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TESCO CORPORATE TREASURY SERVICES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025

Registered Number: 08629715

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TESCO CORPORATE TREASURY SERVICES PLC

COMPANY INFORMATION

Directors	Imran Nawaz Andrew Henley Natasha Vowles (appointed 14 November 2024) Tesco Services Limited
Company secretary	Sara Thomson
Registered company number	08629715
Registered office	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom
Independent auditor	Deloitte LLP 2 New Street Square, London, United Kingdom

TESCO CORPORATE TREASURY SERVICES PLC

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025

The Directors present their Strategic Report of Tesco Corporate Treasury Services PLC (the "Company") for the 52 weeks ended 22 February 2025 (prior period: 52 weeks ended 24 February 2024).

Instances of the "Group" make reference to Tesco PLC and its subsidiaries which includes the Company.

Business review and principal activity

The principal activity of the Company is to act as a financing company for certain Tesco Group subsidiaries, joint ventures and associates and also undertake activities to hedge certain financial risks of the Group. The Company issues debt under medium term note (MTN) programmes and provides funding to Tesco Group companies and certain joint ventures.

There has been no significant change in the nature or level of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

During the reporting period the Company issued a £350m MTN maturing 2034 and repaid the €473m MTN which matured in July 2024.

After the reporting period the Company issued a €500m MTN maturing in 2032 and repaid the £400m MTN which matured in May 2025.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework".

Future outlook

Company's performance is expected to continue throughout the next financial period and it is anticipated that the current performance levels will be maintained.

The Company's future developments form a part of the Group long-term strategy, which is discussed on pages 16 to 17 of the Tesco PLC Annual Report and Financial Statements 2025, which does not form a part of this Report.

Results and dividends

The results for the 52 weeks ended 22 February 2025 show a pre-tax profit of £70m (2024: pre-tax profit of £57m). Net assets increased to £1,040m (2024: £969m).

The Directors do not recommend payment of a dividend for the 52 weeks ended 22 February 2025 (2024: £nil).

Key performance indicators (KPIs)

Given the straightforward nature of the business, the Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance, or position of the business.

The development, performance and position of the operations of the Group, which includes the Company, is discussed on pages 14 to 19 of the Tesco PLC Annual Report and Financial Statements 2025, which does not form part of this Report.

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Principal risks and uncertainties

Business risk

The Company's principal business relationships are with the Group and financial institutions. As of year-end FY 24/25, there are 13 Group principal risks, reflecting a reduction of two risks from year-end FY 23/24. This reduction is attributed to the retirement of the Tesco Bank principal risk, following the completion of the sale of Banking operations to Barclays, and the consolidation of the Customer and Competition and Markets principal risks, given their strong interdependency and consequence on one another. Further, given the heightened level of geopolitical uncertainty due to wars and civic unrest, terrorism, elections, tariffs and government restrictions, we have elevated the Geopolitics and other global events risk.

Our approach to these events is to continue to scan the external environment for threats, assess the risk to our business and build resilience to minimise business disruption and prioritise the safety of our colleagues and customers in the event of such incidents. We understand the short-term risks and impacts, and we have the right teams, governance mechanisms, customer offerings and strategies in place. However, the long-term impacts remain uncertain, and we will continue to monitor the external landscape closely and respond accordingly. Further discussion of these risks and uncertainties, together with the controls and mitigating factors, in the context of the Group as a whole, is provided on pages 40 to 49 of the Tesco PLC Annual Report and Financial Statements 2025, which do not form a part of this Report.

Internal control and risk management

The Company acts as a financing company for certain Tesco PLC Group subsidiaries, joint ventures, and associates only, and therefore the internal control and risk management systems of the Company are aligned with those of the Group, which is discussed on pages 40 to 49 of the Tesco PLC Annual Report and Financial Statements 2025, which does not form part of this Report.

Funding and liquidity

The Company may finance its operations by using a combination of debt capital market issuances, intra-Group borrowings and bank borrowings. The objective is to ensure continuity of funding. The policy is to smooth the debt maturity profile and to arrange funding ahead of requirements.

Interest rate risk management

The Company's objective is to limit the impact to the Company's comprehensive income from changes in interest rates. Forward rate agreements, interest rate swaps, caps and floors may be used to achieve the desired mix of fixed and floating rate debt.

Foreign currency risk management

The Company is exposed to foreign exchange risk principally via non-GBP inter-company loans to and from non-UK subsidiaries and Medium-Term Notes (MTNs) issued in currencies other than GBP. Where appropriate these are hedged via foreign currency derivatives and borrowings in matching currencies. The former are not formally designated as hedges and gains and losses on hedged items and hedged loans will naturally offset. Whereas MTNs are either formally designated hedges, where the Company enters derivatives with matching notional values or in economic relationships where the derivatives and MTNs naturally offset.

Credit risk

The objective is to reduce the risk of loss arising from default by counterparties to financial transactions. The Company holds positions with an approved list of counterparties of good credit quality and these counterparties and their credit ratings are routinely monitored.

Other risks

Other risks and uncertainties are integrated with the principal risks of the Group which includes the Company. These are not managed separately and, accordingly, we refer to pages 40 to 49 of the Tesco PLC Annual Report and Financial Statements 2025, which does not form part of this Report.

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Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging their section 172 duties, the Directors have regard to the factors set out above. The Directors also have regard to other factors, which we consider relevant to the decision being made.

Those factors, for example, include the interests and views of members of the Tesco Group, Joint Venture Partners and associates, our relationship with our external lenders and investors, our relationship with the regulators and Tesco PLC as our shareholder and its relationship with rating agencies. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and appropriate in all the circumstances.

We delegate authority for day-to-day management of the Company to senior management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically where the directors consider the Company's activities and make decisions. As a part of those meetings, the Directors receive information in a range of different formats which include information relevant to section 172 matters when making relevant decisions. For example, each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends.

As the principal activity of the Company is to act as a financing company for certain Tesco Group subsidiaries, joint ventures and associates, the Company has no employees or external customers and as such the breadth of stakeholder considerations that would apply in operating or commercial trading companies have generally not applied to the decisions made by the Directors. The Company’s key stakeholders are its shareholder, holders of its external debt under the EMTN programme, and creditors. The Group's Code of Business Conduct defines the standards and behaviours expected of colleagues when interacting with our stakeholders. This is a fundamental part of the Company's culture and training which supports delivery of our Values and protects the reputation of the Company.

The views of and the impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and Group means that generally our stakeholder engagement best takes place at an operational or group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagements that takes place with the Company's stakeholders, so as to encourage the Directors to understand the issues to which they must have regard, see pages 20 to 22 of the Tesco PLC Annual Report and Financial Statements 2025.

During the period, we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement. As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote the success of the Company.

The Board has made some key strategic decisions during the year ended 22 February 2025 where due consideration was given to the Group's stakeholders, including:

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Board activity	Board Consideration
Debt Capital Management	After the release of Group preliminary results, the Directors annually consider an update to the existing £15bn Euro Medium Term Note Programme and relevant supporting documents.. The Directors review previously released disclosures, the financial position of the Company and the long-term viability of the Company to ensure that its future liabilities could be met. The Directors also consider the Group's committed and uncommitted external funding arrangements and managing of its relationship with external lenders, rating agencies and regulators.
Intragroup and other lending	Throughout the year, the Directors reviewed existing, intragroup loan arrangements, and approved entry into new, intragroup loan agreements giving consideration to the financial benefits and risks to the Company and the financial and operational benefits to the Tesco Group. The Directors additionally discussed and reviewed the processes and mechanisms around how intragroup funding are managed and operated.
Hedging	A key objective of the Board is to create value for the Tesco Group through ensuring foreign exchange rate hedging to mitigate economic market risk and the provision of financing support to the Group's subsidiary companies.

In accordance with requirements, this section 172(1) statement will be published on the Tesco PLC website at www.tescoplc.com.

Approved by the Board of Directors on 27 June 2025, and signed on behalf of the Board by:

Signed by:
Andrew Henley
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Andrew Henley
Director
Tesco Corporate Treasury Services PLC
Registered Number: 08629715
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

TESCO CORPORATE TREASURY SERVICES PLC

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025

The Directors present their Annual Report and the audited financial statements of the Company for the 52 weeks ended 22 February 2025 (prior period: 52 weeks ended 24 February 2024).

