

TESCO (OVERSEAS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

Registered Number : 01611684



TESCO (OVERSEAS) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

The Directors present their report and financial statements of Tesco (Overseas) Limited (the "Company") for the 52 weeks ended 25 February 2017 (the prior financial period being the 52 weeks ended 27 February 2016 ("2016")).

Business Review and principal activities

The principal activity of the Company is to act as a holding company for Tesco PLC Group entities. 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.

Principal Risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Tesco PLC Group (the "Group") and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Company, are discussed on page 26 to 31 of the Tesco PLC Annual Report 2017 which does not form part of this Report.

Results and dividends

The results for the 52 weeks ended 25 February 2017 reflect a pre-tax loss of £11,680k (2016: loss of £11,512k) and an after tax loss of £11,892k (2016: loss of £11,512k).

The Directors do not recommend payment of a dividend for the 52 weeks ended 25 February 2017 (2016: £nil).

Future developments

The Company's future developments form a part of the Group's long term-strategy, which is discussed on pages 6 to 10 of the Tesco PLC Annual Report and Financial Statements 2017, which do not form part of this report.

Going concern

The Directors consider that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Research and development

The Company does not undertake any research and development activities (2016: none).

Political donations

There were no political donations for the period (2016: £nil) and the Company did not incur any political expenditure (2016: £nil).

Employees

The Company had no employees during the 52 weeks ended 25 February 2017 (2016: nil).

TESCO (OVERSEAS) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

Directors

The following Directors served during the period and up to the date of signing the financial statements:

P Moore (Resigned 30 June 2016)

M Snape (Appointed 11 April 2016)

R J Welch (Appointed 10 August 2016)

Tesco Services Limited

Director 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 Company Secretary (who is also a Director 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.

Strategic Report

The Directors have taken advantage of the exemption provided by section 414 (b) of the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013) from preparing a Strategic Report.

TESCO (OVERSEAS) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

Directors' responsibilities statement

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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 have been followed, subject to any material departures disclosed and explained in the 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.

On behalf of the Board

14 August 2017

Robert Welch

R Welch

Director

Tesco (Overseas) Limited

Registered Number: 01611684

Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

TESCO (OVERSEAS) LIMITED**PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017**

| | | 52 weeks | 52 weeks |
|--|--------------|-----------------------|-----------------------|
| | | to 25 February | to 27 February |
| | | 2017 | 2016 |
| | Notes | £'000 | £'000 |
| Interest payable and similar costs | 4 | (11,680) | (11,512) |
| Loss on ordinary activities before taxation | | (11,680) | (11,512) |
| Tax charge | 5 | (212) | - |
| Loss for the period | | (11,892) | (11,512) |

There are no recognised gains or losses other than those shown in the Profit and loss account above.

All operations are continuing for the financial period.

The Notes on pages 8 to 12 are an integral part of the financial statements.

TESCO (OVERSEAS) LIMITED**BALANCE SHEET AS AT 25 FEBRUARY 2017**

| | Notes | 2017 £'000 | 2016 £'000 |
|---|-------|------------------|------------------|
| Fixed assets | | | |
| Investments | 6 | 811,771 | 811,771 |
| | | 811,771 | 811,771 |
| Current liabilities | | | |
| Payables: amounts falling due within one year | 7 | (564,674) | (552,782) |
| | | (564,674) | (552,782) |
| Net current liabilities | | (564,674) | (552,782) |
| Total assets less current liabilities | | 247,097 | 258,989 |
| Net assets | | 247,097 | 258,989 |
| Equity | | | |
| Share capital | 8 | 8,948 | 8,948 |
| Share premium | | 351,890 | 351,890 |
| Profit and loss account | | (113,741) | (101,849) |
| Total shareholders' funds | | 247,097 | 258,989 |

The Notes on pages 8 to 12 are an integral part of the financial statements.

For the year ending 25 February 2017, the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 479A;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 5 to 12 were approved by the Board of Directors on 14 August 2017 and were signed on its behalf by:

Robert Welch

R Welch

Director

Tesco (Overseas) Limited

Registered Number: 01611684

Registered Office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

TESCO (OVERSEAS) LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017**

| | Share capital [1] | Share premium | Profit and loss account | Total |
|------------------------------------|----------------------|------------------|----------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 28 February 2015 | 8,948 | 351,890 | (90,337) | 270,501 |
| Loss for the period | - | - | (11,512) | (11,512) |
| Balance at 27 February 2016 | 8,948 | 351,890 | (101,849) | 258,989 |
| Loss for the period | - | - | (11,892) | (11,892) |
| Balance at 25 February 2017 | 8,948 | 351,890 | (113,741) | 247,097 |

[1] See Note 8 for a breakdown of the Share Capital

TESCO (OVERSEAS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

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

The financial statements of Tesco (Overseas) Limited (the "Company") for the period ended 25 February 2017 were approved by the Board of Directors on 14 August 2017 and the Balance Sheet was signed on the Board's behalf by R Welch. Tesco (Overseas) Limited is a private company limited by shares and incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and incorporating the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Tesco PLC. The Company's results are included in the consolidated financial statements of Tesco PLC, which are available from Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

2. ACCOUNTING POLICIES

General information and basis of accounting

Tesco (Overseas) Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 4. The nature of the Company's operations and its principal activities are set out in the directors' report on pages 2 to 4.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) issued by the Financial Reporting Council.

The Company is a qualifying entity for the purposes of FRS 101. Note 9 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with EU-adopted 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) and 134-136 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.
- 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.

Going Concern

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 the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained within the going concern statement included in the Directors' report on pages 2 to 4.

