financial information.

Group statement of comprehensive income/(loss)

	Notes	52 weeks ended 24 February 2024 £m	52 weeks ended 25 February 2023 (restated*) £m
Items that will not be reclassified to the Group income statement			
Change in fair value of financial assets at fair value through other comprehensive income		–	2
Remeasurements of defined benefit pension schemes	18	(251)	(3,341)
Net fair value gains/(losses) on inventory cash flow hedges		(38)	54
Tax on items that will not be reclassified		62	853
		(227)	**(2,432)**
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		16	(43)
Currency translation differences:			
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		(116)	120
Gains on cash flow hedges:			
Net fair value gains		25	17
Reclassified and reported in the Group income statement		(56)	(61)
Finance income/(expenses) from insurance contracts issued		(4)	39
Finance income/(expenses) from reinsurance contracts held		1	(20)
Tax on items that may be reclassified		(6)	17
		(140)	**69**
Total other comprehensive income/(loss) for the year		**(367)**	**(2,363)**
Profit/(loss) for the year		1,192	736
Total comprehensive income/(loss) for the year		**825**	**(1,627)**
Attributable to:			
Owners of the parent		820	(1,632)
Non-controlling interests		5	5
Total comprehensive income/(loss) for the year		**825**	**(1,627)**
Total comprehensive income/(loss) attributable to owners of the parent arising from:			
Continuing operations		1,392	(1,710)
Discontinued operations	6	(572)	78
		820	**(1,632)**

* Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.

The notes on pages 20 to 49 form part of this condensed consolidated financial information.

Group balance sheet

	Notes	24 February 2024 £m	25 February 2023 (restated*) £m	26 February 2022 (restated*) £m
Non-current assets				
Goodwill and other intangible assets		5,066	5,375	5,360
Property, plant and equipment	9	17,221	16,862	17,060
Right of use assets	10	5,478	5,500	5,720
Investment property		24	24	22
Investments in joint ventures and associates		102	93	86
Other investments		1,546	1,339	1,253
Trade and other receivables		36	79	159
Loans and advances to customers		–	3,029	3,141
Reinsurance contract assets	15	125	135	171
Derivative financial instruments		781	873	942
Post-employment benefit surplus	18	22	6	3,150
Deferred tax assets	5	32	84	88
		30,433	**33,399**	**37,152**
Current assets				
Other investments		206	353	226
Inventories		2,635	2,510	2,339
Trade and other receivables		1,349	1,235	1,218
Loans and advances to customers		–	3,948	3,251
Derivative financial instruments		55	57	69
Current tax assets		110	63	93
Short-term investments	12	2,128	1,628	2,076
Cash and cash equivalents	12	2,340	2,465	2,345
		8,823	**12,259**	**11,617**
Assets of the disposal group and non-current assets classified as held for sale	6	7,783	210	368
		16,606	**12,469**	**11,985**
Current liabilities				
Trade and other payables		(10,264)	(9,762)	(9,040)
Borrowings	14	(1,536)	(1,770)	(725)
Lease liabilities	10	(584)	(595)	(547)
Provisions		(306)	(366)	(283)
Insurance contract liabilities	15	(526)	(501)	(588)
Customer deposits and deposits from banks		(108)	(4,485)	(4,729)
Derivative financial instruments		(25)	(99)	(26)
Current tax liabilities		(1)	(18)	(11)
		(13,350)	**(17,596)**	**(15,949)**
Liabilities of the disposal group classified as held for sale	6	(7,122)	(14)	(14)
Net current liabilities		**(3,866)**	**(5,141)**	**(3,978)**
Non-current liabilities				
Trade and other payables		(39)	(54)	(54)
Borrowings	14	(5,683)	(5,581)	(6,674)
Lease liabilities	10	(7,038)	(7,132)	(7,411)
Provisions		(175)	(194)	(183)
Customer deposits and deposits from banks		(800)	(2,265)	(1,650)
Derivative financial instruments		(241)	(288)	(357)
Post-employment benefit deficit	18	(657)	(400)	(303)
Deferred tax liabilities	5	(269)	(119)	(910)
		(14,902)	**(16,033)**	**(17,542)**
Net assets		**11,665**	**12,225**	**15,632**
Equity				
Share capital	19	445	463	484
Share premium		5,165	5,165	5,165
Other reserves	19	3,131	3,139	3,080
Retained earnings		2,930	3,469	6,919
Equity attributable to owners of the parent		**11,671**	**12,236**	**15,648**
Non-controlling interests		(6)	(11)	(16)
Total equity		**11,665**	**12,225**	**15,632**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 22 for further details.

The notes on pages 20 to 49 form part of this condensed consolidated financial information.

Group statement of changes in equity

	Notes	Share capital £m	Share premium £m	Other reserves (Note 19) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 25 February 2023 (as previously reported)		**463**	**5,165**	**3,123**	**3,490**	**12,241**	**(11)**	**12,230**
Cumulative adjustment on initial application of IFRS 17 (net of tax)		–	–	16	(21)	(5)	–	(5)
At 25 February 2023 (restated*)		**463**	**5,165**	**3,139**	**3,469**	**12,236**	**(11)**	**12,225**
Profit/(loss) for the year		**–**	**–**	**–**	**1,188**	**1,188**	**4**	**1,192**
Other comprehensive income/(loss)								
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		–	–	(116)	–	(116)	–	(116)
Change in fair value of financial assets at fair value through other comprehensive income		–	–	–	16	16	–	16
Remeasurements of defined benefit pension schemes	18	–	–	–	(251)	(251)	–	(251)
Gains/(losses) on cash flow hedges		–	–	(14)	–	(14)	1	(13)
Cash flow hedges reclassified and reported in the Group income statement		–	–	(56)	–	(56)	–	(56)
Finance income/(expenses) from insurance contracts issued		–	–	(4)	–	(4)	–	(4)
Finance income/(expenses) from reinsurance contracts held		–	–	1	–	1	–	1
Tax relating to components of other comprehensive income		–	–	(4)	60	56	–	56
Total other comprehensive income/(loss)		**–**	**–**	**(193)**	**(175)**	**(368)**	**1**	**(367)**
Total comprehensive income/(loss)		**–**	**–**	**(193)**	**1,013**	**820**	**5**	**825**
Transfer from hedging reserve to retained earnings		**–**	**–**	**44**	**(44)**	**–**	**–**	**–**
Inventory cash flow hedge movements								
(Gains)/losses transferred to the cost of inventory		–	–	79	–	79	–	79
Total inventory cash flow hedge movements		**–**	**–**	**79**	**–**	**79**	**–**	**79**
Transactions with owners								
Own shares purchased for cancellation	19	–	–	(752)	–	(752)	–	(752)
Own shares cancelled	19	(18)	–	770	(752)	–	–	–
Own shares purchased for share schemes		–	–	(140)	–	(140)	–	(140)
Share-based payments		–	–	184	11	195	–	195
Dividends	7	–	–	–	(777)	(777)	–	(777)
Tax on items charged/(credited) to equity		–	–	–	10	10	–	10
Total transactions with owners		**(18)**	**–**	**62**	**(1,508)**	**(1,464)**	**–**	**(1,464)**
At 24 February 2024		**445**	**5,165**	**3,131**	**2,930**	**11,671**	**(6)**	**11,665**

	Notes	Share capital £m	Share premium £m	Other reserves (Note 19) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 26 February 2022 (as previously reported)		**484**	**5,165**	**3,079**	**6,932**	**15,660**	**(16)**	**15,644**
Cumulative adjustment on initial application of IFRS 17 (net of tax)		–	–	1	(13)	(12)	–	(12)
At 26 February 2022 (restated*)		**484**	**5,165**	**3,080**	**6,919**	**15,648**	**(16)**	**15,632**
Profit/(loss) for the year*		**–**	**–**	**–**	**737**	**737**	**(1)**	**736**
Other comprehensive income/(loss)								
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		–	–	120	–	120	–	120
Change in fair value of financial assets at fair value through other comprehensive income		–	–	–	(41)	(41)	–	(41)
Remeasurements of defined benefit pension schemes	18	–	–	–	(3,341)	(3,341)	–	(3,341)
Gains/(losses) on cash flow hedges		–	–	63	–	63	8	71
Cash flow hedges reclassified and reported in the Group income statement		–	–	(61)	–	(61)	–	(61)
Finance income/(expenses) from insurance contracts issued*		–	–	39	–	39	–	39
Finance income/(expenses) from reinsurance contracts held*		–	–	(20)	–	(20)	–	(20)
Tax relating to components of other comprehensive income*		–	–	18	854	872	(2)	870
Total other comprehensive income/(loss)*		**–**	**–**	**159**	**(2,528)**	**(2,369)**	**6**	**(2,363)**
Total comprehensive income/(loss)*		**–**	**–**	**159**	**(1,791)**	**(1,632)**	**5**	**(1,627)**
Inventory cash flow hedge movements								
(Gains)/losses transferred to the cost of inventory		–	–	(127)	–	(127)	–	(127)
Total inventory cash flow hedge movements		**–**	**–**	**(127)**	**–**	**(127)**	**–**	**(127)**
Transactions with owners								
Own shares purchased for cancellation	19	–	–	(758)	–	(758)	–	(758)
Own shares cancelled	19	(21)	–	816	(795)	–	–	–
Own shares purchased for share schemes		–	–	(188)	–	(188)	–	(188)
Share-based payments		–	–	157	(1)	156	–	156
Dividends	7	–	–	–	(858)	(858)	–	(858)
Tax on items charged/(credited) to equity		–	–	–	(5)	(5)	–	(5)
Total transactions with owners		**(21)**	**–**	**27**	**(1,659)**	**(1,653)**	**–**	**(1,653)**
At 25 February 2023 (restated*)		**463**	**5,165**	**3,139**	**3,469**	**12,236**	**(11)**	**12,225**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 22 for further details.

The notes on pages 20 to 49 form part of this condensed consolidated financial information.

Group cash flow statement

	Notes	52 weeks ended 24 February 2024 £m	52 weeks ended 25 February 2023 (restated*) £m
Cash flows generated from/(used in) operating activities			
Operating profit/(loss) of continuing operations		**2,821**	**1,410**
Operating profit/(loss) of discontinued operations	6	**(659)**	**98**
Depreciation and amortisation		1,723	1,700
(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		(53)	(76)
(Profit)/loss arising from sale of other investments		–	3
(Profit)/loss arising on sale of joint ventures and associates		(9)	–
(Profit)/loss arising on sale of subsidiaries		(12)	–
Net impairment (reversal)/loss on property, plant and equipment, right of use assets, intangible assets and investment property	11	(28)	982
Net remeasurement loss on non-current assets held for sale		720	23
Defined benefit pension scheme payments	18	(29)	(23)
Share-based payments	17	78	59
Fair value movements included in operating profit/(loss)		71	70
Retail (increase)/decrease in inventories		(150)	(147)
Retail (increase)/decrease in trade and other receivables		(118)	(54)
Retail increase/(decrease) in trade and other payables		714	643
Retail increase/(decrease) in provisions		(72)	75
Retail (increase)/decrease in working capital		374	517
Tesco Bank (increase)/decrease in loans and advances to customers		(714)	(690)
Tesco Bank (increase)/decrease in trade, reinsurance and other receivables		(9)	83
Tesco Bank increase/(decrease) in customer and bank deposits, trade, insurance liabilities and other payables		584	348
Tesco Bank increase/(decrease) in provisions		28	(7)
Tesco Bank (increase)/decrease in working capital		(111)	(266)
Cash generated from/(used in) operations		**4,886**	**4,497**
Interest paid		(824)	(652)
Corporation tax paid		(223)	(123)
Net cash generated from/(used in) operating activities		**3,839**	**3,722**
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		55	342
Purchase of property, plant and equipment, investment property and other long-term assets		(1,108)	(971)
Purchase of intangible assets		(278)	(279)
Disposal of subsidiaries, net of cash disposed		15	–
Acquisition of subsidiaries, net of cash acquired		(17)	(71)
Proceeds from sale of joint ventures and associates		9	–
Increase in loans to joint ventures and associates		(61)	(1)
Investments in joint ventures and associates		(9)	(10)
Net (investments in)/proceeds from sale of short-term investments		(507)	451
Proceeds from sale of other investments		352	230
Purchase of other investments		(390)	(529)
Dividends received from joint ventures and associates		9	14
Interest received		249	70
Cash inflows from derivative financial instruments		5	54
Cash outflows from derivative financial instruments		(24)	(6)
Net cash generated from/(used in) investing activities		**(1,700)**	**(706)**
Cash flows generated from/(used in) financing activities			
Own shares purchased for cancellation	19	(752)	(781)
Own shares purchased for share schemes	17	(93)	(86)
Repayment of capital element of obligations under leases		(627)	(593)
Cash outflows exceeding the incremental increase in assets in a property buyback		(62)	(21)
Increase in borrowings		1,232	-
Repayment of borrowings		(775)	(709)
Cash inflows from derivative financial instruments		98	232
Cash outflows from derivative financial instruments		(102)	(371)
Dividends paid to equity owners	7	(778)	(859)
Net cash generated from/(used in) financing activities		**(1,859)**	**(3,188)**
Net increase/(decrease) in cash and cash equivalents		**280**	**(172)**
Cash and cash equivalents at the beginning of the year		1,565	1,771
Effect of foreign exchange rate changes		29	(34)
Cash and cash equivalents including cash held in the disposal group at the end of the year		**1,874**	**1,565**
Less: Cash held in the disposal group		(346)	-
Cash and cash equivalents at the end of the year	12	**1,528**	**1,565**

* Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.

The notes on pages 20 to 49 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 2024, which are the same as those used in preparing the Annual Report and Group financial statements 2023, except as noted below. The financial year represents the 52 weeks ended 24 February 2024 (prior financial year 52 weeks ended 25 February 2023). This preliminary consolidated financial information does not constitute statutory consolidated financial statements for the 52 weeks ended 24 February 2024 as defined under section 434 of the Companies Act 2006.

The Annual Report and Group financial statements for the 52 weeks ended 24 February 2024 were approved by the Board of Directors on 9 April 2024. 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 2024 will be filed with the Registrar in due course.

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

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

Adoption of new IFRSs

IFRS 17 'Insurance contracts' is effective for the accounting period commencing 26 February 2023. IFRS 17 has been applied fully retrospectively and comparatives for prior periods have been restated from a transition date of 27 February 2022. Refer to Note 22 for further details.

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

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

- IFRS 18 'Primary financial statements', which will become effective in the consolidated Group financial statements for the financial year ending 26 February 2028, subject to UK endorsement.

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

Discontinued operations

During the year, the Board approved a plan to dispose of the Group's regulated Banking operations, which form the major part of the Tesco Bank segment. The net results of the Banking operations are presented as a discontinued operation in the Group income statement, for which the comparatives have been restated. The assets and liabilities of the Banking operations disposal group are presented separately in the Group balance sheet as held for sale. For further details, refer to Note 6.

Accounting policies

Insurance

Classification of insurance contracts

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

Level of aggregation

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

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

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

Insurance contracts issued

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

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

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

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

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

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

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

Reinsurance

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

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

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

Modification and derecognition of insurance and reinsurance contracts

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

Presentation of insurance contracts issued and reinsurance contracts held

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

Insurance revenue

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

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

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

Insurance service expenses

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

Net income or expenses from reinsurance contracts held

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

Insurance finance income and expenses

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

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

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

Note 2 Segmental reporting

The Group's operating segments are determined based on the Group's organisational structure and 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 reportable 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, insurance and money services through Tesco Bank in the UK (Tesco Bank).

In February 2024, the Board announced the sale of the Group's banking operation ('Banking operations'), which has been consequently classified as a discontinued operation. Refer to Note 6 for further details. The remaining insurance business and money services are included within continuing operations. Both continuing and discontinued elements remain within the Tesco Bank segment, reflecting the Group's organisational structure and internal reporting to the CODM at the year end.

