

**TESCO INTERNATIONAL SERVICES LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022  
Registered Number: 03176368**



## **TESCO INTERNATIONAL SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022**

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The Directors present their Report and the audited financial statements of Tesco International Services Limited (the "Company") for the 52 weeks ended 26 February 2022 (prior period: 52 weeks ended 27 February 2021 ("2021")).

#### **Business review and principal activity**

The principal activity of the Company is to provide management services for the remuneration of employees of Tesco Stores Limited who are currently based overseas on secondment to international affiliates, and the running of hub sourcing branches in South Africa and Spain. The Company has an employee who is located in Greece.

During the current year the Company has acquired one of the subsidiaries in Chile from the group company Tesco Food Sourcing Limited. The Company has also taken on the hub sourcing activities of the operation based in Chile and Spain for the Tesco Group during the current period. The Company acquired Tesco Sourcing Chile SpA for a consideration of £144k.

The Company is responsible for the sub sourcing activities of its subsidiary in Chile, and branches in South Africa and Spain.

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

#### **Results and dividends**

The results for the 52 weeks ended 26 February 2022 show a profit before tax of £84k (2021: £23k), profit after tax of £77k (2021: £12k) and revenue amounted to £7,330k (2021: £4,320k).

The Company has net assets at the period end of £2,500k (2021: £2,423k) and has net current assets of £2,356k (2021: £2,412k).

The Directors do not recommend payment of a dividend for the 52 weeks ended 26 February 2022 (2021: £nil).

#### **Future developments**

The 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 Tesco PLC Group (the "Group") long-term strategies, which are discussed on pages 4 to 30 of the Tesco PLC Annual Report and Financial Statements 2022, which does not form part of this Report.

#### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Company, are discussed on pages 31 to 37 of the Tesco PLC Annual Report and Financial Statements 2022, which do not form part of this Report.

#### **Business risk**

The Company's principal business relationships are with Tesco PLC Group companies which, by nature of their business, have continued to operate as essential businesses during the pandemic. This has served to mitigate some of the risk the Company is exposed to.

At present, there is an increased level of macroeconomic uncertainty, such as cost and wage inflation, which is beginning to show initial signs of impact on our customers' finances and an increase in operational costs, particularly in relation to supply chain. This uncertainty is exacerbated by the war in Ukraine. The situation is being monitored actively and contingency measures are in place to manage these risks. As such, Group Leadership believe that the short-term risks and impacts are understood and appropriate controls are in place. However, the long-term impacts remain uncertain and will continue to be monitored closely.

The war in Ukraine has created uncertainty for Tesco's colleagues, customers, and the economies in which the Group operates. Suppliers who either operate in Ukraine, or rely on imports from Russia and/or Ukraine, may be directly impacted by the war. The Group Leadership team continue to have strong governance and monitoring over the evolving issues and Tesco is actively providing support. At the time of the risk assessment, it was determined that the war in Ukraine was not a principal risk. However, due to the unpredictable nature of this risk, the Group Leadership team are actively monitoring it at an enterprise level.

## **TESCO INTERNATIONAL SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022 (continued)**

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#### **Going concern**

The Directors consider that the Company has adequate resources to remain in operation for a period of at least 12 months from the date of signing the financial statements. Therefore, they continue to adopt the going concern basis in preparing the financial statements. In undertaking their going concern assessment, the Directors have considered the impact of industry challenges and have concluded that there are no material uncertainties relating to going concern. For further details, please refer to the Tesco PLC Annual Report and Financial Statements 2022.

#### **Events after the reporting period**

Details of events after the reporting period can be found in Note 15 to the financial statements.

#### **Branches outside the United Kingdom**

The Company has branches in the Republic of South Africa and Spain. The Company has also a subsidiary in Chile.

#### **Political donations**

There were no political donations for the period (2021: £nil) and the Company did not incur any political expenditure (2021: £nil).

#### **Research and development**

The Company does not undertake any research and development activities (2021: none).

#### **Financial risk management**

The main risks associated with the Company's financial assets and liabilities are set out below:

##### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company's creditors are unsecured and interest free. Since the creditors predominantly comprise amounts owed to Group undertakings, the liquidity risk is determined to be low.

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Debtors predominantly comprise amounts owed by Group undertakings, hence credit risk is determined to be low.

#### **Strategic Report**

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

#### **Employees**

The Company had no employees during the period (2021: none). The Company's branches had 8 employees (2021: 5 employees). The employee costs in respect of the branch are recharged to another Group company.

