TESCO

Interim Results 2022/23

ON TRACK AND DELIVERING FOR CUSTOMERS DESPITE TOUGH BACKDROP.

Headline measures[1,2]:	H1 22/23	H1 21/22[3]	Change at actual rate	Change at constant rate
Group sales (exc. VAT, exc. fuel)[4]	**£28,178m**	£27,331m	3.1%	3.5%
Adjusted operating profit[5]	**£1,315m**	£1,458m	(9.8)%	(9.8)%
- Retail	£1,248m	£1,386m	(10.0)%	(10.0)%
- Tesco Bank	£67m	£72m	(6.9)%	(6.9)%
Retail free cash flow[6]	**£1,283m**	£1,543m	(16.9)%	
Net debt[2,6]	**£(10.0)bn**	£(10.2)bn	(1.7)%	
Adjusted diluted EPS[5]	**10.67p**	11.22p	(4.9)%	
Interim dividend per share	**3.85p**	3.20p	20.3%	
Statutory measures:				
Revenue (exc. VAT, inc. fuel)	**£32.5bn**	£30.4bn	6.7%	
Operating profit	**£736m**	£1,304m	(43.6)%	
Profit before tax	**£413m**	£1,143m	(63.9)%	
Retail cash generated from operating activities	**£2,038m**	£2,267m	(10.1)%	
Diluted EPS	**3.44p**	10.70p	(67.9)%	

Strong trading performance built on consistent and competitive offer, leading to strong retail free cash flow:

- Retail[7] LFL sales up +3.2% following strong performance throughout pandemic; 1-yr UK & ROI LFL reflects post-pandemic normalisation & cost-of-living changes in customer behaviour; strong Booker growth in catering & retail

	UK	ROI	Booker	UK & ROI	C.Europe	Retail
1-yr LFL sales	0.7%	(0.1)%	13.9%	**2.7%**	10.4%	**3.2%**
3-yr LFL sales	9.9%	12.1%	21.0%	**11.5%**	11.0%	**11.5%**

- Statutory revenue £32.5bn, up +6.7% including strong growth in fuel sales
- Total adjusted retail operating profit[5] £1,248m, down (10.0)% at constant rates
  - UK & ROI adjusted operating profit £1,169m, down (11.5)% mainly due to the impact of reduced YoY volumes as a result of post-pandemic normalisation, in addition to net cost inflation and our ongoing investment in the customer offer
  - C.Europe adjusted operating profit £79m, up +19.1% as volumes remained strong despite significant inflation
- Bank adjusted operating profit £67m, down (6.9)% driven primarily by up-front charges on new business
- Statutory operating profit £736m, after £(626)m non-current asset impairment charge driven by higher discount rates
- Strong retail free cash flow[6] £1,283m; YoY decline reflects last year's exceptionally strong performance
- Net debt[2,6] reduced by £0.5bn since February driven by strong cash generation; net debt ratio stable at 2.5x
- Adjusted diluted EPS[5] 10.67p, down (4.9)% due to lower profit part offset by reduced tax; statutory diluted EPS 3.44p
- Interim dividend of 3.85p, up +20.3%, in line with policy at 35% of prior year's full year dividend

Supporting customers through relentless focus on value:

- Solid UK market share performance, in line with expectations reflecting normalisation & with less inflation than market
- Competitiveness of offer recognised by customers in a tough market: Brand NPS now highest of the full-line grocers
- Powerful combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices helping ease cost-of-living pressures, leading to most competitive price index vs. limited-range discounters to date
- Helping customers spend less by eating-in, with +13% YoY increase in Finest range; quality perception +208bps
- Accelerating Save to Invest to help mitigate cost inflation; c.£0.5bn this year & c.£1bn cumulative by Feb-24, 1 yr early

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

- Strong and ongoing focus on customer satisfaction, market share and cash, ensuring we balance all stakeholder needs
- Biggest single-year investment in colleague pay, in addition to increase announced today for our UK stores; further support includes extended discount allowance, increased access to hours & free food in colleague rooms
- Working together with supplier partners to mitigate inflation, helping customers with unparalleled financial pressures
- Daily donations to support unprecedented foodbank demand in our communities – over 20m meals provided in H1
- Ongoing commitment to return capital; £450m returned to shareholders since April; cumulative £750m since Oct-21

Footnotes can be found on page 4.

Ken Murphy, Chief Executive:

"We know our customers are facing a tough time and watching every penny to make ends meet. That's why we're working relentlessly to keep the cost of the weekly shop as affordable as possible, with our powerful combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices, together covering more than 8,000 products, week in, week out. We're also investing significantly in our colleagues, with a further boost to pay announced today for our UK stores. I want to say a big thank you to the whole Tesco team, and our supplier partners – together, we have built a more resilient, consistent business that's well set up for the future.

By staying laser-focused on value and sticking to our strategy of inflating a little bit less and a little bit later, our price position has got even more competitive. Customers are seeking out the quality and value of our own brand ranges as they work to make their money go further, whether they are switching from branded products, between categories or cutting back on eating out.

As we look to the second half, cost inflation remains significant, and it is too early to predict how customers will adapt to ongoing changes in the market. Despite these uncertainties, our priorities are clear. We have the right long-term strategy and we will continue to balance the needs of all of our stakeholders. Most importantly, we will stay focused on delivering value for our customers and supporting them in every way we can."

OUTLOOK.

In April, we provided a wider than usual range of profit guidance for the 2022/23 financial year, given significant uncertainties in the external environment. Since then, post-pandemic normalisation has been compounded by cost-of-living driven changes in customer behaviour. Cost inflation is significant and we have continued to invest to support our customers and colleagues. However, our solid trading performance and acceleration of our Save to Invest programme have contributed to a strong financial result for the first half.

As a result, despite ongoing challenges in the market, we are able to maintain our profit guidance within our previous range, albeit towards the lower end. We therefore expect full year retail adjusted operating profit of between £2.4bn and £2.5bn. Significant uncertainties in the external environment still exist, most notably how consumer behaviour continues to evolve.

Our strong and ongoing focus on cash and a more positive expectation on working capital leads to an upgrade in our expectation for full year retail free cash flow to be at least £1.8bn.

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

CAPITAL RETURN PROGRAMME.

In April, we committed to buying back a total of £750m worth of Tesco shares by April 2023 as part of our ongoing capital return programme. Since then, we have purchased £450m worth of shares and will continue to purchase the remaining £300m worth over the coming months.

This means that, by April 2023, we will have bought back a cumulative £1.05bn worth of shares since the start of the programme in October 2021.

STRATEGIC PRIORITIES.

Our strategic priorities help us support customers by offering great value, quality and convenience, and rewarding loyalty, all of which are paramount in the current environment. We have a unique position through our reach and capability that makes us best-placed to continue to deliver for all our stakeholders, through our ongoing focus on customer satisfaction, market share and cash. Our brilliant colleagues and the strength of supplier relationships mean that we can serve our customers however they need us, whilst also driving long term, profitable growth in the business.

Our multi-year performance and capital allocation frameworks continue to guide our actions, creating sustainable, long-term value for all Tesco stakeholders. We are making good progress against our strategic priorities:

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

- Relentless focus on value for customers, supported by our market-leading combination of:
  - Aldi Price Match: strongest price commitment in market; in 99% of all large baskets and over 80% of top-up shops
  - Low Everyday Prices: over a thousand everyday products now locked at low prices until 2023
  - Clubcard Prices: helping customers spend less on groceries, clothing, general merchandise, Mobile & Tesco Bank
- Ongoing price investment leading to most competitive position vs. limited-range discounters to date
- Strengthened premium offering, increasing Finest range +13% YoY; quality perception +208bps YoY (vs market +77bps)
- Strong relationships with suppliers recognised: No. 1 in Advantage supplier survey for seventh consecutive year
- Continued focus on sustainability: saved 12m pieces of plastic/yr by removing multipack wrap from own brand drinks; launched 'Better Baskets' helping customers make healthy & sustainable choices without conceding on price; introduced eight solar-powered refrigerated trailers and launched first electric city-centre store delivery lorry

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

- Clubcard satisfaction score up +505bps YoY; Clubcard generosity perception score up +359bps YoY
- Digital personalised rewards extended to 2.0m Clubcard customers; 17.2m targeted in-app coupons issued to date
- Clubcard sales penetration increased by +9.8ppts and +18.6ppts in ROI & C.Europe YoY respectively
- Number of customers accessing Clubcard via app now at 10m in UK, 0.3m in ROI and 1.0m in C.Europe
- Tesco Media & Insights platform powered by dunnhumby now working with over 450 consumer goods brands

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

- Online sales and orders both remain >50% ahead of pre-COVID levels
- Leading online market share resilient at 35.9%, even as overall online volumes continue to normalise
- Continued roll out of Click & Collect sites, now within 25min drive of >70% of UK households; kerbside collection now in 180 Click & Collect locations
- Fifth UFC opened in Rutherglen; fastest capacity ramp up to date in just eight weeks; fulfilling >3,600 orders/wk
- Opened 17 Tesco Express stores, 5 One Stop stores, 54 Booker Retail Partner stores and 141 Premier stores
- Continued roll out of 'Tesco Whoosh' superfast delivery service, now in over 400 sites; plan to get to 800 by year end

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

- Strong progress across all four streams: goods & services not for resale, property, operations, & central overheads
- Now expecting to deliver accelerated savings this year of c.£500m, partially mitigating significant cost pressures
- Seeking to deliver original three year plan 12 months early: now targeting c.£1bn cumulative savings by end of Feb 2024
- Simplified stock and replenishment routines rolled out in store, freeing up 47,000 hours
- Additional self-service checkout roll out driving efficiency and improved customer experience
- Improved ROI fleet utilisation, better C.Europe depot utilisation and increased use of Bengaluru shared services team

GROUP REVIEW OF PERFORMANCE.

26 weeks ended 27 August 2022[1,2]	H1 22/23	H1 21/22[3]	Total change YoY Actual rate	Total change YoY Constant rate
Group sales (exc. VAT, exc. fuel)[4]	**£28,178m**	**£27,331m**	**3.1%**	**3.5%**
Fuel	£4,278m	£3,085m	38.7%	38.7%
Revenue (exc. VAT, inc. fuel)	**£32,456m**	**£30,416m**	**6.7%**	**7.0%**
Adjusted operating profit[5]	**£1,315m**	**£1,458m**	**(9.8)%**	**(9.8)%**
Adjusting items	£(579)m	£(154)m		
Group statutory operating profit	**£736m**	**£1,304m**	**(43.6)%**	
Net finance costs	£(325)m	£(158)m		
Joint ventures and associates	£2m	£(3)m		
Group statutory profit before tax	**£413m**	**£1,143m**	**(63.9)%**	
Group tax	£(148)m	£(313)m		
Group statutory profit after tax	**£265m**	**£830m**	**(68.1)%**	
Adjusted diluted EPS[5]	10.67p	11.22p	(4.9)%	
Statutory diluted EPS	3.44p	10.70p	(67.9)%	
Interim dividend per share	**3.85p**	**3.20p**	**20.3%**	
Net debt[2,6]	**£(10.0)bn**	**£(10.2)bn**		
Retail free cash flow[6]	**£1.3bn**	**£1.5bn**		
Capex[8]	**£0.4bn**	**£0.4bn**		

Group sales[4] increased by +3.5% at constant rates, with sales growing across all segments following on from a strong performance throughout the pandemic. Sales growth strengthened in the second quarter as general market inflation increased, in addition to very resilient demand in Central Europe and Booker. Revenue increased by +7.0% at constant rates, including fuel sales growth of +38.7% driven by inflation across the market and higher volumes.

Group adjusted operating profit[5] decreased by (9.8)% at constant rates, reflecting the impact of post-pandemic normalisation on food volumes and lower non-food sales following high demand in the first quarter last year. We saw significant cost inflation and some impact from a step up in own brand sales vs branded ranges as customers took steps to manage the pressure on their household budgets. These impacts were partially mitigated by the acceleration of our Save to Invest programme, a strong Booker sales performance, particularly in the catering business, and a reduction in COVID-19 related costs year-on-year.

Group statutory operating profit reduced by (43.6)% year-on-year due to the operating profit impacts above and an increase in adjusting items, principally driven by a £(626)m non-cash non-current asset impairment charge related to an increase in discount rates this year.

Net finance costs increased by £(167)m year-on-year primarily due to fair value remeasurements related to the mark-to-market movement on inflation-linked swaps, which led to a £(75)m charge this year compared to a £180m credit in the prior year. The increase in our share of profit from joint ventures and associates was due to an increase in profits from UK property joint ventures and a reduction in losses generated by our joint venture in India. The reduction in tax this year primarily reflects the reduction in retail operating profits and a one-off charge in the prior year related to the revaluation of deferred tax.

Our adjusted diluted EPS[5] declined by (4.9)%, as the impact of the year-on-year reduction in retail operating profits was partly offset by a lower tax charge and the benefit of our ongoing share buyback programme. We have announced an interim dividend of 3.85 pence per ordinary share, an increase of +20.3% year-on-year, set in line with our policy at 35% of the prior full-year dividend.

Net debt[2,6] reduced by £472m since the year end, driven by strong cash generation and after the outflow relating to our ongoing share buyback programme. We generated £1,283m of retail free cash flow[6], including a working capital inflow driven by higher trade balances. This reflects a reduction of £(260)m year-on-year due to an even higher working capital inflow last year, driven by a sharp recovery in fuel and non-food volumes in the UK. The net debt/ EBITDA ratio was 2.5 times, the same as at the year end, as lower levels of net debt were offset by lower Retail EBITDA.

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

Notes:
1. The Group has defined and outlined the purpose of its alternative performance measures, including its performance highlights, in the Glossary starting on page 45.
2. All measures apart from Net debt are shown on a continuing operations basis unless otherwise stated. Further details on discontinued operations can be found in Note 6 on page 32.
3. As previously reported in the Annual Report and Financial Statements 2022, the Group has changed its accounting policy for property buybacks, and comparatives have been restated (see Note 1 on page 23).
4. Group sales exclude VAT and fuel. Sales change shown on a comparable days basis for Central Europe.
5. Adjusted operating profit and Adjusted diluted EPS exclude Adjusting items as noted in footnote 1.
6. Net debt and Retail free cash flow exclude Tesco Bank.
7. Like-for-like is a measure of growth in Group online sales and sales from stores that have been open for at least a year (at constant exchange rates, excluding VAT and fuel).
8. Capex excludes additions arising from business combinations and buybacks of property (typically stores), as well as additions relating to decommissioning provisions and similar items.

Segmental review of performance:

Sales performance:
(exc. VAT, exc. fuel)[4]

	Sales	LFL sales change[7]	Total sales change YoY Actual rate	Total sales change YoY Constant rate
- UK	*£19,994m*	*0.7%*	*0.6%*	*0.6%*
- ROI	*£1,237m*	*(0.1)%*	*(0.6)%*	*1.0%*
- Booker	*£4,399m*	*13.9%*	*13.8%*	*13.8%*
UK & ROI	£25,630m	2.7%	2.6%	2.6%
Central Europe	£2,008m	10.4%	5.9%	9.5%
Retail	**£27,638m**	**3.2%**	**2.8%**	**3.1%**
Bank	£540m	-	24.6%	24.6%
Group Sales	**£28,178m**	**3.2%**	**3.1%**	**3.5%**
Fuel	£4,278m	38.4%	38.7%	38.7%
Group Revenue	**£32,456m**	**6.9%**	**6.7%**	**7.0%**

Further information on sales performance is included in the appendices starting on page 52.

Adjusted operating profit[5] performance:

	Profit	Total change YoY Actual rate	Total change YoY Constant rate	Margin % Actual Rates	Margin % change Actual rate
UK & ROI	£1,169m	(11.3)%	(11.5)%	3.9%	(78) bps
Central Europe	£79m	16.2%	19.1%	3.7%	26 bps
Retail	**£1,248m**	**(10.0)%**	**(10.0)%**	**3.9%**	(71) bps
Bank	£67m	(6.9)%	(6.9)%	12.4%	(422) bps
Group	**£1,315m**	**(9.8)%**	**(9.8)%**	**4.1%**	(74) bps

Further information on operating profit performance is included in Note 2 starting on page 24.

UK & ROI overview:

In the UK & Republic of Ireland (ROI), like-for-like sales increased by +2.7% on a one-year basis, driven by a strong performance in Booker, particularly in catering, and solid performances in the UK and ROI following on from strong growth throughout the pandemic. On a three-year basis, sales in our UK & ROI segment were up by +11.5%.

UK & ROI adjusted operating profit was £1,169m, down (11.5)% at constant rates driven mainly by post-pandemic sales normalisation, in addition to net cost inflation and our ongoing investment in our customer offer.

Adjusted operating margin was 3.9%, (78)bps lower year-on-year, reflecting a margin mix benefit last year from high non-food sales, the impact of operating cost inflation in the current year and the effects of our relentless focus on value for our customers.

UK – performance reflects relentless focus on value:

Our year-on-year trading performance in the first half continued to be shaped by the effects of the pandemic. Like-for-like sales declined by (1.5)% in the first quarter as we traded over a lockdown in the prior year, which benefited from elevated food sales, peak online demand and strong non-food sales. Like-for-like sales strengthened in the second quarter, growing at +2.8%, as we traded over a more normal period in the prior year and customers continued to respond well to the strength of our offer. We also benefited from the exceptionally warm weather and Platinum Jubilee celebrations. Retail inflation gradually increased across the half, although we continued to inflate behind the market to protect prices for customers. Like-for-like sales grew by +0.7% for the first half as a whole.

Food sales grew by +1.6% in the half, including the anticipated unwind of elevated volumes as customer behaviour continued to normalise post-pandemic. This was offset by the impact of inflation, particularly in those categories most exposed to fluctuations in commodity prices and global supply disruptions, including bakery, dairy and grocery. We have started to see tangible changes in behaviour as customers seek to manage higher costs-of-living by seeking out the great value offered by our own brand ranges. In addition to switching from branded products to own brand ranges, we have also seen, for example, customers trading from fresh products into frozen equivalents. Our own brand volume participation increased by +80bps in the second quarter, with particularly high switching in core grocery products. We increased the distribution of Aldi Price Match lines by almost 17% as part of our ongoing investment in the customer offer.

Although we continued to outperform the market in non-food, sales declined by (6.0)% as we traded over exceptionally strong demand and a higher full price sales mix linked to the lockdown in the first quarter last year. Customer count increased across both Clothing and Home, by +8% and +13% respectively.

We are laser-focused on providing great value for customers through a combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices. We improved our price position even further year-on-year despite significant input cost pressures, with gains in important categories for customers such as produce and prepared food. Through Clubcard Prices, we continue to offer customers access to thousands of exclusive deals across all channels and categories. Overall Clubcard penetration reached 75.4% by the end of the half, up 4.6ppts, including an increase of 16.8ppts in convenience stores.

The entire market has seen a contraction in customer perception scores as a result of the challenging conditions faced by customers. Against this backdrop, our Brand NPS is the highest amongst the full-line grocers and we have increased our quality perception score by over +200bps year-on-year. Compared to pre-pandemic, we continue to have the strongest perception gains in the market in brand (+632bps), quality (+694bps) and value perception (+525bps).

Our market share performance remains strong, outperforming the market for the majority of the first half. Our performance was even stronger on a volume basis than on a value basis as we passed on less inflation to customers than our competitors.