Results and dividends

Details of results and dividends can be found in the Strategic Report on page 3.

Future outlook

This is discussed in the Strategic Report on page 3.

Political donations

There were no political donations for the period (2024: £nil) and the Company did not incur any political expenditure (2024: £nil).

Research and development

The Company does not undertake any research and development activities (2024: £nil).

Financial risk management and use of financial instruments

This is discussed on page 4 of the Strategic Report.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of signing these financial statements and therefore continues to adopt the going concern basis in preparing the annual financial statements. The going concern basis has been adopted based on the expectation that it is not the current intention of any other Group company to withdraw funding. In addition, the Company has access to a multi-currency £2.5bn undrawn revolving facility maturing in 2027. The Directors have had regard to the risk factors which arise from other risks outlined in the Strategic Report, this includes the recoverability of loans. For further details, please refer to the Tesco PLC Annual Report and Financial Statements 2025 Pages 40 to 49.

Energy and Carbon reporting

The Company's Streamlined Energy and Carbon Reporting (SECR) disclosures form a part of the Group's SECR disclosures, which are discussed on pages 36 to 39 of the Tesco PLC Annual Report and Financial Statements 2025, which does not form a part of this Report.

Fostering of business relations

Details of the Company's engagement with its stakeholders is included in the section 172(1) statement on page 5 of the Strategic Report.

Major transactions during the year

On 22 May 2024 the Company issued a £350m MTN maturing 2034; and on 1 July 2024 repaid the €473m MTN.

Events after reporting period

After the reporting period the Company issued a €500m MTN, maturing in May 2032 and repaid the £400m MTN which matured in May 2025.

Employees

The Company had no employees during the period (2024: none).

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Directors

The following Directors served during the period and up to the date of signing these financial statements unless otherwise stated.

Andrew Henley
Tesco Services Limited
Imran Nawaz
Natasha Vowles (appointed 14 November 2024)

None of the Directors had any disclosable interests in the Company during this period.

Directors' Indemnities

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of the Tesco PLC Director (Imran Nawaz) listed above and the Tesco PLC Company Secretary (Christopher Taylor) who is also a Director of Tesco Services Limited which is appointed to the Board of the Company in respect of liabilities incurred as a result of his office, to the extent permitted by law. In respect of those liabilities for which directors and officers may not be indemnified, Tesco PLC maintained a Directors' and Officers' liability insurance policy throughout the financial period and up to the date of signing the financial statements.

Cautionary statement regarding forward-looking information

Where this document contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this Report. These statements should be treated with caution due to inherent risks and uncertainties underlying any such forward-looking information. A number of factors, including those in this document, could cause actual results to differ materially with those contained in any forward-looking statement.

Modern Slavery Act

As per section 54(1) of the Modern Slavery Act 2015, The Group's Slavery and Human Trafficking Statement is published annually on the Tesco PLC Group website. The statement covers the activities of the Tesco PLC Group and its subsidiaries and details policies, processes and actions we have taken to ensure that slavery and human trafficking are not taking place in our supply chains or any part of our own business.

Corporate governance considerations

Disclosures required under the Disclosure and Transparency Rules ("DTR")

Statutory Reporting

The monitoring of the financial reporting and statutory audit of the Group, which includes the Company, is discussed on pages 80 to 89 of the Tesco PLC Annual Report and Financial Statements 2025.

Other required disclosures

For the 52 weeks ended 22 February 2025, the Company did not have securities carrying voting rights admitted to trading on a regulated market and therefore disclosures required by paragraph 13 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) are not applicable.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

TESCO CORPORATE TREASURY SERVICES PLC

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025 (continued)

Statement of Directors' responsibilities (continued)

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislations in other jurisdictions.

Independent auditor

Deloitte LLP, having indicated its willingness to continue in office, will be deemed to be re-appointed as auditor under section 487(2) of the Companies Act 2006.

Disclosure of information to auditor

Each director who is a director of the Company at the date of approval of these financial statements confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board of Directors on 27 June 2025, and signed on behalf of the Board by:

Signed by:
Andrew Henley
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Andrew Henley
Director
Tesco Corporate Treasury Services PLC
Registered Number: 08629715
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO CORPORATE TREASURY SERVICES PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Tesco Corporate Treasury Services Plc (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 22 February 2025 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise the:

- statement of comprehensive income;
- balance sheet;
- statement of changes in equity; and
- related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current reporting period were: • Risk-free values of cross currency, interest rate and index-linked swaps; and

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	• Credit, debit and funding valuation adjustments on cross currency, interest rate and index-linked swaps.
Materiality	The materiality that we used in the current period was £31.1m which was determined on the basis of 3% of the Company's net assets.
Scoping	Our audit was scoped based on our understanding of the Company, its internal controls, our risk assessment and our materiality.
Significant changes in our approach	There have been no significant changes in our approach from the prior period.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the role of the Company within the Tesco Group and the intention of the Tesco Group to keep the Company in existence;
- assessing the financial position of the Tesco Group as a whole at the date of issuance of the financial statements;
- assessing the Company's period-end liquidity position, including an assessment of its levels of cash and short-term investments compared with its current liabilities; and
- assessing the financing facilities available to the Company, including the ability to raise finance via its Medium-Term Note ('MTN') programme.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Risk-free values of cross currency, interest rate and index-linked swaps

Key audit matter description	As at 22 February 2025, the collective net value of the Company's cross currency, interest rate and index-linked swaps (the 'derivative financial instruments') was a liability of £105m (2024: liability of £117m). These derivative financial instruments comprise a mixture of trades entered into with external banks, as well as a number of internal 'back-to-back' trades with other Tesco Group entities. The derivative financial instruments are valued by calculating the net discounted future cash flows arising from each instrument (the 'risk-free value'), plus or minus credit risk and funding valuation adjustments (see section 5.2 below). There is a risk that the risk-free values recorded in the Company's accounting systems for the derivative financial instruments are not appropriate because: • the inputs used by the Company, such as forward rates, discount curves and cash flows, when valuing the trades using third party valuation tools are not appropriate; and/or • the valuations produced using third party valuation tools do not reflect the contractual terms of the instruments themselves; and/or • the methodology used when valuing the derivative financial instruments using third party valuation tools is not appropriately and consistently applied. All of the above pose a risk of manipulation or error which may result in error in the statement of comprehensive income and the balance sheet. Further details are included within the derivative financial instruments and hedge accounting section of Note 2 to the financial statements, as well as the critical judgements and estimates section of Note 2 and within the financial risk factors tables in Note 14.
How the scope of our audit responded to the key audit matter	We assessed the appropriateness of the methodology used by the Company when valuing the derivative financial instruments. We tested whether the risk-free values of the external and internal derivative trades are reasonable by selecting a sample of internal and external derivative trades and valuing these positions independently using third party tools, including Bloomberg and ICE SuperDerivatives. These valuations were performed based on the terms of the trade contracts and market data (such as forward discount curves) obtained from these third-party tools. We compared our independent valuations against the valuations recorded in the general ledger and assessed the variances against risk-based thresholds we consider acceptable for the relevant types of instruments.
Key observations	Based on the procedures performed, we have concluded that the risk-free values of cross-currency, interest rate and index-linked swaps are reasonable.