#### **Directors**

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

D Morrey (appointed on 14 May 2022)  
S Wood (resigned on 14 May 2022)  
S Fitzgerald (appointed on 16 November 2021)  
B Mistry (resigned on 16 July 2021)  
R Welch  
Tesco Services Limited

## **TESCO INTERNATIONAL SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022 (continued)**

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#### **Directors (continued)**

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

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 Tesco Services Limited which is appointed to the Board of the Company) in respect of liabilities incurred as a result of their 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.

#### **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 information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that ought to have been 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.

#### **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 the 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 from those contained in any forward-looking statement.

#### **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 year. Under that law the Directors have elected to prepare 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; 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. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **TESCO INTERNATIONAL SERVICES LIMITED**

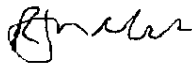
### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022 (continued)**

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#### **Independent auditor**

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

Approved by the Board on 5 October 2022 and signed on behalf of the Board by:



Robert Welch

Director

Tesco International Services Limited

Registered number: 03176368

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO INTERNATIONAL SERVICES LIMITED**

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## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Tesco International Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 26 February 2022 and of its profit for the year 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 profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

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.

### **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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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.

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.

### **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.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO INTERNATIONAL SERVICES LIMITED (continued)**

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## **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.

## **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- 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.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO INTERNATIONAL SERVICES LIMITED (continued)**

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## **Report on other legal and regulatory requirements**

### **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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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.

### **Matters on which we are required to report by exception**


Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

### **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.



John Adam (Senior Statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
5 October 2022

**TESCO INTERNATIONAL SERVICES LIMITED****PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022**

	Notes	<b>52 weeks ended 26 February 2022</b>	52 weeks ended 27 February 2021
		<b>£'000</b>	<b>£'000</b>
Revenue	5	<b>7,330</b>	4,320
Cost of sales		<b>(7,249)</b>	(4,269)
<b>Gross profit</b>		<b>81</b>	51
Administrative expense		<b>(1)</b>	(17)
Net foreign exchange gain/(loss)		<b>4</b>	(11)
<b>Operating profit</b>	4	<b>84</b>	23
Interest receivable and similar income		-	2
Interest payable and similar costs		-	(2)
<b>Profit before taxation</b>		<b>84</b>	23
Tax charge on profit	7	<b>(7)</b>	(11)
<b>Profit for the financial period</b>		<b>77</b>	12

There are no material differences between the profit before tax and the profit for the financial period stated above and their historical cost equivalents.

There is no other comprehensive income in the periods presented, therefore no Statement of Comprehensive Income has been prepared. Total comprehensive income is equal to profit for the periods presented.

All operations are continuing for the current and prior financial period.

The notes on pages 11 to 18 form an integral part of these financial statements.

**TESCO INTERNATIONAL SERVICES LIMITED****BALANCE SHEET AS AT 26 FEBRUARY 2022**

	Notes	26 February 2022	27 February 2021
		£'000	£'000
<b>Non-current assets</b>			
Investments	8	144	-
Right of use assets	9	-	11
		<u>144</u>	<u>11</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	1,437	1,163
Cash at bank and in hand		2,018	2,030
		<u>3,455</u>	<u>3,193</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	11	(1,099)	(769)
Lease liabilities	9	-	(12)
		<u>(1,099)</u>	<u>(781)</u>
<b>Net current assets</b>		<u>2,356</u>	<u>2,412</u>
<b>Total assets less current liabilities</b>		<u>2,500</u>	<u>2,423</u>
<b>Net assets</b>		<u>2,500</u>	<u>2,423</u>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account		2,500	2,423
<b>Total shareholders' funds</b>		<u>2,500</u>	<u>2,423</u>

The notes on pages 11 to 18 form an integral part of these financial statements.

The financial statements on pages 8 to 18 were approved by the Board of Directors and authorised for issue on 5 October 2022. They were signed on its behalf by:



Robert Welch  
Director

Tesco International Services Limited  
Registered number: 03176368

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

**TESCO INTERNATIONAL SERVICES LIMITED****STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 26  
FEBRUARY 2022**

	<b>Called up share capital*</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 29 February 2020	-	2,411	2,411
Profit and total comprehensive income for the financial period	-	12	12
<b>At 27 February 2021</b>	<b>-</b>	<b>2,423</b>	<b>2,423</b>
Profit and total comprehensive income for the financial period	-	77	77
<b>At 26 February 2022</b>	<b>-</b>	<b>2,500</b>	<b>2,500</b>

\*Refer Note 12 for a breakdown of the Called up share capital.