Sales grew in both large and convenience stores, by +1.4% and +6.5% respectively, driven by higher footfall as some customers switched back into stores from online. Sales in our convenience stores in towns and city centres grew by +25% due to a sharp recovery in footfall. Large store sales growth was impacted by very strong non-food demand in the first quarter last year. Following our decision to exit the 'Jacks' format last year, we converted six of the 13 stores in the first half.

Online like-for-like sales declined by (11.3)%, with many customers choosing to return to shopping in our stores, leading to a (10.5)% unwind in order volumes. Online sales participation was 12.9%, which is still +3.6ppts higher than before the pandemic and we have retained nearly 70% of our peak active customer base. We have continued to expand our Click & Collect offer, with over 200 additional sites since the start of the pandemic now reaching over 70% of UK households within 25 minutes.

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

Online performance	**H1 22/23**	**One-year change**	**Three-year change**
LFL sales	**£2.7bn**	(11.3)%	53.4%
Orders per week	**1.13m**	(10.5)%	51.8%
Basket size £	**£93**	(1.1)%	1.7%
Online % of UK total sales	**12.9%**	(1.6)ppts	3.6ppts
Delivery saver subscribers	**666k**	(0.4)%	35.4%
Click & Collect (C&C) locations	**530**	16.7%	61.0%

We opened our fifth Urban Fulfilment Centre (UFC) in the half, in Rutherglen. We continue to evolve the UFC model as we test and learn with each new site, and we will review future opportunities to roll-out as they arise.

We now offer 'Tesco Whoosh' – our 60-minute delivery service – in over 400 stores, after rolling-out to an additional 242 stores in the first half. Average basket size has increased to around £25, as we have refined the proposition, and we now offer customers over 2,600 products. We plan to roll out to a total of 800 stores by the end of the financial year.

Supporting our supplier partners has been a key focus in these challenging market conditions. In September 2022, we were pleased to be awarded the No.1 ranking in the Advantage Voice of the Supplier survey for the seventh consecutive year. We have taken extra steps to protect fresh food suppliers. For example, in March, we announced a significant increase in the price we pay British dairy farmers to reflect the increasing cost of production. We also announced £10m in extra funding for UK pig farmers, as the industry continues to face significant increases in on-farm costs. We have reaffirmed our commitment to UK egg farmers, announcing new five-year contracts for our egg suppliers. This will mean that we continue to stock 100% British shell eggs and provide farmers with the confidence to invest and plan for the future.

We have accelerated our target to halve food waste in our own operations by five years, bringing it forward to 2025. Over 70% of food waste happens in the home and so we launched a "Use Up Day" campaign, providing a range of resources to help families spend less on their weekly shop by making the most of the food they've already bought. In May 2022 we also launched our 'Better Baskets' campaign, through which we are making it easier for customers to make healthier, more sustainable and more affordable choices every time they shop with us.

As part of our ongoing efforts to help customers, especially under the current cost-of-living pressures, over the summer we offered free kids' meals in our cafes to Clubcard holders with any purchase – "Kids Eat Free". We have also been giving daily donations to foodbanks and local charities to support unprecedented levels of demand, providing the equivalent of over 20m meals across the half.

We have continued to roll out electric online delivery vans, set up renewable energy projects and launch more electric HGVs in our distribution operations. We have also introduced eight solar-powered refrigerated trailers and our first electric lorry to service city centre Express stores in London, saving thousands of litres of diesel and tonnes of carbon per year. We also continue to expand our electric vehicle charging network, which has now reached its 500th store.

ROI – increasing customer engagement by expanding our value proposition:

Like-for-like sales declined by (0.1)% in the half, including a decline of (2.4)% in the first quarter, as we traded over lockdown last year. The COVID-19 impact on the base was particularly strong in ROI with restrictions in place for a longer period than in other markets. In the second quarter, the effects of the COVID-19 unwind on volumes year-on-year eased, and sales grew by +2.4%. This also reflected a gradual increase in inflation in the market.

We reinforced our value proposition by completing the rollout of Aldi Price Match, Low Everyday Prices and Clubcard Prices across all categories. Customer engagement with Clubcard Prices has been strong, leading to a +9.8ppts increase in Clubcard sales penetration to 65%.

We continue to expand our market-leading online business and now offer Click & Collect in over 71% of our large stores, leading to sales growth of +5.9%. In June, we completed the acquisition of ten Joyce's stores, one of which we will sell as a condition of the clearance of the transaction.

BOOKER - sharp catering recovery and sustained demand despite challenging backdrop:

	Sales	One-year LFL
Retail	**£2,442m**	**2.2%**
Retail exc. Tobacco	*£1,443m*	*6.7%*
Tobacco	*£999m*	*(3.7)%*
Catering	**£1,830m**	**35.5%**
Catering exc. BFL	*£1,090m*	*36.1%*
Best Food Logistics (BFL)	*£740m*	*34.6%*
Total Booker*	**£4,399m**	**13.9%**

* Total Booker also include small business sales of £127m

Booker delivered strong like-for-like sales growth of +13.9%, driven particularly by a sharp recovery in catering demand in the first quarter as we traded over a period of restrictions in the prior year. Catering sales grew by +35.5% over the first half, driven by increased volume and inflation which was particularly prominent in fresh food. The retail business also continued to grow, with sales up +6.7% excluding tobacco, driven by strong customer retention. Tobacco sales declined by (3.7)%, reflecting the market trend as customers returned to overseas travel and duty-free imports increased.

We expanded our 'Food Clubs', which now have over 40,000 members who can access exclusive deals and discounts. The breadth of our range allows our catering customers to flex their menus to offer consumers the best possible value and we now offer 'Click & Collect' to caterers at 134 sites, providing greater choice and flexibility.

On a three-year basis, sales growth was very strong in both the retail and catering businesses, growing by 22.2% and 21.3% respectively.

CENTRAL EUROPE - inflationary environment, robust volumes & strong profit growth:

Like-for-like sales grew by +10.4%, with growth in all countries. Inflationary pressures were felt to a greater extent across our Central European markets with significant levels of input cost inflation. Volumes were resilient, partially due to government support for customers, such as price caps on essential food products.

We strengthened our value proposition by rolling-out Clubcard Prices and Low Price Guarantee across all countries. Customers have responded positively, driving Clubcard penetration up in all three countries and contributing to market share gains of +16bps year-on-year.

Central Europe adjusted operating profit was £79m, an increase of +19.1% at constant rates. Adjusted operating profit growth was driven by a strong trading performance and the delivery of cost reduction plans which offset inflation in energy and colleague pay awards. Profit growth was offset by an increase in the rate of 'crisis tax' payable by retailers in Hungary. The charge increased by £14m in the first half, with the full-year cost expected to increase by £27m.

In June, we completed the sale of 17 malls and one retail park, generating proceeds of £203m and a £37m profit on disposal within adjusting items. It will result in a c.£(11)m gross impact to adjusted operating profit in the current year due to a reduction in mall income. We will continue to operate the Tesco hypermarkets in these malls on a leasehold basis.

TESCO BANK:

	H1 22/23	H1 21/22	YoY change
Revenue	**£540m**	**£433m**	**24.6%**
Adjusted operating profit	**£67m**	**£72m**	**(6.9)%**
Lending to customers	£6.8bn	£6.4bn	6.8%
Customer deposits	£(5.5)bn	£(5.0)bn	(9.7)%
Net interest margin	4.9%	5.1%	(0.2)ppts
Total capital ratio	25.4%	26.6%	(1.2)ppts

Revenue grew by +24.6%, including an additional two-month benefit from the acquisition of Tesco Underwriting Limited in May 2021. Revenue excluding Tesco Underwriting Limited increased by +14%, driven by an increase in new credit card customers, higher levels of retail spending year-on-year and an increase in travel money demand. ATM transactions increased by +9% year-on-year as cash usage recovered post-lockdown.

Tesco Bank adjusted operating profit was £67m, including an £18m contribution, versus £12m last year, from the full consolidation of Tesco Underwriting Limited. Adjusted operating profit declined by (6.9)% year-on-year predominantly due to a higher impairment charge driven by up-front charges on new business and the impact of a weaker macro-economic outlook. These impacts were offset to some extent by a strong recovery in our Travel Money and ATM businesses, together with higher credit card income.

The Bank's balance sheet remains strong, and we continue to have sufficient capital and liquidity to absorb changes in both regulatory and funding requirements.

The Bank was recognised for several key products in the first half, winning 'Credit Builder Card Provider of the Year' and 'Best Card Provider (Introductory Rate)' at the Moneyfacts Consumer Awards. In recognition of our digital claims solution for car insurance customers, we also won the 'Digital Innovation of the Year' at the 2022 British Insurance Awards. We also announced our two new charity partnerships in the first half, with The Trussell Trust and Maggie's, the cancer support charity.

Adjusting items in statutory operating profit:

	H1 22/23	H1 21/22
Net impairment (charge)/ reversal of non-current assets	£(626)m	£36m
Litigation costs	-	£(193)m
Property transactions	£81m	£21m
Amortisation of acquired intangible assets	£(38)m	£(38)m
Restructuring provision	£(7)m	-
ATM business rates refund	£7m	-
Release of onerous contract provision	£5m	-
Disposal of Asia operations	£2m	£19m
Fair value less cost of disposal movements on assets held for sale	£(3)m	£1m
Total adjusting items in statutory operating profit	**£(579)m**	**£(154)m**

Adjusting items are excluded from our adjusted operating profit performance by virtue of their size and nature to provide a helpful alternative perspective of the year-on-year performance of the Group's ongoing trading business. Total adjusting items in statutory operating profit in the first half resulted in a charge of £(579)m compared to a £(154)m in the prior year.

We recognised a £(626)m non-cash net impairment charge on non-current assets, primarily driven by an increase in discount rates year-on-year.

In the prior year we recognised litigation costs of £(193)m in adjusting items, relating to proceedings issued against us by two claimant law firms in relation to the overstatement of expected profits announced in 2014. The cash flow related to these claims was settled in the prior year. Given the legal timeframe for bringing a claim has now elapsed, no further related claims can be brought by shareholders.

We recognised an adjusting credit of £81m related to the profit generated on the disposal of properties in the half, including the disposal of mall properties in Central Europe and associated store sale and lease backs.

Amortisation of acquired intangible assets is excluded from our headline performance measures. We incurred a charge of £(38)m in the period, which primarily relates to our merger with Booker in March 2018, which resulted in the recognition of £755m of intangible assets.

Further detail on adjusting items can be found in Note 3, starting on page 30.

Joint ventures and associates:

Our share of post-tax profits from joint ventures and associates was £2m, compared to a loss of £(3)m in the prior year. The year-on-year improvement was primarily due to higher profits from UK property joint ventures and a reduction in losses generated by our Trent Hypermarket Limited joint venture in India due to COVID-19 trading impacts in the prior year.

Net finance costs:

	H1 22/23	H1 21/22
Net interest on medium term notes, loans and bonds	£(105)m	£(104)m
Other interest receivable and similar income	£18m	£5m
Other finance charges and interest payable	£(14)m	£(21)m
Finance charges payable on lease liabilities	£(189)m	£(207)m
Net finance costs before net pension finance costs and fair value remeasurements of financial instruments	**£(290)m**	**£(327)m**
Fair value remeasurements of financial instruments	£(75)m	£180m
Net pension finance income/ (costs)	£40m	£(11)m
Net finance costs	**£(325)m**	**£(158)m**

Net interest on medium-term notes and bonds was £(105)m, up £(1)m year-on-year. The impact of bond maturities, tenders, and new debt issuances at lower rates of interest was offset by the interest payable on the £(585)m of debt acquired with The Tesco Sarum Limited Partnership in December 2021.

Finance charges payable on lease liabilities reduced by £18m year-on-year, driven by the reducing nature of our total lease liability and the de-recognition of £355m of lease liabilities related to the buyback of The Tesco Sarum Limited Partnership in December 2021, which brought back into full ownership seven sites.

A non-cash fair value remeasurement charge of £(75)m primarily related to the mark-to-market movement on inflation-linked swaps, driven by an increase in discount rates. These swaps eliminate the impact of future inflation on the Group's cash flow in relation to historical sale and leaseback property transactions.

Net pension finance income of £40m in the half related to the IAS 19 pension surplus, compared to a charge of £(11)m last year when the scheme was in a deficit position. The drivers of the IAS 19 pension surplus are discussed in further detail in the Summary of total indebtedness section. We expect net pension finance income of £79m in the current year as a result of the IAS 19 pension surplus at the end of the prior year.

In February, we exercised the option to buy back our partner's stake in The Tesco Dorney Limited Partnership property joint venture. We expect this transaction to complete towards the end of the current financial year, bringing seven large stores back into full ownership. This will result in annual cash rental savings of c.£31m and a c.£(0.1)bn increase in net debt, comprising a c.£(0.5)bn impact on borrowings, partially offset by a c.£0.4bn reduction in lease liabilities. Following this transaction, we will have five UK property joint ventures still in place, from a peak of 13 structures in 2015. These five remaining structures contain property worth £3.2bn and debt of £2.1bn, with £2.0bn of associated lease liabilities on our balance sheet. The three largest of our remaining property JVs are with the Tesco Pension Fund.

Further detail on finance income and costs can be found in Note 4 on page 31, as well as further detail on the adjusting items in Note 3 on page 30.

Group tax:

	H1 22/23	H1 21/22
Tax on adjusted profit	£(215)m	£(258)m
Tax on adjusting items	£67m	£(55)m
Tax on profit	**£(148)m**	**£(313)m**

Tax on adjusted Group profit was £(215)m, £43m lower than last year, reflecting lower levels of retail operating profit year-on-year and a one-off charge in the prior year related to the revaluation of deferred tax following the decision to increase the headline rate of corporation tax from 19% to 25% in April 2023.

The effective tax rate on adjusted Group profit was 21%, higher than the current UK statutory rate of 19%, primarily due to the banking surcharge levied on Tesco Bank profit and the depreciation of assets which do not qualify for tax relief.

Following the announcement by the UK Government to cancel the planned increase in the corporation tax rate from 19% to 25% in April 2023, we expect the effective tax rate on adjusted Group profit to be around 18% in the current year. This is lower than our previous guidance of between 21% and 22% due to a credit relating to the revaluation of deferred tax. We now expect our effective tax rate to be around 21% in the medium term, compared to 26% previously. This guidance assumes the legislation is enacted ahead of our financial year end.

Earnings per share:

	H1 22/23	H1 21/22	YoY change
Adjusted diluted EPS	10.67p	11.22p	(4.9)%
Statutory diluted earnings per share	3.44p	10.70p	(67.9)%
Statutory basic earnings per share	3.47p	10.80p	(67.9)%

Adjusted diluted EPS was 10.67p (LY: 11.22p), (4.9)% lower year-on-year due to a reduction in retail operating profit, partially offset by a lower tax charge year-on-year.

Statutory diluted earnings per share was 3.44p (LY: 10.70p) (67.9)% lower year-on-year, due to an increase in adjusting items, driven by a higher net impairment charge on non-current assets, which was partially offset by charges last year related to shareholder litigation claims. This increase in adjusting items was partially offset by a lower tax charge in the current year and an increase in profits from our joint ventures.

Dividend:

The interim dividend has been set at 3.85 pence per ordinary share, an increase of +20.3% year-on-year and in line with our policy of setting the interim dividend at 35% of the prior full-year dividend. The increase in this year's interim dividend therefore reflects the significant recovery in both retail and Tesco Bank adjusted operating profitability in the prior year.

The interim dividend will be paid on 25 November 2022 to shareholders who are on the register of members at close of business on 14 October 2022 (the Record Date). Shareholders may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 4 November 2022.

Summary of total indebtedness (excludes Tesco Bank):

	Aug-22	Feb-22	Movement
Net debt before lease liabilities	£(2,055)m	£(2,570)m	£515m
Lease liabilities	£(7,989)m	£(7,946)m	£(43)m
Net debt	**£(10,044)m**	**£(10,516)m**	**£472m**
Pension deficit, IAS 19 basis (post-tax)	£(186)m	£(242)m	£56m
Total indebtedness	**£(10,230)m**	**£(10,758)m**	**£528m**
Net debt / EBITDA	**2.5x**	**2.5x**	
Total indebtedness ratio	**2.5x**	**2.5x**	

Total Indebtedness was £(10,230)m, down £528m versus year end, driven by a reduction in net debt due to strong cash generation and after the outflow relating to our ongoing share buyback programme.

Lease liabilities were £(7,989)m, up £(43)m versus year end, largely due to the recognition of new leases related to the leaseback of 17 stores situated in the mall properties sold in Central Europe in June 2022.

The total impact on net debt from the sale of these 17 mall properties and one retail park was an improvement of £167m, comprising £203m of cash proceeds received, offset by £(36)m new lease liabilities recognised.

The Group's IAS 19 pension surplus is disregarded in total indebtedness and only pension schemes which are in a net deficit position are included. We continue to carry IAS 19 pension surpluses totalling £1,070m (post-tax), reduced since the year end largely due to movements in hedging assets and updated demographic assumptions. Other pension schemes carried a net deficit of £(186)m at the end of the first half and are therefore included in total indebtedness. This combined deficit is £56m better than the year end, driven by market movements in discount rate, inflation rate and fair value of assets of the pension scheme.

We have agreed the actuarial pension valuation as at 31 March 2022 with the Tesco Plc Pension Scheme Trustee at a surplus of £0.9bn. It was also agreed with the Trustee that no pension deficit contributions are required ahead of the next triennial valuation in 2025 and that the expense payments made to the Scheme by Tesco will reduce to £(17)m per annum (currently £(25)m per annum) from October 2022.

We had strong levels of liquidity at the end of the first half of £3.2bn and our £2.5bn committed facility remained undrawn. Our committed facility currently matures in September 2025, following our decision to exercise the final one-year extension option. The rate of interest payable on this facility is linked to three of our sustainability commitments and we achieved the corresponding margin reduction for the current financial year based on our performance last year.

Our net debt to EBITDA ratio was 2.5 times at the end of the first half, which is in-line with the year end and within our targeted range of 2.8 to 2.3 times. The year-on-year reduction is driven by a reduction in retail EBITDA and an increase in net debt before lease liabilities. The total indebtedness ratio was also 2.5 times and stable since the year end.

Fixed charge cover was 3.5 times this year, which was stable year-on-year, as a reduction in retail EBITDA offset lower net finance costs and lease interest payments.

Summary retail cash flow:

The following table reconciles Group adjusted operating profit to retail free cash flow. Further details are included in Note 2 starting on page 24.

	H1 22/23	H1 21/22
Adjusted operating profit	**£1,315m**	**£1,458m**
Less: Tesco Bank adjusted operating (profit) / loss	£(67)m	£(72)m
Retail adjusted operating profit	**£1,248m**	**£1,386m**
Add back: Depreciation and amortisation	£784m	£787m
Other reconciling items	£10m	£21m
Pension deficit contribution	£(12)m	£(11)m
Decrease in working capital	£390m	£556m
Retail cash generated from operations before adjusting items	**£2,420m**	**£2,739m**
Cash capex	£(507)m	£(495)m
Net interest	£(294)m	£(314)m
- Interest related to Net debt before lease liabilities	*£(106)m*	*£(107)m*
- Interest related to lease liabilities	*£(188)m*	*£(207)m*
Tax paid	£(45)m	£(49)m
Dividends received	£5m	£3m
Repayments of obligations under leases	£(292)m	£(286)m
Own shares purchased for share schemes	£(4)m	£(55)m
Retail free cash flow	**£1,283m**	**£1,543m**
Memo (not included in Retail free cash flow):		
Acquisitions & disposals	*£(77)m*	*£117m*
Property proceeds & purchases	*£301m*	*£72m*
Cash impact of adjusting items	*£(31)m*	*£(107)m*

Strong retail free cash flow of £1,283m was £(260)m lower than last year's exceptionally strong performance, driven by lower retail adjusted operating profit and a lower working capital inflow.