TESCO (OVERSEAS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

2. ACCOUNTING POLICIES (continued)

The principal accounting policies adopted by the Company are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

Significant accounting policies

a) Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

b) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

c) 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 profit and loss account 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. Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Company will be required to settle that tax. Measurement is dependent on subjective judgements as to the outcome of decisions by tax authorities in the various tax jurisdictions in which the Company operates. This is assessed on a case by case basis using in-house tax experts, professional firms and previous experience.

Group relief on taxation

The company may receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the profit and loss account.

Current tax and deferred tax for the period

Current and deferred tax are recognised in the profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

d) Interest payable and similar costs

All borrowing costs are recognised in the profit and loss account on an accruals basis.

TESCO (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)****3 STAFF COSTS AND DIRECTORS' REMUNERATION**

The Directors received no emoluments for their services to the Company (2016: £nil).

The Company had no employees during the period (2016: none).

4 INTEREST PAYABLE

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Interest payable on loans to Group undertakings | (11,680) | (11,512) |

5 TAXATION**Factors that have affected the tax charge**

The Finance Act 2015 included legislation to reduce the main rate of UK corporation tax to 20% from 1 April 2015 to 31 March 2017, and to 19% from 1 April 2017 to 31 March 2020. The tax rate for the period is therefore 20%. From 1 April 2020, the rate will be reduced to 17%, in accordance with Finance Act 2016.

(a) Tax charged in the profit and loss account

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Current income tax: | | |
| UK corporation tax | (212) | - |
| Total income tax charge in the profit and loss account | (212) | - |

(b) Reconciliation of the effective tax charge

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Loss on ordinary activities before taxation | (11,680) | (11,512) |
| Loss on ordinary activities multiplied by rate in the UK 20% (2016: 20.1%) | 2,336 | 2,314 |
| Effects of: | | |
| Group relief surrendered without payment | (2,336) | (1,598) |
| UK tax on overseas profits | (212) | (716) |
| Total income tax charge reported in the profit and loss account | (212) | - |

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and therefore included in these financial statements.

TESCO (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)****6 INVESTMENTS**

| | 2017 | 2016 |
|-----------------------------|------------------------|------------------------|
| | Shares in Group | Shares in Group |
| | undertakings | undertakings |
| | £'000 | £'000 |
| Cost | | |
| At beginning of period | 893,433 | 893,433 |
| At end of the period | 893,433 | 893,433 |
| Impairment | | |
| At beginning of period | 81,662 | 81,662 |
| At end of the period | 81,662 | 81,662 |
| Carrying value | | |
| At end of period | 811,771 | 811,771 |

A full list of related undertakings, the country of incorporation and the percentage of each share class owned as at 25 February 2017 is disclosed on page 12. All undertakings are directly owned by the company unless otherwise stated.

7 PAYABLES - AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2017 | 2016 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | (564,674) | (552,782) |

Amounts owed to Group undertakings include a loan of £499m at an interest rate of 3 month GBP LIBOR + 1.8% repayable on 30 June 2017. The remaining amounts owed are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

8 SHARE CAPITAL

| | 2017 | 2016 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Allotted, called up and fully paid: | | |
| 8,947,772 Ordinary shares of £1 each (2016: 8,947,772) | 8,948 | 8,948 |

TESCO (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)****9 ULTIMATE GROUP UNDERTAKING**

The Company's immediate and ultimate parent undertaking and controlling party is Tesco PLC, a Company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Tesco PLC financial statements can be obtained from the Company Secretary, Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom, the registered offices of Tesco PLC.

Related undertakings of the Company

| Name of company | Country of incorporation | Proportion of voting rights and shares held | Registered Office | Share class |
|--|---------------------------------|--|---|-----------------------------|
| ELH Insurance Limited | Guernsey | 100% - Direct | Malson Trinity, Trinity Square, St Peter Port, Guernsey, GY1 4AT | £1.00 Ordinary Shares |
| China Property Holdings (HK) Limited | Hong Kong | 100% - Direct | 15/F Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong | HKD1.00 Ordinary Shares |
| Tesco Chile Sourcing Limitada | Chile | 0.010% - Direct | Oficina No 102, Oficinas Los Andes, San Patricio 4099, Vitacura, Santiago, Chile | CLP 1.00 Ordinary Shares |
| Tesco Sourcing India Private Limited | India | 0.013% - Direct | 5th Floor, Unit 401, Tower B, The Millenia, No 1 & 2, Murphy Road, Ulsoor, Bangalore, 560008, India | INR 10.00 Ordinary Shares |
| Tesco Bengaluru Private Limited | India | 0.002% - Direct | #81 & 82, EPIP Area, Whitefield, Bangalore, 560066, India | INR 10.00 Ordinary Shares |
| Tesco Food Sourcing Brazil Consultoria de Negocios | Brazil | 0.0001% - Direct | Av. Paulista, 37 - 4o Andar, Sao Paulo, 01311-902, Brazil | BRL1.00 Ordinary |
| Tesco (Fujian) Industry Limited | China | 50% - Indirect | Room 1503, No.268 Fang Hu Dong Road, Huli District, Xiamen City, Fujian Province, China | US\$1.00 Registered Capital |
| Tesco Guangdong (HK) Co. Limited | Hong Kong | 100% - Indirect | 15/F Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong | US\$1.00 Ordinary Shares |
| Tesco Nanjing Zhongshan (HK) Co. Limited | Hong Kong | 50% - Indirect | 15/F Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong | US\$1.00 Ordinary Shares |
| Tesco Property Limited | China | 100% - Indirect | R1108 Level 11, Bld No.1, China Central Place, No. 81 Jianguo Road, Chaoyang District, Beijing, China | US\$1.00 Registered Capital |
| Xiamen Firste Property Limited | China | 50% - Indirect | Room 610, 705 Fanghu East Road, Huli District, Xiamen, PRC, China | US\$1.00 Registered Capital |