5.2. Credit, debit and funding valuation adjustments on cross currency, interest rate and index-linked swaps

Key audit matter description	The reported risk-free values of the Company's derivative financial instruments (as described above) are adjusted to reflect default risk by recording a credit or debit valuation adjustment ('CVA/DVA') and funding valuation adjustment ('FVA') as per IFRS 13 *Fair value measurement*, with: • CVA reflecting the default risk of the counterparty; • DVA reflecting the Company's own risk of default; and • FVA reflecting the estimated adjustment to the risk-free value that a market participant would make to account for funding costs they would incur in order to fund uncollateralised derivative financial instrument positions. For derivative trades with parties external to the Company, CVA/DVA are estimated by reference to observable, traded counterparty and Tesco Plc credit default swap ('CDS') spreads. For internal trades, the CVA/DVA is estimated by reference to Tesco Plc CDS spreads only (as the counterparty is another Tesco Group entity). The mismatch between the CVA/DVA on external and internal derivative instruments creates volatility in the statement of comprehensive income. Management uses Bloomberg in order to estimate the CVA/DVA to be recorded against cross currency swaps and interest rate swaps. Management use an Excel-based model populated with market data extracted from Bloomberg for index-linked swaps. FVA is calculated by using spreads derived by reference to bond prices relevant to the Company's market, which incorporate certain unobservable inputs. Therefore, there is an element of subjectivity in determining the spread used to estimate FVA. As at 22 February 2025, the collective net CVA/DVA and FVA-adjusted value of the Company's derivative financial instruments was a liability of £105 million (2024: liability of £117 million). Further details are included within the derivative financial instruments and hedge accounting section of Note 2 to the financial statements, as well as the critical judgements and estimates section of Note 2 and within the financial risk factors tables in Note 14.
How the scope of our audit responded to the key audit matter	For a sample of trades, we calculated the CVA/DVA and FVA using an independent model and independently obtained credit and funding spreads using third-party sources of market data. We compared the results of our independent CVA/DVA calculations to those recorded by management in the general ledger and assessed any resulting variances against thresholds we consider acceptable for the relevant types of instruments. Regarding FVA, we performed the following procedures to evaluate the differences between (a) management's funding spreads, which reflect the Company's

	assessment of the relevant market (being the Company's relationship banks), and (b) the spreads we calculated independently in consideration of the entire market: • assessed management's method in defining the market for consistency with the principles of IFRS 13 "Fair Value Measurement"; • assessed the data used by management for reasonableness against data obtained independently by us; and • tested whether the average spread data had been calculated and applied correctly in line with management's stated approach. We further obtained an understanding of the relevant controls relating to the calculation and recording of the CVA/DVA and FVA. We also assessed the relevant disclosures in the financial statements.
Key observations	Based on the procedures performed, we have concluded that the CVA/DVA and FVA recorded against the reported risk-free values of cross currency, interest rate and index-linked swaps are reasonable.

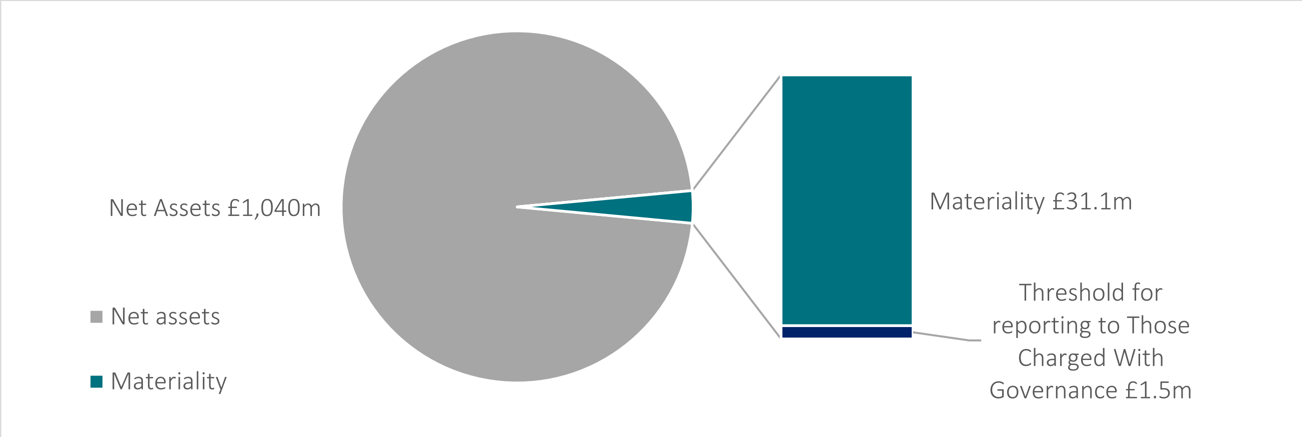
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£31.1m (2024: £29.0m)
Basis for determining materiality	3% of net assets (2024: 3% of net assets).
Rationale for the benchmark applied	The Company acts as a financing company for other Tesco Group entities and its role is therefore to act as a treasury function, rather than to generate income. Consistent with the prior period, we concluded that the net assets of the Company would be the most relevant benchmark for the users of the financial statements as this metric best reflects the overall financial strength and liquidity of the Company and represents a consistent metric upon which to base materiality in the longer term.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2025 audit (2024: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, where we concluded that the number of risks which we have classified as having a higher or significant risk of material misstatement was not disproportionally high compared to the overall number of risks identified;
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and
- the Company's business operations, transaction processes and control environment, which have remained consistent compared with the previous period.

6.3. Error reporting threshold

We agreed with those charged with governance that we would report to them all audit differences in excess of £1.5m (2024: £1.45m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit scope is based on our understanding of the Company and its internal control, our risk assessment and our materiality. Audit work to respond to the risks of material misstatement was performed directly by the audit team.

7.2. Our consideration of the control environment

We obtained an understanding of the Company's control environment through audit procedures over the key business processes. We structured our audit approach to reflect how the Company is organised as well as ensuring our audit was both effective and risk focused. We did not plan to rely on the IT controls associated with the financial reporting system due to previously identified deficiencies in the IT environment. Based on our scope and determination of audit approach, the audit engagement team have obtained an understanding of the relevant controls over the financial reporting process including valuation of derivatives and have adopted a fully substantive approach for the audit of the financial statements.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of

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irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the Directors and those charged with governance about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's sector;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including financial instrument specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, UK Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, those charged with governance and in house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of those charged with governance, we were appointed by the Tesco Group shareholders on 26 June 2015 to audit the financial statements for the 52 weeks ending 27 February 2016 and subsequent financial periods.

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The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years of 52 or 53 weeks each, covering the periods ending 27 February 2016 to 22 February 2025.

14.2. Consistency of the audit report with the additional report to those charged with governance

Our audit opinion is consistent with the additional report to those charged with governance we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rebecca Palmer

Rebecca Palmer (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 June 2025

TESCO CORPORATE TREASURY SERVICES PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025

Income Statement	Notes	52 weeks ended 22 February 2025 £m	52 weeks ended 24 February 2024 £m
Administration expenses		**(4)**	**(5)**
Operating loss		**(4)**	**(5)**
Reversal of impairment		-	7
Finance income	5	577	592
Finance costs	6	(503)	(537)
Profit/(loss) on ordinary activities before taxation		**70**	**57**
Tax on profit/(loss) on ordinary activities	7	-	-
Profit for the financial period		**70**	**57**
Other comprehensive income			
Items that may subsequently be reclassified to profit/(loss)			
Gains / (losses) on cash flow hedges			
Net fair value (losses)/gains		-	-
Reclassified and reported in the Income Statement		1	1
Deferred tax on cash flow hedge	7	-	(1)
Total comprehensive profit for the financial period		**71**	**57**

The notes on pages 23 to 47 form an integral part of these financial statements. The above results were derived from continuing operations.

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TESCO CORPORATE TREASURY SERVICES PLC

BALANCE SHEET AS AT 22 FEBRUARY 2025

	Notes	22 February 2025 £m	24 February 2024 £m
Non-current assets			
Derivative financial instruments	14	280	246
Other investments	17	692	712
Receivables	8	6,300	6,082
Deferred tax asset	11	-	-
Total non-current assets		7,272	7,040
Current assets			
Derivative financial instruments	14	182	74
Other investments	17	26	24
Receivables	8	703	720
Short-term investments	9	2,211	2,117
Cash and cash equivalents		53	31
Total current assets		3,175	2,966
Total assets		10,447	10,006
Current Liabilities			
Borrowings	12	(660)	(937)
Derivative financial instruments	14	(182)	(43)
Payables	10	(2,143)	(2,486)
Total current liabilities		(2,985)	(3,466)
Total net current assets/(liabilities)		190	(500)
Total assets less current liabilities		7,462	6,540
Non-current liabilities			
Borrowings	12	(2,946)	(2,992)
Payables	10	(3,091)	(2,185)
Derivative financial instruments	14	(385)	(394)
Total non-current liabilities		(6,422)	(5,571)
Net assets		**1,040**	**969**
Equity			
Share capital	15	100	100
Share premium	16	100	100
Cash flow hedge reserve		-	(1)
Retained earnings		840	770
Total equity		**1,040**	**969**

The notes on pages 23 to 47 form an integral part of these financial statements. The financial statements of Tesco Corporate Treasury Services PLC, registration number: 08629715 on pages 20 to 47 were approved and authorised for issue by the Board of Directors on 27 June 2025 and were signed on its behalf by:

Signed by:
Andrew Henley
7887417B3F174E2...