Our total working capital inflow was £390m, driven primarily by the usual sales peak we see over summer and higher trade payable balances due to cost price inflation. The working capital inflow was £(166)m lower than last year due to a reduction in volumes as a result of the ongoing normalisation of customer behaviours following the COVID-19 pandemic, and an increase in stock levels this year due to significant disruption in the supply chain last year.

Interest paid related to net debt before lease liabilities of £(106)m was flat year-on-year. Interest relating to lease liabilities was £(188)m, down £19m year-on-year primarily due to a reduction in the UK lease liabilities.

Cash tax paid was in line with last year as we continue to benefit from the super-deduction allowance on certain capital investments and tax relief in relation to the £2.5bn one-off pension contribution made in 2021.

The net outflow related to the purchase of our own shares for colleague share schemes was £(4)m, comprising £(49)m of shares purchased in the market to offset the issuance of new shares to satisfy the share schemes and a £45m inflow relating to the proceeds from colleague share saving schemes. The lower outflow compared to last year was driven by the timing of purchases to satisfy current year maturities. Share repurchases for cancellations are excluded.

We generated £301m of proceeds from property transactions, including the sale of 17 malls and one retail park in Central Europe, excess land surrounding our New Malden store, and our Distribution Centre in Middlewich in the UK.

The cash impact of adjusting items was £(31)m, of which £(29)m relates to operational restructuring changes as part of the multi-year 'Save to invest' programme. This relates to activity announced at the end of the prior financial year.

Capital expenditure and space:

	UK & ROI		Central Europe		Tesco Bank		Group	
	This year	Last year	This year	Last year	This year	Last year	This year	Last year
Capex	**£389m**	**£404m**	**£36m**	**£25m**	**£23m**	**£19m**	**£448m**	**£448m**
Openings (k sq ft)	243	72	16	14	-	-	259	86
Closures (k sq ft)	(229)	(60)	(22)	(15)	-	-	(251)	(75)
Repurposed (k sq ft)	10	-	(259)	5	-	-	(249)	5
Net space change (k sq ft)	**24**	**12**	**(265)**	**4**	**-**	**-**	**(241)**	**16**

'Retail Selling Space' is defined as net space in store adjusted to exclude checkouts, space behind checkouts, customer service desks and customer toilets. The above excludes spaces relating to franchise stores. Appendices - appendix 5 (p.54) provides a full breakdown of space by segment.

Capital expenditure (capex) shown in the table above reflects expenditure on ongoing business activities across the Group, excluding property buybacks.

Our capital expenditure in the first half was £448m, flat year-on-year which includes the continuing investment in our online proposition such as the opening of our fifth UFC in Rutherglen in May and the addition of 169 delivery vans. We also opened one new Tesco Superstore, 19 Tesco Express stores and five One Stop stores in the UK & ROI.

We expect to open a further two Tesco Superstores, 52 Tesco Express stores and 15 One Stop stores in the UK in the second half. In Ireland, we will refit all nine Joyce's stores, acquired in the first half, before re-opening these stores under the Tesco brand in the coming months. We have two more UFCs planned for the second half, bringing our total UFCs in operation to seven by the end of the current year.

In Central Europe, we invested more capex in our large store refresh programme year-on-year, and we will have refreshed 19 more stores than last year by the end of the current year.

We expect 2022/23 full year capital expenditure to be at the top end of our £0.9bn to £1.2bn guidance range. Statutory capital expenditure for the first half was £0.5bn.

Further details of current and forecast space can be found in the appendices starting on page 52.

Contacts:

Investor Relations:	Chris Griffith	01707 940 900
	Rob Whiteley	01707 940 745
Media:	Christine Heffernan	0330 6780 639
	Ben Foster, Teneo	07776 240 806

This document is available at www.tescoplc.com/interims2022.

A webcast including a live Q&A will be held today at 9.00am for investors and analysts and will be available on our website at www.tescoplc.com/interims2022. This will be available for playback after the event. All presentation materials, including a transcript, will be made available on our website.

We will report our Q3 & Christmas Trading statement on 12 January 2023.

Sources:

- UK market share based on Kantar Total Tesco YoY market share gains of Grocers Total Till Roll on 12 week rolling basis to 4 September 2022.
- C. Europe market share based on GFK Household Food panel data for the YoY growth of the 22 week period between March and July 2022.
- Brand NPS is based on BASIS Global Brand Tracker. 3 period rolling data. Responses to the question: “How likely is it that you would recommend the following company to a friend or colleague?”
- Brand Index, Value perception and Quality perception based on YouGov 12 week rolling basis to 27 August 2022. ‘Market’ consists of Sainsbury’s, Morrisons, Asda, Aldi, Lidl, Waitrose, M&S, Ocado, Co-op & Iceland.
- Price index is calculated using the single retail selling price of each item, including price cut promotions across the first half; the index is weighted by sales and market share to reflect customer importance and competitor size.
- YoY Clubcard sales penetration is based on in all stores from August 2021 to August 2022.
- Number of Booker Retail Partners and Premier stores shown net of openings and closures.
- Full-line grocers refers to Tesco, Sainsbury’s, Asda & Morrisons; Limited-range discounters refers to Aldi & Lidl.

Additional Disclosures.

Principal Risks and Uncertainties.

The principal risks and uncertainties faced by the Group remain those as set out on page 31 to 37 of our Annual Report and Financial Statement 2022: cyber security; data privacy; pandemics (COVID-19); climate change; technology; political, regulatory and compliance; people; health and safety; product safety and food integrity; responsible sourcing; financial performance; Tesco Bank; competitions and markets; brand, reputation and trust; and customer.

Given the inflationary pressure and rise in cost-of-living, we have observed a shift in customer shopping behaviours which has resulted in the customer risk increasing when compared to the previous year. Management continues to monitor the changes in customer trends, enabling them to identify the key drivers of the change, which supports the development of specific response strategies to manage the risk. The impact of inflationary pressures and reduction in customer disposable income are reflected within our FY23 forecasts. There are no further changes to our assessment of the Principal Risks in the remaining six months of the year.

Statement of Directors' Responsibilities.

The Directors are responsible for preparing the Interim Results for the 26 week period ended 27 August 2022 in accordance with applicable law, regulations and accounting standards. Each of the Directors confirm that to the best of their knowledge the condensed consolidated interim financial statements have been prepared in accordance with IAS 34: 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a true and fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of the important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remainder of the financial year; and
- material related party transactions in the first 26 weeks of the year and any material changes in the related party transactions described in the last annual report.

The Directors of Tesco PLC are listed on pages 42 to 46 of the Tesco PLC Annual Report and Financial Statements 2022, with the exception of Caroline Silver who joined the Board on 1 October 2022.

A list of current directors is maintained on the Tesco PLC website at: www.tescoplc.com.

By order of the Board Directors

John Allan - Non-executive Chairman

Ken Murphy – Group Chief Executive

Imran Nawaz – Chief Financial Officer

Melissa Bethell*

Bertrand Bodson*

Thierry Garnier*

Stewart Gilliland*

Byron Grote*

Alison Platt CMG*

Lindsey Pownall OBE*

Caroline Silver*

Karen Whitworth*

*Independent Non-executive Directors

Robert Welch, Company Secretary

4 October 2022

Disclaimer.

Certain statements made in this document are forward-looking statements. For example, statements regarding future financial performance, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", “should”, "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward looking statements are based on current expectations and assumptions and are subject to a number of known and unknown risks, uncertainties and other important factors that could cause actual results or events to differ materially from what is expressed or implied by those statements. Many factors may cause actual results, performance or achievements of Tesco to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of Tesco to differ materially from the expectations of Tesco include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy, political and economic uncertainty, including as a result of global pandemics. As such, undue reliance should not be placed on forward-looking statements. Any forward-looking statement is based on information available to Tesco as of the date of the statement. All written or oral forward-looking statements attributable to Tesco are qualified by this caution. Other than in accordance with legal and regulatory obligations, Tesco undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Group income statement

	Notes	26 weeks ended 27 August 2022 Before adjusting items £m	26 weeks ended 27 August 2022 Adjusting items* (Note 3) £m	26 weeks ended 27 August 2022 Total £m	26 weeks ended 28 August 2021 Before adjusting items £m	26 weeks ended 28 August 2021 Adjusting items* (Note 3) £m	26 weeks ended 28 August 2021 Total £m
Continuing operations							
Revenue	2	**32,456**	**–**	**32,456**	**30,416**	**–**	**30,416**
Cost of sales		(30,114)	(577)	(30,691)	(27,972)	24	(27,948)
Impairment loss on financial assets	2	(42)	–	(42)	(20)	–	(20)
Gross profit/(loss)		**2,300**	**(577)**	**1,723**	**2,424**	**24**	**2,448**
Administrative expenses		(985)	(2)	(987)	(966)	(178)	(1,144)
Operating profit/(loss)		**1,315**	**(579)**	**736**	**1,458**	**(154)**	**1,304**
Share of post-tax profits/(losses) of joint ventures and associates		2	–	2	(3)	–	(3)
Finance income	4	18	–	18	5	–	5
Finance costs	4	(308)	(35)	(343)	(332)	169	(163)
Profit/(loss) before tax		**1,027**	**(614)**	**413**	**1,128**	**15**	**1,143**
Taxation	5	(215)	67	(148)	(258)	(55)	(313)
Profit/(loss) for the period from continuing operations		**812**	**(547)**	**265**	**870**	**(40)**	**830**
Discontinued operations							
Profit/(loss) for the period from discontinued operations	6	–	(7)	(7)	(5)	(44)	(49)
Profit/(loss) for the period		**812**	**(554)**	**258**	**865**	**(84)**	**781**
Attributable to:							
Owners of the parent		807	(554)	253	865	(84)	781
Non-controlling interests		5	–	5	–	–	–
		812	**(554)**	**258**	**865**	**(84)**	**781**
Earnings per share from continuing and discontinued operations							
Basic	8			3.38p			10.16p
Diluted	8			3.35p			10.07p
Earnings per share from continuing operations							
Basic	8			3.47p			10.80p
Diluted	8			3.44p			10.70p

* As previously reported in the Annual Report and Financial Statements 2022, 'Exceptional items and amortisation of acquired intangibles' have been renamed 'Adjusting items' and net pension finance costs and fair value remeasurements of financial instruments and associated tax impacts are now included within adjusting items. Refer to Notes 1 and 3 for further details.

The notes on pages 23 to 44 form part of this condensed consolidated financial information.

Group statement of comprehensive income/(loss)

	Notes	26 weeks ended 27 August 2022 £m	26 weeks ended 28 August 2021 £m
Items that will not be reclassified to the Group income statement			
Change in fair value of financial assets at fair value through other comprehensive income		6	–
Remeasurements of defined benefit pension schemes	17	(2,070)	646
Net fair value gains on inventory cash flow hedges		45	80
Tax on items that will not be reclassified		772	(64)
		(1,247)	**662**
Items that may subsequently be reclassified to the Group income statement			
Change in fair value of financial assets at fair value through other comprehensive income		(38)	(2)
Currency translation differences:			
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments		(24)	13
Movements in foreign exchange reserve and net investment hedging on subsidiary disposed, reclassified and reported in the Group income statement		–	66
Gains/(losses) on cash flow hedges:			
Net fair value gains/(losses)		23	42
Reclassified and reported in the Group income statement		(8)	(16)
Tax on items that may be reclassified		6	(34)
		(41)	**69**
Total other comprehensive income/(loss) for the period		**(1,288)**	**731**
Profit/(loss) for the period		258	781
Total comprehensive income/(loss) for the period		**(1,030)**	**1,512**
Attributable to:			
Owners of the parent		(1,035)	1,512
Non-controlling interests		5	–
Total comprehensive income/(loss) for the period		**(1,030)**	**1,512**
Total comprehensive income/(loss) attributable to owners of the parent arising from:			
Continuing operations		(1,028)	1,495
Discontinued operations		(7)	17
		(1,035)	**1,512**

The notes on pages 23 to 44 form part of this condensed consolidated financial information.

Group balance sheet

	Notes	27 August 2022 £m	26 February 2022 £m	28 August 2021* £m
Non-current assets				
Goodwill and other intangible assets	9	5,364	5,360	5,389
Property, plant and equipment	10	16,388	17,060	16,528
Right of use assets	11	5,609	5,720	5,809
Investment property		21	22	91
Investments in joint ventures and associates		90	86	84
Other investments		1,282	1,253	1,218
Trade and other receivables		202	159	257
Loans and advances to customers and banks		2,994	3,141	3,169
Reinsurance assets		173	184	205
Post-employment benefit surplus	17	1,070	3,150	–
Derivative financial instruments		1,001	942	1,664
Deferred tax assets		86	85	270
		34,280	**37,162**	**34,684**
Current assets				
Other investments		169	226	348
Inventories		2,584	2,339	2,223
Trade and other receivables		1,366	1,263	1,149
Loans and advances to customers and banks		3,848	3,349	3,287
Reinsurance assets		58	61	52
Derivative financial instruments		159	69	44
Current tax assets		111	93	44
Short-term investments	13	2,256	2,076	2,331
Cash and cash equivalents	13	2,435	2,345	2,219
		12,986	**11,821**	**11,697**
Assets of the disposal group and non-current assets classified as held for sale	6	277	368	447
		13,263	**12,189**	**12,144**
Current liabilities				
Trade and other payables		(9,799)	(9,181)	(8,889)
Borrowings	15	(1,055)	(725)	(1,220)
Lease liabilities	11	(591)	(547)	(557)
Derivative financial instruments		(28)	(26)	(31)
Customer deposits and deposits from banks		(4,576)	(4,729)	(4,587)
Insurance contract provisions		(574)	(623)	(625)
Current tax liabilities		(27)	(11)	(142)
Provisions		(235)	(283)	(336)
		(16,885)	**(16,125)**	**(16,387)**
Liabilities of the disposal group classified as held for sale	6	(14)	(14)	(22)
Net current liabilities		**(3,636)**	**(3,950)**	**(4,265)**
Non-current liabilities				
Trade and other payables		(195)	(53)	(219)
Borrowings	15	(6,523)	(6,674)	(6,130)
Lease liabilities	11	(7,408)	(7,411)	(7,670)
Derivative financial instruments		(267)	(357)	(986)
Customer deposits and deposits from banks		(1,893)	(1,650)	(1,573)
Insurance contract provisions		(25)	(27)	(30)
Post-employment benefit deficit	17	(242)	(303)	(580)
Deferred tax liabilities		(229)	(910)	(51)
Provisions		(185)	(183)	(110)
		(16,967)	**(17,568)**	**(17,349)**
Net assets		**13,677**	**15,644**	**13,070**
Equity				
Share capital	18	474	484	490
Share premium		5,165	5,165	5,165
Other reserves		3,205	3,079	3,309
Retained earnings		4,844	6,932	4,124
Equity attributable to owners of the parent		**13,688**	**15,660**	**13,088**
Non-controlling interests		(11)	(16)	(18)
Total equity		**13,677**	**15,644**	**13,070**

* Refer to Note 1 for further details regarding the restatement of comparatives due to a change in accounting policy and the re-presentation of insurance contract provisions.

The notes on pages 23 to 44 form part of this condensed consolidated financial information.

These unaudited condensed consolidated interim financial statements for the 26 weeks ended 27 August 2022 were approved by the Board on 4 October 2022.

Group statement of changes in equity

	Share capital £m	Share premium £m	Other reserves: Capital redemption reserve £m	Other reserves: Hedging reserve £m	Other reserves: Translation reserve £m	Other reserves: Own shares held £m	Other reserves: Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 26 February 2022	**484**	**5,165**	**22**	**130**	**202**	**(365)**	**3,090**	**6,932**	**15,660**	**(16)**	**15,644**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**253**	**253**	**5**	**258**
Other comprehensive income/(loss)											
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	–	–	(24)	–	–	–	(24)	–	(24)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	(32)	(32)	–	(32)
Remeasurements of defined benefit pension schemes (Note 17)	–	–	–	–	–	–	–	(2,070)	(2,070)	–	(2,070)
Gains/(losses) on cash flow hedges	–	–	–	68	–	–	–	–	68	–	68
Cash flow hedges reclassified and reported in the Group income statement	–	–	–	(8)	–	–	–	–	(8)	–	(8)
Tax relating to components of other comprehensive income	–	–	–	(17)	–	–	–	795	778	–	778
Total other comprehensive income/(loss)	**–**	**–**	**–**	**43**	**(24)**	**–**	**–**	**(1,307)**	**(1,288)**	**–**	**(1,288)**
Total comprehensive income/(loss)	**–**	**–**	**–**	**43**	**(24)**	**–**	**–**	**(1,054)**	**(1,035)**	**5**	**(1,030)**
Inventory cash flow hedge movements											
Gains/(losses) transferred to the cost of inventory	–	–	–	34	–	–	–	–	34	–	34
Total inventory cash flow hedge movements	**–**	**–**	**–**	**34**	**–**	**–**	**–**	**–**	**34**	**–**	**34**
Transactions with owners											
Own shares purchased for cancellation (Note 18)	(10)	–	10	–	–	(40)	–	(411)	(451)	–	(451)
Own shares purchased for share schemes	–	–	–	–	–	(48)	–	–	(48)	–	(48)
Share-based payments	–	–	–	–	–	151	–	(45)	106	–	106
Dividends (Note 7)	–	–	–	–	–	–	–	(578)	(578)	–	(578)
Total transactions with owners	**(10)**	**–**	**10**	**–**	**–**	**63**	**–**	**(1,034)**	**(971)**	**–**	**(971)**
At 27 August 2022	**474**	**5,165**	**32**	**207**	**178**	**(302)**	**3,090**	**4,844**	**13,688**	**(11)**	**13,677**

The notes on pages 23 to 44 form part of this condensed consolidated financial information.