The notes on pages 11 to 18 form an integral part of these financial statements.

## TESCO INTERNATIONAL SERVICES LIMITED

### NOTES TO FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022

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#### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Tesco International Services Limited (the “Company”) for the 52 weeks ended 26 February 2022 were approved by the Board of Directors on 5 October 2022 and the Balance Sheet was signed on the Board’s behalf by Robert Welch. These financial statements were prepared in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework” (“FRS 101”). As permitted by Schedule 1 to the Accounting Regulations, the presentation of the financial statements has been adapted to be in line with the presentation prescribed by IAS 1. The Company now uses the term “Non-Current Asset” instead of “Fixed Assets” in the Balance Sheet to comply with IAS 1 presentation. The financial statements have been prepared on a going concern basis under the historical cost convention and the Companies Act 2006, modified to include certain items at fair value.

The functional currency of Tesco International Services Limited is considered to be Pound Sterling (£) because that is the currency of the primary economic environment in which the Company operates.

The Company’s financial statements are presented in Pound Sterling and values are rounded to the nearest thousands (£’000), except when otherwise indicated.

#### 2. General information

The Company is a private company limited by shares and is incorporated in UK and registered in England and Wales under the Companies Act 2006. The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom. The nature of the Company’s operations and its principal activity is set out in the Directors’ Report on page 1.

The Company has taken advantage of the exemption under section 400 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.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and to the preceding period, unless otherwise stated.

#### 3. Accounting policies

##### (a) Basis of preparation

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 14 gives details of the Company’s parent and from where it’s consolidated financial statements prepared in accordance with United Kingdom adopted IFRS may be obtained.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
- The requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with Customers;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 90,91 and 93 of IFRS 16 Leases;
- 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.

## **TESCO INTERNATIONAL SERVICES LIMITED**

### **NOTES TO FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022 (continued)**

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#### **3. Accounting policies (continued)**

##### **(b) New and revised IFRS applied with no material effect on the financial statements**

The Company has not applied any new standards, interpretations or amendments which are effective in the current financial year. Hence there has been no impact in the financial statements.

##### **(c) Going concern**

The Directors consider that the Company has adequate resources to remain in operation for a period of at least 12 months from the date of signing the financial statements. Therefore, they continue to adopt the going concern basis in preparing the financial statements. In undertaking their going concern assessment, the Directors have considered the impact of industry challenges and have concluded that there are no material uncertainties relating to going concern. For further details, please refer to the Tesco PLC Annual Report and Financial Statements 2022.

##### **(d) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

There are no judgements and estimates that have a significant effect on amounts recognised in the financial statements.

##### **(e) Significant accounting policies**

###### **Investments**

Investments in subsidiary undertakings are held at historical cost plus incidental expenses, less any applicable provision for impairment reviewed annually. Any impairment is recognised in the Profit and Loss Account in the period in which it occurs

###### **Leases**

Whether a contract is, or contains a lease is assessed at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

###### **Company as a lessee**

A right of use asset and corresponding lease liability are recognised at commencement of the lease.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Company is reasonably certain to exercise; penalties for early termination if the lease term reflects the Company exercising a break option; and payments in an optional renewal period if the Company is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Company's assessment of whether it is reasonably certain to exercise a purchase or extension option or not exercise a break option.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

## TESCO INTERNATIONAL SERVICES LIMITED

### NOTES TO FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022 (continued)

#### 3. Accounting policies (continued)

##### (e) Significant accounting policies (continued)

##### Leases (continued)

##### Company as a lessee (continued)

Leases of low value assets and short term leases of 12 months or less are expensed to the income statement, as are variable payments dependent on performance or usage, 'out of contract' payments and non-lease service components.

##### Income taxes

Current tax, including United Kingdom (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 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 and Loss Account, 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.

##### Foreign currency translation

The Company's financial statements are presented in Pounds Sterling, which is also the company's functional currency.

##### *Transactions and balances*

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

##### Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. The expected maturity of the financial assets and liabilities is not considered to be materially different to their current and non-current classification.

##### *Financial assets*

The Company's financial assets include debtors and other receivables. Debtors (including intercompany balances) are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

##### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are recorded at amortised cost.