Andrew Henley
Director
Tesco Corporate Treasury Services PLC
Registered Number: 08629715
Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.
27 June 2025

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TESCO CORPORATE TREASURY SERVICES PLC

STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025

	Share Capital and Premium (i)	Cash flow hedge reserve	Retained earnings (ii)	Total equity
	£m	£m	£m	£m
At 24 February 2024	**200**	**(1)**	**770**	**969**
Profit for the financial period	-	-	70	70
Gains/(losses) on cash flow hedges	-	-	-	-
Cash flow hedges reclassified and reported in the Group Income Statement	-	1	-	1
Deferred tax credit on cash flow hedge	-	-	-	-
Total comprehensive income	**-**	**1**	**70**	**71**
Dividends	-	-	-	-
At 22 February 2025	**200**	**-**	**840**	**1,040**
At 25 FEBRUARY 2023	**200**	**(1)**	**713**	**912**
Profit for the financial period	-	-	57	57
Gains/(losses) on cash flow hedges	-	-	-	-
Cash flow hedges reclassified and reported in the Group Income Statement	-	1	-	1
Deferred tax credit on cash flow hedge	-	(1)	-	(1)
Total comprehensive income	**-**	**-**	**57**	**57**
Dividends	-	-	-	-
At 24 February 2024	**200**	**(1)**	**770**	**969**

(i) See Note 15 and 16 for a breakdown of the Share Capital and Premium.

(ii) Details of results and dividends can be found in the Strategic Report on page 3. The dividend per share for the period is Nil (2024: Nil).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Tesco Corporate Treasury Services PLC (the "Company") for the 52 weeks ended 22 February 2025 were approved by the Board of Directors on 27 June 2025 and the Balance Sheet was signed on the Board's behalf by Andrew Henley. Tesco Corporate Treasury Services PLC is a public limited company and is incorporated and domiciled in the United Kingdom and registered in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared under the historical cost convention and the Companies Act 2006 as modified by the fair value measurement of derivatives.

2. ACCOUNTING POLICIES

General information and Basis of preparation

The Company is a public company limited by shares incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 6. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 3 to 6.

These financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006 (the "Act").

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months and therefore continued to adopt the going concern basis in preparing the annual financial statements.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted for use within the UK ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is a qualifying entity for the purposes of FRS 101. Note 18 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of paragraphs 10(d), 10(f), 39(c) of IAS 1 Presentation of Financial Statements;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The Company is a financial institution for the purposes of FRS 101 and therefore may not take advantage of the exemptions from IFRS 7 Financial Instruments: Disclosures, paragraphs 91 to 99 of IFRS 13 Fair Value Measurement, and paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements.

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2. ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Company's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Directors consider there to be no critical judgements involved in the preparation of the financial statements.

As at the year ended 22 February 2025, Directors noted two key sources of estimation uncertainty in:

1. Determining the carrying value of derivative financial instruments which requires assumptions to be made about their future cash flows and has therefore been considered to be a key accounting estimate. Further information on these instruments and how they are valued is contained in Notes 13 and 14.
2. Determining the carrying value of derivative financial instruments in relation to X-valuation adjustments (XVA). These are largely in relation to the Funding Valuation Adjustments (FVA), which require assumptions and estimates in relation to the funding costs of counterparty financial institutions.

Impairment of financial assets
The Company assesses on a forward-looking basis the expected credit losses (ECLs) associated with its financial assets carried at amortised cost. The ECLs are updated at each reporting date to reflect changes in credit risk.
The three-stage model for impairment has been applied to loan receivables from joint ventures and group undertakings. The credit risk is determined through modelling a range of possible outcomes for different loss scenarios, using reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions and taking into account the time value of money. A 12-month ECL is recognised, unless the credit risk on a financial asset increases significantly after initial recognition, when lifetime ECLs are recognised.

Foreign currencies
The Company's financial statements are presented in sterling, which is also the Company's functional currency.

Transactions in foreign currencies are translated into pounds sterling at the exchange rate on the date of the transaction. At each Balance Sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into pounds sterling at the exchange rates prevailing at the balance sheet date. All foreign exchange differences are taken to the Statement of Comprehensive Income for the period.

Financial instruments
Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Receivables
Receivables are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Borrowings
Interest-bearing borrowings and overdrafts are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

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2. ACCOUNTING POLICIES (continued)

Other payables
Other payables are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method.

Investments
Investments in debt instruments at amortised cost are measured at amortised cost, using the effective interest rate method less allowance for ECLs.

Short-term investments
Short-term investments are liquid financial assets which have an original maturity of 12 months or less.

Derivative financial instruments and hedge accounting
The Company uses derivative financial instruments to hedge its own and the Group's exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. The Company does not hold or issue derivative financial instruments for trading purposes; however, if derivatives do not qualify for hedge accounting they are accounted for as fair value through profit and loss (FVTPL).

Derivative financial instruments are recognised and stated at fair value. Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are immediately recognised in the Statement of Comprehensive Income. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the items being hedged.

In order to qualify for hedge accounting, the Company is required to document from inception, the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an on-going basis. This effectiveness testing is performed at each reporting date to ensure that the hedge remains highly effective.

Derivative financial instruments with maturity dates of more than one year from the balance sheet date are disclosed as non-current.

Interest income
Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Cash flow hedging
Derivative financial instruments are classified as cash flow hedges when they hedge the Company's exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction. The effective element of any gain or loss from re-measuring the derivative instrument is recognised directly in equity.

The associated cumulative gain or loss is removed from equity and recognised in the Statement of Comprehensive Income in the same period during which the hedged transaction affects the Statement of Comprehensive Income. The classification of the effective portion when recognised in the Statement of Comprehensive Income is the same as the classification of the hedged transaction. Any element of the re-measurement criteria of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the Statement of Comprehensive Income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting or is de-designated. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs or the original hedged item affects the Statement of Comprehensive Income. If a forecasted hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Statement of Comprehensive Income.

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2. ACCOUNTING POLICIES (continued)

Fair value hedging
Derivative financial instruments are classified as fair value hedges when they hedge the Company's exposure to changes in the fair value of a recognised asset or liability. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Company's income statement, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Current taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

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, effective for accounting periods starting on or after 31 December 2023. The Company has applied the exemption to IAS12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

Group relief on taxation
The Company may receive or surrender group relief from other Group companies without payment and consequently there may be no tax charge in the Statement of Comprehensive Income.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited in other comprehensive income or other equity, in which case deferred tax is also dealt with in other comprehensive income or other equity.

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2. ACCOUNTING POLICIES (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. AUDITOR'S REMUNERATION

The auditor's remuneration for the current period of £37,000 (2024: £36,000) was borne by another Group company. No prohibited non-audit services were provided by the auditor to the Company during the current or prior period.

4. STAFF COSTS AND DIRECTORS' REMUNERATION

The Directors received no emoluments for their services to the Company (2024: £nil).

The Company had no employees during the period (2024: none).

5. FINANCE INCOME

	2025	**2024**
	£m	**£m**
Interest income on loans to Group undertakings	**404**	406
Other interest income	**173**	168
Financial instruments - fair value remeasurements	**-**	18
Total finance income	**577**	592

6. FINANCE COSTS

	2025	**2024**
	£m	**£m**
Interest expense on loans from Group undertakings	**(273)**	(313)
Interest expense on medium term notes	**(92)**	(92)
Interest expense on derivatives	**(87)**	(101)
Other interest expense	**(48)**	(31)
Financial instruments - fair value remeasurements	**(3)**	**-**
Total finance costs	**(503)**	(537)

TESCO CORPORATE TREASURY SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025 (continued)

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Factors that have affected the tax charge

The standard rate of corporation tax in the UK is 25%. This gives a corporation tax rate for the Company for the full period of 25.00% (2024:24.45%).