Group statement of changes in equity continued

	Share capital £m	Share premium £m	Other reserves: Capital redemption reserve £m	Other reserves: Hedging reserve £m	Other reserves: Translation reserve £m	Other reserves: Own shares held £m	Other reserves: Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 27 February 2021 (as previously reported)	**490**	**5,165**	**16**	**90**	**175**	**(188)**	**3,090**	**3,505**	**12,343**	**(18)**	**12,325**
Cumulative adjustment to opening balances	–	–	–	–	–	–	–	(266)	(266)	–	(266)
At 27 February 2021 (restated*)	**490**	**5,165**	**16**	**90**	**175**	**(188)**	**3,090**	**3,239**	**12,077**	**(18)**	**12,059**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**781**	**781**	**–**	**781**
Other comprehensive income/(loss)											
Retranslation of net assets of overseas subsidiaries, joint ventures and associates, net of hedging instruments	–	–	–	–	13	–	–	–	13	–	13
Movements in foreign exchange reserve and net investment hedging on subsidiary disposed, reclassified and reported in the Group income statement	–	–	–	–	66	–	–	–	66	–	66
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	(2)	(2)	–	(2)
Remeasurements of defined benefit pension schemes (Note 17)	–	–	–	–	–	–	–	646	646	–	646
Gains/(losses) on cash flow hedges	–	–	–	122	–	–	–	–	122	–	122
Cash flow hedges reclassified and reported in the Group income statement	–	–	–	(16)	–	–	–	–	(16)	–	(16)
Tax relating to components of other comprehensive income	–	–	–	(34)	–	–	–	(64)	(98)	–	(98)
Total other comprehensive income/(loss)	**–**	**–**	**–**	**72**	**79**	**–**	**–**	**580**	**731**	**–**	**731**
Total comprehensive income/(loss) (restated*)	**–**	**–**	**–**	**72**	**79**	**–**	**–**	**1,361**	**1,512**	**–**	**1,512**
Inventory cash flow hedge movements											
Gains/(losses) transferred to the cost of inventory	–	–	–	(20)	–	–	–	–	(20)	–	(20)
Tax on gains/(losses) transferred	–	–	–	7	–	–	–	–	7	–	7
Total inventory cash flow hedge movements	**–**	**–**	**–**	**(13)**	**–**	**–**	**–**	**–**	**(13)**	**–**	**(13)**
Transactions with owners											
Own shares purchased for share schemes	–	–	–	–	–	(109)	–	–	(109)	–	(109)
Share-based payments	–	–	–	–	–	97	–	(18)	79	–	79
Dividends (Note 7)	–	–	–	–	–	–	–	(458)	(458)	–	(458)
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**(12)**	**–**	**(476)**	**(488)**	**–**	**(488)**
At 28 August 2021 (restated*)	**490**	**5,165**	**16**	**149**	**254**	**(200)**	**3,090**	**4,124**	**13,088**	**(18)**	**13,070**

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

The notes on pages 23 to 44 form part of this condensed consolidated financial information.

Group cash flow statement

	Notes	26 weeks ended 27 August 2022 £m	26 weeks ended 28 August 2021 £m
Cash flows generated from/(used in) operating activities			
Operating profit/(loss) of continuing operations		**736**	**1,304**
Operating profit/(loss) of discontinued operations		**(7)**	**(55)**
Depreciation and amortisation		849	856
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets classified as held for sale and early termination of leases		(74)	(20)
(Profit)/loss arising on sale of joint ventures and associates		–	(10)
(Profit)/loss arising on sale of subsidiaries	6	–	26
Net impairment loss/(reversal) on property, plant and equipment, right of use assets, intangible assets and investment property	12	626	(36)
Net remeasurement (gain)/loss of non-current assets held for sale		8	(5)
Adjustment for non-cash element of pensions charge		–	6
Other defined benefit pension scheme payments	17	(12)	(11)
Share-based payments		13	26
Tesco Bank fair value movements included in operating profit/(loss)		37	19
Retail (increase)/decrease in inventories		(244)	(155)
Retail (increase)/decrease in trade and other receivables		(183)	28
Retail increase/(decrease) in trade and other payables		821	634
Retail increase/(decrease) in provisions		(51)	142
Retail (increase)/decrease in working capital		343	649
Tesco Bank (increase)/decrease in loans and advances to customers and banks		(440)	(46)
Tesco Bank (increase)/decrease in trade, reinsurance and other receivables		63	(7)
Tesco Bank increase/(decrease) in customer and bank deposits, trade, insurance and other payables		46	(217)
Tesco Bank increase/(decrease) in provisions		1	(11)
Tesco Bank (increase)/decrease in working capital		(330)	(281)
Cash generated from/(used in) operations		**2,189**	**2,468**
Interest paid		(309)	(318)
Corporation tax paid		(55)	(52)
Net cash generated from/(used in) operating activities		**1,825**	**2,098**
Cash flows generated from/(used in) investing activities			
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale		301	109
Purchase of property, plant and equipment and investment property		(399)	(453)
Purchase of intangible assets		(134)	(100)
Disposal of subsidiaries, net of cash disposed		–	169
Acquisition of subsidiaries, net of cash acquired		(71)	(81)
Increase in loans to joint ventures and associates		(1)	–
Investments in joint ventures and associates		(6)	(8)
Net (investments in)/proceeds from sale of short-term investments		(179)	(1,320)
Proceeds from sale of other investments		148	51
Purchase of other investments		(183)	(44)
Dividends received from joint ventures and associates		5	13
Interest received		12	2
Net cash generated from/(used in) investing activities		**(507)**	**(1,662)**
Cash flows generated from/(used in) financing activities			
Own shares purchased for cancellation	18	(409)	–
Own shares purchased for share schemes	18	(4)	(55)
Repayment of capital element of obligations under leases		(294)	(288)
Repayment of borrowings		(29)	(47)
Cash inflows from derivative financial instruments		79	247
Cash outflows from derivative financial instruments		(274)	(286)
Dividends paid to equity owners	7	(579)	(484)
Net cash generated from/(used in) financing activities		**(1,510)**	**(913)**
Net increase/(decrease) in cash and cash equivalents		**(192)**	**(477)**
Cash and cash equivalents at the beginning of the period		1,771	1,971
Effect of foreign exchange rate changes		5	60
Cash and cash equivalents at the end of the period	13	**1,584**	**1,554**

The notes on pages 23 to 44 form part of this condensed consolidated financial information.

Note 1 Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority, and with IAS 34 'Interim Financial Reporting' under UK-adopted international accounting standards. Unless otherwise stated, the accounting policies applied, and the judgements, estimates and assumptions made in applying these policies, are consistent with those used in preparing the Annual Report and Financial Statements 2022. The financial period represents the 26 weeks ended 27 August 2022 (prior financial period 26 weeks ended 28 August 2021, prior financial year 52 weeks ended 26 February 2022).

These condensed consolidated interim financial statements for the current period and prior financial periods do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the prior financial year has been filed with the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

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

Change in accounting policy

As previously reported in the Annual Report and Financial Statements 2022, the Group changed its accounting policy for property buybacks. The impact on the 28 August 2021 comparative balance sheet was to decrease property, plant and equipment by £266m, and decrease both net assets and retained earnings by £266m. There is no impact on the comparative period income statement, operating, investing or financing cash flows, Net debt or Total indebtedness.

Prior period re-presentation

The condensed consolidated interim financial statements include a prior period re-presentation in relation to the current and non-current classification of the insurance contract provisions recognised on the acquisition of Tesco Underwriting Limited, where the right to defer settlement cannot be clearly demonstrated for the total non-current element. The impact on the 28 August 2021 balance sheet is to increase current insurance contract provisions by £435m and to decrease non-current insurance contract provisions by the corresponding amount. There is no impact on the 28 August 2021 income statement or cash flow statement. The 26 February 2022 balance sheet was already presented accordingly and so does not require re-presentation.

Primary financial statements presentation

As previously reported in the Annual Report and Financial Statements 2022, 'Exceptional items and amortisation of acquired intangibles' within operating profit, along with net pension finance costs, fair value remeasurements of financial instruments, and the tax impact of such items (below operating profit), are now called 'Adjusting items', and are presented on the face of the income statement in the 'Adjusting items' column. The policy for determining adjusting items, and the items adjusted for, are unchanged hence there is no impact on previously reported alternative performance measures from this change in presentation.

Accounting policies

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

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

- IFRS 17 'Insurance contracts', which will become effective in the Group financial statements for the financial year ending 24 February 2024. IFRS 17 is expected to have an impact on the Group's subsidiary, Tesco Underwriting Limited (TU), which provides the insurance underwriting service for a number of the Group's general insurance products. It is expected that the simplified premium allocation approach will be applied to all material insurance and reinsurance contract groups issued subsequent to the acquisition of TU, and that IFRS 17 will be applied retrospectively. The Group continues to assess the expected impact of IFRS 17 and work, including parallel reporting for the comparative period, is progressing according to the project plan. The Group intends to disclose the financial impact in the Annual Report and Financial Statements 2023.
- IFRS 16 amendments 'Lease liability in a sale and leaseback', which will become effective in the Group financial statements for the financial year ending 22 February 2025, subject to UK endorsement.

Other standards, interpretations and amendments issued but not yet effective are not expected to have a material impact.

Critical accounting judgements

Pension surplus tax rate

As described in Note 17, the Group operates certain defined benefit pension plans in a surplus position. A tax provision is required, with the tax rate being the rate that is expected to apply when the surplus is realised. This in turn depends on the manner in which the Group expects to recover the surplus, either through reduced future contributions (which attracts a 25% deferred tax rate being the current prevailing corporation tax rate) or through refund of the surplus (which attracts a 35% withholding tax known as the 'authorised surplus payments charge'). A 25% deferred tax rate is presented within deferred tax liabilities on the balance sheet, whereas the 35% 'authorised surplus payments charge' is presented net against the pension surplus on the balance sheet. As set out in Note 17, management has applied judgement to determine that the expected manner of recovery is through an ultimate refund of the surplus, hence a 35% withholding tax rate applies, which is presented net against the pension surplus on the balance sheet.

Alternative performance measures (APMs)

In the reporting of financial information, the Directors have adopted various APMs. Refer to the Glossary for a full list of the Group's APMs, including comprehensive definitions, their purpose, reconciliations to IFRS measures and details of any changes to APMs.

Note 2 Segmental reporting

The Group's operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group Chief Executive, with support from the Executive Committee, as the function primarily responsible for the allocation of resources to segments and assessment of performance of the segments.

The principal activities of the Group are presented in the following segments:

- Retailing and associated activities (Retail) in:
  - UK & ROI – the United Kingdom and Republic of Ireland; and
  - Central Europe – Czech Republic, Hungary and Slovakia.
- Retail banking and insurance services through Tesco Bank in the UK (Tesco Bank).

This presentation reflects how the Group's operating performance is reviewed internally by management.

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

Income statement

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

26 weeks ended 27 August 2022 At constant exchange rates	UK & ROI £m	Central Europe £m	Total Retail at constant exchange £m	Tesco Bank £m	Total at constant exchange £m	Foreign exchange £m	Total at actual exchange £m
Continuing operations							
Revenue	29,790	2,191	31,981	540	32,521	(65)	32,456
Less: Fuel sales	(4,153)	(124)	(4,277)	–	(4,277)	(1)	(4,278)
Sales	25,637	2,067	27,704	540	28,244	(66)	28,178
Adjusted operating profit/(loss)	**1,167**	**81**	**1,248**	**67**	**1,315**	**–**	**1,315**
Adjusting items*	(568)	(4)	(572)	(5)	(577)	(2)	(579)
Operating profit/(loss)	**599**	**77**	**676**	**62**	**738**	**(2)**	**736**
Adjusted operating margin	**3.9%**	**3.7%**	**3.9%**	**12.4%**	**4.0%**		**4.1%**

26 weeks ended 27 August 2022 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations					
Revenue	29,783	2,133	31,916	540	32,456
Less: Fuel sales	(4,153)	(125)	(4,278)	–	(4,278)
Sales	25,630	2,008	27,638	540	28,178
Adjusted operating profit/(loss)	**1,169**	**79**	**1,248**	**67**	**1,315**
Adjusting items*	(567)	(7)	(574)	(5)	(579)
Operating profit/(loss)	**602**	**72**	**674**	**62**	**736**
Adjusted operating margin	**3.9%**	**3.7%**	**3.9%**	**12.4%**	**4.1%**
Share of post-tax profits/(losses) of joint ventures and associates					2
Finance income					18
Finance costs					(343)
Profit/(loss) before tax					**413**

* Refer to Note 3 for further details.

Tesco Bank revenue of £540m (26 weeks ended 28 August 2021: £433m) comprises interest and similar revenues of £252m (26 weeks ended 28 August 2021: £238m), fees and commissions revenue of £134m (26 weeks ended 28 August 2021: £101m), and insurance revenue of £154m (26 weeks ended 28 August 2021: £94m).

26 weeks ended 28 August 2021 At actual exchange rates	UK & ROI £m	Central Europe £m	Total Retail £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations					
Revenue	28,006	1,977	29,983	433	30,416
Less: Fuel sales	(3,013)	(72)	(3,085)	–	(3,085)
Sales	24,993	1,905	26,898	433	27,331
Adjusted operating profit/(loss)	**1,318**	**68**	**1,386**	**72**	**1,458**
Adjusting items*	(178)	24	(154)	–	(154)
Operating profit/(loss)	**1,140**	**92**	**1,232**	**72**	**1,304**
Adjusted operating margin	**4.7%**	**3.4%**	**4.6%**	**16.6%**	**4.8%**
Share of post-tax profits/(losses) of joint ventures and associates					(3)
Finance income					5
Finance costs					(163)
Profit/(loss) before tax					**1,143**

* Refer to previous table for footnote.

Note 2 Segmental reporting continued

Balance sheet

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

At 27 August 2022	UK & ROI £m	Central Europe £m	Tesco Bank £m	Unallocated £m	Total continuing operations £m	Discontinued operations £m	Total £m
Goodwill and other intangible assets	4,712	27	625	–	5,364	–	5,364
Property, plant and equipment and investment property	15,057	1,283	69	–	16,409	–	16,409
Right of use assets	5,211	388	10	–	5,609	–	5,609
Investments in joint ventures and associates	89	1	–	–	90	–	90
Non-current other investments	23	–	1,259	–	1,282	–	1,282
Non-current trade and other receivables[a]	88	2	31	–	121	–	121
Non-current loans and advances to customers and banks	–	–	2,994	–	2,994	–	2,994
Non-current reinsurance assets	–	–	173	–	173	–	173
Post-employment benefit surplus	1,070	–	–	–	1,070	–	1,070
Deferred tax assets	2	17	67	–	86	–	86
Non-current assets[b]	**26,252**	**1,718**	**5,228**	**–**	**33,198**	**–**	**33,198**
Inventories and current trade and other receivables[c]	3,342	355	224	–	3,921	–	3,921
Current loans and advances to customers and banks	–	–	3,848	–	3,848	–	3,848
Current reinsurance assets	–	–	58	–	58	–	58
Current other investments	–	–	169	–	169	–	169
Total trade and other payables	(9,029)	(611)	(354)	–	(9,994)	–	(9,994)
Total customer deposits and deposits from banks	–	–	(6,469)	–	(6,469)	–	(6,469)
Total insurance contract provisions	–	–	(599)	–	(599)	–	(599)
Total provisions	(352)	(30)	(38)	–	(420)	–	(420)
Deferred tax liabilities	(185)	(44)	–	–	(229)	–	(229)
Net current tax	97	(16)	3	–	84	–	84
Post-employment benefit deficit	(242)	–	–	–	(242)	–	(242)
Assets of the disposal group and non-current assets classified as held for sale	19	235	–	–	254	23	277
Net debt (including Tesco Bank)[d]	(7,354)	(509)	119	(2,167)	(9,911)	(14)	(9,925)
Net assets	**12,548**	**1,098**	**2,189**	**(2,167)**	**13,668**	**9**	**13,677**

(a) Excludes non-current loans to joint ventures of £81m (26 February 2022: £9m, 28 August 2021: £78m) which form part of net debt.
(b) Excludes derivative financial instruments of £1,001m (26 February 2022: £942m, 28 August 2021: £1,664m) which form part of net debt.
(c) Excludes net interest and other receivables of £4m (26 February 2022: £1m, 28 August 2021: £nil), and current loans to joint ventures of £25m (26 February 2022: £96m, 28 August 2021: £24m), both forming part of net debt.
(d) Refer to Note 19. Net debt at 27 August 2022 includes net debt of the disposal group classified as held for sale of £(14)m (26 February 2022: £(14)m, 28 August 2021: £(19)m).

Note 2 Segmental reporting continued

At 26 February 2022	UK & ROI £m	Central Europe £m	Tesco Bank £m	Unallocated £m	Total continuing operations £m	Discontinued operations £m	Total £m
Goodwill and other intangible assets	4,700	31	629	–	5,360	–	5,360
Property, plant and equipment and investment property	15,552	1,462	68	–	17,082	–	17,082
Right of use assets	5,355	354	11	–	5,720	–	5,720
Investments in joint ventures and associates	85	1	–	–	86	–	86
Non-current other investments	12	–	1,241	–	1,253	–	1,253
Non-current trade and other receivables[a]	91	–	59	–	150	–	150
Non-current loans and advances to customers and banks	–	–	3,141	–	3,141	–	3,141
Non-current reinsurance assets	–	–	184	–	184	–	184
Post-employment benefit surplus	3,150	–	–	–	3,150	–	3,150
Deferred tax assets	2	19	64	–	85	–	85
Non-current assets[b]	**28,947**	**1,867**	**5,397**	**–**	**36,211**	**–**	**36,211**
Inventories and current trade and other receivables[c]	2,981	285	239	–	3,505	–	3,505
Current loans and advances to customers and banks	–	–	3,349	–	3,349	–	3,349
Current reinsurance assets	–	–	61	–	61	–	61
Current other investments	–	–	226	–	226	–	226
Total trade and other payables	(8,343)	(535)	(356)	–	(9,234)	–	(9,234)
Total customer deposits and deposits from banks	–	–	(6,379)	–	(6,379)	–	(6,379)
Total insurance contract provisions	–	–	(650)	–	(650)	–	(650)
Total provisions	(401)	(28)	(37)	–	(466)	–	(466)
Deferred tax liabilities	(869)	(41)	–	–	(910)	–	(910)
Net current tax	90	(11)	3	–	82	–	82
Post-employment benefit deficit	(303)	–	–	–	(303)	–	(303)
Assets of the disposal group and non-current assets classified as held for sale	20	310	–	–	330	38	368
Net debt (including Tesco Bank)[d]	(7,350)	(474)	300	(2,678)	(10,202)	(14)	(10,216)
Net assets	**14,772**	**1,373**	**2,153**	**(2,678)**	**15,620**	**24**	**15,644**

(a)-(d) Refer to previous table for footnotes.