**TESCO INTERNATIONAL SERVICES LIMITED****NOTES TO FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022 (continued)****3. Accounting policies (continued)****(e) Significant accounting policies (continued)****Financial instruments (continued)***Financial liabilities and equity (Continued)*

Creditors (including intercompany balances) are non-interest bearing and are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest rate method.

**Revenue**

Revenue consists of recharges to other Group companies for employees' remuneration including a 1% mark-up fee. Revenue is recognised in the period in which the employees' services are provided.

**Cost of sales**

Cost of sales consists of employees' remuneration recharged from the Group's principal employer.

**Cash at bank and in hand**

Cash at bank and in hand in the Balance Sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

**Interest payable and receivable**

Interest payable and receivable is calculated on an accrual basis.

**4. Operating profit**

The Company paid the following amounts to its auditor in respect of the audit of the financial statements.

	<b>52 weeks ended 26 February 2022 £'000</b>	<b>52 weeks ended 27 February 2021 £'000</b>
Audit of the financial statements	8	8

The non-audit fees for the period are £nil (2021: £nil).

The auditor's remuneration was borne on the Company's behalf by another Group Company.

**5. Revenue**

Analysis of revenue by geography:

	<b>52 weeks ended 26 February 2022 £'000</b>	<b>52 weeks ended 27 February 2021 £'000</b>
Hong Kong	1,816	586
Ireland	1,408	936
Poland	145	69
Czech Republic	2,642	1,588
Hungary	584	432
Spain	8	-
South Africa	13	11
UK	495	-
India	219	240
Thailand	-	9
Malaysia	-	449
	<b>7,330</b>	<b>4,320</b>

**TESCO INTERNATIONAL SERVICES LIMITED****NOTES TO FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022 (continued)****6. Staff costs and Directors' remuneration****Staff costs**

	<b>52 weeks ended 26 February 2022 £'000</b>	<b>52 weeks ended 27 February 2021 £'000</b>
Wages and salaries	203	103
Social security costs	158	80
<b>Total staff costs</b>	<b>361</b>	<b>183</b>

The Directors received no emoluments for their services to the Company (2021: £nil).

All employees costs are in respect of the branches of the Company and are recharged to another Group company. The average monthly number of employees during the period was made up as follows:

	<b>52 weeks ended 26 February 2022 No.</b>	<b>52 weeks ended 27 February 2021 No.</b>
South Africa	5	5
Spain	2	-
Greece	1	-
<b>Total</b>	<b>8</b>	<b>5</b>

**7. Tax charge on Profit****(a) Factors that have affected the tax charge**

The standard rate of corporation tax in the UK at the balance sheet date is 19%. This gives a corporation tax rate for the Company for the full period of 19% (2021: 19%).

The Finance Act 2021 included legislation to increase the main rate of UK corporation tax from 19% to 25% from 1 April 2023. As the change to the main UK corporation tax rate was substantively enacted by the balance sheet date the impact is included in these financial statements with temporary differences remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

**(f) Tax charge in the Profit and Loss Account**

The analysis of the charge for the year is as follows:

	<b>52 weeks ended 26 February 2022 £'000</b>	<b>52 weeks ended 27 February 2021 £'000</b>
<b>Current income tax:</b>		
Foreign tax	(7)	(10)
Adjustments in respect of prior periods	-	(1)
<b>Total current income tax charge</b>	<b>(7)</b>	<b>(11)</b>
<b>Tax charge in the Profit and Loss Account</b>	<b>(7)</b>	<b>(11)</b>

**TESCO INTERNATIONAL SERVICES LIMITED****NOTES TO FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022 (continued)****7. Tax charge on Profit (continued)****(c) Reconciliation of the effective tax charge**

The differences between the total charge shown above and the amount calculated by applying the blended rate of UK corporation tax to profit is as follows:

	52 weeks ended 26 February 2022 £'000	52 weeks ended 27 February 2021 £'000
<b>Profit before taxation</b>	<b>84</b>	<b>23</b>
Tax (charge)/credit at standard corporation tax rate of 19% (2021: 19%)	(16)	(4)
<i>Effects of:</i>		
Overseas tax paid	(3)	(5)
Group relief claimed without payment	12	(1)
Adjustment in respect of prior period	-	(1)
<b>Overall tax charge</b>	<b>(7)</b>	<b>(11)</b>

**8. Investments**

	Investments in subsidiaries £'000	Total £'000
At 29 February 2020	-	-
Additions	-	-
At 27 February 2021	-	-
Additions	144	144
<b>At 26 February 2022</b>	<b>144</b>	<b>144</b>

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The Company tests the investments balances for impairment annually or when there are indicators of impairment, by employing value in use model. During the year the Company acquired 100% of the issued share capital of Tesco Sourcing Chile SpA from another Group company for a consideration of £144k.