	2025 **£m**	2024 £m
Income tax:		
UK Corporation tax on profit / (loss) for the financial period	**-**	-
Deferred tax	**-**	-
Total income tax expense	**-**	-

The difference between the charge for the year and the amount calculated by applying the rate of UK corporation tax to the loss can be reconciled as follows:

	2025 **£m**	2024 £m
Profit/(loss) on ordinary activities before tax	**70**	**57**
Profit/(loss) on ordinary activities multiplied by the UK corporation tax rate of 25% (2024: 24.45%)	**18**	**14**
Effects of:		
Non-taxable income	**(1)**	**(2)**
Group relief (claimed)/surrendered without payment	**(17)**	**(12)**
Total income tax charge for the financial period	**-**	**-**

Tax on items credited directly to the Statement of Changes in Equity

	2025 **£m**	2024 £m
Deferred tax charge/(credit) on:		
Movement on cash flow hedges	**-**	**1**
Total tax on items charged to Statement of Changes in Equity	**-**	**1**

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8. RECEIVABLES

Current Assets	**2025**	2024
	£m	£m
Amounts owed by Group undertakings	**686**	698
Amounts owed by joint ventures	**1**	1
Amounts owed by external parties	**17**	22
Impairment provision	**(1)**	(1)
	703	720

Non-Current Assets	**2025**	2024
	£m	£m
Amounts owed by Group undertakings	**6,225**	6,007
Amounts owed by joint ventures	**88**	88
Impairment provision	**(13)**	(13)
	6,300	6,082

Notional amounts owed by Group undertakings and joint ventures are either interest-bearing £6,965m (2024: £6,752m) or non-interest bearing £nil (2024: nil), depending on the type and duration of the debtor relationship with an interest rate between 3.85% to 7.53% (2024: 3.0% to 8.07%).

9. SHORT-TERM INVESTMENTS

	2025	2024
	£m	£m
Money market funds, deposits, and similar instruments	**2,211**	2,117
	2,211	2,117

The above short-term investments are held with banks and other financial institutions.

TESCO CORPORATE TREASURY SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025 (continued)

10. PAYABLES

Current	**2025**	2024
	£m	£m
Amounts owed to Group undertakings	**2,143**	2,486
	2,143	2,486

Non-Current	**2025**	2024
	£m	£m
Amounts owed to Group undertakings	**3,091**	2,185
	3,091	2,185

Notional amounts owed to Group undertakings are either interest-bearing £5,208m (2024: £4,640m) or non-interest bearing £ nil (2024: £ nil) depending on the type and duration of creditor relationship, with an interest rate of between 1.83% to 6.23% (2024: 4.36% to 10.99%).

11. DEFERRED TAX

	Deferred tax
	£m
As at 24 February 2024	**-**
Reversal of temporary timing differences:	
In respect of the current period	-
Deferred tax asset as at 22 February 2025	**-**

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12. BORROWINGS

			2025	2024
			£m	£m
Overdrafts			**192**	468
	Par Value	**Maturity**		
2.5% MTN	€473m	Jul-24	**-**	410
2.5% MTN	£400m	May-25	**405**	390
0.875% MTN	€750m	May-26	**624**	643
1.875% MTN (a)	£400m	Nov-28	**400**	399
0.375% MTN (a)	€750m	Jul-29	**549**	538
2.75% MTN	£450m	Apr-30	**380**	369
4.25% MTN	€500m	Feb-31	**447**	454
5.13% MTN	£350m	May-34	**356**	-
5.5% MTN	£250m	Feb-35	**253**	258
Total MTNs			**3,414**	3,461
			3,606	3,929

(a) Bond is aligned to an agreed Sustainability Performance Target (SPT) of reducing Scope 1 and 2 Group Greenhouse Gas (GHG) Emissions by 60% by 2025 against the Tesco Group's 2015 Baseline. If targets are not meet a step-up event is triggered, increasing the coupon.

All MTNs are listed and guaranteed by the ultimate parent company Tesco PLC.

	2025	2024
	£m	£m
Current	**660**	937
Non-current	**2,946**	2,992
	3,606	3,929

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13. FINANCIAL INSTRUMENTS

Fair value of financial assets and liabilities measured at amortised cost

The carrying value and fair value of financial assets and liabilities are as follows:

	2025 Carrying value £m	**2025 Fair value £m**	2024 Carrying value £m	2024 Fair value £m
Assets				
Cash and cash equivalents	**53**	**53**	31	31
Short-term investments	**825**	**825**	1,231	1,231
Other investments	**718**	**730**	736	760
Receivables	**7,003**	**6,961**	6,802	6,731
Total financial assets	**8,599**	**8,569**	8,800	8,753
Liabilities				
MTNs in fair value hedge relationships	**(2,034)**	**(2,088)**	(2,009)	(2,067)
Borrowings at amortised cost	**(1,572)**	**(1,516)**	(1,920)	(1,838)
Payables	**(5,234)**	**(5,082)**	(4,671)	(4,684)
Total financial liabilities	**(8,840)**	**(8,686)**	(8,600)	(8,589)

The fair values of financial instruments have been determined by reference to prices available from the markets on which the instruments are traded, where they are available. Where market prices are not available, the fair value has been calculated by discounting expected future cash flows at prevailing interest rates. All values shown above are considered to represent Level 2 valuations in the fair value hierarchy with the exception of the MTNs and the majority of Other Investments which are Level 1 being based on the traded prices for the relevant instruments.

Fair value measurement by level of fair value hierarchy

All of the financial assets and liabilities that are measured at fair value meet the definition of Level 1, Level 2 or Level 3 of the 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).

13. FINANCIAL INSTRUMENTS (continued)

At 22 February 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Short-term investments	**1,386**	**-**	**-**	**1,386**
Cross-currency swaps	-	-	**24**	**24**
Index-linked swaps	-	-	**44**	**44**
Interest rate swaps	-	-	**357**	**357**
Forward foreign currency contracts	-	**35**	**-**	**35**
Forward contracts	-	**2**	**-**	**2**
Total Assets	**1,386**	**37**	**425**	**1,848**
Liabilities				
Cross-currency swaps	**-**	**-**	**(72)**	**(72)**
Index-linked swaps	**-**	**-**	**(162)**	**(162)**
Interest rate swaps	**-**	**-**	**(295)**	**(295)**
Forward foreign currency contracts	**-**	**(36)**	**-**	**(36)**
Forward contracts	**-**	**(2)**	**-**	**(2)**
Total Liabilities	**-**	**(38)**	**(529)**	**(567)**

At 24 February 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Short-term investments	**886**	**-**	**-**	**886**
Cross-currency swaps	**-**	**-**	**73**	**73**
Index-linked swaps	**-**	**-**	**186**	**186**
Interest rate swaps	**-**	**-**	**15**	**15**
Forward foreign currency contracts	**-**	**42**	**-**	**42**
Forward contracts	**-**	**4**	**-**	**4**
Total Assets	**886**	**46**	**274**	**1,206**
Liabilities				
Cross-currency swaps	**-**	**-**	**(168)**	**(168)**
Index-linked swaps	**-**	**-**	**(131)**	**(131)**
Interest rate swaps	**-**	**-**	**(93)**	**(93)**
Forward foreign currency contracts	**-**	**(41)**	**-**	**(41)**
Forward contracts	**-**	**(4)**	**-**	**(4)**
Total Liabilities	**-**	**(45)**	**(392)**	**(437)**

Level 3 instruments

As part of financial risk management, the entity holds uncollaterised derivative financial instruments these 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 valuation taking into account the default risk of a either part using market data such as credit default swaps.

Unobservable inputs (Level 3) relate to the funding valuations adjustment (FVA), which is the estimate of the adjustment to the fair value that a market participant would make to accounts for funding costs. These are calculated on the future valuation of the derivative, based on the best estimate available to management of suitable relevant costs of funds.

A 10 basis points increase in the cost of funds would increase the FVA by £0.4m (2024: £0.5m.)