At 28 August 2021	UK & ROI £m	Central Europe £m	Tesco Bank £m	Unallocated £m	Total continuing operations £m	Discontinued operations £m	Total £m
Goodwill and other intangible assets	4,719	30	640	–	5,389	–	5,389
Property, plant and equipment and investment property[e]	15,100	1,454	65	–	16,619	–	16,619
Right of use assets	5,426	371	12	–	5,809	–	5,809
Investments in joint ventures and associates	83	1	–	–	84	–	84
Non-current other investments	9	–	1,209	–	1,218	–	1,218
Non-current trade and other receivables[a]	99	2	78	–	179	–	179
Non-current reinsurance assets	–	–	205	–	205	–	205
Non-current loans and advances to customers and banks	–	–	3,169	–	3,169	–	3,169
Post-employment benefit surplus	–	–	–	–	–	–	–
Deferred tax assets	175	26	69	–	270	–	270
Non-current assets[b]	**25,611**	**1,884**	**5,447**	**–**	**32,942**	**–**	**32,942**
Inventories and current trade and other receivables[c]	2,804	318	226	–	3,348	–	3,348
Current reinsurance assets	–	–	52	–	52	–	52
Current loans and advances to customers and banks	–	–	3,287	–	3,287	–	3,287
Current other investments	–	–	348	–	348	–	348
Total trade and other payables	(8,270)	(533)	(305)	–	(9,108)	–	(9,108)
Total customer deposits and deposits from banks	–	–	(6,160)	–	(6,160)	–	(6,160)
Total insurance contract provisions	–	–	(655)	–	(655)	–	(655)
Total provisions	(376)	(22)	(48)	–	(446)	–	(446)
Deferred tax liabilities	(11)	(40)	–	–	(51)	–	(51)
Net current tax	(125)	2	25		(98)		(98)
Post-employment benefit deficit	(580)	–	–	–	(580)	–	(580)
Assets of the disposal group and non-current assets classified as held for sale	20	328	–	–	348	99	447
Liabilities of the disposal group classified as held for sale, excluding net debt	–	–	–	–	–	(3)	(3)
Net debt (including Tesco Bank)[d]	(7,709)	(489)	(31)	(2,005)	(10,234)	(19)	(10,253)
Net assets	**11,364**	**1,448**	**2,186**	**(2,005)**	**12,993**	**77**	**13,070**

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

Note 2 Segmental reporting continued

Other segment information

26 weeks ended 27 August 2022	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total continuing operations £m	Discontinued operations £m	Total £m
Capital expenditure (including acquisitions through business combinations):						
Property, plant and equipment[a]	321	32	5	358	–	358
Goodwill and other intangible assets[b]	141	4	18	163	–	163
Depreciation and amortisation:						
Property, plant and equipment	(396)	(41)	(4)	(441)	–	(441)
Right of use assets	(250)	(18)	(1)	(269)	–	(269)
Other intangible assets	(112)	(5)	(22)	(139)	–	(139)
Impairment[c]:						
(Loss)/reversal on financial assets	(2)	(1)	(39)	(42)	–	(42)

(a) Includes £42m (26 weeks ended 28 August 2021: £1m) of property, plant and equipment acquired through business combinations.
(b) Includes £31m (26 weeks ended 28 August 2021: £38m) of goodwill and other intangible assets acquired through business combinations.
(c) Excludes impairment of other non-current assets. Refer to Note 12.

26 weeks ended 28 August 2021	UK & ROI £m	Central Europe £m	Tesco Bank £m	Total continuing operations £m	Discontinued operations £m	Total £m
Capital expenditure (including acquisitions through business combinations):						
Property, plant and equipment[a]	359	22	5	386	1	387
Goodwill and other intangible assets[b]	81	4	53	138	–	138
Depreciation and amortisation:						
Property, plant and equipment	(396)	(47)	(5)	(448)	–	(448)
Right of use assets	(248)	(18)	(1)	(267)	(1)	(268)
Other intangible assets	(110)	(6)	(24)	(140)	–	(140)
Impairment[c]:						
(Loss)/reversal on financial assets	2	(1)	(21)	(20)	–	(20)

Refer to previous table for footnotes.

Note 2 Segmental reporting continued

Cash flow statement

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

	Retail			Bank			Discontinued operations	Tesco Group
26 weeks ended 27 August 2022	Before adjusting items £m	Adjusting items £m	Retail Total £m	Before adjusting items £m	Adjusting items £m	Tesco Bank Total £m	Total £m	Total £m
Operating profit/(loss)	**1,248**	**(574)**	**674**	**67**	**(5)**	**62**	**(7)**	**729**
Depreciation and amortisation	784	38	822	27	–	27	–	849
ATM net income	(9)	–	(9)	9	–	9	–	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases	5	(81)	(76)	–	–	–	2	(74)
Net impairment loss/(reversal) on property, plant and equipment, right of use assets, intangible assets and investment property	–	626	626	–	–	–	–	626
Net remeasurement (gain)/loss of non-current assets held for sale	–	3	3	–	–	–	5	8
Other defined benefit pension scheme payments	(12)	–	(12)	–	–	–	–	(12)
Share-based payments	14	–	14	(1)	–	(1)	–	13
Tesco Bank fair value movements included in operating profit/(loss)	–	–	–	37	–	37	–	37
Cash flows generated from operations excluding working capital	**2,030**	**12**	**2,042**	**139**	**(5)**	**134**	**–**	**2,176**
(Increase)/decrease in working capital	390	(43)	347	(331)	1	(330)	(4)	13
Cash generated from/(used in) operations	**2,420**	**(31)**	**2,389**	**(192)**	**(4)**	**(196)**	**(4)**	**2,189**
Interest paid	(306)	–	(306)	(3)	–	(3)	–	(309)
Corporation tax paid	(45)	–	(45)	(10)	–	(10)	–	(55)
Net cash generated from/(used in) operating activities*	**2,069**	**(31)**	**2,038**	**(205)**	**(4)**	**(209)**	**(4)**	**1,825**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	4	297	301	–	–	–	–	301
Purchase of property, plant and equipment and investment property – other capital expenditure	(393)	–	(393)	(6)	–	(6)	–	(399)
Purchase of intangible assets	(114)	–	(114)	(20)	–	(20)	–	(134)
Acquisition of subsidiaries, net of cash acquired	(66)	–	(66)	(5)	–	(5)	–	(71)
Increase in loans to joint ventures and associates	(1)	–	(1)	–	–	–	–	(1)
Investments in joint ventures and associates	(6)	–	(6)	–	–	–	–	(6)
Net (investments in)/proceeds from sale of short-term investments	(179)	–	(179)	–	–	–	–	(179)
Proceeds from sale of other investments	–	–	–	148	–	148	–	148
Purchase of other investments	(5)	–	(5)	(178)	–	(178)	–	(183)
Dividends received from joint ventures and associates	5	–	5	–	–	–	–	5
Interest received	12	–	12	–	–	–	–	12
Net cash generated from/(used in) investing activities*	**(743)**	**297**	**(446)**	**(61)**	**–**	**(61)**	**–**	**(507)**
Own shares purchased for cancellation	(409)	–	(409)	–	–	–	–	(409)
Own shares purchased for share schemes	(4)	–	(4)	–	–	–	–	(4)
Repayment of capital element of obligations under leases	(292)	–	(292)	(2)	–	(2)	–	(294)
Repayment of borrowings	(29)	–	(29)	–	–	–	–	(29)
Cash inflows from derivative financial instruments	79	–	79	–	–	–	–	79
Cash outflows from derivative financial instruments	(274)	–	(274)	–	–	–	–	(274)
Dividends paid to equity holders	(578)	(1)	(579)	–	–	–	–	(579)
Net cash generated from/(used in) financing activities*	**(1,507)**	**(1)**	**(1,508)**	**(2)**	**–**	**(2)**	**–**	**(1,510)**
Net increase/(decrease) in cash and cash equivalents	**(181)**	**265**	**84**	**(268)**	**(4)**	**(272)**	**(4)**	**(192)**
Cash and cash equivalents at the beginning of the period								1,771
Effect of foreign exchange rate changes								5
Cash and cash equivalents at the end of the period								**1,584**

* Refer to page 49 for the reconciliation of the APM: Retail free cash flow.

Note 2 Segmental reporting continued

26 weeks ended 28 August 2021	Retail Before adjusting items £m	Retail Adjusting items £m	Retail Total £m	Bank Before adjusting items £m	Bank Adjusting items £m	Tesco Bank Total £m	Discontinued operations Total £m	Tesco Group Total £m
Operating profit/(loss)	**1,386**	**(154)**	**1,232**	**72**	**–**	**72**	**(55)**	**1,249**
Depreciation and amortisation	787	38	825	30	–	30	1	856
ATM net income	(8)	–	(8)	8	–	8	–	–
(Profit)/loss arising on sale of property, plant and equipment, investment property, intangible assets, assets held for sale and early termination of leases	(1)	(21)	(22)	–	–	–	2	(20)
(Profit)/loss arising on sale of joint ventures and associates	–	–	–	(10)	–	(10)	–	(10)
(Profit)/loss arising on sale of subsidiaries	–	–	–	–	–	–	26	26
Net impairment loss/(reversal) on property, plant and equipment, right of use assets, intangible assets and investment property	–	(36)	(36)	–	–	–	–	(36)
Net remeasurement (gain)/loss of non-current assets held for sale	–	(1)	(1)	–	–	–	(4)	(5)
Adjustment for non-cash element of pensions charge	6	–	6	–	–	–	–	6
Other defined benefit pension scheme payments	(11)	–	(11)	–	–	–	–	(11)
Share-based payments	24	–	24	2	–	2	–	26
Tesco Bank fair value movements included in operating profit/(loss)	–	–	–	19	–	19	–	19
Cash flows generated from operations excluding working capital	**2,183**	**(174)**	**2,009**	**121**	**–**	**121**	**(30)**	**2,100**
(Increase)/decrease in working capital	556	67	623	(277)	(4)	(281)	26	368
Cash generated from/(used in) operations	**2,739**	**(107)**	**2,632**	**(156)**	**(4)**	**(160)**	**(4)**	**2,468**
Interest paid	(316)	–	(316)	(2)	–	(2)	–	(318)
Corporation tax paid	(49)	–	(49)	(1)	–	(1)	(2)	(52)
Net cash generated from/(used in) operating activities*	**2,374**	**(107)**	**2,267**	**(159)**	**(4)**	**(163)**	**(6)**	**2,098**
Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	–	109	109	–	–	–	–	109
Purchase of property, plant and equipment and investment property – property buybacks	(37)	–	(37)	–	–	–	–	(37)
Purchase of property, plant and equipment and investment property – other capital expenditure	(410)	–	(410)	(5)	–	(5)	(1)	(416)
Purchase of intangible assets	(85)	–	(85)	(15)	–	(15)	–	(100)
Disposal of subsidiaries, net of cash disposed	–	125	125	–	–	–	44	169
Acquisition of businesses, net of cash acquired	–	–	–	(81)	–	(81)	–	(81)
Investments in joint ventures and associates	(8)	–	(8)	–	–	–	–	(8)
Net (investments in)/proceeds from sale of short-term investments	(1,320)	–	(1,320)	–	–	–	–	(1,320)
Proceeds from sale of other investments	–	–	–	51	–	51	–	51
Purchase of other investments	–	–	–	(44)	–	(44)	–	(44)
Dividends received from joint ventures and associates	3	–	3	10	–	10	–	13
Interest received	2	–	2	–	–	–	–	2
Net cash generated from/(used in) investing activities*	**(1,855)**	**234**	**(1,621)**	**(84)**	**–**	**(84)**	**43**	**(1,662)**
Own shares purchased for share schemes	(55)	–	(55)	–	–	–	–	(55)
Repayment of capital element of obligations under leases	(286)	–	(286)	(1)	–	(1)	(1)	(288)
Repayment of borrowings	(26)	–	(26)	(21)	–	(21)	–	(47)
Cash inflows from derivative financial instruments	247	–	247	–	–	–	–	247
Cash outflows from derivative financial instruments	(286)	–	(286)	–	–	–	–	(286)
Dividends paid to equity holders	(458)	(26)	(484)	–	–	–	–	(484)
Net cash generated from/(used in) financing activities*	**(864)**	**(26)**	**(890)**	**(22)**	**–**	**(22)**	**(1)**	**(913)**
Net increase/(decrease) in cash and cash equivalents	**(345)**	**101**	**(244)**	**(265)**	**(4)**	**(269)**	**36**	**(477)**
Cash and cash equivalents at the beginning of the period								1,971
Effect of foreign exchange rate changes								60
Cash and cash equivalents at the end of the period								**1,554**

Refer to previous table for footnote.

Note 3 Adjusting items

Group income statement

26 weeks ended 27 August 2022

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

	Cost of sales £m	Administrative expenses £m	Total adjusting items included within operating profit £m	Share of joint venture and associates profits/(losses) £m	Finance costs £m	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items £m
Property transactions[a]	38	43	81	–	–	(11)	–	70
Net impairment (loss)/reversal of non-current assets[b]	(620)	(6)	(626)	–	–	60	–	(566)
Fair value less cost of disposal movements on assets held for sale	–	(3)	(3)	–	–	–	–	(3)
Restructuring[c]	(2)	(5)	(7)	–	–	2	–	(5)
Disposal of Asia operations[d]	–	2	2	–	–	(1)	–	1
ATM business rates refund[e]	7	–	7	–	–	(1)	–	6
Release of onerous contract provision[f]	–	5	5	–	–	(1)	–	4
Amortisation of acquired intangible assets[g]	–	(38)	(38)	–	–	7	–	(31)
Net pension finance costs[h]	–	–	–	–	40	–	–	40
Fair value remeasurements of financial instruments[h]	–	–	–	–	(75)	12	–	(63)
Total adjusting items from continuing operations	**(577)**	**(2)**	**(579)**	**–**	**(35)**	**67**	**–**	**(547)**
Adjusting items relating to discontinued operations[i]	–	–	–	–	–	–	(7)	(7)
Total adjusting items	**(577)**	**(2)**	**(579)**	**–**	**(35)**	**67**	**(7)**	**(554)**

(a) The Group disposed of surplus properties that generated a profit before tax of £81m (26 weeks ended 28 August 2021: £21m). £37m relates to the disposal of mall properties in Central Europe and associated store sale and leasebacks (26 weeks ended 28 August 2021: £nil). Refer to Notes 6 and 11 for further details.
(b) Refer to Note 12 for further details on net impairment (loss)/reversal of non-current assets.
(c) Provisions relating to operational restructuring changes announced as part of 'Save to Invest', a multi-year programme. The total cost of the programme to date is £(51)m. Future cost savings will not be reported within adjusting items.
(d) £4m relates to software licence fee income from services provided to CP Group as part of the Transitional Services Agreement relating to the sale of Asia. £(2)m relates to payment of outstanding employer tax liabilities as part of the disposal of Asia. Costs and income in relation to the disposal of Asia have been recognised in adjusting items in previous periods.
(e) Ruling that Tesco Group is due a refund of business rates relating to external facing ATMs in stores in Scotland. Similar refunds have been recognised through adjusting items in previous periods.
(f) Release of onerous contract provisions in ROI that had been charged through adjusting items in previous periods.
(g) Amortisation of acquired intangibles relates to historical inorganic business combinations and does not reflect the Group's ongoing trading performance.
(h) Net pension finance costs and fair value remeasurements of financial instruments are now included within adjusting items, as they can fluctuate significantly due to external market factors that are outside management's control. Refer to Note 4 for details of finance income and costs.
(i) Refer to Note 6 for explanation of adjusting items relating to discontinued operations.

26 weeks ended 28 August 2021

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

	Cost of sales £m	Administrative expenses £m	Total adjusting items included within operating profit £m	Share of joint venture and associates profits/(losses) £m	Finance costs £m	Taxation £m	Adjusting items included within discontinued operations £m	Total adjusting items £m
Property transactions	–	21	21	–	–	–	–	21
Net impairment reversal of non-current assets	24	13	37	–	–	–	–	37
Asia licence fee	–	19	19	–	–	(4)	–	15
Litigation costs	–	(193)	(193)	–	–	–	–	(193)
Amortisation of acquired intangible assets	–	(38)	(38)	–	–	(15)	–	(53)
Fair value remeasurements of financial instruments	–	–	–	–	180	(38)	–	142
Net pension finance costs	–	–	–	–	(11)	2	–	(9)
Total adjusting items from continuing operations	**24**	**(178)**	**(154)**	**–**	**169**	**(55)**	**–**	**(40)**
Adjusting items relating to discontinued operations	–	–	–	–	–	–	(44)	(44)
Total adjusting items	**24**	**(178)**	**(154)**	**–**	**169**	**(55)**	**(44)**	**(84)**

Note 3 Adjusting items continued

Group cash flow statement

The table below shows the impact of adjusting items on the Group cash flow statement:

	Cash flows from operating activities		Cash flows from investing activities		Cash flows from financing activities	
	26 weeks 2022 £m	26 weeks 2021 £m	26 weeks 2022 £m	26 weeks 2021 £m	26 weeks 2022 £m	26 weeks 2021 £m
Property transactions[a]	–	–	297	109	–	–
Poland sale proceeds and costs	–	–	–	130	–	–
Litigation costs	–	(105)	–	–	–	–
Booker integration cash payments	(1)	(14)	–	–	–	–
Settlement of claims for customer redress in Tesco Bank	(2)	(4)	–	–	–	–
ATM business rates refund[b]	1	12	–	–	–	–
Special dividend	–	–	–	–	(1)	(26)
Disposal of Asia operations	(2)	–	–	(5)	–	–
Restructuring[c]	(31)	–	–	–	–	–
Total continuing operations	**(35)**	**(111)**	**297**	**234**	**(1)**	**(26)**
Cash flows from discontinued operations	–	–	–	44	–	–
Total	**(35)**	**(111)**	**297**	**278**	**(1)**	**(26)**

(a) Property transactions include £27m proceeds (26 weeks ended 28 August 2021: £73m) relating to the sale of stores in Poland not included in the sale of the corporate business. £203m proceeds (26 weeks ended 28 August 2021: £nil) relate to the disposal of mall properties in Central Europe and the associated store sale and leasebacks. Refer to Notes 6 and 11 for further details.
(b) Amounts received in the period with respect to the ruling that Tesco Group is due a refund of business rates relating to external facing ATMs in stores in Scotland.
(c) Cash outflows relating to operational restructuring changes as part of the multi-year 'Save to Invest' programme.

Note 4 Finance income and costs

Continuing operations	Notes	26 weeks 2022 £m	26 weeks 2021 £m
Finance income			
Interest receivable and similar income		15	2
Finance income receivable on net investment in leases		3	3
Total finance income		**18**	**5**
Finance costs			
GBP MTNs and loans		(78)	(82)
EUR MTNs		(23)	(20)
USD bonds		(4)	(2)
Finance charges payable on lease liabilities		(189)	(207)
Other interest payable		(14)	(21)
Total finance costs before adjusting items		**(308)**	**(332)**
Fair value remeasurements of financial instruments		(75)	180
Net pension finance income/(costs)	17	40	(11)
Total finance costs		**(343)**	**(163)**
Net finance costs		**(325)**	**(158)**

Note 5 Taxation

Recognised in the Group income statement

Continuing operations	26 weeks 2022 £m	26 weeks 2021 £m
Current tax charge		
UK corporation tax	91	154
Overseas tax	25	28
	116	**182**
Deferred tax charge		
Origination and reversal of temporary differences	32	88
Change in tax rate	–	43
	32	**131**
Total income tax charge	**148**	**313**
Analysed as:		
Tax charge/(credit) on adjusted profit	215	258
Tax charge/(credit) on adjusting items	(67)	55
Total income tax charge	**148**	**313**
Effective tax rate	**35.8%**	**27.4%**
Adjusted effective tax rate	**20.9%**	**22.9%**

Note 5 Taxation continued

An increase in the corporation tax rate from 19% to 25%, with an effective date of 1 April 2023, was substantively enacted on 24 May 2021. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised. On 23 September 2022, the government announced that the planned increase will be cancelled. As this change was not enacted at the balance sheet date, it has not been reflected in the measurement of deferred tax balances.

The tax charge in the Group income statement is based on management's best estimate of the full year effective tax rates by geographical unit applied to half year profits, which is then adjusted for tax on adjusting items arising in the period to 27 August 2022. The statutory rate of corporation tax has been applied to the adjusting items, based on the geographical unit of that item. Refer to Note 3 for further details.