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 each share class owned as at 26 February 2022 are disclosed below.

**Subsidiary undertakings as at 26 February 2022**

Name of Entity	Registered office address	Share class	% interest held	Direct/Indirect holding
Tesco Sourcing Chile SpA (Previously known as Tesco Chile Sourcing Limitada )	Avenida Santa María 5888 Piso 2 Zona A Oficina 4 Vitacura Santiago 7660268 Chile	CLP Ordinary	100%	Direct

**9. Leases**

Lease liabilities represent rentals payable by the Company for land and buildings. The leases have varying terms, purchase options, escalation clauses and renewal rights. Purchase options and renewal rights, where they occur, are at market value. Escalation clauses are in line with market practices and include inflation linked, fixed rates, resets to market rents and hybrids of these.

**TESCO INTERNATIONAL SERVICES LIMITED****NOTES TO FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022 (continued)****9. Leases (continued)****Right of use assets**

	<b>Land and buildings £'000</b>	<b>Total £'000</b>
<b>At 26 February 2022 and for the 52 weeks ended 26 February 2022</b>		
Carrying amount	11	11
Additions	-	-
Depreciation	(11)	(11)
Total	-	-
	<b>Land and buildings £'000</b>	<b>Total £'000</b>
<b>At 27 February 2021 and for the 52 weeks ended 27 February 2021</b>		
Carrying amount	17	17
Additions	4	4
Depreciation	(10)	(10)
Total	11	11

**Lease liabilities**

The following tables show the discounted lease liabilities included in the Company balance sheet and a maturity analysis of the contractual undiscounted lease payments:

	<b>26 February 2022 £'000</b>	<b>27 February 2021 £'000</b>
<b>Lease liabilities</b>		
Current	-	12
Total lease liabilities	-	12

	<b>26 February 2022 £'000</b>	<b>27 February 2021 £'000</b>
<b>Maturity analysis – contractual undiscounted lease payments</b>		
Within one year	13	12
Total undiscounted lease payments	13	12

The existing lease agreement came to an end on 31<sup>st</sup> January 2022 and an extension was agreed for 1 year from 1<sup>st</sup> February 2022 to 31<sup>st</sup> January 2023. As a result, the liability has been remeasured with a corresponding adjustment to the right of use asset.

	<b>52 weeks ended 26 February 2022 £'000</b>	<b>52 weeks ended 27 February 2021 £'000</b>
<b>Amounts recognised in the Profit and Loss Account</b>		
Interest on lease liabilities	-	2

The Company is committed to payments (undiscounted) totalling £nil (2021: £nil) in relation to leases that have been signed but have not yet commenced.

**TESCO INTERNATIONAL SERVICES LIMITED****NOTES TO FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022 (continued)****10. Debtors: amounts falling due within one year**

	26 February 2022 £'000	27 February 2021 £'000
Amounts owed by Group undertakings	1,419	1,156
Other receivables	18	6
Overseas tax receivable	-	1
	<u>1,437</u>	<u>1,163</u>

Included within amounts owed by Group undertakings are amount that are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**11. Creditors: amounts falling due within one year**

	26 February 2022 £'000	27 February 2021 £'000
Amounts owed to Group undertakings	1,087	759
Accruals and payables	12	3
Taxation and social security	-	7
	<u>1,099</u>	<u>769</u>

Included within amounts owed to Group undertakings are amount that are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**12. Called up share capital**

	26 February 2022 £'000	27 February 2021 £'000
Authorised, allotted, called up and fully paid		
2 ordinary shares of £1 each (2021: 2 ordinary shares of £1 each)	-	-
	<u>-</u>	<u>-</u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they confer rights of redemption.

**13. Related party transactions**

During the period the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries within the Group.

**14. Ultimate Group undertaking**

The Company's immediate and ultimate parent undertaking and controlling party is Tesco PLC which is registered in England and Wales, and which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of the Tesco PLC Annual Report and Financial Statements 2022 are available from the Company Secretary at the registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

**15. Events after the reporting period**

There are no material events since the Balance Sheet date which require disclosure.