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

Income statement

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

52 weeks ended 24 February 2024 At constant exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank £m	Total segments at constant exchange £m	Foreign exchange £m	Exclude: Banking operations £m	Continuing operations at actual exchange £m
Revenue	62,864	4,388	67,252	1,521	68,773	124	(710)	68,187
Less: Fuel sales	(6,537)	(171)	(6,708)	–	(6,708)	(2)	–	(6,710)
Sales	56,327	4,217	60,544	1,521	62,065	122	(710)	61,477
Adjusted operating profit	**2,669**	**90**	**2,759**	**148**	**2,907**	**1**	**(79)**	**2,829**
Adjusting items (Note 3)	19	(23)	(4)	(741)	(745)	(1)	738	(8)
Operating profit	**2,688**	**67**	**2,755**	**(593)**	**2,162**	**–**	**659**	**2,821**
Adjusted operating margin	**4.2%**	**2.1%**	**4.1%**	**9.7%**	**4.2%**		**11.1%**	**4.1%**

Tesco Bank segmental revenue of £1,521m (2023: £1,234m) comprises continuing interest income of £94m (2023: £38m), fees and commissions income of £203m (2023: £170m), insurance revenue of £514m (2023: £458m) and revenue within the discontinued Banking operations of £710m (2023: £568m).

52 weeks ended 24 February 2024 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank £m	Total segments £m	Exclude: Banking operations £m	Continuing operations at actual exchange £m
Revenue	62,880	4,496	67,376	1,521	68,897	(710)	68,187
Less: Fuel sales	(6,536)	(174)	(6,710)	–	(6,710)	–	(6,710)
Sales	56,344	4,322	60,666	1,521	62,187	(710)	61,477
Adjusted operating profit	**2,670**	**90**	**2,760**	**148**	**2,908**	**(79)**	**2,829**
Adjusting items (Note 3)	19	(24)	(5)	(741)	(746)	738	(8)
Operating profit	**2,689**	**66**	**2,755**	**(593)**	**2,162**	**659**	**2,821**
Adjusted operating margin	**4.2%**	**2.0%**	**4.1%**	**9.7%**	**4.2%**	**11.1%**	**4.1%**
Share of post-tax profits of joint ventures and associates							6
Finance income							267
Finance costs							(805)
Profit before tax							**2,289**

Notes continued

Note 2 Segmental reporting continued

52 weeks ended 25 February 2023 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank (restated*) £m	Total segments (restated*) £m	Exclude: Banking operations (restated*) £m	Continuing operations at actual exchange (restated*) £m
Revenue	60,246	4,410	64,656	1,234	65,890	(568)	65,322
Less: Fuel sales	(7,877)	(229)	(8,106)	–	(8,106)	–	(8,106)
Sales	52,369	4,181	56,550	1,234	57,784	(568)	57,216
Adjusted operating profit	**2,307**	**180**	**2,487**	**135**	**2,622**	**(113)**	**2,509**
Adjusting items (Note 3)	(1,058)	(36)	(1,094)	(11)	(1,105)	6	(1,099)
Operating profit	**1,249**	**144**	**1,393**	**124**	**1,517**	**(107)**	**1,410**
Adjusted operating margin	**3.8%**	**4.1%**	**3.8%**	**10.9%**	**4.0%**	**19.9%**	**3.8%**
Share of post-tax profits of joint ventures and associates							8
Finance income							87
Finance costs							(623)
Profit before tax							**882**

* Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.

Balance sheet

The following tables show segment net assets and net debt (cash and cash equivalents, short-term investments, joint venture loans, bank and other borrowings, lease liabilities, derivative financial instruments and net debt of the disposal group). Lease liabilities, joint venture loans and interest receivables have been allocated to each segment. 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. Balances in relation to the discontinued Banking operations have been included in the Tesco Bank segment in both current and prior year.

At 24 February 2024	UK & ROI £m	Central Europe £m	Tesco Bank £m	Unallocated £m	Total £m
Goodwill and other intangible assets[a]	4,713	33	320	–	5,066
Property, plant and equipment and investment property	15,707	1,475	63	–	17,245
Right of use assets	5,038	439	1	–	5,478
Non-current assets held for sale	23	62	–	–	85
Net assets of the disposal group excluding net debt[b]	–	–	758	–	758
Net debt (including Tesco Bank)[c]	(6,926)	(575)	(102)	(2,263)	(9,866)
Other net assets/(liabilities)	(7,101)	(300)	300	–	(7,101)
Total net assets	**11,454**	**1,134**	**1,340**	**(2,263)**	**11,665**

(a) Refer to Note 11 for the allocation of goodwill between remaining operations and the Banking operations disposal group classified as held for sale.
(b) Excludes £(182)m of net debt items within the Tesco Bank segment relating to the Banking operations disposal group.
(c) Refer to Note 21.

At 25 February 2023	UK & ROI £m	Central Europe £m	Tesco Bank (restated[a]) £m	Unallocated[b] £m	Total (restated[a]) £m
Goodwill and other intangible assets	4,715	37	623	–	5,375
Property, plant and equipment and investment property	15,346	1,468	72	–	16,886
Right of use assets	5,057	433	10	–	5,500
Assets of the disposal group and non-current assets held for sale	25	169	–	16	210
Net debt (including Tesco Bank)[c]	(7,036)	(553)	151	(2,904)	(10,342)
Other net assets/(liabilities)	(6,414)	(310)	1,320	–	(5,404)
Total net assets	**11,693**	**1,244**	**2,176**	**(2,888)**	**12,225**

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 22 for further details.
(b) Includes £16m of assets and £(14)m of items within net debt relating to residual properties and leases with respect to the Group's operation in Poland.
(c) Refer to previous table for footnote.

Note 2 Segmental reporting continued

Other segment information

The table below shows the Group's total capital expenditure, depreciation and amortisation, and impairment loss on financial assets, reconciling to continuing operations:

52 weeks ended 24 February 2024	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total segments £m	Exclude: Banking operations £m	Continuing operations £m
Capital expenditure (including acquisitions through business combinations):						
Property, plant and equipment[(a)(b)]	1,091	99	8	1,198	–	1,198
Goodwill and other intangible assets[(c)]	255	12	25	292	(22)	270
Depreciation and amortisation:						
Property, plant and equipment	(802)	(86)	(11)	(899)	3	(896)
Right of use assets	(496)	(46)	(2)	(544)	1	(543)
Other intangible assets	(235)	(12)	(33)	(280)	25	(255)
Impairment:						
(Loss)/reversal on financial assets	1	1	(65)	(63)	65	2

(a) Includes £65m of land and buildings related to obtaining control of The Tesco Coral Limited Partnership (2023: £248m of land and buildings related to obtaining control of The Tesco Dorney Limited Partnership). Refer to Note 9.
(b) Includes £nil (2023: £42m) of property, plant and equipment acquired through business combinations.
(c) Includes £17m (2023: £31m) of goodwill and other intangible assets acquired through business combinations.

52 weeks ended 24 February 2023	UK & ROI £m	Central Europe £m	Tesco Bank[(d)] £m	Total segments[(d)] £m	Exclude: Banking operations[(d)] £m	Continuing operations[(d)] £m
Capital expenditure (including acquisitions through business combinations):						
Property, plant and equipment[(a)(b)]	1,176	104	14	1,294	(2)	1,292
Goodwill and other intangible assets[(c)]	259	12	37	308	(26)	282
Depreciation and amortisation:						
Property, plant and equipment	(788)	(84)	(10)	(882)	2	(880)
Right of use assets	(500)	(37)	(2)	(539)	1	(538)
Investment property	(1)	–	–	(1)	–	(1)
Other intangible assets	(226)	(10)	(42)	(278)	31	(247)
Impairment:						
(Loss)/reversal on financial assets	(5)	(1)	(60)	(66)	60	(6)

(a)-(c) Refer to previous table for footnotes.
(d) Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 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 continuing and discontinued operations.

				Tesco Bank				
	Retail			Continuing operations			Discontinued operations	Tesco Group
52 weeks ended 24 February 2024	Before adjusting items £m	Adjusting items £m	Total £m	Before adjusting items £m	Adjusting items £m	Total £m	Total £m	Total £m
Operating profit/(loss)	**2,760**	**(5)**	**2,755**	**69**	**(3)**	**66**	**(659)**	**2,162**
Depreciation and amortisation	1,602	75	1,677	17	–	17	29	1,723
ATM net income	(9)	–	(9)	9	–	9	–	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases	10	(63)	(53)	–	–	–	–	(53)
(Profit)/loss arising on sale of joint ventures and associates	–	(9)	(9)	–	–	–	–	(9)
(Profit)/loss arising on sale of subsidiaries	–	(12)	(12)	–	–	–	–	(12)
Net impairment (reversal)/loss on property, plant and equipment, right of use assets, intangible assets and investment property	–	(28)	(28)	–	–	–	–	(28)
Net remeasurement (gain)/loss on non-current assets held for sale	–	(12)	(12)	–	–	–	732	720
Defined benefit pension scheme payments	(29)	–	(29)	–	–	–	–	(29)
Share-based payments	75	–	75	(3)	–	(3)	6	78
Fair value movements included in operating profit/(loss)	6	–	6	3	–	3	62	71
Cash generated from/(used in) operations excluding working capital	**4,415**	**(54)**	**4,361**	**95**	**(3)**	**92**	**170**	**4,623**
(Increase)/decrease in working capital	418	(44)	374	(105)	1	(104)	(7)	263
Cash generated from/(used in) operations	**4,833**	**(98)**	**4,735**	**(10)**	**(2)**	**(12)**	**163**	**4,886**
Interest paid	(809)	–	(809)	(14)	–	(14)	(1)	(824)
Corporation tax paid	(214)	–	(214)	(9)	–	(9)	–	(223)
Net cash generated from/(used in) operating activities*	**3,810**	**(98)**	**3,712**	**(33)**	**(2)**	**(35)**	**162**	**3,839**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	53	55	–	–	–	–	55
Purchase of property, plant and equipment, investment property and other long-term assets – property buybacks and store purchases	(66)	7	(59)	–	–	–	–	(59)
Purchase of property, plant and equipment, investment property and other long-term assets – other capital expenditure	(1,039)	–	(1,039)	(10)	–	(10)	–	(1,049)
Purchase of intangible assets	(250)	–	(250)	(6)	–	(6)	(22)	(278)
Disposal of subsidiaries, net of cash disposed	–	15	15	–	–	–	–	15
Acquisition of subsidiaries, net of cash acquired	(17)	–	(17)	–	–	–	–	(17)
Proceeds from the sale of joint ventures and associates	–	9	9	–	–	–	–	9
Increase in loans to joint ventures and associates	(61)	–	(61)	–	–	–	–	(61)
Investments in joint ventures and associates	(9)	–	(9)	–	–	–	–	(9)
Net (investments in)/proceeds from sale of short-term investments	(507)	–	(507)	–	–	–	–	(507)
Proceeds from sale of other investments	5	–	5	347	–	347	–	352
Purchase of other investments	(5)	–	(5)	(385)	–	(385)	–	(390)
Dividends received from joint ventures and associates	9	–	9	–	–	–	–	9
Special dividend received from Tesco Bank	250	–	250	(250)	–	(250)	–	–
Interest received	249	–	249	–	–	–	–	249
Cash inflows from derivative financial instruments	5	–	5	–	–	–	–	5
Cash outflows from derivative financial instruments	(24)	–	(24)	–	–	–	–	(24)
Net cash generated from/(used in) investing activities*	**(1,458)**	**84**	**(1,374)**	**(304)**	**–**	**(304)**	**(22)**	**(1,700)**
Own shares purchased for cancellation	(752)	–	(752)	–	–	–	–	(752)
Own shares purchased for share schemes	(93)	–	(93)	–	–	–	–	(93)
Repayment of capital element of obligations under leases	(623)	–	(623)	(2)	–	(2)	(2)	(627)
Cash outflows exceeding the incremental increase in assets in a property buyback	(62)	–	(62)	–	–	–	–	(62)
Increase in borrowings	682	–	682	–	–	–	550	1,232
Repayment of borrowings	(775)	–	(775)	–	–	–	–	(775)
Cash inflows from derivative financial instruments	98	–	98	–	–	–	–	98
Cash outflows from derivative financial instruments	(102)	–	(102)	–	–	–	–	(102)
Dividends paid to equity holders	(777)	(1)	(778)	–	–	–	–	(778)
Net cash generated from/(used in) financing activities*	**(2,404)**	**(1)**	**(2,405)**	**(2)**	**–**	**(2)**	**548**	**(1,859)**
Net increase/(decrease) in cash and cash equivalents	**(52)**	**(15)**	**(67)**	**(339)**	**(2)**	**(341)**	**688**	**280**
Cash and cash equivalents at the beginning of the year								1,565
Effect of foreign exchange rate changes								29
Cash and cash equivalents, including cash held in the disposal group, at the end of the year								**1,874**
Less: Cash held in the disposal group								(346)
Cash and cash equivalents at the end of the year								**1,528**

* Refer to page 55 for the reconciliation of the APM: Retail free cash flow.

Notes continued

Note 2 Segmental reporting continued

52 weeks ended 25 February 2023	Retail			Tesco Bank continuing operations (restated[a])			Discontinued operations[b]	Tesco Group (restated[a])
	Before adjusting items £m	Adjusting items £m	Total £m	Before adjusting items £m	Adjusting items £m	Total £m	Total £m	Total £m
Operating profit/(loss)	**2,487**	**(1,094)**	**1,393**	**22**	**(5)**	**17**	**98**	**1,508**
Depreciation and amortisation	1,570	76	1,646	19	–	19	35	1,700
ATM net income	(16)	–	(16)	16	–	16	–	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases	13	(91)	(78)	–	–	–	2	(76)
(Profit)/loss arising from sale of other investments	–	–	–	3	–	3	–	3
Net impairment loss on property, plant and equipment, right of use assets, intangible assets and investment property	–	982	982	–	–	–	–	982
Net remeasurement loss on non-current assets held for sale	–	14	14	–	–	–	9	23
Defined benefit pension scheme payments	(23)	–	(23)	–	–	–	–	(23)
Share-based payments	64	–	64	(2)	–	(2)	(3)	59
Fair value movements included in operating profit/(loss)	–	–	–	15	–	15	55	70
Cash generated from/(used in) operations excluding working capital	**4,095**	**(113)**	**3,982**	**73**	**(5)**	**68**	**196**	**4,246**
(Increase)/decrease in working capital	468	52	520	(39)	(3)	(42)	(227)	251
Cash generated from/(used in) operations	**4,563**	**(61)**	**4,502**	**34**	**(8)**	**26**	**(31)**	**4,497**
Interest paid	(643)	–	(643)	(9)	–	(9)	–	(652)
Corporation tax paid	(107)	–	(107)	(17)	–	(17)	1	(123)
Net cash generated from/(used in) operating activities[c]	**3,813**	**(61)**	**3,752**	**8**	**(8)**	**–**	**(30)**	**3,722**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	6	335	341	1	–	1	–	342
Purchase of property, plant and equipment, investment property and other long-term assets – property buybacks	(14)	(40)	(54)	–	–	–	–	(54)
Purchase of property, plant and equipment, investment property and other long-term assets – other capital expenditure	(902)	–	(902)	(13)	–	(13)	(2)	(917)
Purchase of intangible assets	(241)	–	(241)	(12)	–	(12)	(26)	(279)
Acquisition of subsidiaries, net of cash acquired	(66)	–	(66)	(5)	–	(5)	–	(71)
Increase in loans to joint ventures and associates	(1)	–	(1)	–	–	–	–	(1)
Investments in joint ventures and associates	(10)	–	(10)	–	–	–	–	(10)
Net (investments in)/proceeds from sale of short-term investments	451	–	451	–	–	–	–	451
Proceeds from sale of other investments	1	–	1	229	–	229	–	230
Purchase of other investments	(206)	–	(206)	(323)	–	(323)	–	(529)
Dividends received from joint ventures and associates	14	–	14	–	–	–	–	14
Dividends received from Tesco Bank	54	–	54	(54)	–	(54)	–	–
Interest received	70	–	70	–	–	–	–	70
Cash inflows from derivative financial instruments	54	–	54	–	–	–	–	54
Cash outflows from derivative financial instruments	(6)	–	(6)	–	–	–	–	(6)
Net cash generated from/(used in) investing activities[c]	**(796)**	**295**	**(501)**	**(177)**	**–**	**(177)**	**(28)**	**(706)**
Own shares purchased for cancellation	(781)	–	(781)	–	–	–	–	(781)
Own shares purchased for share schemes	(86)	–	(86)	–	–	–	–	(86)
Repayment of capital element of obligations under leases	(589)	–	(589)	(2)	–	(2)	(2)	(593)
Cash outflows exceeding the incremental increase in assets in a property buyback	(21)	–	(21)	–	–	–	–	(21)
Repayment of borrowings	(608)	–	(608)	(101)	–	(101)	–	(709)
Cash inflows from derivative financial instruments	232	–	232	–	–	–	–	232
Cash outflows from derivative financial instruments	(365)	–	(365)	(6)	–	(6)	–	(371)
Dividends paid to equity holders	(858)	(1)	(859)	–	–	–	–	(859)
Net cash generated from/(used in) financing activities[c]	**(3,076)**	**(1)**	**(3,077)**	**(109)**	**–**	**(109)**	**(2)**	**(3,188)**
Net increase/(decrease) in cash and cash equivalents	**(59)**	**233**	**174**	**(278)**	**(8)**	**(286)**	**(60)**	**(172)**
Cash and cash equivalents at the beginning of the year								1,771
Effect of foreign exchange rate changes								(34)
Cash and cash equivalents at the end of the year								**1,565**