A deferred tax credit has been recognised in the Group statement of comprehensive income in relation to the pension surplus due to a change in the expected manner of recovery. Refer to Note 17 for further details.

Note 6 Discontinued operations and assets classified as held for sale

Assets and liabilities of the disposal group and assets classified as held for sale

	27 August 2022 £m	26 February 2022 £m	28 August 2021 £m
Assets of the disposal group[(a)]	11	11	12
Non-current assets classified as held for sale[(b)]	266	357	435
Total assets of the disposal group and non-current assets classified as held for sale	**277**	**368**	**447**
Liabilities of the disposal group[(a)]	(14)	(14)	(22)
Total net assets of the disposal group and non-current assets classified as held for sale	**263**	**354**	**425**

(a) The disposal group as at 27 August 2022, including £(14)m of net debt (26 February 2022: £(14)m, 28 August 2021: £(19)m), relates to residual properties and leases with respect to the Group's operation in Poland. Balances as at 26 February 2022 and 28 August 2021 were also with respect to the Group's operation in Poland.
(b) The assets classified as held for sale consist mainly of properties in the UK, Poland and Central Europe due to be sold within one year. Due to the individual nature of each property, fair values are classified as Level 3 within the fair value hierarchy.

Assets classified as held for sale

During the period the Group sold 18 malls in Central Europe, leasing back 17 stores within those sites. Net proceeds from the sale and leaseback transaction were £203m with a profit on disposal of £37m (refer to Note 3). Refer to Note 11 for details on the leaseback of the stores.

Discontinued operations

Income statement of discontinued operations

	26 weeks 2022	26 weeks 2021		
	Poland £m	Poland £m	Other £m	Total £m
Revenue	–	32	–	32
Operating costs[(a)]	–	(34)	–	(34)
Adjusted operating profit/(loss)	**–**	**(2)**	**–**	**(2)**
Share of post-tax profits/(losses) of joint ventures and associates	–	–	–	–
Finance (costs)/income	–	–	–	–
Adjusted profit/(loss) before tax	**–**	**(2)**	**–**	**(2)**
Taxation	–	(3)	–	(3)
Adjusted profit/(loss) after tax	**–**	**(5)**	**–**	**(5)**
Loss on disposal of Poland	–	(26)	–	(26)
Homeplus (Korea) claims settlement	–	–	(33)	(33)
Other adjusting items[(b)(c)]	(7)	2	4	6
Tax on adjusting items	–	–	9	9
Total adjusting items	**(7)**	**(24)**	**(20)**	**(44)**
Total profit/(loss) after tax of discontinued operations	**(7)**	**(29)**	**(20)**	**(49)**

(a) Operating costs include £nil depreciation and amortisation charges (26 weeks ended 28 August 2021: £(1)m).
(b) Other adjusting items of £(7)m in the current period ended 27 August 2022 includes £(5)m fair value remeasurement of non-current assets classified as held for sale and £(2)m loss on disposal of surplus properties.
(c) Other adjusting items of £6m in the prior period ended 28 August 2021 includes £4m reversal of accruals relating to legal costs, £(2)m costs relating to Poland properties and £4m fair value remeasurement of non-current assets classified as held for sale.

Cash flow statement

	26 weeks 2022 Poland £m	26 weeks 2021 Poland £m
Net cash flows from operating activities	(4)	(6)
Net cash flows from investing activities	–	43
Net cash flows from financing activities	–	(1)
Net cash flows from discontinued operations	**(4)**	**36**

Note 7 Dividends

	26 weeks 2022[(a)]		26 weeks 2021[(a)]	
	Pence/share	£m	Pence/share	£m
Amounts recognised as distributions to owners in the financial period:				
Paid prior financial year final dividend[(b)]	7.70	578	5.95	458
Interim dividend declared for the current period	**3.85**	**288**	**3.20**	**247**

(a) Excludes special dividends of £1m paid (28 August 2021: £26m).
(b) Excludes £10m prior financial year final dividend waived (28 August 2021: £2m).

Note 7 Dividends continued

The interim dividend was approved by the Board of Directors on 4 October 2022. The proposed dividend has not been included as a liability as at 27 August 2022, in accordance with IAS 10 'Events after the reporting period'. It will be paid on 25 November 2022 to shareholders who are on the Register of members at close of business on 14 October 2022.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP, the last date for receipt of a new election is 4 November 2022.

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

For the 26 weeks ended 27 August 2022 there were 73 million (26 weeks ended 28 August 2021: 69 million) potentially dilutive share options. As the Group has recognised a profit for the period from its continuing operations, dilutive effects have been considered in calculating diluted earnings per share.

	26 weeks ended 27 August 2022			26 weeks ended 28 August 2021		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
Profit/(loss) (£m)						
Continuing operations*	260	–	260	830	–	830
Discontinued operations	(7)	–	(7)	(49)	–	(49)
Total	**253**	**–**	**253**	**781**	**–**	**781**
Weighted average number of shares (millions)	**7,492**	**73**	**7,565**	**7,685**	**69**	**7,754**
Earnings/(losses) per share (pence)						
Continuing operations	3.47	(0.03)	3.44	10.80	(0.10)	10.70
Discontinued operations	(0.09)	–	(0.09)	(0.64)	0.01	(0.63)
Total	**3.38**	**(0.03)**	**3.35**	**10.16**	**(0.09)**	**10.07**

* Excludes profits from non-controlling interests of £5m (26 weeks ended 28 August 2021: £nil).

APM: Adjusted diluted earnings per share

Continuing operations	Notes	26 weeks 2022	26 weeks 2021
Profit/(loss) before tax (£m)		413	1,143
(Add)/less: adjusting items (£m)	3	614	(15)
Adjusted profit before tax (£m)		**1,027**	**1,128**
Adjusted profit before tax attributable to the owners of the parent (£m)*		1,022	1,128
Taxation on adjusted profit before tax attributable to the owners of the parent (£m)		(215)	(258)
Adjusted profit after tax attributable to the owners of the parent (£m)		**807**	**870**
Basic weighted average number of shares (millions)		7,492	7,685
Adjusted basic earnings per share (pence)		**10.77**	**11.32**
Diluted weighted average number of shares (millions)		7,565	7,754
Adjusted diluted earnings per share (pence)		**10.67**	**11.22**

* Excludes profit before tax attributable to non-controlling interests of £5m (26 weeks ended 28 August 2021: £nil).

Note 9 Goodwill and other intangible assets

Goodwill of £4,323m (26 February 2022: £4,291m, 28 August 2021: £4,291m) consists of UK & ROI £3,823m (26 February 2022: £3,791m, 28 August 2021: £3,791m) and Tesco Bank £500m (26 February 2022: £500m, 28 August 2021: £500m). £30m of goodwill was recognised in UK & ROI during the period.

Other intangible assets of £1,041m (26 February 2022: £1,069m, 28 August 2021: £1,098m) comprise software of £584m (26 February 2022: £557m, 28 August 2021: £547m), customer relationships of £380m (26 February 2022: £418m, 28 August 2021: £456m) and other intangible assets of £77m (26 February 2022: £94m, 28 August 2021: £95m), with additions in the period of £132m (26 February 2022: £229m, 28 August 2021: £100m) excluding assets acquired through business combinations.

Of the £139m (26 weeks ended 28 August 2021: £140m) amortisation of other intangible assets, £38m (26 weeks ended 28 August 2021: £38m) arising from the amortisation of intangible assets acquired through business combinations has been included within adjusting items. Refer to Note 3 for further details.

Note 10 Property, plant and equipment

	27 August 2022			28 August 2021 (restated[a])		
	Land and buildings £m	Other[b] £m	Total £m	Land and buildings £m	Other[b] £m	Total £m
Net carrying value						
Opening balance	**15,163**	**1,897**	**17,060**	**15,099**	**1,846**	**16,945**
Foreign currency translation	(12)	(3)	(15)	–	–	–
Additions[c]	126	190	316	164	221	385
Acquired through business combinations	42	–	42	–	1	1
Reclassification	3	(3)	–	(69)	(2)	(71)
Transfers to assets classified as held for sale	(105)	(5)	(110)	(286)	(9)	(295)
Disposals	(42)	(4)	(46)	(15)	(10)	(25)
Depreciation charge for the period	(214)	(227)	(441)	(213)	(235)	(448)
Impairment losses[d]	(358)	(66)	(424)	(2)	–	(2)
Reversal of impairment losses[d]	1	5	6	34	4	38
Closing balance	**14,604**	**1,784**	**16,388**	**14,712**	**1,816**	**16,528**
Construction in progress included above[e]	**107**	**172**	**279**	**88**	**155**	**243**

(a) Comparatives have been restated due to a change in accounting policy. Refer to Note 1 for further details.
(b) Other assets consist of fixtures and fittings with a net carrying value of £1,330m (26 February 2022: £1,387m, 28 August 2021: £1,329m), office equipment with a net carrying value of £186m (26 February 2022: £200m, 28 August 2021: £196m) and motor vehicles with a net carrying value of £268m (26 February 2022: £310m, 28 August 2021: £291m).
(c) Includes £nil (26 February 2022: £37m, 28 August 2021: £37m) relating to property buyback transactions.
(d) Refer to Note 12.
(e) Construction in progress does not include land.

Commitments for capital expenditure contracted for, but not incurred, at 27 August 2022 were £309m (26 February 2022: £193m, 28 August 2021: £229m), principally relating to store development.

Note 11 Leases

Group as lessee

Right of use assets

	27 August 2022			28 August 2021		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
Net carrying value						
Opening balance	**5,634**	**86**	**5,720**	**5,866**	**85**	**5,951**
Additions (including sale and leaseback transactions)	163	42	205	79	12	91
Acquired through business combinations	4	–	4	–	–	–
Depreciation charge for the period	(249)	(20)	(269)	(247)	(20)	(267)
Impairment losses[a]	(189)	–	(189)	–	–	–
Reversal of impairment losses[a]	3	–	3	–	–	–
Other movements[b]	135	–	135	34	–	34
Closing balance	**5,501**	**108**	**5,609**	**5,732**	**77**	**5,809**

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

Lease liabilities

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

	27 August 2022 £m	26 February 2022 £m	28 August 2021 £m
Current	591	547	557
Non-current	7,408	7,411	7,670
Total lease liabilities	**7,999**	**7,958**	**8,227**
Total undiscounted lease payments	**11,463**	**11,515**	**12,175**

A reconciliation of the Group's opening to closing lease liabilities balance is presented in Note 19.

Sale and leaseback

During the period the Group sold 18 malls in Central Europe, leasing back 17 stores within those sites. Refer to Note 6 for details on the net proceeds and profit from the transaction. The stores are being leased back over a 15-year lease term at below-market rentals, and the store leases have resulted in lease liability additions of £36m. The sale and leaseback transaction allows the Group to relinquish control over the malls while continuing to operate the stores within those sites.

Note 12 Impairment of non-current assets

Impairment losses and reversals

No impairment of goodwill was recognised in the current period to 27 August 2022 (26 weeks ended 28 August 2021: £nil).

The table below summarises the Group's pre-tax impairment losses and reversals on other non-current assets, aggregated by segment due to the large number of individually immaterial store cash-generating units. This includes any losses recognised immediately prior to classifying an asset or disposal group as held for sale but excludes all impairments post classification as held for sale. There were no impairment losses or reversals in the period (26 weeks ended 28 August 2021: £nil) with respect to investments in joint ventures and associates and no impairments in other non-current assets in Tesco Bank (26 weeks ended 28 August 2021: £nil). All impairment losses and reversals are classified as adjusting items (26 weeks ended 28 August 2021: £36m net reversal).

	UK & ROI		Central Europe		Total		Net
26 weeks ended 27 August 2022	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment (loss)/reversal £m
Group balance sheet							
Other intangible assets	(19)	–	(3)	–	(22)	–	(22)
Property, plant and equipment	(393)	4	(31)	2	(424)	6	(418)
Right of use assets	(180)	2	(9)	1	(189)	3	(186)
Investment property	(1)	1	–	–	(1)	1	–
Total impairment (loss)/reversal of other non-current assets	**(593)**	**7**	**(43)**	**3**	**(636)**	**10**	**(626)**
Group income statement							
Cost of sales	(585)	5	(43)	3	(628)	8	(620)
Administrative expenses	(8)	2	–	–	(8)	2	(6)
Total impairment (loss)/reversal from continuing operations	**(593)**	**7**	**(43)**	**3**	**(636)**	**10**	**(626)**

	UK & ROI		Central Europe		Total		Net
26 weeks ended 28 August 2021	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment loss £m	Impairment reversal £m	Impairment (loss)/reversal £m
Group balance sheet							
Other intangible assets	–	–	–	–	–	–	–
Property, plant and equipment	(2)	14	–	24	(2)	38	36
Right of use assets	–	–	–	–	–	–	–
Investment property	–	–	–	–	–	–	–
Total impairment (loss)/reversal of other non-current assets	**(2)**	**14**	**–**	**24**	**(2)**	**38**	**36**
Group income statement							
Cost of sales	–	–	–	24	–	24	24
Administrative expenses	(2)	14	–	–	(2)	14	12
Total impairment (loss)/reversal from continuing operations	**(2)**	**14**	**–**	**24**	**(2)**	**38**	**36**

The Group considered whether the large degree of uncertainty in the wider macroeconomic environment, exacerbated by the war in Ukraine impacting global energy markets and food prices and accompanied by an increase in the Bank of England's base rate, represented a significant impairment indicator as at 27 August 2022. Management concluded that the increase in discount rates in particular was a significant impairment indicator and therefore a full impairment test was undertaken.

The net impairment charge principally relates to the increase in discount rates. Other key inputs, including the latest Board-approved annual long-term plan and related cashflow forecasts, have been assessed and remain largely unchanged since the previous year end. Management considered the level of risk included in the impairment cash flow scenarios and concluded their probability weightings remain appropriate but has extended the reasonably possible movements in the other sensitivities disclosed.

The impairment methodology is unchanged from that described in Note 15 of the Annual Report and Financial Statements 2022.

Key assumptions and sensitivity

Key assumptions

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

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

	UK & ROI			Central Europe		
	27 August 2022 %	26 February 2022 %	28 August 2021 %	27 August 2022 %	26 February 2022 %	28 August 2021 %
Pre-tax discount rates	6.9 – 9.3	5.4 – 7.8	4.8 – 7.3	7.7 – 15.9	5.7 – 11.3	5.0 – 7.9
Post-tax discount rates	6.0 – 7.0	4.7 – 5.8	4.2 – 5.5	6.1 – 12.4	4.5 – 8.8	4.0 – 7.2
Long-term growth rates	1.9	1.9	1.7 – 2.1	2.0 – 3.1	2.0 - 3.0	2.0 – 3.3

Note 12 Impairment of non-current assets continued

Sensitivity

The Group has carried out sensitivity analyses on the reasonably possible changes in key assumptions in the impairment tests for (a) each group of cash-generating units to which goodwill has been allocated and (b) for its portfolio of store cash-generating units. Management has extended the reasonably possible movements in the sensitivities disclosed given the level of volatility seen in these inputs since the year end, driven by the wider macroeconomic environment.

(a) Except for Tesco Bank goodwill, neither a reasonably possible increase of 3.0%pt in discount rates, a 10% decrease in future cash flows nor a 1.0%pt decrease in long-term growth rates would indicate impairment in any group of cash-generating units to which goodwill has been allocated. For Tesco Bank, the following table shows the assumptions adopted, the amount by which these assumption values would have to change to make the recoverable amount equal to the carrying value, and the impact of reasonably possible changes to these assumptions on potential goodwill impairment:

Key assumption	Assumption value	Headroom sensitivity	Reasonably possible change	Impact on impairment £m
Post-tax discount rates	12.0%	Increase of 0.6%pts	Increase of 3.0%pt	(393)
Annual equity cash flows	Variable	Decrease of 7.7%	Decrease of 10.0%	(34)
Long-term growth rates	1.6%	Decrease of 0.8%pts	Decrease of 1.0%pt	(30)

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

Key assumption	Reasonably possible change	Impact on impairment	27 August 2022 £m
Post-tax discount rates*	Increase of 3.0%pt for each geographic region	Increase	(1,384)
	Decrease of 2.0%pt for each geographic region	Decrease	857
Future cash flows	Increase of 10.0% for each geographic region	Decrease	284
	Decrease of 10.0% for each geographic region	Increase	(320)
Long-term growth rates	Increase of 1.0%pt for each geographic region	Decrease	292
	Decrease of 1.0%pt for each geographic region	Increase	(283)
Property fair values	Increase of 10.0% for each geographic region	Decrease	198
	Decrease of 10.0% for each geographic region	Increase	(197)

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

Note 13 Cash and cash equivalents and short-term investments

Cash and cash equivalents

	27 August 2022 £m	26 February 2022 £m	28 August 2021 £m
Cash at bank and on hand	2,397	2,322	2,198
Short-term deposits	38	23	21
Cash and cash equivalents in the Group balance sheet	**2,435**	**2,345**	**2,219**
Bank overdrafts	(851)	(574)	(665)
Cash and cash equivalents in the Group cash flow statement	**1,584**	**1,771**	**1,554**

Short-term investments

	27 August 2022 £m	26 February 2022 £m	28 August 2021 £n
Money market funds and similar instruments	2,256	2,076	2,331

Cash and cash equivalents includes £78m (26 February 2022: £84m, 28 August 2021: £84m) of restricted amounts mainly relating to the Group's pension schemes and employee benefit trusts.

Note 14 Commercial income

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

	27 August 2022 £m	26 February 2022 £m	28 August 2021 £m
Current assets			
Inventories	(12)	(15)	(14)
Trade and other receivables			
Trade/other receivables	61	68	69
Accrued income	106	124	101
Current liabilities			
Trade and other payables			
Trade payables	81	112	120
Accruals	(8)	–	(1)

Note 15 Borrowings

Borrowings are classified as current and non-current based on their scheduled repayment dates. Repayments of principal amounts are classified as current if the repayment is scheduled to be made within one year of the balance sheet date. During the 26 week period ended 27 August 2022, the Group has made principal repayments of £25m (26 week ended 28 August 2021: £24m), and there has been no issuance of borrowings (26 week ended 28 August 2021: £nil).

Current

	27 August 2022 £m	26 February 2022 £m	28 August 2021 £m
Bank loans and overdrafts	882	605	693
Borrowings*	173	120	527
	1,055	**725**	**1,220**

Non-current

	27 August 2022 £m	26 February 2022 £m	28 August 2021 £m
Borrowings*	6,523	6,674	6,130

* £1m of current and £234m of non-current borrowings (26 February 2022: £1m and £243m, 28 August 2021: £nil and £250m) relate to borrowings issued by Tesco Bank.

Borrowing facilities

The Group has a £2.5bn undrawn committed facility available at 27 August 2022 (26 February 2022: £2.5bn, 28 August 2021: £2.5bn), in respect of which all conditions precedent had been met as at that date, consisting of a syndicated revolving credit facility expiring in more than two years. The facility incurs commitment fees at market rates and would provide funding at floating rates. There were no utilisations of the facility during the financial period to 27 August 2022 (26 weeks ended 28 August 2021: £nil).