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13. FINANCIAL INSTRUMENTS (continued)

The following table presents the changes in Level 3 instruments:

	2025 £m	2024 £m
At the beginning of the year	**(119)**	**(168)**
Gains/(losses) recognised in finance costs	(47)	19
Transfer of assets/(liabilities) into Level 3*	-	29
Settlements	61	
Additions in the year	1	1
At the end of the year	**(104)**	**(119)**

*During the year, there were £nil (2024: £29m) of derivative movements from Level 2 to Level 3, arising from the inclusion of funding valuation adjustment (FVA) to certain derivatives due to evolving market practices, which incorporate unobservable input elements. There were £nil transfers from Level 3 to Level 2 (2024: £nil) and £nil transfers from Level 3 to Level 1 (2024: £nil) in the year.

Net unrealised gains/(losses) of £66m (2024: £nil) are attributable to those assets and liabilities held at the end of the year and have been recognised in finance costs in the Group income statement.

Financial assets and liabilities by category
The accounting classifications of each class of financial assets and liabilities as at 22 February 2025 and 24 February 2024 are as follows:

At 22 February 2025	Financial assets and liabilities at amortised cost £m	Fair value through profit and loss £m	Total £m
Assets			
Cash and cash equivalents	**53**	**-**	**53**
Short-term investments	**825**	**1,386**	**2,211**
Other investments	**718**	**-**	**718**
Receivables	**7,003**	**-**	**7,003**
Cross-currency swaps	**-**	**44**	**44**
Index-linked swaps	**-**	**357**	**357**
Interest rate swaps	**-**	**24**	**24**
Forward foreign currency contracts	**-**	**35**	**35**
Forward contracts	**-**	**2**	**2**
Total Financial Assets	**8,599**	**1,848**	**10,447**
Liabilities			
Borrowings	**(3,606)**	**-**	**(3,606)**
Payables	**(5,234)**	**-**	**(5,234)**
Cross-currency swaps	**-**	**(162)**	**(162)**
Index-linked swaps	**-**	**(295)**	**(295)**
Interest rate swaps	**-**	**(72)**	**(72)**
Forward foreign currency contracts	**-**	**(36)**	**(36)**
Forward contracts	**-**	**(2)**	**(2)**
Total Financial Liabilities	**(8,840)**	**(567)**	**(9,407)**

TESCO CORPORATE TREASURY SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025 (continued)

13. FINANCIAL INSTRUMENTS (continued)

At 24 February 2024	Financial assets and liabilities at amortised cost £m	Fair value through profit and loss £m	Total £m
Assets			
Cash and cash equivalents	31	-	31
Short-term investments	1,231	886	2,117
Other investments	736	-	736
Receivables	6,802	-	6,802
Cross-currency swaps	-	73	73
Index-linked swaps	-	186	186
Interest rate swaps	-	15	15
Forward foreign currency contracts	-	42	42
Forward contracts	-	4	4
Total Financial Assets	**8,800**	**1,206**	**10,006**
Liabilities			
Borrowings	(3,929)	-	(3,929)
Payables	(4,671)	-	(4,671)
Cross-currency swaps	-	(168)	(168)
Index-linked swaps	-	(131)	(131)
Interest rate swaps	-	(93)	(93)
Forward foreign currency contracts	-	(41)	(41)
Forward contracts	-	(4)	(4)
Total Financial Liabilities	**(8,600)**	**(437)**	**(9,037)**

TESCO CORPORATE TREASURY SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025 (continued)

13. FINANCIAL INSTRUMENTS (continued)

Offsetting of financial assets and liabilities

The following table shows those financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

	Gross amount of recognised financial assets/ (liabilities)	Net amount presented	Related amounts not set off in the Balance Sheet: Financial Instruments	Net amount
At 22 February 2025	**£m**	**£m**	**£m**	**£m**
Financial assets offset				
Derivative financial instruments	462	462	(115)	347
Total assets	**462**	**462**	**(115)**	**347**
Financial liabilities offset				
Derivative financial instruments	(567)	(567)	115	(452)
Total liabilities	**(567)**	**(567)**	**115**	**(452)**
At 24 February 2024				
Financial assets offset				
Derivative financial instruments	320	320	(109)	211
Total assets	**320**	**320**	**(109)**	**211**
Financial liabilities offset				
Derivative financial instruments	(437)	(437)	109	(328)
Total liabilities	**(437)**	**(437)**	**109**	**(328)**

14. FINANCIAL RISK FACTORS

The main financial risks faced by the Company relate to fluctuations in interest, inflation and foreign exchange rates, the risk of default by counterparties to financial transactions, and the availability of funds to meet business needs. The management of these risks is set out below.

Risk management is carried out by a central treasury department under policies approved by the Group Board of Directors. The Board provides written principles for risk management, as described in the Principal risks and uncertainties and in Note 27 (Financial risk management) which can be found on pages 184 to 196 of the Tesco PLC Annual Report and Financial Statements 2025 which does not form part of this Report.

Derivatives are used to hedge exposure to market risks and those that are held as hedging instruments are formally designated as hedges as defined in IFRS 9 or not formally designated but held in naturally offsetting relationships economic relationships. Derivatives may qualify as hedges for accounting purposes and the Company's hedging policies are further described below.

The fair value of derivative financial instruments has been disclosed in the balance sheet as:

	2025 Asset	**2025** Liability	2024 Asset	2024 Liability
	£m	**£m**	£m	£m
Current	**182**	**(182)**	74	(43)
Non-current	**280**	**(385)**	246	(394)
Total	**462**	**(567)**	320	(437)

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14. FINANCIAL RISK FACTORS (continued)

Cash flow hedges
The Company may use cross-currency swaps to hedge cash flows on fixed rate debt denominated in foreign currencies. Where these contracts qualify for hedge accounting, fair value gains and losses are deferred in equity. Cash flows in respect of cash flow hedges will take place over the lifetime of the hedged items being the MTNs and will be recognised in the profit and losses over the same period. There were no cash flow hedges during the year.

Fair value hedges
The Company maintains interest rate swaps and cross-currency interest rate swaps as fair value hedges of interest rate risk on fixed rate debt issued by the company.

Financial instruments not qualifying for hedge accounting
The Company's policy does not permit use of derivatives for trading purposes. However, some derivatives do not qualify for hedge accounting, or are specifically not designated as a hedge where gains and losses on the hedging instrument and the hedged item naturally offset in the Statement of Comprehensive Income.

These instruments include index-linked swaps and forward contracts for diesel to hedge the future purchase of diesel for use within the Tesco Group. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Income.

The fair value and notional amounts of derivatives analysed by hedge type are as follows:

	2025				2024			
	Asset		**Liability**		Asset		Liability	
	Fair value	**Notional**	**Fair value**	**Notional**	Fair value	Notional	Fair value	Notional
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Fair value hedges								
Cross-Currency Swaps	**-**	**-**	**(119)**	**621**	-	-	(126)	640
Interest rate swaps	**24**	**414**	**(72)**	**1,100**	15	677	(93)	850
Derivatives not in a formal hedge relationship								
Cross-Currency Swaps	**44**	**183**	**(43)**	**175**	73	561	(42)	158
Interest rate swaps	**-**	**-**	**-**	**-**	-	-	-	-
Forward foreign currency contracts	**35**	**2,021**	**(36)**	**2,237**	42	2,070	(41)	2,131
Index-linked swaps*	**357**	**899**	**(295)**	**406**	186	703	(131)	203
Forward contracts	**2**	**61**	**(2)**	**61**	4	94	(4)	94
Total	**462**	**3,578**	**(567)**	**4,600**	320	4,105	(437)	4,076

*The notional values of the index-linked swaps have been re-presented to show the original unindexed notional amounts. In the prior year, the table presented the notional values after inflation indexation. The current year notional value after indexation for the swap assets is £818m (2024: £790m); and swap liabilities is £818m (2024: £790m).

TESCO CORPORATE TREASURY SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025 (continued)

14. FINANCIAL RISK FACTORS (continued)

The following tables set out the maturity profile, average interest rates and foreign currency exchange rates of the hedging instruments used in the Company's hedging strategies.