(a) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation within the Tesco Bank segment. Refer to Notes 1, 6 and 22 for further details.
(b) Comprising Banking operations and immaterial balances in relation to the Group's residual properties in Poland. Refer to Note 6.
(c) Refer to page 55 for the reconciliation of the APM: Retail free cash flow.

Note 3 Adjusting items

Group income statement

52 weeks ended 24 February 2024

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	Finance income/ (costs) £m	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items £m
Property transactions[a]	6	69	75	–	(18)	–	57
Disposal of China associate in a prior year[b]	–	9	9	–	23	–	32
Net impairment (loss)/reversal of non-current assets[c]	35	(7)	28	–	38	–	66
Restructuring[d]	(45)	(5)	(50)	–	12	–	(38)
Amortisation of acquired intangible assets[e]	–	(74)	(74)	–	18	–	(56)
Disposal of subsidiary[f]	–	12	12	–	–	–	12
Banking operations disposal costs[g]	–	(8)	(8)	–	–	–	(8)
Net pension finance income/(costs)[h]	–	–	–	(18)	5	–	(13)
Fair value remeasurements of financial instruments[h]	–	–	–	38	(10)	–	28
Total adjusting items from continuing operations	**(4)**	**(4)**	**(8)**	**20**	**68**	**–**	**80**
Adjusting items relating to discontinued operations[i]	–	–	–	–	–	(628)	(628)
Total adjusting items	**(4)**	**(4)**	**(8)**	**20**	**68**	**(628)**	**(548)**

(a) The Group disposed of surplus properties that generated a profit before tax of £63m (2023: £91m). In addition, there was a £12m gain (2023: £nil) arising from the remeasurement of assets held for sale, subsequently reclassified to property, plant and equipment.
(b) During the current financial year, the Group reached a settlement with the Chinese tax authorities in respect of the sale of the Group's 20% share of Gain Land Limited to China Resources Holdings on 28 February 2020. As a result of the settlement the Group released a tax provision of £23m (2023: £nil). Additionally, final proceeds of £9m were recognised upon settlement.
(c) Refer to Note 11 for further details on net impairment (loss)/reversal of non-current assets.
(d) Provisions relating to operational restructuring changes announced as part of 'Save to Invest', a multi-year programme which commenced in June 2022. The total pre-tax cost of the programme to date is £(232)m (2023: £(182)m). Future cost savings will not be reported within adjusting items.
(e) Amortisation of acquired intangibles relates to historical inorganic business combinations and does not reflect the Group's ongoing trading performance.
(f) On 30 June 2023 the Group disposed of its Booker subsidiary Ritter-Courivaud Limited, part of the UK & ROI segment.
(g) Costs incurred within the continuing Group in relation to the sale of Banking operations.
(h) Net pension finance costs and fair value remeasurements of financial instruments are included within adjusting items, as they can fluctuate significantly due to external market factors that are outside management's control. Refer to Note 4 for details of finance income and costs. Refer to Note 18 for details of pension schemes.
(i) Refer to Note 6.

52 weeks ended 25 February 2023

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

	Cost of sales £m	Administrative expenses £m	Total adjusting items included within operating profit £m	Finance income/ (costs) £m	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items (restated*) £m
Property transactions	36	55	91	–	29	–	120
Net impairment (loss)/reversal of non-current assets	(965)	(17)	(982)	–	129	–	(853)
Fair value less cost of disposal movements on assets held for sale	–	(14)	(14)	–	1	–	(13)
Restructuring	(107)	(25)	(132)	–	26	–	(106)
Disposal of Asia operations	–	2	2	–	–	–	2
ATM business rates refund	7	–	7	–	(1)	–	6
Release of onerous contract provision	–	5	5	–	–	–	5
Amortisation of acquired intangible assets	–	(76)	(76)	–	14	–	(62)
Net pension finance income	–	–	–	80	(15)	–	65
Fair value remeasurements of financial instruments	–	–	–	(53)	12	–	(41)
Total adjusting items from continuing operations	**(1,029)**	**(70)**	**(1,099)**	**27**	**195**	**–**	**(877)**
Adjusting items relating to discontinued operations*	–	–	–	–	–	(13)	(13)
Total adjusting items	**(1,029)**	**(70)**	**(1,099)**	**27**	**195**	**(13)**	**(890)**

* Comparatives have been restated to present Banking operations as a discontinued operation. Refer to Notes 1 and 6.

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 2024 £m	52 weeks 2023 (restated[a]) £m	**52 weeks 2024 £m**	52 weeks 2023 £m	**52 weeks 2024 £m**	52 weeks 2023 £m
Property transactions[b]	–	–	53	335	–	–
Disposal of subsidiaries[c]	–	–	15	–	–	–
Restructuring[d]	(100)	(68)	–	–	–	–
Disposal of China associate	–	–	9	–	–	–
Customer redress claims settlement in Tesco Bank	–	(4)	–	–	–	–
ATM business rates refund	–	5	–	–	–	–
Disposal of Asia operations	–	(2)	–	–	–	–
Acquisition of property joint venture	–	–	7	(40)	–	–
Special dividend	–	–	–	–	(1)	(1)
Total adjusting items from continuing operations	**(100)**	**(69)**	**84**	**295**	**(1)**	**(1)**
Adjusting items relating to discontinued operations	(1)	(8)	–	–	–	–
Total	**(101)**	**(77)**	**84**	**295**	**(1)**	**(1)**

(a) Comparatives have been restated to present Banking operations as a discontinued operation. Refer to Notes 1 and 6.
(b) Property transactions include £14m proceeds (2023: £43m) relating to the sale of stores in Poland not included in the sale of the corporate business.
(c) On 30 June 2023, the Group disposed of its Booker subsidiary Ritter-Courivaud Limited, part of the UK & ROI segment.
(d) Cash outflows relating to operational restructuring changes as part of the multi-year 'Save to Invest' programme, which commenced in June 2022.

Note 4 Finance income and costs

Continuing operations	Notes	**52 weeks 2024 £m**	52 weeks 2023 (restated[a]) £m
Finance income			
Interest and similar income		252	78
Interest income from other investments		12	3
Finance income on net investment in leases		2	4
Finance income from reinsurance contracts held		1	2
Total finance income		**267**	**87**
Finance costs			
GBP MTNs and loans		(190)	(160)
EUR MTNs		(113)	(53)
USD bonds		(15)	(18)
Interest expense on lease liabilities		(373)	(371)
Finance expense from insurance contracts issued		(7)	(5)
Other interest costs		(127)	(43)
Total finance costs before adjusting items		**(825)**	**(650)**
Fair value remeasurements of financial instruments[b]		38	(53)
Net pension finance income/(cost)	18	(18)	80
Total finance costs		**(805)**	**(623)**
Net finance costs		**(538)**	**(536)**

(a) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.
(b) Fair value remeasurements of financial instruments included £nil (2023: £70m gain) relating to the repurchase of long-dated bonds.

Note 5 Taxation

Recognised in the Group income statement

Continuing operations	52 weeks 2024 £m	52 weeks 2023 (restated*) £m
Current tax (credit)/charge		
UK corporation tax	351	174
Overseas tax	71	78
Adjustments in respect of prior years	(29)	19
	393	**271**
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	133	(15)
Adjustments in respect of prior years	(4)	(35)
Change in tax rate	3	3
	132	**(47)**
Total income tax (credit)/charge	**525**	**224**

* Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.

Reconciliation of effective tax charge

Continuing operations	52 weeks 2024 £m	52 weeks 2023 (restated[a]) £m
Profit/(loss) before tax	**2,289**	**882**
Tax credit/(charge) at 24.45% (2023: 19%)	(560)	(168)
Effect of:		
Non-qualifying depreciation[b]	(39)	(5)
Expenses not deductible	(24)	(23)
Property items taxed on a different basis to accounting entries	6	33
Net impairment (loss)/reversal of non-current assets	46	(87)
Differences in overseas taxation rates	15	11
Adjustments in respect of prior years	33	16
Share of profits of joint ventures and associates	2	2
Change in tax rate	(3)	(3)
Irrecoverable withholding tax	(1)	–
Total income tax credit/(charge)	**(525)**	**(224)**
Effective tax rate	**22.9%**	**25.4%**

(a) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.
(b) This figure has been reduced by the tax effect of the super-deduction of £3m (2023: £30m) in respect of tax relief for fixed assets.

Reconciliation of effective tax charge on adjusted profit before tax

Continuing operations	52 weeks 2024 £m	52 weeks 2023 (restated[a]) £m
Profit/(loss) before tax	**2,289**	**882**
Exclude: Adjusting items	(12)	1,072
Adjusted profit before tax	**2,277**	**1,954**
Tax credit/(charge) at 24.45% (2023: 19%)	(557)	(371)
Effect of:		
Non-qualifying depreciation[b]	(39)	(5)
Expenses not deductible	(23)	(24)
Differences in overseas taxation rates	19	10
Adjustments in respect of prior years	10	(3)
Share of profits of joint ventures and associates	2	2
Change in tax rate[c]	(4)	(28)
Irrecoverable withholding tax	(1)	–
Total income tax credit/(charge) before adjusting items	**(593)**	**(419)**
Adjusted effective tax rate	**26.0%**	**21.4%**

(a)-(b) Refer to previous table for footnotes.
(c) Change in tax rate includes £nil (2023: £31m) in relation to provision of deferred tax at 25% (2023: 25%) on assets qualifying for super-deductions.

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. Deferred tax assets are recognised when it is probable sufficient taxable profits will be available to utilise deductible temporary differences or unused tax losses. This assessment is based on the Group's three-year long-term plan which is updated and approved annually by the Board and is consistent with the Group's longer-term viability statement and impairment assessments.

	Property-related items[a] £m	Acquired intangibles £m	Post-employment benefits[b] £m	Share-based payments £m	Other short-term timing differences £m	Tax losses £m	Financial instruments £m	Total £m
At 26 February 2022 (as previously reported)	**(352)**	**(108)**	**(451)**	**39**	**45**	**6**	**(4)**	**(825)**
Cumulative adjustment on initial application of IFRS 17	–	–	–	–	3	–	–	3
At 26 February 2022 (restated[c])	**(352)**	**(108)**	**(451)**	**39**	**48**	**6**	**(4)**	**(822)**
(Charge)/credit to the Group income statement	(89)	15	(13)	12	14	140	(32)	47
(Charge)/credit to the Group statement of changes in equity	–	–	–	(11)	–	–	–	(11)
(Charge)/credit to the Group statement of comprehensive income/(loss)	–	–	719	–	–	–	27	746
Discontinued operations	9	–	–	(1)	–	–	–	8
Foreign exchange and other movements	(2)	(2)	–	–	1	–	–	(3)
At 25 February 2023 (restated[c])	**(434)**	**(95)**	**255**	**39**	**63**	**146**	**(9)**	**(35)**
(Charge)/credit to the Group income statement	(85)	18	2	–	11	(73)	(5)	(132)
(Charge)/credit to the Group statement of changes in equity	–	–	–	10	–	–	–	10
(Charge)/credit to the Group statement of comprehensive income/(loss)	–	–	(95)	–	–	–	(8)	(103)
Discontinued operations	27	–	–	–	–	–	(3)	24
Foreign exchange and other movements	(1)	–	–	–	–	–	–	(1)
At 24 February 2024	**(493)**	**(77)**	**162**	**49**	**74**	**73**	**(25)**	**(237)**

(a) Property-related items include a deferred tax liability on rolled-over gains of £424m (2023: £421m), deferred tax assets on capital losses of £242m (2023: £242m) and deferred tax assets on IFRS 16 balances of £199m (2023: £235m). The remaining balance relates to accelerated tax depreciation.
(b) The deferred tax asset on post-employment retirement benefits includes a deferred tax asset of £nil (2023: £155m) arising from a one-off contribution of £2.5bn paid in December 2020 on which tax deductions are spread over 4 years, resulting in the closing balance entirely relating to pension schemes in deficit. Refer to Note 18 for further details.
(c) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 22 for further details.

Changes in tax law or its interpretation

The Group is within the scope of the Organisation for Economic Co-operation and Development (OECD) Pillar Two model rules. Pillar Two legislation has been enacted in the UK introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes. Under the legislation, the Group is liable to pay a top-up tax for the difference between its effective tax rate per jurisdiction and the 15% minimum rate. The Group has performed an assessment of the potential exposure to Pillar Two income taxes and there is not expected to be a material impact on the Group's tax charge.

Note 6 Discontinued operations

The following table presents a breakdown of the assets and liabilities of disposal groups and non-current assets classified as held for sale.

	2024			2023[b]
	Banking operations £m	**Other[a] £m**	**Total £m**	**Total £m**
Assets of the disposal group	7,698	–	7,698	11
Non-current assets classified as held for sale[c]	–	85	85	199
Total assets of the disposal group and non-current assets classified as held for sale	**7,698**	**85**	**7,783**	**210**
Liabilities of the disposal group	(7,122)	–	(7,122)	(14)
Total net assets of the disposal group and non-current assets classified as held for sale	**576**	**85**	**661**	**196**

(a) Other non-current assets classified as held for sale consist mainly of properties in the UK and Central Europe due to be sold within one year. Due to the individual nature of each property, fair values are classified as Level 3 within the fair value hierarchy.
(b) The assets and liabilities of the disposal group in the comparative period included £(14)m of net debt relating to residual properties and leases with respect to the Group's operation in Poland. During the year, the net debt and £11m of assets were reclassified from the disposal group to continuing operations, as the residual balances no longer met the held for sale classification criteria.
(c) The movement in other non-current assets classified as held for sale in the current year includes a £12m gain arising from fair value remeasurement and £(126)m of assets reclassified to property, plant and equipment as these balances no longer met the held for sale criteria.