Note 16 Financial instruments

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

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

Fair value of financial assets and liabilities measured at amortised cost

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

		27 August 2022		26 February 2022		28 August 2021	
	Level	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets measured at amortised cost							
Loans and advances to customers	3	6,842	6,893	6,490	6,566	6,405	6,559
Loans and advances to banks	3	–	–	–	–	51	51
Investment securities at amortised cost[a]	1 and 2	875	879	857	867	929	934
Joint ventures and associates loan receivables[b]	2	106	112	105	126	102	130
Financial liabilities measured at amortised cost							
Borrowings							
Amortised cost[a]	1 and 2	(5,364)	(5,781)	(5,057)	(5,942)	(4,558)	(5,711)
Bonds in fair value hedge relationships	1	(2,214)	(2,223)	(2,342)	(2,401)	(2,792)	(2,913)
Customer deposits	3	(5,526)	(5,432)	(5,327)	(5,296)	(5,035)	(5,038)

(a) These are principally Level 1 instruments.
(b) Joint ventures and associates loan receivables carrying amounts of £106m (26 February 2022: £105m, 28 August 2021: £102m) are presented in the Group balance sheet net of deferred profits of £38m (26 February 2022: £38m, 28 August 2021: £38m) historically arising from the sale of property assets to joint ventures.

Note 16 Financial instruments continued

Fair value measurement by level of fair value hierarchy

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

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

Level 2 assets are valued by discounting future cash flows using externally sourced market yield curves, including interest rate curves and foreign exchange rates from highly liquid markets. For Level 3 assets, uncollateralised derivates are valued as per Level 2 but include certain data sources which are significantly less liquid; unlisted investments are valued based on less observable inputs such as recent funding rounds.

At 27 August 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	533	–	18	551
Cash and cash equivalents at fair value through profit or loss	–	56	–	56
Investments at fair value through profit or loss	–	24	1	25
Derivative financial instruments:				
Interest rate swaps	–	119	–	119
Cross-currency swaps	–	32	182	214
Index-linked swaps	–	117	559	676
Forward contracts	–	151	–	151
Total assets	**533**	**499**	**760**	**1,792**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(135)	–	(135)
Cross-currency swaps	–	(132)	–	(132)
Forward contracts	–	(28)	–	(28)
Total liabilities	**–**	**(295)**	**–**	**(295)**
Net assets/(liabilities)	**533**	**204**	**760**	**1,497**

At 26 February 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	585	–	12	597
Cash and cash equivalents at fair value through profit or loss	–	26	–	26
Investments at fair value through profit or loss	–	23	2	25
Derivative financial instruments:				
Interest rate swaps	–	55	–	55
Cross-currency swaps	–	25	198	223
Index-linked swaps	–	115	551	666
Forward contracts	–	67	–	67
Total assets	**585**	**311**	**763**	**1,659**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(273)	–	(273)
Cross-currency swaps	–	(85)	–	(85)
Forward contracts	–	(25)	–	(25)
Total liabilities	**–**	**(383)**	**–**	**(383)**
Net assets/(liabilities)	**585**	**(72)**	**763**	**1,276**

Note 16 Financial instruments continued

At 28 August 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investments at fair value through other comprehensive income	603	–	9	612
Cash and cash equivalents at fair value through profit or loss	–	26	–	26
Investments at fair value through profit or loss	–	23	2	25
Derivative financial instruments:				
Interest rate swaps	–	38	–	38
Cross-currency swaps	–	284	–	284
Index-linked swaps	–	1,339	–	1,339
Forward contracts	–	47	–	47
Total assets	**603**	**1,757**	**11**	**2,371**
Liabilities				
Derivative financial instruments:				
Interest rate swaps	–	(368)	–	(368)
Cross-currency swaps	–	(37)	–	(37)
Index-linked swaps	–	(583)	–	(583)
Forward contracts	–	(29)	–	(29)
Total liabilities	**–**	**(1,017)**	**–**	**(1,017)**
Net assets/(liabilities)	**603**	**740**	**11**	**1,354**

During the period, there were no transfers (26 February 2022: no transfers, 28 August 2021: no transfers) between Level 1 and Level 2 fair value measurements.

Level 3 Instruments

During the period, there was a £1m transfer out of Level 3 fair value remeasurement into Level 2 (26 February 2022: £749m transfer into Level 3 from Level 2, 28 August 2021: no transfers).

The valuation techniques and significant unobservable inputs are unchanged in the period from that described in Note 25 of the Annual Report and Financial Statements 2022.

The following table presents the changes in Level 3 instruments:

	26 weeks ended 27 August 2022		52 weeks ended 26 February 2022	
	Uncollateralised derivatives £m	Unlisted investments £m	Uncollateralised derivatives £m	Unlisted investments £m
At the beginning of the period	**749**	**14**	**–**	**11**
Gains/(losses) recognised in finance costs*	(37)	–	–	–
Gains/(losses) recognised in other comprehensive income not reclassified to the income statement	–	6	–	4
Gains/(losses) recognised in other comprehensive income that may subsequently be reclassified to the income statement	29	–	–	–
Additions	–	–	–	1
Disposals	–	–	–	(2)
Transfers into/(out) of Level 3	–	(1)	749	–
At the end of the period	**741**	**19**	**749**	**14**

* All gains or losses are unrealised.

Note 16 Financial instruments continued

Tesco Bank expected credit losses (ECL)

Tesco Bank has commissioned four scenarios from its third-party provider, all of which were based on an economic outlook that sought to take account of the ramifications of ongoing cost-of-living pressures. These scenarios include a Base scenario, an Upside scenario and two different Downside scenarios. As the economic outlook continues to remain uncertain, the scenarios are based on the varying levels of inflation and energy cost increases. The Base scenario assumes a 55% rise in the Ofgem price cap, inflation peaking at 11.5% by Q4 2022 with interest rates reaching 3% in 2023 and a technical recession in late 2022. The Upside scenario sees less severe impacts to global energy markets than initially feared, with a 10.4% inflation peak and robust nominal pay growth driving spending. The Downside 1 scenario assumes further increases in the Bank of England base rate to 4% by 2023, an Ofgem price cap rise of 65% and inflation peaking at 12.6%. Downside 2 is similar to the previous scenario but postulates higher and longer inflation peaks necessitating further increases in the Bank of England base rate to 5% in 2023, and additional geopolitical tensions further impacting global energy markets. These scenarios are also reviewed to ensure an unbiased estimate of ECL by ensuring the credit loss distribution under a larger number of scenarios is adequately captured using these four scenarios and their respective weightings. The Base, Upside, Downside 1 and Downside 2 scenarios have been assigned weighting of 40%, 30%, 25% and 5% respectively.

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

As at 27 August 2022 (five-year average)	Base 40%	Upside 30%	Downside 1 25%	Downside 2 5%
Bank of England base rate[a]	2.4%	2.0%	3.0%	3.9%
Gross domestic product[b]	1.2%	1.6%	0.8%	0.4%
Unemployment rate[a]	4.8%	4.1%	5.6%	7.1%
Unemployment rate peak in year	4.9%	4.1%	5.9%	7.5%
As at 28 August 2021 (five-year average)	Base 40%	Upside 30%	Downside 1 25%	Downside 2 5%
Bank of England base rate[a]	0.4%	0.6%	0.2%	0.0%
Gross domestic product[b]	3.2%	3.7%	2.8%	2.3%
Unemployment rate[a]	5.0%	4.5%	6.2%	8.2%
Unemployment rate peak in year	5.3%	4.8%	6.8%	9.1%

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

Key assumptions and sensitivity

The key assumptions to which the Tesco Bank ECL is most sensitive are macroeconomic factors, probability of default (PD), loss given default (LGD), PD threshold (staging), and expected lifetime (revolving credit facilities). The table below sets out the changes in the ECL allowance that would arise from reasonably possible changes in these assumptions from those used in Tesco Bank's calculations as at 27 August 2022 and excludes specific management overlays which are discussed further below.

		Impact on the loss allowance		
Key assumption	Reasonably possible change	27 August 2022 £m	26 February 2022 £m	28 August 2021 £m
Closing ECL allowance		**472**	**489**	**579**
Macroeconomic factors (100% weighted)	Upside scenario	(47)	(27)	(28)
	Base scenario	(9)	(13)	(8)
	Downside scenario 1	45	31	31
	Downside scenario 2	139	110	79
Probability of default	Increase of 2.5%	9	6	7
	Decrease of 2.5%	(9)	(6)	(7)
Loss given default	Increase of 2.5%	9	7	9
	Decrease of 2.5%	(9)	(7)	(9)
Probability of default threshold (staging)	Increase of 20%	(17)	(9)	(9)
	Decrease of 20%	19	13	12
Expected lifetime (revolving credit facility)	Increase of 1 year	18	11	11
	Decrease of 1 year	(19)	(10)	(10)

Note 16 Financial instruments continued

The economic forecasts received by the Group during the period suggest that downside risks associated with the COVID-19 pandemic have largely receded. There remains ongoing uncertainty in the wider macroeconomic environment, mainly as a result of geopolitical tensions, which are impacting global energy markets and food prices, driving up the rate inflation and amplifying the cost-of-living crisis. The economic environment experienced over the past two years, coupled with the unprecedented nature of government support measures, has broken the historically observed relationship between unemployment and default, on which the models are based. As a result, Tesco Bank has recognised certain specific management overlays, to address the prevailing downside risks and ensure the potential impacts of future stress are adequately provided for, detailed below:

Overlay	Description of adjustment	27 August 2022 £m	26 February 2022 £m	28 August 2021 £m
Macroeconomic uncertainty	Volatility in energy prices around the reporting date, with subsequent impact on the macroeconomic environment, indicate the potential for a more severe and lengthy downturn than modelled in the third-party economic scenarios	53	–	–
Consumer spending[a]	In respect of the beneficial modelling impact of lower consumer spending through the pandemic	46	113	174
Cost of living[b]	A portion of Tesco Bank's customers may be more impacted by cost-of-living pressures, with deterioration in their ability to repay unsecured lending balances	45	75	–
Emergence of customer defaults	The emergence of defaults will be more aligned with previous economic downturns	–	19	57
War in Ukraine	Further potential inflationary pressures on cost of living, now incorporated into the economic scenarios	–	6	–
Payment holidays	Increase in credit risk in respect of customers who sought an extension to their initial payment holiday	–	–	9
Total overlays		**144**	**213**	**240**

(a) An increase or decrease of 10% on the adjustment for lower drawn balances would not result in a material increase or decrease of this management overlay.
(b) Expanding the affected population to include customers who are five points lower on the indebtedness index would increase the overlay by £27m.

Movements in the management overlays above also reflect incorporation over time of the identified risks into the modelled scenarios and, in the case of the consumer spending overlay, portfolio utilisation moving back towards pre-pandemic levels.

On 23 September 2022, the government announced its Growth Plan 2022, setting out the government's approach to creating economic growth. This was preceded earlier in September 2022 by confirmation of the Energy Price Guarantee, which limits the price energy suppliers can charge customers and is aimed at reducing the burden of rising energy prices on consumers and businesses as well as curbing inflation by 4 to 5 percentage points. The Bank of England also raised the base rate of interest by 50 basis points to 2.25% in September 2022. Whilst the government did not publish economic scenario information alongside its Growth Plan 2022 which would show the potential future impact of these measures, including their impact on the timing and extent of future interest rate increases, management considers that the sensitivities cover a suitably broad range of potential outcomes as at 27 August 2022.

Note 17 Post-employment benefits

Pensions

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

The principal defined benefit pension plan within the Group is the Tesco PLC Pension Scheme (the Scheme), a UK scheme closed to future accrual. The latest triennial actuarial pension funding valuation for the Scheme as at 31 March 2022 using a projected unit credit method has shown a funding surplus of £0.9bn. It was agreed with the Scheme Trustee that no pension deficit contributions would be required and that the expense payments made to the Scheme by the Group, including the Pension Protection Fund levy, will reduce to £17m per annum (currently £25m per annum) from October 2022. It was also agreed to reduce the investment risk within the Scheme to further reduce the likelihood of deficit contributions being required in the future.

The Republic of Ireland (ROI) defined benefit pension schemes were closed to future accrual in March 2022. Following this, a new defined contribution scheme was launched for colleagues in the ROI.

Tax on schemes in surplus

Several schemes, including the Scheme, are in an accounting surplus position. These surpluses are recognised on the balance sheet in line with IFRIC 14, as the Group has an unconditional legal right to any future economic benefits by way of future refunds.

The tax treatment of the surpluses is based on the expected manner of recovery (through reduction of future contributions or from refunds) with the former giving rise to a deferred tax liability and the latter a withholding tax that does not represent an income tax of the Group. Management's judgement is that the recovery will now ultimately be via future refunds as opposed to through reduction of future contributions, due to improvements noted in the most recent funding valuation and the substantial investment de-risking that occurred during the period that reduces the risk of future contributions being required. The surplus is therefore recognised net of a withholding tax of 35%, which would be levied prior to the future refund of any surplus.

Note 17 Post-employment benefits continued

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

	Net defined benefit surplus/(deficit) 27 August 2022 £m	26 February 2022 £m	28 August 2021 £m
Opening balance	**2,847**	**(1,222)**	**(1,222)**
Current service cost	(13)	(39)	(21)
Settlement charge[(a)]	–	(1)	–
Finance income/(cost)	40	(22)	(11)
Included in the Group income statement	**27**	**(62)**	**(32)**
Remeasurement gain/(loss):			
Financial assumptions gain/(loss)	5,107	1,881	(3,562)
Demographic assumptions gain/(loss)	(454)	21	23
Experience gain/(loss)	(1,022)	(212)	5
Return on plan assets excluding finance income	(5,125)	2,385	4,180
Foreign currency translation	(1)	4	2
Included in the Group statement of comprehensive income/(loss)	**(1,495)**	**4,079**	**648**
Employer contributions	13	33	15
Additional employer contributions	10	16	9
Benefits paid	2	3	2
Other movements	**25**	**52**	**26**
Withholding tax on surplus[(b)]	(576)	–	–
Closing balance	**828**	**2,847**	**(580)**
Consisting of:			
Schemes in deficit	(242)	(303)	(580)
Schemes in surplus[(c)]	1,070	3,150	–
Surplus/(deficit) in schemes at the end of the period	**828**	**2,847**	**(580)**
Deferred tax asset/(liability)	56	(726)	125
Surplus/(deficit) in schemes at the end of the period, net of deferred tax	**884**	**2,121**	**(455)**

(a) Settlement charge on Londis Scheme wind-up.
(b) Recognised through other comprehensive income in remeasurements of defined benefit pension schemes.
(c) Schemes in surplus are presented on the balance sheet net of a 35% withholding tax.

Scheme principal assumptions

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

	27 August 2022 %	26 February 2022 %	28 August 2021 %
Discount rate	4.0	2.8	1.6
Price inflation	3.2	3.3	3.2
Rate of increase in deferred pensions*	2.8	2.9	2.8
Rate of increase in pensions in payment*			
Benefits accrued before 1 June 2012	3.1	3.1	3.0
Benefits accrued after 1 June 2012	2.7	2.8	2.7

* In excess of any guaranteed minimum pension (GMP) element.

If the discount rate assumption increased by 3.0%, the Scheme defined benefit obligation would decrease by approximately £5,865m respectively. If this assumption decreased by 3.0%, the Scheme defined benefit obligation would increase by approximately £15,014m respectively.

If the inflation assumption increased by 3.0%, the Scheme defined benefit obligation would increase by approximately £9,328m respectively. If this assumption decreased by 3.0%, the Scheme defined benefit obligation would decrease by approximately £5,462m respectively.

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

Note 18 Called-up share capital and reserves

	26 weeks ended 27 August 2022 Ordinary shares of 6 ⅓p each		52 weeks ended 26 February 2022 Ordinary shares of 6 ⅓p each	
	Number	£m	Number	£m
Allotted, called-up and fully paid:				
At the beginning of the year	**7,637,986,531**	**484**	**7,731,707,820**	**490**
Shares purchased and cancelled	(155,224,570)	(10)	(93,721,289)	(6)
At the end of the financial period	**7,482,761,961**	**474**	**7,637,986,531**	**484**

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

Note 18 Called-up share capital and reserves continued

Own shares held

The Group had cash outflows in the period of £409m for shares purchased for cancellation (26 weeks ended 28 August 2021: £nil). This included £23m relating to the settlement of share repurchase agreements with external banks recognised as a financial liability as at 26 February 2022 (26 weeks ended 28 August 2021: £nil) and other minor movements of £1m (26 weeks ended 28 August 2021: £nil). The average purchase price was £2.64 per share (26 weeks ended 28 August 2021: n/a). A financial liability of £66m (26 February 2022: £23m, 28 August 2021: £nil) in respect of shares purchased for cancellation to be delivered under share repurchase agreements is included in other payables.

155.2 million shares (26 weeks ended 28 August 2021: Nil), including 4.8 million shares purchased not yet cancelled as at 26 February 2022, were cancelled during the period, with a total consideration of £411m charged to retained earnings (26 weeks ended 28 August 2021: £nil). As at 27 August 2022, 4.3 million shares (26 weeks ended 28 August 2021: Nil) were not yet cancelled with a total consideration of £11m (26 weeks ended 28 August 2021: £nil).

The Group had cash outflows in the period of £4m for shares purchased for share schemes (26 weeks ended 28 August 2021: £55m). This included £49m relating to the settlement of share repurchase agreements with external banks recognised as a financial liability as at 26 February 2022 (26 weeks ended 28 August 2021: £nil), purchases in the period of £nil (26 weeks ended 28 August 2021: £91m), and £45m cash received from employees exercising SAYE options (26 weeks ended 28 August 2021: £36m).

Note 19 Analysis of changes in net debt

Net debt, as defined in the Glossary, excludes the net debt of Tesco Bank but includes that of discontinued operations. Balances in respect of the total Group and Tesco Bank are presented below to allow reconciliation to the Group balance sheet:

	27 August 2022			26 February 2022			28 August 2021		
	Group £m	Bank £m	Retail £m	Group £m	Bank £m	Retail £m	Group £m	Bank £m	Retail £m
Bank and other borrowings, excluding overdrafts	(6,727)	(473)	(6,254)	(6,825)	(481)	(6,344)	(6,685)	(487)	(6,198)
Lease liabilities	(7,999)	(24)	(7,975)	(7,958)	(26)	(7,932)	(8,227)	(29)	(8,198)
Net financing derivatives	690	(15)	705	556	(6)	562	734	1	733
Net operating and investing derivatives	175	111	64	72	24	48	(43)	(30)	(13)
Cash and cash equivalents in the balance sheet	2,435	520	1,915	2,345	789	1,556	2,219	514	1,705
Overdrafts*	(851)	–	(851)	(574)	–	(574)	(665)	–	(665)
Cash and cash equivalents (including overdrafts) in the cash flow statement	1,584	520	1,064	1,771	789	982	1,554	514	1,040
Short-term investments	2,256	–	2,256	2,076	–	2,076	2,331	–	2,331
Joint venture loans	106	–	106	105	–	105	102	–	102
Interest and other receivables	4	–	4	1	–	1	–	–	–
Net debt of disposal group	(14)	–	(14)	(14)	–	(14)	(19)	–	(19)
Net debt APM			**(10,044)**			**(10,516)**			**(10,222)**

* Overdraft balances are included within borrowings in the Group balance sheet, and within cash and cash equivalents in the Group cash flow statement. Refer to Note 13.