As at 22 February 2025	Maturity		
	Up to one year	One to five years	More than 5 years
Fair value hedges			
Interest rate risk			
Interest rate swaps – EUR			
-Notional amount (£m)	-	-	414
-Average net interest rate (pay)/receive	-	-	0.59%
Interest rate swaps – GBP			
- Notional amount (£m)	400	-	700
- Average net interest rate (pay)/receive	(3.41%)	-	(3.04%)
Interest rate / Foreign currency risk			
Cross-currency swaps (GBP:EUR)			
-Notional amount (£m)	-	621	-
-Average exchange rate	-	1.13	-
-Average net interest rate (pay)/receive	-	(5.19%)	-

As at 24 February 2024	Maturity		
	Up to one year	One to five years	More than 5 years
Fair value hedges			
Interest rate risk			
Interest rate swaps – EUR			
-Notional amount (£m)	-	-	427
-Average net interest rate (pay)/receive	-	-	(0.88%)
Interest rate swaps – GBP			
- Notional amount (£m)	-	400	700
- Average net interest rate (pay)/receive	-	(4.14%)	(3.77%)
Interest rate / Foreign currency risk			
Cross-currency swaps (GBP:EUR)			
-Notional amount (£m)	-	-	640
-Average exchange rate	-	-	1.13
-Average net interest rate (pay)/receive	-	-	(5.91%)

TESCO CORPORATE TREASURY SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025 (continued)

14. FINANCIAL RISK FACTORS (continued)

The following table sets out the details of the hedged exposures, hedge covered by the Company's fair value hedges.

	Carrying amount	Accumulated amounts of fair value adjustments on hedged item	Changes in fair value of hedged item for calculating hedge ineffectiveness	Changes in fair value of hedged instrument for calculating hedge ineffectiveness
At 22 February 2025	**£m**	**£m**	**£m**	**£m**
Fair value hedges	**(2,034)**	**185**	**(37)**	**36**
Interest rate risk				
MTNs (a) (b)				

15. Classified as borrowings.
16. There were no residual hedge adjustments (accumulated amounts of fair value hedge adjustments remaining in the balance sheet for any unhedged items that have ceased to be adjusted for hedging purposes).

	Carrying amount	Accumulated amounts of fair value adjustments on hedged item	Changes in fair value of hedged item for calculating hedge ineffectiveness	Changes in fair value of hedged instrument for calculating hedge ineffectiveness
At 24 February 2024	**£m**	**£m**	**£m**	**£m**
Fair value hedges	**(2,009)**	**221**	**(45)**	**38**
Interest rate risk				
MTNs (a) (b)				

(a) Classified as borrowings.
(b) There were no residual hedge adjustments (accumulated amounts of fair value hedge adjustments remaining in the balance sheet for any unhedged items that have ceased to be adjusted for hedging purposes).

The following table sets out information regarding the change in value of the hedged item used in calculating hedge ineffectiveness as well as the impacts on the cash flow hedge reserves.

			Cash flow hedge reserve (a)	
At 22 February 2025	**Hedging instrument**	**Change in fair value for calculating hedge ineffectiveness £m**	**Continued hedges £m**	**Discontinued hedges £m**
Interest rate risk				
MTNs	Cross-currency swaps	-	-	(1)

(a) Excludes deferred tax

			Cash flow hedge reserve (a)	
At 24 February 2024	**Hedging instrument**	**Change in fair value for calculating hedge ineffectiveness £m**	**Continued hedges £m**	**Discontinued hedges £m**
Interest rate risk				
MTNs	Cross-currency swaps	-	-	(1)

(a) Excludes deferred tax.

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14. FINANCIAL RISK FACTORS (continued)

Hedge ineffectiveness resulting from cash flow hedging is immaterial in the current year. The ineffectiveness arising from fair value hedging for the year is shown in the table below:

		2025	2024
At 22 February 2025	**Line item in Group income statement that includes hedge ineffectiveness**	**Hedge ineffectiveness recognised in profit or loss £m**	**Hedge ineffectiveness recognised in profit or loss £m**
Fair value hedge – Interest rate risk			
MTNs	Finance (cost)/income	(1)	(7)

The principal potential source of ineffectiveness has been identified as periodic (credit and funding) valuation adjustments made to the hedging instruments when marked-to-market which are not reflected in the periodic repricing of the associated hedged items. Historically, such adjustments have not resulted in significant hedge ineffectiveness. The ineffectiveness caused by the credit and funding valuation adjustments are not likely to be significant in future reporting periods. Since 100% of the notional amount of the hedging instruments are designated against the equivalent principal amount of the associated hedged items, the hedge ratio for all live hedges is 1:1.

The following table presents a reconciliation by risk category of the cash flow hedge reserve and analysis of other comprehensive income in relation to hedge accounting:

	Cash flow hedge reserve ***£m***	***Line item***
At 24 February 2024	(1)	
Foreign currency risk		
Cross-currency swaps		
-Net fair value gains/(losses)	-	
-Amount reclassified to income statement	1	Net finance costs
Tax		
At 22 February 2025	-	

Interest rate risk

Interest rate risk arises from borrowings and lending, cash deposits, short-term investments and overdrafts.
During 2025 and 2024 net debt was managed using derivative instruments to hedge interest rate risk as follows:

	2025			2024		
	Fixed £m	**Floating £m**	**Total £m**	Fixed £m	Floating £m	Total £m
Cash and cash equivalents	**-**	**53**	**53**	-	31	31
Short-term investments	**-**	**2,211**	**2,211**	-	2,117	2,117
Other investments	**718**	**-**	**718**	736	-	736
Bank and other borrowings	**(3,414)**	**(192)**	**(3,606)**	(3,461)	(468)	(3,929)
Amounts owed to Group undertakings	**(493)**	**(4,728)**	**(5,221)**	-	(4,640)	(4,640)
Amounts owed by joint ventures	**88**	**-**	**88**	88	-	88
Amounts owed by Group undertakings	**-**	**6,871**	**6,871**	60	6,604	6,664
Derivative effect:						
Interest rate swap	**1,514**	**(1,514)**	**-**	1,527	(1,527)	-
Cross-currency swap	**621**	**(621)**	**-**	640	(640)	-
Total	**(966)**	**2,080**	**1,114**	(410)	1,477	1,067

14. FINANCIAL RISK FACTORS (continued)

Credit risk
Credit risk arises from cash and cash equivalents, loans receivable and financial instruments with banks and financial institutions. To limit this risk where possible financial transactions take place with counterparties who have a strong credit rating and within defined exposure limits.

The net counterparty exposure under derivative contracts is £346m (2024: £211m). The Group's maximum gross exposure to credit risk is analysed below by class of financial instrument:

	22 February 2025 £m	24 February 2024 £m
Derivative financial instruments	462	320
Receivables*	7,003	6,802
Short-term investments	2,211	2,117
Other investments	718	736
Cash and cash equivalents	53	31
Maximum credit risk exposure	10,447	10,006

* Prior year receivables balance has been re-presented to take into account the impact of the ECL.

Counterparty credit rating
The table below provides detail of derivative financial assets by long term credit rating of investment-grade rated counterparties:

At 22 February 2025

Rating	AAA	AA	A	BBB	Unrated	Total
Cash and cash equivalents	**-**	**-**	**53**	**-**	**-**	**53**
Short-term investments	**1,386**	**-**	**725**	**100**	**-**	**2,211**
Other investments	**-**	**-**	**-**	**713**	**5**	**718**
Derivative financial assets:						
Interest rate swaps	**-**	**12**	**12**	**-**	**-**	**24**
Cross-currency swaps	**-**	**-**	**32**	**12**	**-**	**44**
Index-linked swaps	**-**	**-**	**299**	**58**	**-**	**357**
Forward foreign currency contracts	**-**	**5**	**22**	**8**	**-**	**35**
Forward contracts	**-**	**-**	**-**	**2**	**-**	**2**
Total	**1,386**	**17**	**1,143**	**893**	**5**	**3,444**

At 24 February 2024

Rating	AAA	AA	A	BBB	Unrated	Total
Cash and cash equivalents	-	-	31	-	-	31
Short-term investments	886	200	981	50	-	2,117
Other investments	-	-	-	731	5	736
Derivative financial assets:						
Interest rate swaps	-	7	8	-	-	15
Cross-currency swaps	-	-	58	15	-	73
Index-linked swaps	-	-	133	53	-	186
Forward foreign currency contracts	-	2	18	22	-	42
Forward contracts	-	-	1	3	-	4
Total	**886**	**209**	**1,230**	**874**	5	**3,204**

TESCO CORPORATE TREASURY SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025 (continued)

14. FINANCIAL RISK FACTORS (continued)

Liquidity risk
The following is an analysis of the undiscounted contractual cash flows payable under financial liabilities and derivative liabilities, taking into account contractual terms that provide the counterparty a choice of when (the earliest date) an amount is repaid by the Company. The potential cash outflow is considered acceptable as it is offset by financial assets.