Note 6 Discontinued operations continued

Disposal of Banking operations

In February 2024, the Group reached agreement on the terms of a proposed sale of its banking operations, comprising personal loans, credit cards, customer deposits, and associated operational capabilities ('Banking operations') for consideration of £600m. The sale is subject to regulatory approval and is expected to complete within 12 months of the reporting date.

The related assets and liabilities have been classified as held for sale in the Banking operations disposal group within the Tesco Bank segment, with Group results re-presented to present Banking operations as a discontinued operation. Refer to Note 1 for further details.

Balance sheet of the disposal group

The following table presents a breakdown of the assets and liabilities of the Banking operations disposal group:

	2024 £m
Loans and advances to customers	7,669
Derivative financial instruments	54
Trade and other receivables	47
Cash and cash equivalents	346
Excess loss on remeasurement of the disposal group	(418)
Assets of the disposal group classified as held for sale	**7,698**
Trade and other payables	(81)
Borrowings	(549)
Provisions	(19)
Lease liabilities	(17)
Deposits from customers	(6,440)
Derivative financial instruments	(16)
Liabilities of the disposal group classified as held for sale	**(7,122)**

Upon classification as held for sale, the Group recognised a £(732)m loss on remeasuring the disposal group to fair value less costs to sell. The loss was allocated to goodwill and other assets of the disposal group within the scope of the measurement requirements of IFRS 5, which were fully written off. The excess loss remaining was then recognised as a reduction in the total assets of the disposal group, which primarily comprise loans and advances to customers measured under IFRS 9.

The Group has continued to measure financial assets within the disposal group under IFRS 9, as they are out of scope of the measurement requirements of IFRS 5. Loans and advances to customers and customer deposits are measured at amortised cost. Derivative financial instruments are measured at fair value as Level 2 instruments. In the year Tesco Bank issued £550m of notes, in relation to securitisation transactions, which form part of the Banking operations disposal group. Interest payable on these notes is based on sterling overnight index average (SONIA) plus a margin of 80 to 92 basis points (2023: no notes in issue).

Income statement of discontinued operations

	2024	2023[(a)]		
	Banking operations £m	Banking operations £m	Other £m	Total £m
Revenue	710	568	–	568
Operating costs	(631)	(455)	–	(455)
Adjusted operating profit/(loss)	**79**	**113**	**–**	**113**
Adjusted finance (costs)/income	(1)	(2)	–	(2)
Adjusted profit/(loss) before tax	**78**	**111**	**–**	**111**
Taxation	(22)	(20)	–	(20)
Adjusted profit/(loss) after tax	**56**	**91**	**–**	**91**
Fair value remeasurement of assets of the disposal group[(b)]	(732)	–	–	–
Fair value remeasurement of non-current assets held for sale[(c)]	–	–	(9)	(9)
Other adjusting items[(d)]	(11)	(4)	–	(4)
Tax on adjusting items	115	–	–	–
Total adjusting items	**(628)**	**(4)**	**(9)**	**(13)**
Total profit/(loss) after tax of discontinued operations	**(572)**	**87**	**(9)**	**78**

(a) Comparatives have been re-presented to disclose Banking operations as a discontinued operation.
(b) Fair value remeasurement of assets of the disposal group includes £(211)m of goodwill impairment, £(96)m remeasurements on non-current assets, £(418)m loss in excess of the carrying amount of the non-current assets and £(7)m costs already incurred in relation to the sale. Refer to Note 11 for further details on goodwill.
(c) Fair value remeasurement of non-current assets held for sale in the prior year of £(9)m primarily relate to surplus properties in Poland.
(d) Other adjusting items of £(11)m in the current year comprises £(6)m indirect costs incurred in relation to the sale of Banking operations and £(5)m of costs relating to fair value remeasurement of financial assets. Other adjusting items of £(4)m in the prior year primarily relate to operational restructuring changes as part of the 'Save to Invest' programme.

Cash flow statement of discontinued operations

	2024	2023
	Banking operations £m	Banking operations £m
Net cash flows from operating activities	162	(30)
Net cash flows from investing activities	(22)	(28)
Net cash flows from financing activities	548	(2)
Net cash flows from discontinued operations	**688**	**(60)**

Note 6 Discontinued operations continued

Expected credit losses (ECLs) of the Banking operations disposal group

The Banking operations disposal group has specific risks in relation to ECLs on loans and advances to customers. The financial risk for ECLs is that a retail customer or counterparty to a wholesale transaction will fail to meet its obligations in accordance with contractually agreed terms and Tesco Bank will incur losses as a result.

To minimise the potential exposure to bad debts that are outside risk appetite, processes, systems and limits have been established that cover the end-to-end retail credit risk customer life cycle. These include credit scoring, affordability, credit policies and guides, and monitoring and reporting. Controls and risk mitigants include daily monitoring of exposures, investing in counterparties with investment-grade ratings, restricting the amount that can be invested with one counterparty and credit-rating mitigation techniques. Assessment of the ECLs on loans and advances to customers has taken into account a range of macroeconomic scenarios.

The table below presents the maximum exposure of the disposal group to credit risk i.e. total gross exposure, by stages.

	2024							2023 (restated[a])						
	Stage 1	Stage 2				Stage 3	Total	Stage 1	Stage 2				Stage 3	Total
	£m	Not past due £m	<30 days past due £m	>30 days past due £m	Total £m	£m	£m	£m	Not past due £m	<30 days past due £m	>30 days past due £m	Total £m	£m	£m
Loans and advances to customers	6,687	1,141	44	30	1,215	233	8,135	5,687	1,559	40	24	1,623	202	7,512
Loan commitments – loans and advances to customers	12,257	574	8	1	583	10	12,850	11,508	690	6	-	696	8	12,212
Total gross exposure[b]	**18,944**	**1,715**	**52**	**31**	**1,798**	**243**	**20,985**	**17,195**	**2,249**	**46**	**24**	**2,319**	**210**	**19,724**
Total loss allowance[c]	**70**	**189**	**18**	**17**	**224**	**139**	**433**	**56**	**258**	**19**	**14**	**291**	**113**	**460**
Total net exposure – loans and advances to customers	**6,617**	**952**	**26**	**13**	**991**	**94**	**7,702**	**5,631**	**1,301**	**21**	**10**	**1,332**	**89**	**7,052**
Coverage - loans and advances to customers	1%	17%	41%	57%	18%	60%	5%	1%	17%	48%	58%	18%	56%	6%

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 22 for further details.
(b) For loans and advances to customers, the balances are based on gross carrying amounts. For loan commitments, the amounts represent the amount for which the Banking operations disposal group is contractually committed.
(c) The loss allowance in respect of loan commitments in relation to credit card products is included within the total loss allowance for loans and advances to customers above to the extent that it is below the gross carrying amount of loans and advances to customers. Where the loss allowance exceeds the gross carrying amount, any excess is included within the liabilities of the disposal group as a provision.

There are four classifications of credit quality for all credit exposures: high, satisfactory, low and below standard. Credit exposures are segmented according to the probability of default (PD), with credit impaired reflecting a PD of 100%.

	2024					2023 (restated*)			
	12-month PD %	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loans and advances to customers:									
High quality	<=3.02	6,212	389	-	6,601	5,493	742	-	6,235
Satisfactory quality	>3.03 - 11.10	464	570	-	1,034	186	610	-	796
Low quality and below standard	=> 11.11	11	256	-	267	8	271	-	279
Credit impaired	100	–	–	233	233	–	–	202	202
		6,687	**1,215**	**233**	**8,135**	**5,687**	**1,623**	**202**	**7,512**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 22 for further details.

Note 6 Discontinued operations continued

The ECLs on loans and advances to customers was updated at the reporting date to reflect changes in credit risk. A three-stage model for impairment has been applied and further details on ECLs are presented below.

The table below presents the reconciliation of ECL allowances on loans and advances to customers.

	2024				2023 (restated*)			
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross exposure	6,687	1,215	233	8,135	5,687	1,623	202	7,512
Loan commitments	12,257	583	10	12,850	11,508	696	8	12,212
Total exposure	**18,944**	**1,798**	**243**	**20,985**	**17,195**	**2,319**	**210**	**19,724**
Allowance for expected credit losses								
At the beginning of the year	**(56)**	**(291)**	**(113)**	**(460)**	**(93)**	**(266)**	**(128)**	**(487)**
Transfers:								
Transfers from stage 1 to stage 2	7	(7)	–	–	19	(19)	–	–
Transfers from stage 2 to stage 1	(104)	104	–	–	(20)	20	–	–
Transfers to stage 3	1	42	(43)	–	3	21	(24)	–
Transfers from stage 3	(1)	(1)	2	–	(1)	(2)	3	–
Movements recognised in the Group income statement:								
Net remeasurement following transfer of stage	75	(22)	(57)	(4)	8	(27)	(54)	(73)
New financial assets originated	(35)	(37)	(11)	(83)	(24)	(63)	(7)	(94)
Financial assets derecognised during the current financial year	6	14	3	23	6	5	3	14
Changes in risk parameters and other movements	36	(27)	(25)	(16)	48	41	(11)	78
Other movements:								
Write-offs and asset disposals	–	–	105	105	–	–	105	105
Transfers to provisions for liabilities and charges	1	1	–	2	(2)	(1)	–	(3)
At the end of the year	**(70)**	**(224)**	**(139)**	**(433)**	**(56)**	**(291)**	**(113)**	**(460)**
Net exposure	**6,617**	**991**	**94**	**7,702**	**5,631**	**1,332**	**89**	**7,052**
Fair value adjustment				(33)				(75)
Carrying value at the end of the year				**7,669**				**6,977**

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 22 for further details.

Assessment of significant increase in credit risk

At each reporting date, the change in credit risk of the financial asset is observed using a set of quantitative and qualitative criteria, together with a backstop based on arrears status. For each financial asset, Tesco Bank compares the lifetime PD at the reporting date with the lifetime PD that was expected at the reporting date at initial recognition (PD threshold). Tesco Bank has established PD thresholds for each type of product which vary depending on initial term and term remaining. A number of qualitative criteria are in place such as: forbearance offered to customers in financial difficulty; risk-based pricing post-origination; credit indebtedness; credit limit decrease; and pre-delinquency information. As a backstop, Tesco Bank considers that if an account's contractual payments are more than 30 days past due then a significant increase in credit risk has taken place.

The ECLs calculation and the measurement of significant deterioration in credit risk both incorporate forward-looking information using a range of macroeconomic scenarios, with key variables being the Bank of England base rate, unemployment rate and gross domestic product.

There are four scenarios commissioned from a third-party provider:

Scenario	Scenario assumptions	Weighting (%)
Base	No further increase in base rate, inflation trends downwards toward 2% target by mid-2024. Unemployment expected to peak at 4.6%. Prospect of robust return to growth forecasted for 2025.	40
Upside	Improvements in energy supply and global supply chains leads to inflation of 2% by Q2 2024, base rates falling in Q2 2024 and commensurate increases in business and consumer confidence.	30
Downside 1	Disruption to energy supplies and commodities from geopolitical tensions drive wholesale price rises that are passed on to consumers leading to higher inflation, 7% base rates in Q4 2024, and economic contraction until 2026.	25
Downside 2	Similar to Downside 1, but inflation remains higher for longer and Sterling depreciates more markedly against the Dollar, base rates reach 8.7% in early 2025 and unemployment peaks to 7.9%.	5

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

	2024				2023			
Five-year average	**Base 40%**	**Upside 30%**	**Downside 1 25%**	**Downside 2 5%**	Base 40%	Upside 30%	Downside 1 25%	Downside 2 5%
Bank of England base rate(a)	4.1%	3.5%	5.4%	7.2%	3.8%	3.0%	4.7%	5.8%
Gross domestic product(b)	1.5%	2.0%	0.8%	0.1%	1.0%	1.5%	0.4%	(0.1)%
Unemployment rate	4.4%	4.0%	5.5%	7.2%	5.2%	4.2%	6.5%	8.4%
Unemployment rate peak in year	4.4%	4.0%	5.7%	7.5%	5.4%	4.2%	6.8%	8.9%

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

Note 6 Discontinued operations continued

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 the ECL allowance calculations as at 24 February 2024 and excludes specific management overlays which are discussed further below:

Key assumption	Reasonably possible change	Impact on the loss allowance 2024 £m	2023 (restated*) £m
Closing ECL allowance		**433**	**460**
Macroeconomic factors (100% weighted)	Upside scenario	(42)	(59)
	Base scenario	(20)	(11)
	Downside scenario 1	55	65
	Downside scenario 2	170	161
Probability of default	Increase of 2.5% (2023: 10%)	30	32
	Decrease of 2.5% (2023: 10%)	(29)	(31)
Loss given default	Increase of 2.5%	10	10
	Decrease of 2.5%	(10)	(10)
Probability of default threshold (staging)	Increase of 20%	(8)	(9)
	Decrease of 20%	13	13
Expected lifetime (revolving credit facility)	Increase of 1 year	4	3
	Decrease of 1 year	(5)	(5)

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 22 for further details.

Despite stability in the performance of the underlying portfolio, the increased risk from a high inflationary environment and cost-of-living crisis creates uncertainty on future loss projections and the current model outputs. As a result, certain specific management overlays have been recognised to address the prevailing downside risks and ensure the potential impacts of future stress are adequately provided for, detailed below:

Overlay	Description of adjustment	2024 £m	2023 £m
Underestimation risk	Risk that the beneficial impact of recent credit loss trends incorporated into credit risk models are transitive and may reverse due to the uncertain economic climate	8	68
Cost of living	A portion of Tesco Bank's customers may be more impacted by cost-of-living pressures, with deterioration in their ability to repay unsecured lending balances	20	22
Total overlays		**28**	**90**

Default

An account is deemed to have defaulted when Tesco Bank considers that a customer is in significant financial difficulty and that the customer meets certain quantitative and qualitative criteria regarding their ability to make contractual payments when due. This includes instances such as when the customer makes a declaration of significant financial difficulty; an account's contractual payments are more than 90 days past due; or where the customer is deceased.

A loan deemed uncollectable is written off against the related provision after all of the necessary procedures have been completed and the amount of the loss has been determined. The outstanding contractual amount of such assets written off was £99m (2023: £115m).

Forbearance

Forbearance is relief granted by a lender to assist customers in financial difficulty, through arrangements which temporarily allow the customer to pay an amount other than the contractual amounts due. The main aim of forbearance is to support customers in returning to a position where they are able to meet their contractual obligations. This routinely, but not exclusively, includes arrangements to repay arrears over a period of time, or short-term concessions, where the borrower is allowed to make reduced repayments (or in exceptional circumstances, no repayments) on a temporary basis.

	Gross loans and advances subject to forbearance programmes		Forbearance programmes as a proportion of total loans and advances by category		Proportion of forbearance programmes covered by allowance for expected credit losses	
	2024 £m	2023 £m	**2024 %**	2023 %	**2024 %**	2023 %
Credit cards	123	102	3	3	53	49
Loans	40	30	1	1	44	31

Notes continued

Note 7 Dividends

	2024		2023	
	Pence/share	£m	Pence/share	£m
Paid prior financial year final dividend[a]	7.05	506	7.70	574
Paid interim dividend[b]	3.85	271	3.85	284
Amounts recognised through equity as distributions to owners	**10.90**	**777**	**11.55**	**858**
Paid 2021 special dividend	50.93	1	50.93	1
Dividends paid in the financial year		**778**		**859**
Proposed final dividend at financial year end	**8.25**	**581**	**7.05**	**516**

(a) Excludes £6m prior financial year final dividend waived (2023: £7m) and includes the write-back of unclaimed dividends and forfeited shares of £4m (2023: £5m).
(b) Excludes £2m interim dividend waived (2023: £2m).

The proposed final dividend was approved by the Board of Directors on 9 April 2024 and is subject to the approval of shareholders at the AGM. The proposed dividend has not been included as a liability as at 24 February 2024. It will be paid on 28 June 2024 to shareholders who are on the Register of members at close of business on 17 May 2024.

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 2024.

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

For the 52 weeks ended 24 February 2024 there were 79 million (2023: 67 million) potentially dilutive share options and awards. As the Group has recognised a profit for the year from its continuing operations, dilutive effects have been considered in calculating diluted earnings per share.

	52 weeks ended 24 February 2024			52 weeks ended 25 February 2023 (restated[a])		
	Basic	Dilutive share options and awards	Diluted	Basic	Dilutive share options and awards	Diluted
Profit/(loss) (£m)						
Continuing operations[b]	1,760	–	1,760	659	–	659
Discontinued operations	(572)	–	(572)	78	–	78
Total	**1,188**	**–**	**1,188**	**737**	**–**	**737**
Weighted average number of shares (millions)	**7,097**	**79**	**7,176**	**7,415**	**67**	**7,482**
Earnings/(losses) per share (pence)						
Continuing operations	24.80	(0.27)	24.53	8.89	(0.08)	8.81
Discontinued operations	(8.06)	0.09	(7.97)	1.05	(0.01)	1.04
Total	**16.74**	**(0.18)**	**16.56**	**9.94**	**(0.09)**	**9.85**

(a) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.
(b) Excludes profits/(losses) attributable to non-controlling interests of £4m (2023: £(1)m).

APM: Adjusted diluted earnings/(losses) per share

Continuing operations	Notes	52 weeks 2024	52 weeks 2023 (restated[a])
Profit before tax (£m)		2,289	882
Exclude: Adjusting items (£m)	3	(12)	1,072
Adjusted profit before tax (£m)		**2,277**	**1,954**
Adjusted profit before tax attributable to the owners of the parent (£m)[b]		2,273	1,955
Taxation on adjusted profit before tax attributable to the owners of the parent (£m)	5	(593)	(419)
Adjusted profit after tax attributable to the owners of the parent (£m)		**1,680**	**1,536**
Basic weighted average number of shares (millions)		7,097	7,415
Adjusted basic earnings per share (pence)		**23.67**	**20.71**
Diluted weighted average number of shares (millions)		7,176	7,482
Adjusted diluted earnings per share (pence)		**23.41**	**20.53**

(a) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.
(b) Excludes profits/(losses) before tax from non-controlling interests of £4m (2023: £(1)m).

Note 9 Property, plant and equipment

	2024			2023		
	Land and buildings[a] £m	**Other[b] £m**	**Total £m**	Land and buildings[a] £m	Other[b] £m	Total £m
Net carrying value						
Opening balance	**14,870**	**1,992**	**16,862**	**15,163**	**1,897**	**17,060**
Foreign currency translation	(124)	(21)	(145)	129	20	149
Additions[c][d]	445	753	1,198	591	661	1,252
Acquired through business combinations	–	–	–	42	–	42
Reclassification	11	(7)	4	2	(4)	(2)
Transfers (to)/from assets classified as held for sale	103	5	108	(53)	(3)	(56)
Transfer to disposal group classified as held for sale	(1)	(3)	(4)	–	–	–
Disposals	(17)	(11)	(28)	(52)	(9)	(61)
Depreciation charge for the year	(449)	(450)	(899)	(434)	(448)	(882)
Impairment losses[e]	(236)	(95)	(331)	(686)	(141)	(827)
Reversal of impairment losses[e]	395	61	456	168	19	187
Closing balance	**14,997**	**2,224**	**17,221**	**14,870**	**1,992**	**16,862**
Construction in progress included above[f]	**109**	**280**	**389**	**109**	**278**	**387**

(a) The estimated fair value of land and buildings is £15.0bn (2023: £15.6bn).
(b) Other assets consist of fixtures and fittings with a net carrying value of £1,679m (2023: £1,496m), office equipment with a net carrying value of £234m (2023: £201m) and motor vehicles with a net carrying value of £311m (2023: £295m). Depreciation charge for the year is £(291)m (2023: £(292)m), £(69)m (2023: £(71)m) and £(90)m (2023: £(85)m), respectively.
(c) Includes £65m of land and buildings related to obtaining control of The Tesco Coral Limited Partnership, which was not impaired on acquisition (2023: £248m of land and buildings related to obtaining control of The Tesco Dorney Limited Partnership, which was impaired by £(7)m on acquisition).
(d) Includes £107m (2023: £29m) relating to other property buyback and store purchase transactions.
(e) Refer to Note 11.
(f) Construction in progress does not include land.

Commitments for capital expenditure contracted for, but not incurred, at 24 February 2024 were £160m (2023: £200m), principally relating to store development.

Note 10 Leases

Group as lessee

In January 2024, the Group obtained control of The Tesco Coral Limited Partnership, which held four stores and was previously accounted for as a joint venture, following the withdrawal of the joint venture partner. The transaction was treated as an asset acquisition, with non-cash consideration of £54m, principally comprising the elimination of the loan to the joint venture and derecognition of pre-existing right of use assets and lease liabilities.

Right of use assets

	2024			2023		
	Land and buildings £m	**Other £m**	**Total £m**	Land and buildings £m	Other £m	Total £m
Net carrying value						
Opening balance	**5,387**	**113**	**5,500**	**5,634**	**86**	**5,720**
Additions (including sale and leaseback transactions)[a]	305	39	344	378	64	442
Acquired through business combinations	–	–	–	4	–	4
Depreciation charge for the year	(508)	(36)	(544)	(501)	(38)	(539)
Impairment losses[b]	(213)	(1)	(214)	(394)	–	(394)
Reversal of impairment losses[b]	131	–	131	72	–	72
Derecognition on acquisition of property joint venture	(17)	–	(17)	(198)	–	(198)
Transfer to disposal group classified as held for sale	(9)	–	(9)	–	–	–
Other movements[c]	289	(2)	287	392	1	393
Closing balance	**5,365**	**113**	**5,478**	**5,387**	**113**	**5,500**

(a) Prior year includes £70m right of use assets related to obtaining control of The Tesco Dorney Limited Partnership.
(b) Refer to Note 11.
(c) Other movements include lease terminations, modifications and reassessments, foreign exchange, reclassifications between asset classes and entering into finance subleases.

Lease liabilities

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

	2024 £m	2023 £m
Current	584	595
Non-current	7,038	7,132
Total lease liabilities	**7,622**	**7,727**
Total undiscounted lease payments	**10,757**	**10,897**

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

Note 11 Impairment of non-current assets

Goodwill

The Group previously held £500m of goodwill associated with the Tesco Bank segment. On classification of the Group's Banking operations as held for sale, £211m of goodwill was allocated to the disposal group, £171m to the money services business and £118m to the insurance business. Subsequent to this allocation, an assessment of the Banking operations disposal group's fair value less costs to sell resulted in a write down of that goodwill to £nil. See Note 6 for further detail. There was no impairment of the goodwill associated with money services and insurance.

There was no impairment of other goodwill balances in the current year (2023: £nil).

Other non-current assets

The tables below summarise the Group's pre-tax impairment losses and reversals on other non-current assets, aggregated by segment due to the large number of individually immaterial store cash-generating units. This includes any (losses)/reversals recognised immediately prior to classifying an asset or disposal group as held for sale but excludes any changes in fair value less costs to sell post classification as held for sale. There were no impairment losses or reversals in the year (2023: £nil) with respect to investments in joint ventures and associates and no impairments in other non-current assets in either money services or insurance (2023: Tesco Bank segment £nil). All impairment losses and reversals are classified as adjusting items.

	UK & ROI		**Central Europe**		**Total**		**Net**
52 weeks ended 24 February 2024	**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	(26)	13	–	–	(26)	13	(13)
Property, plant and equipment	(306)	449	(25)	7	(331)	456	125
Right of use assets	(187)	122	(27)	9	(214)	131	(83)
Investment property	–	–	(1)	–	(1)	–	(1)
Total impairment (loss)/reversal of other non-current assets	**(519)**	**584**	**(53)**	**16**	**(572)**	**600**	**28**
Group income statement							
Cost of sales	(518)	584	(46)	15	(564)	599	35
Administrative expenses	(1)	–	(7)	1	(8)	1	(7)
Total impairment (loss)/reversal from continuing operations	**(519)**	**584**	**(53)**	**16**	**(572)**	**600**	**28**

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

The gross impairment losses and reversals for the Group largely reflect normal fluctuations expected from store-level performance, as well as any specific store closures. The net impairment reversal in the UK & ROI is primarily due to a net improvement in performance across the portfolio, partially offset by decreases in UK property fair values and fluctuations in discount rates. The net impairment loss in Central Europe is primarily due to a net deterioration of performance, partially offset by a reduction in discount rates.

Impairment methodology

The impairment methodology is unchanged in the period from that described in Note 14 of the Annual Report and Financial Statements 2023, other than in regards to the determination of the groups of cash-generating units for goodwill. The Group allocates goodwill to groups of cash-generating units based on the lowest level at which goodwill is monitored by management. Tesco Bank previously represented one group, however subsequent to the classification of Banking operations as held for sale, the Group has determined that money services and insurance represent two separate groups.

Key assumptions and sensitivity

Key assumptions

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

The discount rates and long-term growth rates for each group of cash-generating units to which goodwill has been allocated are:

	UK*		ROI		Money services	Insurance	Tesco Bank
	2024 %	2023 %	**2024 %**	2023 %	**2024 %**	**2024 %**	2023 %
Pre-tax discount rates	8.6 – 13.9	8.6 – 8.8	7.8	7.4	14.0	9.8	16.0
Post-tax discount rates	6.4 – 10.4	6.5 – 6.6	6.8	6.5	10.5	7.4	12.0
Long-term growth rates	2.0	2.0	2.0	2.0	1.7	1.7	1.7

* dunnhumby aggregated with the UK due to materiality.

Note 11 Impairment of non-current assets continued

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

	UK & ROI		Central Europe	
	2024 %	2023 %	**2024 %**	2023 %
Pre-tax discount rates	7.8 - 8.5	7.4 – 8.6	8.2 - 12.6	8.0 – 16.8
Post-tax discount rates	6.4 - 6.8	6.5	6.5 - 8.3	6.3 – 11.1
Long-term growth rates	2.0	2.0	1.8 - 3.1	2.0 – 3.2

Sensitivity

The Group has carried out sensitivity analyses on the reasonably possible changes in key assumptions in the impairment tests for (a) each group of cash-generating units to which goodwill has been allocated and (b) for its portfolio of store cash-generating units. Management has reduced the reasonably possible movements in the future cash flows and long-term growth rate sensitivities disclosed given the level of volatility seen in these inputs has reduced compared to the prior year.

(a) Neither a reasonably possible increase of 1.0%pt in discount rates, a 5.0% decrease in future cash flows nor a 0.5%pt decrease in long-term growth rates would indicate impairment in any group of cash-generating units to which goodwill has been allocated.

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

Key assumption	Reasonably possible change	Impact on impairment	**2024 £m**
Post-tax discount rates*	Increase of 1.0%pt for each geographic region	Increase	(429)
	Decrease of 1.0%pt for each geographic region	Decrease	389
Future cash flows	Increase of 5.0% for each geographic region	Decrease	154
	Decrease of 5.0% for each geographic region	Increase	(164)
Long-term growth rates	Increase of 0.5%pt for each geographic region	Decrease	149
	Decrease of 0.5%pt for each geographic region	Increase	(135)
Property fair values	Increase of 10.0% for each geographic region	Decrease	174
	Decrease of 10.0% for each geographic region	Increase	(179)

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

Note 12 Cash and cash equivalents and short-term investments

Cash and cash equivalents

	2024 £m	2023 £m
Cash at bank and on hand	2,300	2,426
Short-term deposits	40	39
Cash and cash equivalents in the Group balance sheet	**2,340**	**2,465**
Bank overdrafts	(812)	(900)
Cash and cash equivalents in the Group cash flow statement	**1,528**	**1,565**

Short-term investments

	2024 £m	2023 £m
Money market funds, deposits and similar instruments	2,128	1,628

Cash and cash equivalents include £30m (2023: £87m) of restricted amounts mainly relating to the Group's pension schemes and employee benefit trusts.

Note 13 Commercial income

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

	2024 £m	2023 £m
Current assets		
Inventories	(12)	(18)
Trade and other receivables		
Trade/other receivables	86	67
Accrued income	136	127
Current liabilities		
Trade and other payables		
Trade payables	138	112
Accruals	–	(5)

Note 14 Borrowings

Borrowings are classified as current and non-current based on their scheduled repayment dates. Repayments of principal amounts are classified as current if the repayment is scheduled to be made within one year of the balance sheet date. During the 52-week period ended 24 February 2024, within continuing operations the Group has made principal repayments of £775m (52 weeks ended 25 February 2023: £705m), and there have been £682m of borrowings issued (25 February 2023: £nil) comprising a €500m bond maturing February 2031 and £250m bond maturing February 2035. Refer to Note 6 for borrowings issued in the Banking operations disposal group.

Current

	2024 £m	2023 £m
Bank loans and overdrafts	838	928
Borrowings*	698	842
	1,536	**1,770**

Non-current

	2024 £m	2023 £m
Borrowings*	5,683	5,581

* £nil of current (2023: £nil) and £143m of non-current borrowings (2023: £137m) relate to borrowings issued by Tesco Bank.

Borrowing facilities

The Group has a £2.5bn undrawn committed facility available as at 24 February 2024 (25 February 2023: £2.5bn), in respect of which all conditions precedent had been met as at that date, consisting of a syndicated revolving credit facility expiring in more than two years. The cost of the facility is linked to three ESG targets and incurs commitment fees at market rates which would provide funding at floating rates.

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

There were no withdrawals from either facility during the year (2023: £nil).

Note 15 Insurance

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

Insurance contract liabilities and reinsurance contract assets

The breakdown of portfolios and groups of insurance contracts issued and reinsurance contracts held is set out in the table below:

	2024			2023 (restated[a])		
	Insurance contract liabilities £m	Reinsurance contracts held £m	Net (liabilities)/ assets £m	Insurance contract liabilities £m	Reinsurance contracts held £m	Net (liabilities)/ assets £m
(Liabilities)/assets for remaining coverage	(260)	(178)	(438)	(274)	(107)	(381)
(Liabilities)/assets for incurred claims	(266)	303	37	(227)	242	15
	(526)	**125**	**(401)**	**(501)**	**135**	**(366)**
Contracts measured under PAA	(364)	62	(302)	(290)	63	(227)
Contracts not measured under PAA[b]	(162)	63	(99)	(211)	72	(139)
	(526)	**125**	**(401)**	**(501)**	**135**	**(366)**

(a) Following the Group's adoption of IFRS 17, comparatives have been restated. Refer to Notes 1 and 22 for further details.
(b) Contracts not measured under the premium allocation approach (PAA) are measured using the general measurement model.

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

	At 24 February 2024				At 25 February 2023 (restated*)			
	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities	(437)	(16)	(73)	(526)	(417)	(18)	(66)	(501)
Reinsurance contract assets	95	6	24	125	96	7	32	135
Net (liabilities)/assets	**(342)**	**(10)**	**(49)**	**(401)**	**(321)**	**(11)**	**(34)**	**(366)**

* Following the Group's adoption of IFRS 17, comparatives have been restated. Refer to Notes 1 and 22 for further details.

Note 16 Financial instruments

In the current year, the tables below exclude the assets and liabilities of the Banking operations disposal group classified as held for sale.