The undiscounted cash flows will differ from both the carrying values and fair values. Floating-rate interest and inflation is estimated using the prevailing rate at the balance sheet date. Cash flows in foreign currencies are translated using spot rates at the balance sheet date. The overall liquidity risk is aligned to those of the Tesco Group. These are outlined in the Tesco Group Annual Report.

At 22 February 2025	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due between 3 and 4 years £m	Due between 4 and 5 years £m	Due beyond 5 years £m
Bank and other borrowings	**(592)**	**(621)**	**-**	**(400)**	**(621)**	**(1,464)**
Interest payments on borrowings	**(87)**	**(77)**	**(71)**	**(71)**	**(64)**	**(220)**
Amounts owed to Group undertakings	**(2,135)**	**(3,091)**	**-**	**-**	**-**	**-**
Interest on amounts owed to Group undertakings	**(165)**	**(97)**	**-**	**-**	**-**	**-**
Derivative and other financial liabilities						
Net settled derivative contracts – receipts	**6**	**6**	**6**	**5**	**5**	**7**
Net settled derivative contracts – payments	**(172)**	**(18)**	**(17)**	**(17)**	**(17)**	**(324)**
Gross settled derivative contracts – receipts	**2,242**	**114**	**4**	**4**	**625**	**55**
Gross settled derivative contracts – payments	**(2323)**	**(159)**	**(37)**	**(37)**	**(685)**	**(94)**
Total	**(3,226)**	**(3,943)**	**(115)**	**(516)**	**(757)**	**(2,040)**

TESCO CORPORATE TREASURY SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2025 (continued)

14. FINANCIAL RISK FACTORS (continued)

At 24 February 2024	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due between 3 and 4 years £m	Due between 4 and 5 years £m	Due beyond 5 years £m
Bank and other borrowings	(873)	(400)	(640)	-	(400)	(1,767)
Interest payments on borrowings	(80)	(102)	(28)	(54)	(54)	(178)
Amounts owed to Group undertakings	(2,458)	(2,185)	-	-	-	-
Interest on amounts owed to Group undertakings	(240)	(83)	-	-	-	-
Derivative and other financial liabilities						
Net settled derivative contracts – receipts	7	3	3	3	3	-
Net settled derivative contracts – payments	(40)	(93)	(15)	(15)	(14)	(168)
Gross settled derivative contracts – receipts*	2,098	10	112	4	4	698
Gross settled derivative contracts – payments*	(2,183)	(45)	(154)	(35)	(34)	(778)
Total	(3,769)	(2,895)	(722)	(97)	(495)	(2,193)

*Gross settled derivative contracts have been re-presented to include mandatory breaks on certain derivatives.

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14. FINANCIAL RISK FACTORS (continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk via non-GBP inter-company loans to and from non-UK Group subsidiaries. Where appropriate these are hedged via foreign currency derivatives and borrowings in matching currencies. These are not formally designated as hedges and gains and losses on hedges and hedged loans will naturally offset.

In addition, foreign exchange risk arises from borrowings issued in currencies other than sterling. To mitigate this risk the Company enters derivatives with matching notional values or lending to other Group subsidiaries in matching currency where appropriate.

Market rate risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of four risks: interest rate risk, currency risk, inflation risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans, borrowings and investments.

Capital risk

The Company's objectives when managing capital risk (defined as net debt plus equity) are aligned to those of the Tesco Group. These are outlined in the Tesco PLC Annual Report and Financial Statements 2025.

For the purpose of the Company's capital management, capital includes issued ordinary shares and other equity reserves attributable to the equity shareholders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of any financial covenants. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the 52 weeks ended 22 February 2025 and 52 weeks ended 24 February 2024.

Business risk

The Company's principal business relationships are with the Group which the most significant risks facing the Group include Cyber security, data privacy, climate change, geopolitics and other global events, technology, regulatory and compliance, people, health and safety, product safety and food integrity, responsible sourcing, customer, competition and markets and security of supply. This list does not include all risks. Additional risks, not presently known, or those considered to be less material, may also have adverse effects.

The Group has an established risk management process which is reviewed on a regular basis and covers all business units including the Company. This includes the maintenance of risk registers which details the risks, the risk movement and the relevant key controls and mitigating factors. These are reviewed on a regular basis by the Board, UK Leadership management and the Executive Committee. Further discussion of the Group approach to principal risks and uncertainties (including a detailed description of these risks) is provided on pages 40 to 49 of the Tesco PLC Annual Report and Financial Statements 2025, which do not a form part of this Report.

In order to mitigate this risk, the Company has access to capital markets which allow access to new funds, which in turn would be used to make interest and capital repayments on existing debt.

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14. FINANCIAL RISK FACTORS (continued)

Sensitivity analysis

The following table shows the illustrative effect on the Income Statement at the balance sheet date, from changes in interest rates, inflation rates and currency exchange rates that are reasonably possible where there have recently been significant movements.

	2025 Income gain/(loss) £m	2024 Income gain/(loss) £m
1% increase in interest rates	**13**	7
5% appreciation of the Euro	**-**	(3)
50 basis points parallel upward shift in the forward inflation curve (2024: 50 basis points)	**16**	18

15. SHARE CAPITAL

	2025 £m	2024 £m
Authorised share capital:		
100,000,001 ordinary shares of £1 each (2024: 100,000,001)	**100**	100

	2025 £m	2024 £m
Allotted, called up and fully paid:		
100,000,001 ordinary shares of £1 each (2024: 100,000,001)	**100**	100

16. SHARE PREMIUM ACCOUNT

	2025 £m	**2024 £m**
At the beginning of the year	**100**	100
At the end of the year	**100**	100

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17. OTHER INVESTMENTS

	At amortised cost(a)	Fair value through profit/loss	Fair value through other comprehensive income	Total
	£m	£m	£m	£m
At 22 February 2025				
Investments in debt instruments(b)	718	-	-	718
Other Investments	718	-	-	718
Of which:				
Current	26	-	-	26
Non-current	692	-	-	692
	718	-	-	718

	At amortised cost(a)	Fair value through profit/loss	Fair value through other comprehensive income	Total
	£m	£m	£m	£m
At 24 February 2024				
Investments in debt instruments(b)	736	-	-	736
Other Investments	**736**	-	-	**736**
Of which:				
Current	24	-	-	24
Non-current	712	-	-	712
	736	-	-	**736**

(a) The allowances for expected credit losses in the year are immaterial (2024: immaterial).
(b) Includes secured bond assets £713m (2024: £732m) relating to the purchase of debt held in UK property companies.

18. ULTIMATE GROUP UNDERTAKING

The Company's immediate and ultimate parent undertaking and controlling party is Tesco PLC which is registered in England and Wales. The results of the Company are included in the consolidated financial statements of Tesco PLC, which is the smallest and largest group to consolidate these financial statements and are available from Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

Copies of the Tesco PLC Annual Report and Financial Statements 2025 are available from the Company Secretary at the registered office address Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1G, United Kingdom or from the Tesco PLC corporate website. www.tescoplc.com.

19. EVENTS AFTER THE REPORTING PERIOD

On the 28 April 2025 the Company issued a €500m MTN paying a coupon of 3.375% maturing in May 2032 and repaid a £400m MTN on 2 May 2025. On the 7 May 2025 there was a £315m loan repayment by TCTS PLC to Tesco Personal Finance Limited.

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20. RELATED UNDERTAKINGS OF THE COMPANY

Related undertakings of the Company

In accordance with Schedule 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, a full list of related undertakings, the registered office address, the place of incorporation and the percentage of share class owned as at 22 February 2025 are disclosed below. All undertakings are directly owned by the Company unless otherwise stated.

Name of Entity	Registered office address	Country of incorporation	Proportion of voting rights and shares held	Share class
Tesco Corporate Treasury Services Europe Designated Activity Company.	Gresham House, Marine Road, Dun Laoghaire, Co. Dublin, Ireland	Ireland	100%	Ordinary