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

Note 16 Financial instruments continued

Fair value of financial assets and liabilities measured at amortised cost

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

		2024		2023 (restated[a])	
	Level	**Carrying value £m**	**Fair value[b] £m**	Carrying value £m	Fair value[b] £m
Financial assets measured at amortised cost					
Loans and advances to customers[c]	3	–	–	6,977	6,954
Investments in debt instruments at amortised cost[d]	1 and 2	1,033	838	1,093	1,097
Joint ventures and associates loan receivables[e]	2	96	97	106	111
Financial liabilities measured at amortised cost					
Borrowings					
Amortised cost[f]	1	(5,067)	(4,794)	(5,227)	(4,882)
Bonds in fair value hedge relationships	1	(2,152)	(2,211)	(2,124)	(2,167)
Customer deposits[c]	3	–	–	(5,770)	(5,640)

(a) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 22 for further details.
(b) Refer to the fair value measurement section below for details on Level 2 and 3 methodology.
(c) Loans and advances to customers and customer deposits have been transferred to the Banking operations disposal group classified as held for sale. Refer to Note 6 for further details.
(d) These are principally Level 1 instruments.
(e) Joint ventures and associates loan receivables carrying amounts of £96m (2023: £106m) are presented in the Group balance sheet net of deferred profits of £nil (2023: £38m) historically arising from the sale of property assets to joint ventures.
(f) Comparative fair values have been restated from £(5,496)m to £(4,882)m for a revision in the fair value methodology applied to certain index-linked bonds, with no impact on their carrying values.

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

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

Level 2 assets and liabilities are valued by discounting future cash flows using externally sourced market yield curves, including interest rate curves and foreign exchange rates from highly liquid markets. Refer to the Level 3 Instruments section below for details on Level 3 valuation methodology.

At 24 February 2024	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Investments at fair value through other comprehensive income	682	–	19	701
Short-term investments at fair value through profit or loss	889	–	–	889
Cash and cash equivalents at fair value through profit or loss	–	35	–	35
Investments at fair value through profit or loss	–	–	18	18
Derivative financial instruments:				
Interest rate swaps	–	29	15	44
Cross-currency swaps	–	–	182	182
Index-linked swaps	–	–	583	583
Foreign currency forward contracts	–	25	–	25
Diesel forward contracts	–	2	–	2
Total assets	**1,571**	**91**	**817**	**2,479**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(9)	(96)	(105)
Cross-currency swaps	–	–	(139)	(139)
Foreign currency forward contracts	–	(20)	–	(20)
Diesel forward contracts	–	(2)	–	(2)
Total liabilities	**–**	**(31)**	**(235)**	**(266)**
Net assets/(liabilities)	**1,571**	**60**	**582**	**2,213**

Note 16 Financial instruments continued

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

During the financial year, there were no transfers (2023: no transfers) between Level 1 and Level 2 fair value measurements.

Level 3 Instruments

For Level 3 assets and liabilities, uncollateralised derivatives are valued as per Level 2 but include certain data sources which are significantly less liquid; whilst unlisted investments are valued based on less observable inputs such as recent funding rounds. Uncollateralised derivative financial instruments are held by the Group as part of financial risk management, and include interest rate and inflation swaps, cross-currency swaps and foreign exchange and diesel forward contracts. These are valued using relevant inputs which are considered observable (Level 2), such as forward rates and foreign exchange rates from available market data, with credit risk adjustments being incorporated in the derivative valuations, taking into account the default risk of either party using market data such as credit default swaps. Unobservable inputs (Level 3) relate to the funding valuation adjustment (FVA), which is the estimate of the adjustment to the fair value that a market participant would make to account for funding costs. These are calculated on the future valuation of the derivative, based on the best estimate available to management of suitable relevant cost of funds. A 10 basis points increase in the cost of funds would increase the FVA by £12m (2023: £11m).

The following table presents the changes in Level 3 instruments:

	2024		2023	
	Uncollateralised derivatives £m	**Unlisted investments £m**	Uncollateralised derivatives £m	Unlisted investments £m
At the beginning of the year	**379**	**34**	**749**	**14**
Gains/(losses) recognised in finance costs[a]	9	(2)	(114)	–
Gains/(losses) recognised in other comprehensive income not reclassified to the income statement	–	–	–	2
Gains/(losses) recognised in other comprehensive income that may subsequently be reclassified to the income statement	15	–	6	–
Additions	–	5	–	–
Disposals	–	–	(39)	–
Transfers of assets/(liabilities) to Level 3[b][c]	142	–	(223)	18
At the end of the year	**545**	**37**	**379**	**34**

(a) All gains or losses are unrealised.
(b) There were £nil transfers of unlisted investments (2023: £18m) and £142m of derivative assets (2023: £(223)m derivative liabilities) to Level 3 from Level 2 and £nil (2023: £nil) to Level 3 from Level 1. Transfers to Level 3 relate to the FVA applied to all uncollateralised cross-currency, interest rate and inflation rate swaps fair value previously classified as Level 2 due to FVA being considered unobservable inputs (Level 3).
(c) There were £nil transfers from Level 3 to Level 2 (2023: £nil) and £nil transfers from Level 3 to Level 1 (2023: £nil).

Note 17 Share-based payments

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

	2024 £m	2023 £m
Income statement		
Equity-settled share-based payment charge*	123	101
Cash-settled National Insurance contributions*	5	11
	128	**112**

* Includes £8m (2023: £2m) in relation to discontinued operations.

Note 17 Share-based payments continued

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

	2024 £m	2023 £m
Share-based payment charge included in income statement	**(128)**	**(112)**
Share-based payments non-cash movement	78	59
Increase/(decrease) in trade and other payables*	50	53
Included in Group operating cash flows	**–**	**–**
Cash paid to purchase own shares including related fees and taxes	(146)	(134)
Cash received from employees exercising SAYE options	53	48
Included in Group financing cash flows	**(93)**	**(86)**

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

Note 18 Post-employment benefits

Pensions

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

The principal defined benefit pension scheme within the Group is the Tesco PLC Pension Scheme (the Scheme), a UK scheme closed to future accrual. The latest triennial actuarial pension funding valuation for the Scheme as at 31 March 2022 using a projected unit credit method showed a funding surplus of £0.9bn. The Scheme remained in a funding surplus as at 24 February 2024.

IFRIC 14

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

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

	Net defined benefit surplus/(deficit)	
	2024 £m	2023 £m
Opening balance	**(391)**	**2,847**
Current service cost	(15)	(24)
Finance income/(cost)	(18)	80
Included in the Group income statement	**(33)**	**56**
Remeasurement gain/(loss):		
Financial assumptions gain/(loss)	720	7,652
Demographic assumptions gain/(loss)	261	(228)
Experience gain/(loss)	(182)	(1,244)
Return on plan assets excluding finance income	(1,050)	(9,518)
Foreign currency translation	–	(3)
Included in the Group statement of comprehensive income/(loss)	**(251)**	**(3,341)**
Employer contributions	15	24
Additional employer contributions	24	20
Benefits paid	5	3
Other movements	**44**	**47**
Closing balance	**(631)**	**(391)**
Withholding tax on surplus[(a)]	(4)	(3)
Closing balance, net of withholding tax	**(635)**	**(394)**
Consisting of:		
Schemes in deficit	(657)	(400)
Schemes in surplus[(b)]	22	6
Deferred tax asset/(liability)[(c)]	162	100
Surplus/(deficit) in schemes at the end of the period, net of deferred tax	**(473)**	**(294)**

(a) Recognised through other comprehensive income in remeasurements of defined benefit pension schemes.
(b) Schemes in surplus in the UK are presented on the balance sheet net of a 35% withholding tax.
(c) Including £(2)m deferred tax liability relating to the ROI scheme in surplus where no withholding tax is applicable (2023: £nil).

Note 18 Post-employment benefits continued

Scheme principal assumptions

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

	2024 %	2023 %
Discount rate[(a)]	5.1	4.9
Price inflation	2.9	3.0
Rate of increase in deferred pensions[(b)]	2.5	2.6
Rate of increase in pensions in payment[(b)]		
Benefits accrued before 1 June 2012	2.8	2.9
Benefits accrued after 1 June 2012	2.5	2.5

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

	2024		2023	
Financial assumptions – Increase/(decrease) in UK defined benefit obligation	Discount rate £m	Inflation rate £m	Discount rate £m	Inflation rate £m
Impact of 0.1% increase of the assumption	(191)	167	(213)	201
Impact of 0.1% decrease of the assumption	191	(167)	226	(201)
Impact of 1.0% increase of the assumption	(1,686)	1,770	(1,921)	2,147
Impact of 1.0% decrease of the assumption	2,153	(1,483)	2,498	(1,783)

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

Note 19 Share capital and other reserves

Share capital

	2024 Ordinary shares of 6 ⅓p each		2023 Ordinary shares of 6 ⅓p each	
	Number	£m	Number	£m
Allotted, called-up and fully paid:				
At the beginning of the year	**7,318,341,195**	**463**	**7,637,986,531**	**484**
Shares cancelled	(279,410,755)	(18)	(319,645,336)	(21)
At the end of the year	**7,038,930,440**	**445**	**7,318,341,195**	**463**

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

Other reserves

The tables below set out the movements in other reserves:

	Capital redemption reserve £m	Hedging reserve[(a)] £m	Translation reserve £m	Own shares held[(b)] £m	Merger reserve £m	Insurance finance reserve[(c)] £m	Total £m
At 25 February 2023 (as previously reported)	**43**	**27**	**322**	**(359)**	**3,090**	**–**	**3,123**
Cumulative adjustment on initial application of IFRS 17 (net of tax)	–	–	–	–	–	16	16
At 25 February 2023 (restated)[(c)]	**43**	**27**	**322**	**(359)**	**3,090**	**16**	**3,139**
Other comprehensive income/(loss)							
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	(116)	–	–	–	(116)
Gains/(losses) on cash flow hedges	–	(14)	–	–	–	–	(14)
Cash flow hedges reclassified and reported in the Group income statement	–	(56)	–	–	–	–	(56)
Finance income/(expenses) from insurance contracts issued[(c)]	–	–	–	–	–	(4)	(4)
Finance income/(expenses) from reinsurance contracts held[(c)]	–	–	–	–	–	1	1
Tax relating to components of other comprehensive income	–	(5)	–	–	–	1	(4)
Total other comprehensive income/(loss)	**–**	**(75)**	**(116)**	**–**	**–**	**(2)**	**(193)**
Transfer from hedging reserve to retained earnings	**–**	**44**	**–**	**–**	**–**	**–**	**44**
Inventory cash flow hedge movements							
(Gains)/losses transferred to the cost of inventory	–	79	–	–	–	–	79
Total inventory cash flow hedge movements	**–**	**79**	**–**	**–**	**–**	**–**	**79**
Transactions with owners							
Own shares purchased for cancellation	–	–	–	(752)	–	–	(752)
Own shares cancelled	18	–	–	752	–	–	770
Own shares purchased for share schemes	–	–	–	(140)	–	–	(140)
Share-based payments	–	–	–	184	–	–	184
Total transactions with owners	**18**	**–**	**–**	**44**	**–**	**–**	**62**
At 24 February 2024	**61**	**75**	**206**	**(315)**	**3,090**	**14**	**3,131**

(a) Movements in cost of hedging reserve in the 52 weeks ended and balances as at 24 February 2024 were £nil (25 February 2023: £nil).
(b) Includes 70.0 million shares held by the Employee Benefit Trust (2023: 55.6 million). Number of shares held by the Employee Benefit Trust represents 0.99% of called-up share capital at the end of the year (2023: 0.76%).
(c) Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 22 for further details.

Note 19 Share capital and other reserves continued

	Capital redemption reserve £m	Hedging reserve[a] £m	Translation reserve £m	Own shares held[b] £m	Merger reserve £m	Insurance finance reserve[c] £m	Total £m
At 26 February 2022 (as previously reported)	**22**	**130**	**202**	**(365)**	**3,090**	**–**	**3,079**
Cumulative adjustment on initial application of IFRS 17 (net of tax)	–	–	–	–	–	1	1
At 26 February 2022 (restated[c])	**22**	**130**	**202**	**(365)**	**3,090**	**1**	**3,080**
Other comprehensive income/(loss)							
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	120	–	–	–	120
Gains/(losses) on cash flow hedges	–	63	–	–	–	–	63
Cash flow hedges reclassified and reported in the Group income statement	–	(61)	–	–	–	–	(61)
Finance income/(expenses) from insurance contracts issued[c]	–	–	–	–	–	39	39
Finance income/(expenses) from reinsurance contracts held[c]	–	–	–	–	–	(20)	(20)
Tax relating to components of other comprehensive income	–	22	–	–	–	(4)	18
Total other comprehensive income/(loss)	**–**	**24**	**120**	**–**	**–**	**15**	**159**
Inventory cash flow hedge movements							
(Gains)/losses transferred to the cost of inventory	–	(127)	–	–	–	–	(127)
Total inventory cash flow hedge movements	**–**	**(127)**	**–**	**–**	**–**	**–**	**(127)**
Transactions with owners							
Own shares purchased for cancellation	–	–	–	(758)	–	–	(758)
Own shares cancelled	21	–	–	795	–	–	816
Own shares purchased for share schemes	–	–	–	(188)	–	–	(188)
Share-based payments	–	–	–	157	–	–	157
Total transactions with owners	**21**	**–**	**–**	**6**	**–**	**–**	**27**
At 25 February 2023	**43**	**27**	**322**	**(359)**	**3,090**	**16**	**3,139**

Refer to previous table for footnotes.

Own shares held

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

Own shares purchased for cancellation	**2024 £m**	2023 £m
Included in the Group statement of changes in equity[a]	**(752)**	**(758)**
Payments in relation to prior year financial liabilities	–	(23)
Included in the Group cash flow statement[b]	**(752)**	**(781)**

(a) 279.4 million (2023: 319.6 million) shares, representing 4.0% of the called-up share capital as at 24 February 2024 (25 February 2023: 4.4%), with total consideration of £752m (2023: £795m) including expenses of £2m (2023: £9m), were cancelled and charged to retained earnings.
(b) 279.4 million (2023: 314.8 million) shares purchased at an average price of £2.69 per share (2023: £2.48).

Insurance finance reserve

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

Note 20 Related party transactions

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

Transactions

	Joint ventures	
	2024 £m	2023 £m
Sales to related parties	606	599
Purchases from related parties	126	122
Dividends received	9	14
Injection of equity funding	9	10

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

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

Balances

	Joint ventures	
	2024 £m	2023 £m
Amounts owed to related parties	(7)	(7)
Amounts owed by related parties	80	27
Lease liabilities payable to related parties[a]	(1,844)	(1,950)
Loans to related parties (net of deferred profits)[b]	96	106

(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 £96m (2023: £106m) are presented net of deferred profits of £nil (2023: £38m), historically arising from the sale of property assets to joint ventures. For loans to related parties, a 12-month ECL allowance is recorded on initial recognition. In the current and prior financial years, the ECL allowance was immaterial.

Amounts owed to and owed by related parties are measured at amortised cost and the carrying values approximate fair value. The undiscounted cash flow amounts owed to related parties are due within one year and do not differ from the amounts included in the table above.

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

Note 21 Analysis of changes in net debt

The Net debt APM, as defined in the Glossary, excludes the net debt of Tesco Bank and includes the net debt of Retail 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.

	2024			2023		
	Group £m	**Tesco Bank £m**	**Retail £m**	Group £m	Tesco Bank £m	Retail £m
Bank and other borrowings, excluding overdrafts[a]	(6,407)	(380)	(6,027)	(6,451)	(375)	(6,076)
Lease liabilities	(7,622)	(2)	(7,620)	(7,727)	(23)	(7,704)
Net financing derivatives	544	(3)	547	472	(9)	481
Share purchase obligations	–	–	–	(55)	–	(55)
Liabilities from financing activities	**(13,485)**	**(385)**	**(13,100)**	**(13,761)**	**(407)**	**(13,354)**
Cash and cash equivalents in the balance sheet	2,340	442	1,898	2,465	444	2,021
Overdrafts[b]	(812)	–	(812)	(900)	–	(900)
Cash and cash equivalents (including overdrafts) in the cash flow statement	1,528	442	1,086	1,565	444	1,121
Short-term investments	2,128	–	2,128	1,628	–	1,628
Joint venture loans	96	–	96	106	–	106
Interest and other receivables	23	–	23	8	–	8
Net operating and investing derivatives	26	23	3	71	114	(43)
Net debt of disposal group[c]	(182)	(182)	–	(14)	–	(14)
Exclude: Share purchase obligations	–	–	–	55	–	55
Net debt APM			**(9,764)**			**(10,493)**

(a) Retail bank and other borrowings is presented net of a £235m long-term intercompany loan with Tesco Bank (2023: £235m).
(b) Overdraft balances are included within borrowings in the Group balance sheet, and within cash and cash equivalents in the Group cash flow statement. Refer to Note 12.
(c) £(14)m of items within net debt in the prior year relate to residual properties and leases with respect to the Group's operation in Poland.

Note 21 Analysis of changes in net debt continued

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

	Bank and other borrowings, excluding overdrafts £m	Lease liabilities £m	Net financing derivatives[a] £m	Share purchase obligations[b] £m	Liabilities from Group financing activities[c] £m
At 25 February 2023	**(6,451)**	**(7,727)**	**472**	**(55)**	**(13,761)**
Cash flows arising from financing activities	(457)	627	4	807	981
Cash flows arising from operating activities:					
Interest paid	308	373	125	–	806
Non-cash movements:					
Fair value gains/(losses)	(124)	–	50	–	(74)
Foreign exchange	101	46	–	–	147
Interest income/(charge)	(333)	(373)	(108)	–	(814)
Acquisitions and disposals	–	3	–	–	3
Lease additions, terminations, modifications and reassessments	–	(588)	–	–	(588)
Share purchase agreements	–	–	–	(752)	(752)
Transfer to disposal group	549	17	1	–	567
At 24 February 2024	**(6,407)**	**(7,622)**	**544**	**–**	**(13,485)**

(a) Net financing derivatives comprise those derivatives which hedge the Group's exposures in respect of lease liabilities and borrowings. Net operating and investing derivatives, which form part of the Group's Net debt APM, are not included.
(b) Share purchase obligations form part of the liabilities arising from the Group's financing activities, but do not form part of Net debt. Cash flows arising from financing activities exclude £(91)m (2023: £(29)m) cash outflows relating to other cancellable arrangements and prepayments, and £53m (2023: £48m) cash received from employees exercising SAYE options.
(c) Liabilities from Group financing activities include liabilities from share purchase obligations of £nil (2023: £(55)m) and exclude net operating and investing derivatives of £26m (2023: £71m).

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

(a)-(c) Refer to previous table for footnotes.
(d) Acquisitions and disposals in the prior year include a derecognition of £385m of lease liabilities and an increase of £(384)m in borrowings and £(39)m in net financing derivatives from the acquisition of The Tesco Dorney Limited Partnership.

Note 22 Changes in accounting policies – IFRS 17 'Insurance contracts'

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

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

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

To aid comparability, the tables below also include the impact of the restatements resulting from the classification of the Group's Banking operations ('Banking operations') as a discontinued operation, as described in Note 6.

Group income statement restatement

The table below sets out the impact of IFRS 17 and restatements to present Banking operations as a discontinued operation on the comparative period Group income statement for the 52 weeks ended 25 February 2023.

	Reported[a] Total	IFRS 17 restatements		Discontinued operation[b]	Restated Total
	£m	Reclassification £m	Remeasurements £m	Re-presentation £m	£m
Continuing operations					
Revenue from sale of goods and services	65,453	(21)	–	(568)	64,864
Insurance revenue	309	21	128	–	458
Revenue	**65,762**	**–**	**128**	**(568)**	**65,322**
Cost of sales	(61,877)	5	1	355	(61,516)
Insurance service expenses	(175)	(84)	(149)	–	(408)
Net expenses from reinsurance contracts held	(49)	–	12	–	(37)
Gross profit/(loss)	**3,661**	**(79)**	**(8)**	**(213)**	**3,361**
Administrative expenses	(2,136)	79	–	106	(1,951)
Operating profit/(loss)	**1,525**	**–**	**(8)**	**(107)**	**1,410**
Share of post-tax profits of joint ventures and associates	8	–	–	–	8
Finance income	85	–	2	–	87
Finance costs	(618)	–	(5)	–	(623)
Profit/(loss) before tax	**1,000**	**–**	**(11)**	**(107)**	**882**
Taxation	(247)	–	3	20	(224)
Profit/(loss) for the year from continuing operations	**753**	**–**	**(8)**	**(87)**	**658**
Discontinued operations					
Profit/(loss) for the year from discontinued operations	(9)	–	–	87	78
Profit/(loss) for the year	**744**	**–**	**(8)**	**–**	**736**
Attributable to:					
Owners of the parent	745	–	(8)	–	737
Non-controlling interests	(1)	–	–	–	(1)
	744	**–**	**(8)**	**–**	**736**
Earnings per share from continuing and discontinued operations					
Basic	10.05p	–	(0.11)p	–	9.94p
Diluted	9.96p	–	(0.11)p	–	9.85p
Earnings per share from continuing operations					
Basic	10.17p	–	(0.11)p	(1.17)p	8.89p
Diluted	10.08p	–	(0.11)p	(1.16)p	8.81p

(a) The income statement has been re-presented to separately present insurance revenue, insurance service expenses and net expenses from reinsurance contracts held.

(b) In addition to the adoption of IFRS 17, comparatives have also been re-presented to present Banking operations as a discontinued operation. Refer to Notes 1 and 6 for further details.

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

Group balance sheet restatement

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

	25 February 2023				26 February 2022			
	Reported £m	Reclassification £m	Remeasurements £m	Restated £m	Reported £m	Reclassification £m	Remeasurements £m	Restated £m
Non-current assets								
Reinsurance contract assets	145	(36)	26	135	184	(46)	33	171
Deferred tax assets	82	–	2	84	85	–	3	88
Current assets								
Trade and other receivables	1,315	(80)	–	1,235	1,263	(45)	–	1,218
Loans and advances to customers	4,052	(105)	1	3,948	3,349	(100)	2	3,251
Reinsurance contract assets	72	(72)	–	–	61	(61)	–	–
Current liabilities								
Trade and other payables	(9,818)	53	3	(9,762)	(9,181)	138	3	(9,040)
Insurance contract liabilities	(570)	106	(37)	(501)	(623)	87	(52)	(588)
Non-current liabilities								
Trade and other payables	(153)	99	–	(54)	(53)	–	(1)	(54)
Insurance contract liabilities	(35)	35	–	–	(27)	27	–	–
Net assets impact		**–**	**(5)**			**–**	**(12)**	
Equity								
Other reserves	3,123	–	16	3,139	3,079	–	1	3,080
Retained earnings	3,490	–	(21)	3,469	6,932	–	(13)	6,919
Equity impact		**–**	**(5)**			**–**	**(12)**	

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

Group cash flow statement restatement

The table below sets out the impact of IFRS 17 and restatements to present Banking operations as a discontinued operation on the comparative period Group cash flow statement for the 52 weeks ended 25 February 2023.

	52 weeks ended 25 February 2023			
	Reported £m	IFRS 17 impact £m	Discontinued operations re-presentation*	Restated £m
Cash flows generated from/(used in) operating activities				
Operating profit/(loss) of continuing operations	**1,525**	**(8)**	**(107)**	**1,410**
Operating profit/(loss) of discontinued operations	**(9)**	**–**	**107**	**98**
Tesco Bank (increase)/decrease in loans and advances to customers	(696)	6	–	(690)
Tesco Bank (increase)/decrease in trade, reinsurance and other receivables	60	23	–	83
Tesco Bank increase/(decrease) in customer and bank deposits, trade, insurance liabilities and other payables	369	(21)	–	348
Tesco Bank increase/(decrease) in provisions	(7)	–	–	(7)
Tesco Bank (increase)/decrease in working capital	(274)	8	–	(266)
Cash generated from/(used in) operations impact		**–**	**–**	

* In addition to the adoption of IFRS 17, comparatives have been re-presented to present Banking operations as a discontinued operation. Refer to Notes 1 and 6 for further details.

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

Note 23 Contingent liabilities

As previously reported, Tesco Stores Limited (TSL) (along with all the major supermarkets) has received claims from current and former hourly-paid store colleagues alleging that they do equal work 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 49,000 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 equal work. The legislation achieves this by implying a clause into the contract of employment, which has the effect of importing into the employee's contract the more favourable term(s) of the comparator.

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

The subsequent stages comprise an equal work assessment and the consideration of TSL's material factor defences (non-discriminatory reasons for differentials in pay terms). The Equal Pay Claims have been split into three tranches (with tranche 1 being heard first) and the stages apply to each tranche. Although the claims that have been heard to date involve female claimants, male store workers (being close to 50% of the current store worker population) may also bring claims by comparing themselves against any successful female claimants. Male claimants who have pre-emptively brought such claims currently make up approximately 45% of the Equal Pay Claims against TSL in the employment tribunal. The ultimate determination of all claims is likely to take many years, including as a result of appeals.

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

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

Note 24 Events after the reporting period

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

Glossary – Alternative performance measures

Introduction

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

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

Purpose

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

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

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

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

All income statement measures are presented on a continuing operations basis.

Changes to APMs

To align with how management consider property disposals, store buybacks, and properties acquired through business combinations, the Directors have amended the Retail free cash flow and Capex definitions to exclude store property purchases. These transactions are excluded because of their unpredictable or irregular timing.

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

In addition to the change described above, the Retail free cash flow description and reconciliation has been simplified to list the investing cash flows that are included in the APM rather than those that are excluded.

The Directors have clarified the definition of Net debt in light of Banking operations (within the Tesco Bank segment) being classified as discontinued. Net debt continues to exclude Tesco Bank. Only Retail continuing and discontinued operations are included in Net debt.

The Directors have also removed Net interest margin from the APMs, as it no longer forms part of how management considers the long-term performance of the business.

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 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 basis.
Adjusted total finance costs	Finance costs	– Adjusting items[b]	– Adjusting items within finance costs include net pension finance income/costs and fair value remeasurements on financial instruments. Net pension finance income/costs are impacted by corporate bond yields, which can fluctuate significantly and are reset each year based on external market factors that are outside management's control. Fair value remeasurements are impacted by changes to credit risk and various market indices, applying to financial instruments resulting from liability management exercises, which can fluctuate significantly outside of management's control. This measure helps to provide an alternative view of year-on-year trends in the Group's finance costs.
Adjusted profit before tax	Profit before tax	– Adjusting items[b]	– This measure is the summation of the impact of all adjusting items on profit before tax. Refer to the APM Purpose section of the Glossary.
Adjusted operating margin	No direct equivalent	– Ratio N/A	– Operating margin is calculated as adjusted operating profit divided by revenue. Progression in operating margin is an important indicator of the Group's operating efficiency.
Adjusted diluted earnings per share	Diluted earnings per share from continuing operations	– Adjusting items[b]	– This metric shows the adjusted profit after tax from continuing operations attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the financial period, adjusted for the effects of dilutive share options.
Retail EBITDA (earnings before adjusting items, interest, tax, depreciation and amortisation)	Retail operating profit from continuing operations[a]	– Adjusting items[b] – Depreciation and amortisation	– This measure is widely used by analysts, investors and other users of the accounts to evaluate comparable profitability of companies, as it excludes the impact of differing capital structures and tax positions, variations in tangible asset portfolios and differences in identification and recognition of intangible assets. It is used to derive the Net debt/EBITDA and Total indebtedness ratios, and Fixed charge cover APMs.
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.

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

Glossary – Alternative performance measures continued

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 and includes the net debt of Retail discontinued operations to reflect the net debt obligations of the Retail business. – Net debt comprises bank and other borrowings, lease liabilities and net derivative financial instruments, offset by cash and cash equivalents, short-term investments, joint venture loans, and interest and other receivables. – It is a useful measure of the progress in generating cash and strengthening of the Group's balance sheet position, and is a measure widely used by credit rating agencies.
Net debt/EBITDA ratio	No direct equivalent	– Ratio N/A	– Net debt/EBITDA ratio is calculated as Net debt divided by the rolling 12-month Retail EBITDA. It is a measure of the Group's ability to meet its payment obligations, showing how long it would take the Group to repay its current net debt if both net debt and EBITDA remained constant. It is widely used by analysts and credit rating agencies.
Total indebtedness	No direct equivalent	– N/A	– Total indebtedness is Net debt plus the IAS 19 deficit in any pension schemes (net of associated deferred tax) to provide an overall view of the Group's obligations, including the long-term commitments to the Group's pension schemes. Pension surpluses are not included. It is an important measure of the long-term obligations of the Group and is a measure widely used by credit rating agencies.
Total indebtedness ratio	No direct equivalent	– Ratio N/A	– Total indebtedness ratio is calculated as Total indebtedness divided by the rolling 12-month Retail EBITDA. It is a measure of the Group's ability to meet its payment obligations and is widely used by analysts and credit rating agencies.
Fixed charge cover	No direct equivalent	– Ratio N/A	– Fixed charge cover is calculated as the rolling 12-month Retail EBITDA divided by the sum of net finance costs (excluding net pension finance costs, finance charges payable on lease liabilities, capitalised interest and fair value remeasurements on financial instruments) and all lease liability payments from continuing operations. It is a measure of the Group's ability to meet its payment obligations and is widely used by analysts and credit rating agencies.
Capex	Property, plant and equipment, intangible asset, and investment property additions, excluding those from business combinations	– Additions relating to property buybacks and store purchases – Additions relating to decommissioning provisions and similar items	– Capex excludes additions arising from business combinations, buybacks of properties (typically stores), purchases of store properties, as well as additions relating to decommissioning provisions and similar items. – Property buybacks and purchases of store properties are variable in timing, with the number and value of transactions dependent on opportunities that arise within any given financial year. Excluding property buybacks and store property purchases therefore gives an alternative view of trends in capital expenditure in the Group's ongoing trading operations. – Additions relating to decommissioning provisions and similar items are adjusted because they do not result in near-term cash outflows.
Cash flow measures			
Retail free cash flow	No direct equivalent	– N/A	Retail free cash flow includes: – Continuing cash flows from operating activities of the Retail business less adjusting Retail operating cash flows. – Retail investing cash flows relating to: the purchase of property, plant and equipment, investment property and other long-term assets (excluding property buybacks and store purchases); purchase of intangible assets and investment property; dividends received from Tesco Bank (excluding special dividends); dividends received from joint ventures and associates; and interest received. – Financing cash flows relating to: market purchase of shares net of proceeds from shares issued in relation to share schemes; and Retail repayment of obligations under leases. – Directors and management believe this provides a view of free cash flow generated by the Group's retail trading operations that is more predictable and comparable over time, and reflects the cash available to shareholders. – This is a key management incentive metric.

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

Glossary – Alternative performance measures continued

APMs: Reconciliation of income statement measures

Retail EBITDA

Continuing operations	Notes	APM 2024 £m	APM 2023 (restated*) £m
Operating profit	2	**2,821**	**1,410**
Exclude: Adjusting items	2	8	1,099
Adjusted operating profit	2	**2,829**	**2,509**
Exclude: Tesco Bank adjusted segmental profit	2	(148)	(22)
Exclude: Tesco Bank adjusted operating profit from discontinued operations	2	79	-
Retail adjusted operating profit	2	**2,760**	**2,487**
Include: Retail depreciation and amortisation before adjusting items	2	1,602	1,570
Retail EBITDA		**4,362**	**4,057**

* Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.

APMs: Reconciliation of balance sheet measures

Net debt

A reconciliation of Net debt is provided in Note 21.

Reconciliation from Retail free cash flow to Net debt

	Notes	APM 2024 £m	APM 2023 £m
Opening Net debt	21	**(10,493)**	**(10,516)**
Retail free cash flow		**2,063**	**2,133**
Other cash movements:			
Own shares purchased for cancellation	2	(752)	(781)
Dividends paid to equity owners	2	(778)	(859)
Special dividends received from Tesco Bank	2	250	-
Adjusting items included in operating cash flow activities	2	(98)	(61)
Retail repayments of capital element of obligations under leases	2	623	589
Retail interest paid on lease liabilities		372	371
Retail net other interest paid/(received)	2	188	202
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets held for sale	2	55	341
Cash outflows attributable to property buybacks and store purchases	2	(121)	(75)
Other investing cash movements	2	(2)	(281)
Non-cash movements in Net debt:			
Retail fair value movements		(71)	(18)
Retail foreign exchange movements		126	(191)
Retail net interest charge		(161)	(187)
Retail non-cash movements in lease liabilities		(914)	(1,113)
Retail movement in net debt of disposal group		14	-
Retail non-cash movement arising from acquisitions and disposals		(68)	(46)
Other non-cash movements		3	(1)
Closing Net debt	21	**(9,764)**	**(10,493)**

Glossary – Alternative performance measures continued

Net debt/EBITDA and Total indebtedness ratio

	Notes	APM 2024 £m	APM 2023 (restated*) £m
Net debt	21	9,764	10,493
Retail EBITDA		4,362	4,057
Net debt/EBITDA ratio		**2.2**	**2.6**
Net debt	21	9,764	10,493
Include: Defined benefit pension deficit, net of deferred tax	18	493	300
Total indebtedness		**10,257**	**10,793**
Retail EBITDA		**4,362**	**4,057**
Total indebtedness ratio		**2.4**	**2.7**

* Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.

Fixed charge cover

	Notes	APM 2024 £m	APM 2023 (restated*) £m
Net finance costs	4	538	536
Exclude: Net pension finance income/(costs)	4	(18)	80
Exclude: Fair value remeasurements of financial instruments	4	38	(53)
Adjusted total finance costs		**558**	**563**
Exclude: Finance charges payable on lease liabilities	4	(373)	(371)
Adjusted total finance cost, excluding capitalised interest and finance charges payable on lease liabilities		**185**	**192**
Include: Total lease liability payments		1,000	966
Exclude: Discontinued operations total lease liability payments		(3)	(2)
		1,182	1,156
Retail EBITDA		**4,362**	**4,057**
Fixed charge cover (ratio)		**3.7**	**3.5**

* Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.

Capex

	Notes	APM 2024 £m	APM 2023 £m
Property, plant and equipment additions[(a)]	9	**1,198**	**1,252**
Other intangible asset additions[(a)]		**275**	**277**
Exclude: Additions from obtaining control of property joint venture[(b)]		(65)	(248)
Exclude: Additions from property buybacks		(78)	(29)
Exclude: Additions from store purchases		(29)	–
Exclude: Additions relating to decommissioning provisions and similar items		13	(17)
Capex		**1,314**	**1,235**

(a) Excluding amounts acquired through business combinations.
(b) Acquisition of The Tesco Coral Limited Partnership in 2024 and The Tesco Dorney Limited Partnership in 2023.

APMs: Reconciliation of cash flow measures

	Notes	APM 2024 £m	APM 2023 £m
Cash generated from/(used in) operating activities	2	**3,839**	**3,722**
Exclude: Cash (generated from)/used in operating activities in Tesco Bank	2	35	–
Exclude: Cash (generated from)/used in operating activities in discontinued operations	2	(162)	30
Retail cash generated from/(used in) operating activities	2	**3,712**	**3,752**
Exclude: Retail adjusting net cash (generated from)/used in operating activities	2	98	61
Retail adjusted cash generated from/(used in) operating activities		**3,810**	**3,813**
Include the following cash flows generated from/(used in) investing activities:			
Retail purchase of property, plant and equipment, investment property and other long-term assets – other capital expenditure[a]	2	(1,039)	(902)
Retail purchase of intangible assets	2	(250)	(241)
Dividends received from joint ventures and associates	2	9	14
Dividends received from Tesco Bank[b]	2	–	54
Retail interest received	2	249	70
Include the following cash flows generated from/(used in) financing activities:			
Own shares purchased for share schemes	2	(93)	(86)
Retail repayment of capital element of obligations under leases	2	(623)	(589)
Retail free cash flow		**2,063**	**2,133**

(a) Excludes property buybacks and store purchases.
(b) Excludes Tesco Bank special dividends.

The following table reconciles the Retail free cash flow APM to that previously presented for remuneration purposes.

	Notes	APM 2024 £m	APM 2023 £m
Retail free cash flow	2	**2,063**	**2,133**
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	55	341
Retail purchase of property, plant and equipment and investment property – property buybacks and store purchases	2	(59)	(54)
Retail cash outflows exceeding the incremental increase in assets in a property buyback	2	(62)	(21)
Retail disposal of subsidiaries, net of cash disposed	2	15	–
Retail acquisition of businesses, net of cash acquired	2	(17)	(66)
Special dividend received from Tesco Bank	2	250	–
Retail (investments in)/proceeds from sale of joint ventures and associates	2	–	(10)
Retail (investments in)/proceeds from sale of other investments	2	–	(205)
Retail adjusting net cash generated from/(used in) operating activities	2	(98)	(61)
Memo: Retail free cash flow including cash flows from acquisitions and disposals, cash flows from the sale or buyback of properties and Retail adjusting cash flows from operating activities		**2,147**	**2,057**

Glossary – Other

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

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

ESG
Environmental, social and governance.

MTN
Medium-term note.

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

Retail capital employed
This is calculated as Retail net assets excluding the pension deficit/surplus net of deferred tax, net assets of the disposal group and non-current assets classified as held for sale less Net debt.

Retail return on capital employed (ROCE)
Retail adjusted operating profit divided by the average of opening and closing Retail capital employed.

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

Supplementary information (unaudited)

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

	Like-for-like sales						
	Q1 2023/24	Q2 2023/24	Q3 2023/24	Q4 2023/24	H1 2023/24	H2 2023/24	FY 2023/24
UK & ROI	**8.8%**	**8.0%**	**7.3%**	**5.2%**	**8.4%**	**6.2%**	**7.3%**
UK	9.0%	8.4%	7.9%	5.8%	8.7%	6.8%	7.7%
ROI	7.3%	6.5%	8.3%	5.4%	6.9%	6.7%	6.8%
Booker	8.4%	6.6%	3.9%	2.5%	7.5%	3.2%	5.4%
Central Europe	**1.1%**	**0.7%**	**(1.4)%**	**0.2%**	**0.9%**	**(0.5)%**	**0.2%**
Total Retail	**8.2%**	**7.5%**	**6.6%**	**4.8%**	**7.8%**	**5.7%**	**6.8%**

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

	Actual rates			Constant rates		
	H1 2023/24	H2 2023/24	FY 2023/24	H1 2023/24	H2 2023/24	FY 2023/24
UK & ROI	**8.9%**	**6.3%**	**7.6%**	**8.8%**	**6.4%**	**7.6%**
UK	9.1%	7.2%	8.1%	9.1%	7.2%	8.1%
ROI	13.0%	6.1%	9.3%	10.0%	7.3%	8.5%
Booker	6.9%	2.2%	4.6%	6.9%	2.2%	4.6%
Central Europe	**6.7%**	**(0.2)%**	**3.1%**	**1.4%**	**(0.1)%**	**0.6%**
Total Retail	**8.7%**	**5.8%**	**7.3%**	**8.2%**	**5.9%**	**7.0%**

Country detail – Retail

	Revenue (exc. VAT, inc. fuel)			
	Local currency (m)	£m	Average exchange rate	Closing exchange rate
UK	50,907	50,907	1.0	1.0
ROI	3,340	2,891	1.2	1.2
Booker	9,082	9,082	1.0	1.0
Czech Republic	43,384	1,554	27.9	29.7
Hungary	665,208	1,512	440.0	455.5
Slovakia	1,652	1,430	1.2	1.2

UK sales area by size of store

	24 February 2024			25 February 2023		
Store size (sq. ft.)	**No. of stores**	**Million sq. ft.**	**% of total sq. ft.**	No. of stores	Million sq. ft.	% of total sq. ft.
0-3,000	2,675	5.8	14.9%	2,605	5.6	14.6%
3,001-20,000	279	2.9	7.5%	276	2.9	7.6%
20,001-40,000	288	8.3	21.3%	286	8.2	21.2%
40,001-60,000	182	8.8	22.6%	182	8.8	22.8%
60,001-80,000	119	8.4	21.6%	119	8.4	21.6%
80,001-100,000	45	3.7	9.5%	45	3.7	9.6%
Over 100,000	8	1.0	2.6%	8	1.0	2.6%
Total*	**3,596**	**38.9**	**100.0%**	**3,521**	**38.6**	**100.0%**

* Excludes Booker and franchise stores.

Supplementary information (unaudited)

Group space summary

Actual Group space – store numbers[a]

	2022/23 year end	Openings	Closures/ disposals	Net gain/ (reduction)[b]	2023/24 year end	Repurposing/ extensions[c]
Large[d]	806	7	(4)	3	809	–
Convenience[d]	1,997	60	(9)	51	2,048	–
Dotcom only	6	–	–	–	6	–
Total Tesco	**2,809**	**67**	**(13)**	**54**	**2,863**	**–**
One Stop[e]	712	27	(6)	21	733	–
Booker	191	–	(1)	(1)	190	–
UK[e]	3,712	94	(20)	74	3,786	–
ROI	166	5	(1)	4	170	–
UK & ROI[e]	**3,878**	**99**	**(21)**	**78**	**3,956**	**–**
Czech Republic[e]	187	2	(5)	(3)	184	6
Hungary	197	–	–	–	197	21
Slovakia[e]	157	12	–	12	169	9
Central Europe[e]	**541**	**14**	**(5)**	**9**	**550**	**36**
Group[e]	**4,419**	**113**	**(26)**	**87**	**4,506**	**36**
UK (One Stop)	291	43	(17)	26	317	–
Czech Republic	124	3	(8)	(5)	119	–
Slovakia	25	6	(31)	(25)	–	–
Franchise stores	**440**	**52**	**(56)**	**(4)**	**436**	**–**
Total Group	**4,859**	**165**	**(82)**	**83**	**4,942**	**36**

Actual Group space – ’000 sq. ft.[a]

	2022/23 year end	Openings	Closures/ disposals	Repurposing/ extensions[c]	Net gain/ (reduction)	**2023/24 year end**
Large[d]	31,427	128	(50)	–	78	31,505
Convenience[d]	5,344	151	(40)	–	111	5,455
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,487**	**279**	**(90)**	**–**	**189**	**37,676**
One Stop[e]	1,169	49	(10)	–	39	1,208
Booker	8,181	–	(87)	–	(87)	8,094
UK[e]	46,837	328	(187)	–	141	46,978
ROI	3,478	38	(17)	–	21	3,499
UK & ROI[e]	**50,315**	**366**	**(204)**	**–**	**162**	**50,477**
Czech Republic[e]	4,146	20	(22)	(43)	(45)	4,101
Hungary	5,670	–	–	(298)	(298)	5,372
Slovakia[e]	3,147	67	–	(1)	66	3,213
Central Europe[e]	**12,963**	**87**	**(22)**	**(342)**	**(277)**	**12,686**
Group[e]	**63,278**	**453**	**(226)**	**(342)**	**(115)**	**63,163**
UK (One Stop)	420	61	(22)	–	39	459
Czech Republic	114	3	(9)	–	(6)	108
Slovakia	23	6	(29)	–	(23)	–
Franchise stores	**557**	**70**	**(60)**	**–**	**10**	**567**
Total Group	**63,835**	**523**	**(286)**	**(342)**	**(105)**	**63,730**

(a) Continuing operations.
(b) The net gain/(reduction) reflects the number of store openings less the number of store closures/disposals.
(c) Repurposing of retail selling space.
(d) 2022/23 UK store numbers have been updated to reflect an extension of a Convenience store to a Large store and to reflect the conversion of Jack’s stores last year.
(e) Excludes franchise stores.

Supplementary information (unaudited)

Group space forecast to 22 February 2025 – '000 sq. ft.[a]

	2023/24 year end	Openings	Closures/ disposals	Repurposing/ extensions[b]	Net gain/ (reduction)[c]	2024/25 year end
Large	31,505	61	–	5	66	31,571
Convenience	5,455	201	(29)	–	172	5,627
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,676**	**262**	**(29)**	**5**	**238**	**37,914**
One Stop[d]	1,208	57	(13)	–	44	1,252
Booker	8,094	–	–	–	–	8,094
UK[d]	46,978	319	(42)	5	282	47,260
ROI	3,499	100	–	–	100	3,599
UK & ROI[d]	**50,477**	**419**	**(42)**	**5**	**382**	**50,859**
Czech Republic[d]	4,101	61	–	(38)	23	4,124
Hungary	5,372	2	–	(108)	(106)	5,266
Slovakia[d]	3,213	51	–	(31)	20	3,233
Central Europe[d]	**12,686**	**114**	**–**	**(177)**	**(63)**	**12,623**
Group[d]	**63,163**	**533**	**(42)**	**(172)**	**319**	**63,482**
UK (One Stop)	459	129	(14)	–	115	574
Czech Republic	108	1	(4)	–	(3)	105
Slovakia	–	–	–	–	–	–
Franchise stores	**567**	**130**	**(18)**	**–**	**112**	**679**
Total Group	**63,730**	**663**	**(60)**	**(172)**	**431**	**64,161**

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

Tesco Bank income statement

	2024[a] £m	2023[a] (restated[b]) £m
Revenue		
Interest income	94	38
Fees and commissions income	203	170
Insurance revenue	514	458
	811	**666**
Direct costs		
Interest payable	(67)	(34)
Fees and commissions expense	(1)	–
Insurance service expenses[c]	(454)	(408)
Net expenses from reinsurance contracts held	(48)	(37)
	(570)	**(479)**
Other income/(expenses)	(1)	(5)
Gross profit	**240**	**182**
Other expenses		
Staff costs	(50)	(46)
Premises and equipment	(37)	(36)
Other administrative expenses	(72)	(64)
Depreciation and amortisation[c]	(12)	(14)
Adjusted operating profit	**69**	**22**
Adjusting items[d]	(3)	(5)
Operating profit/(loss)	**66**	**17**
Finance income/(costs): movements on derivatives and hedge accounting	5	–
Finance income/(costs): interest	(15)	(8)
Finance income/(costs): insurance	(6)	(3)
Profit/(loss) before tax from continuing operations	**50**	**6**
Discontinued operations		
Profit/(loss) before tax from discontinued operations	(665)	107
Profit/(loss) before tax	**(615)**	**113**

(a) These results are for the 12 months ended 29 February 2024 and the previous period represents the 12 months ended 28 February 2023.
(b) Comparatives have been restated following the adoption of IFRS 17 and re-presented to disclose Banking operations as a discontinued operation. Refer to Notes 1, 6 and 22 for further details.
(c) Depreciation and amortisation of £(5)m (2023: £(5)m) form part of insurance service expenses.
(d) Adjusting items of £nil in 2024 (2023: £(5)m) relate to operational restructuring changes, as part of the multi-year 'Save to Invest' programme. Refer to Note 3 for further details.