A reconciliation between movements in Net debt and the Group cash flow statement is presented below:

	27 August 2022 £m	28 August 2021 £m
Opening Net debt	**(10,516)**	**(11,955)**
Cash flows from Group financing activities, excluding own shares purchased and dividends paid	518	374
Less: Change in cash flows from Tesco Bank financing activities	(2)	(22)
Change in Net debt from financing activities	**516**	**352**
Net increase/(decrease) in Retail cash and cash equivalents including overdrafts*	76	(211)
Interest paid on components of Net debt	306	316
Interest received on components of Net debt	(12)	(2)
Net increase/(decrease) in short-term investments	179	1,320
Net increase/(decrease) in joint venture loans	1	–
Other changes in Net debt from cash flow activities	**550**	**1,423**
Retail net interest charge on components of Net debt	(289)	(328)
Retail fair value and foreign exchange movements of Net debt	27	289
Retail other non-cash movements	(324)	(113)
Acquisitions and disposals	(8)	110
Change in Net debt from non-cash movements	**(594)**	**(42)**
Closing Net debt	**(10,044)**	**(10,222)**

* Net increase/(decrease) in Retail cash and cash equivalents including overdrafts includes £(4)m (28 August 2021: £36m) movement in cash and cash equivalent of discontinued operations and £(4)m (28 August 2021: £(3)m) intragroup funding and intercompany transactions.

Note 19 Analysis of change in net debt continued

The table below sets out the movements in bank and other borrowings (excluding overdrafts), lease liabilities, net financing derivatives and share purchase obligations:

	Bank and other borrowings, excluding overdrafts £m	Lease liabilities[a] £m	Net financing derivatives[b] £m	Share purchase obligations[c] £m	Total £m
At 26 February 2022	**(6,825)**	**(7,958)**	**556**	**(73)**	**(14,300)**
Cash flows arising from financing activities	29	294	195	458	976
Interest paid	118	189	2	–	309
Non-cash movements:					
Fair value gains/(losses)	116	–	(44)	–	72
Foreign exchange	(61)	(7)	–	–	(68)
Interest income/(charge)	(100)	(189)	(19)	–	(308)
Acquisitions and disposals	(4)	(4)	–	–	(8)
Other	–	(324)	–	(451)	(775)
At 27 August 2022	**(6,727)**	**(7,999)**	**690**	**(66)**	**(14,102)**

(a) Other lease liability movements include lease additions, terminations, modifications and reassessments.
(b) Net financing derivatives comprise those derivatives which hedge the Group's exposures in respect of lease liabilities and borrowings. Operating and investing derivatives, which form part of the Group's Net debt APM, are not included.
(c) Share purchase obligations form part of the liabilities arising from the Group's financing activities, but do not form part of Net debt. Other includes liabilities arising from the share purchase agreements with external banks in the period.

	Bank and other borrowings, excluding overdrafts £m	Lease liabilities[a] £m	Net financing derivatives[b] £m	Share purchase obligations[c] £m	Total £m
At 27 February 2021	**(6,736)**	**(8,402)**	**478**	**–**	**(14,660)**
Cash flows arising from financing activities	47	288	40	–	375
Interest paid	107	207	4	–	318
Non-cash movements:					
Fair value gains/(losses)	2	–	235	–	237
Foreign exchange	18	5	–	–	23
Interest income/(charge)	(102)	(207)	(23)	–	(332)
Acquisitions and disposals	(21)	–	–	–	(21)
Other	–	(113)	–	–	(113)
Discontinued operations	–	(5)	–	–	(5)
At 28 August 2021	**(6,685)**	**(8,227)**	**734**	**–**	**(14,178)**

Refer to previous table for footnotes.

Note 20 Contingent liabilities

There have been no material changes to the contingent liabilities of the Group in the period.

Note 21 Events after the reporting period

See Notes 5 and 16 for the impact of the government announcement of its Growth Plan 2022 on 23 September 2022 on tax and expected credit loss respectively.

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

Glossary – Alternative performance measures

Introduction

In the reporting of financial information, the Directors have adopted various APMs.

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

Purpose

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

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

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

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

Changes to APMs

The Adjusted diluted earnings per share (adjusted for share consolidation) APM was previously provided to aid year-on-year comparability in the event of a share consolidation. The APM is no longer relevant for the 2022/23 financial year so has been removed.

As previously reported in the Annual Report and Financial Statements 2022, 'Exceptional items and amortisation of acquired intangibles' within operating profit, along with net pension finance costs, fair value remeasurements of financial instruments, and the tax impact of such items (below operating profit), are now called 'Adjusting items', and are presented on the face of the income statement in the 'Adjusting items' column. The policy for determining adjusting items and the items adjusted for, are unchanged hence there is no impact on previously reported alternative performance measures from this change in presentation.

Group APMs

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Income statement			
Revenue measures			
Sales	Revenue	– Fuel sales	– Excludes the impact of fuel sales made at petrol filling stations to demonstrate the Group's performance in the retail and financial services businesses. It removes volatilities outside of the control of management, associated with the movement in fuel prices. – This is a key management incentive metric. – This measure is also presented on a Retail and Tesco Bank basis.
Growth in sales	No direct equivalent	– Ratio N/A	– Growth in sales is a ratio that measures year-on-year movement in Group sales for continuing operations for 26 weeks. It shows the annual rate of increase in the Group's sales and is considered a good indicator of how rapidly the Group's core business is growing.
Like-for-like (LFL)	No direct equivalent	– Ratio N/A	– Like-for-like is a measure of growth in Group online sales and sales from stores that have been open for at least a year (but excludes prior year sales of stores closed during the year) at constant foreign exchange rates. It is a widely used indicator of a retailer's current trading performance and is important when comparing growth between retailers that have different profiles of expansion, disposals and closures.
Profit measures			
Adjusted operating profit	Operating profit from continuing operations[a]	– Adjusting items[b]	– Adjusted operating profit is the headline measure of the Group's performance, based on operating profit from continuing operations before the impact of adjusting items. Refer to the APM Purpose section of the Glossary. – Amortisation of acquired intangibles is included within adjusting items because it relates to historical inorganic business combinations and does not reflect the Group's ongoing trading performance (related revenue and other costs from acquisitions are not adjusted). – This is a key management incentive metric. – This measure is also presented on a Retail and Tesco Bank basis.

Glossary – Alternative performance measures continued

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Adjusted total finance costs	Finance costs	– Adjusting items[b]	– Adjusting items within finance costs include net pension finance costs and fair value measurements. Net pension finance costs are impacted by corporate bond yields, which can fluctuate significantly and are reset each year based on external market factors that are outside management's control. Fair value remeasurements are impacted by changes to credit risk and various market indices, applying to financial instruments resulting from liability management exercises, which can fluctuate significantly outside of management's control. This measure helps to provide an alternative view of year-on-year trends in the Group's finance costs.
Adjusted profit before tax	Profit before tax	– Adjusting items[b]	– This measure is the summation of the impact of all adjusting items on profit before tax. Refer to the APM Purpose section of the Glossary.
Adjusted operating margin	No direct equivalent	– Ratio N/A	– Operating margin is calculated as adjusted operating profit divided by revenue. Progression in operating margin is an important indicator of the Group's operating efficiency.
Adjusted diluted earnings per share	Diluted earnings per share from continuing operations	– Adjusting items[b]	– This metric shows the adjusted profit after tax from continuing operations attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the financial period, adjusted for the effects of potentially dilutive share options.
Retail EBITDA (earnings before adjusting items, interest, tax, depreciation and amortisation)	Retail operating profit from continuing operations[a]	– Adjusting items[b] – Depreciation and amortisation	– This measure is widely used by analysts, investors and other users of the accounts to evaluate comparable profitability of companies, as it excludes the impact of differing capital structures and tax positions, variations in tangible asset portfolios and differences in identification and recognition of intangible assets. It is used to derive the Net debt/EBITDA and Total indebtedness ratios, and Fixed charge cover APMs.
Net interest margin	No direct equivalent	– Ratio N/A	– Net interest margin is calculated by dividing annualised net interest income, less annualised lease interest expense, by average interest-bearing assets. – It is a measure of the gross profitability of Tesco Bank's lending operations.
Tax measures			
Adjusted effective tax rate	Effective tax rate	– Adjusting items[b]	– Adjusted effective tax rate is calculated as total income tax credit/(charge) excluding the tax impact of adjusting items, divided by adjusted profit before tax. This APM provides an indication of the ongoing tax rate across the Group.
Balance sheet			
Net debt	No direct equivalent	– N/A	– Net debt excludes the net debt of Tesco Bank but includes that of the discontinued operations to reflect the net debt obligations of the Retail business. – Net debt comprises bank and other borrowings, lease liabilities, net derivative financial instruments, joint venture loans and other receivables and net interest receivables/payables, offset by cash and cash equivalents and short-term investments. – It is a useful measure of the progress in generating cash and strengthening of the Group's balance sheet position and is a measure widely used by credit rating agencies.
Net debt/EBITDA ratio	No direct equivalent	– Ratio N/A	– Net debt/EBITDA ratio is calculated as Net debt divided by the rolling 12-month Retail EBITDA. It is a measure of the Group's ability to meet its payment obligations, showing how long it would take the Group to repay its current net debt if both net debt and EBITDA remained constant. It is widely used by analysts and credit rating agencies.
Total indebtedness	No direct equivalent	– N/A	– Total indebtedness is Net debt plus the IAS 19 deficit in any pension schemes (net of associated deferred tax) to provide an overall view of the Group's obligations, including the long-term commitments to the Group's pension schemes. Pension surpluses are not included. It is an important measure of the long-term obligations of the Group and is a measure widely used by credit rating agencies.

Glossary – Alternative performance measures continued

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Total indebtedness ratio	No direct equivalent	– Ratio N/A	– Total indebtedness ratio is calculated as Total indebtedness divided by the rolling 12-month Retail EBITDA. It is a measure of the Group's ability to meet its payment obligations and is widely used by analysts and credit rating agencies.
Fixed charge cover	No direct equivalent	– Ratio N/A	– Fixed charge cover is calculated as the rolling 12-month Retail EBITDA divided by the sum of net finance costs (excluding net pension finance costs, finance charges payable on lease liabilities, capitalised interest and fair value remeasurements) and all lease liability payments from continuing operations. It is a measure of the Group's ability to meet its payment obligations and is widely used by analysts and credit rating agencies.
Capex	Property, plant and equipment, intangible asset, and investment property additions, excluding those from business combinations	– Additions relating to property buybacks – Additions relating to decommissioning provisions and similar items	– Capex excludes additions arising from business combinations and buybacks of properties (typically stores), as well as additions relating to decommissioning provisions and similar items. – Property buybacks are variable in timing, with the number and value of buybacks dependent on opportunities that arise within any given financial year. Excluding property buybacks therefore gives an alternative view of trends in capital expenditure in the Group's ongoing trading operations. – Additions relating to decommissioning provisions and similar items are adjusted because they do not result in near-term cash outflows.
Cash flow measures			
Retail free cash flow	No direct equivalent	– N/A	– Retail free cash flow includes continuing cash flows from operating and investing activities for the Retail business, the market purchase of shares net of proceeds from shares issued in relation to share schemes, and repayment of obligations under leases, excluding the effects of Tesco Bank's cash flows. The following items are excluded: investing cash flows that increase/decrease items within Net debt; proceeds from the sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale; cash utilised to buy back property; proceeds from the sale of subsidiaries; cash utilised in business acquisitions; cash used for investment in joint ventures and associates; net investments in and proceeds from the sale of other investments; and adjusting cash items in operating cash activities. – By adjusting for these factors, which can have unpredictable timings or amounts, or can be driven by external events or non-operational business decisions (such as acquisitions and disposals of properties as opportunities arise), the Directors and management believe this provides a view of free cash flow generated by the Group's retail trading operations that is more predictable and comparable over time and reflects the cash available to shareholders. – This is a key management incentive metric.

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

APMs: Reconciliation of income statement measures

As the incomes and expenses included in debt APMs are calculated using a rolling 12-month period, the amounts for the 12 months to 27 August 2022 are not disclosed in the notes to the condensed consolidated interim financial statements for the current financial period.

Retail EBITDA

	APM 52 weeks ended 27 August 2022 £m	APM 52 weeks ended 26 February 2022 £m
Operating profit	**1,992**	**2,560**
Less: Adjusting items	690	265
Adjusted operating profit	**2,682**	**2,825**
Less: Tesco Bank adjusted operating profit	(171)	(176)
Retail adjusted operating profit	**2,511**	**2,649**
Add: Retail depreciation and amortisation before adjusting items	1,574	1,577
Retail EBITDA	**4,085**	**4,226**

Net interest margin

	Notes	APM 26 weeks 2022 £m	APM 26 weeks 2021 £m
Tesco Bank revenue	2	**540**	**433**
Less: Tesco Bank revenue from fees and commissions receivable	2	(134)	(101)
Less: Tesco Bank revenue from gross insurance premium income	2	(154)	(94)
Less: Tesco Bank interest payable within operating profit		(34)	(20)
Less: Tesco Bank interest payable within finance income/(costs)		(3)	(2)
Net interest income		**215**	**216**
Annualised net interest income		**426**	**427**
Average interest earning assets		**8,773**	**8,307**
Net interest margin		**4.9%**	**5.1%**

APMs: Reconciliation of balance sheet measures

Net debt

A reconciliation of Net debt is provided in Note 19.

Net debt/EBITDA and Total indebtedness ratio

	Notes	APM 27 August 2022	APM 26 February 2022
Net debt (£m)	19	10,044	10,516
Retail EBITDA (£m)		4,085	4,226
Net debt/EBITDA ratio		**2.5**	**2.5**
Net debt (£m)	19	10,044	10,516
Add: Defined benefit pension deficit, net of deferred tax (£m)	17	186	242
Total indebtedness (£m)		**10,230**	**10,758**
Retail EBITDA (£m)		**4,085**	**4,226**
Total indebtedness ratio		**2.5**	**2.5**

Fixed charge cover

	APM 52 weeks ended 27 August 2022	APM 52 weeks ended 26 February 2022
Net finance costs (£m)	709	542
Less: Net pension finance (income)/costs (£m)	29	(22)
Add: Fair value remeasurements of financial instruments (£m)	(132)	123
Adjusted total finance costs (£m)	**606**	**643**
Less: Finance charges payable on lease liabilities (£m)	(387)	(405)
Adjusted total finance cost, excluding capitalised interest and finance charges payable on lease liabilities (£m)	**219**	**238**
Add: Total lease liability payments (£m)	965	977
Less: Discontinued operations total lease liability payments (£m)	–	(2)
	1,184	1,213
Retail EBITDA (£m)	**4,085**	**4,226**
Fixed charge cover	**3.5**	**3.5**

Glossary – Alternative performance measures continued

Capex

	Notes	APM 27 August 2022 £m	APM 28 August 2021 £m
Property, plant and equipment additions*	10	**316**	**385**
Other intangible asset additions*	9	**132**	**100**
Less: Additions from property buybacks	10	–	(37)
Capex		**448**	**448**

* Excluding amounts acquired through business combinations.

APMs: Reconciliation of cash flow measures

	Notes	APM 26 weeks 2022 £m	APM 26 weeks 2021 £m
Cash generated from/(used in) operating activities	2	**1,825**	**2,098**
Cash generated from/(used in) investing activities	2	**(507)**	**(1,662)**
Less: Cash generated from/(used in) operating activities in Tesco Bank	2	209	163
Less: Cash generated from/(used in) operating activities in discontinued operations	2	4	6
Less: Cash generated from/(used in) investing activities in Tesco Bank	2	61	84
Less: Cash generated from/(used in) investing activities in discontinued operations	2	–	(43)
	2	**1,592**	**646**
Own shares purchased in relation to share schemes	2	(4)	(55)
Retail repayments of capital element of obligations under leases	2	(292)	(286)
Exclude/add back:			
Retail proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale	2	(301)	(109)
Retail purchase of property, plant and equipment and investment property – property buybacks	2	–	37
Retail disposal of subsidiaries, net of cash disposed	2	–	(125)
Retail acquisition of subsidiaries, net of cash acquired	2	66	–
Retail investments in joint ventures and associates	2	6	8
Retail adjusting net cash (generated from)/used in operating activities	2	31	107
Retail increase in loans to joint ventures and associates	2	1	–
Retail net investments in/(proceeds from sale of) other investments	2	5	–
Retail net investments in/(proceeds from sale of) short-term investments	2	179	1,320
Retail free cash flow	2	**1,283**	**1,543**

Glossary - Other

Enterprise value
This is calculated as market capitalisation plus net debt.

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

ESG
Environmental, social and governance.

Market capitalisation
The total value of all Tesco shares calculated as total number of shares multiplied by the closing share price at the period end.

MTN
Medium term note.

MREL
Minimum requirements for own funds and eligible liabilities (European Banking Authority).

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

Return
Profit before adjusting items and interest, after tax (applied at effective rate of tax).

RPI
Retail price index.

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

Total shareholder return
The notional annualised return from a share, measured as the percentage change in the share price, plus the dividends paid with the gross dividends, reinvested in Tesco shares. This is measured over both a one and five-year period.

Independent review report to Tesco PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half yearly financial report for the 26 weeks ended 27 August 2022 which comprises the Group income statement, the Group statement of comprehensive income/(loss), the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and related notes 1 to 21.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 27 August 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group'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 review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
4 October 2022

Appendices

Appendix 1

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

	Like-for-like sales					
	H1 2021/22	H2 2021/22	FY 2021/22	Q1 2022/23	Q2 2022/23	HY 2022/23
UK & ROI	**2.4%**	**2.1%**	**2.2%**	**1.5%**	**3.9%**	**2.7%**
UK	1.2%	(0.5)%	0.4%	(1.5)%	2.8%	0.7%
ROI	(2.6)%	(3.2)%	(2.9)%	(2.4)%	2.4%	(0.1)%
Booker	11.0%	19.9%	15.3%	19.4%	9.3%	13.9%
Central Europe	**1.4%**	**4.5%**	**2.9%**	**9.0%**	**11.8%**	**10.4%**
Total Retail	**2.3%**	**2.3%**	**2.3%**	**2.0%**	**4.5%**	**3.2%**
Tesco Bank	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Total Group	**2.3%**	**2.3%**	**2.3%**	**2.0%**	**4.5%**	**3.2%**

Appendix 2

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

	Actual rates				Constant rates			
	H1 2021/22	H2 2021/22	FY 2021/22	H1 2022/23	H1 2021/22	H2 2021/22	FY 2021/22	H1 2022/23
UK & ROI	**2.7%**	**2.0%**	**2.3%**	**2.6%**	**2.9%**	**2.3%**	**2.6%**	**2.6%**
UK	1.8%	(0.2)%	0.8%	0.6%	1.8%	(0.2)%	0.8%	0.6%
ROI	(5.8)%	(8.4)%	(7.1)%	(0.6)%	(2.0)%	(2.9)%	(2.4)%	1.0%
Booker	11.1%	19.4%	15.1%	13.8%	11.1%	19.4%	15.1%	13.8%
Central Europe	**(0.8)%**	**0.7%**	**(0.0)%**	**5.9%**	**2.6%**	**4.9%**	**3.7%**	**9.5%**
Total Retail	**2.4%**	**1.9%**	**2.2%**	**2.8%**	**2.9%**	**2.5%**	**2.7%**	**3.1%**
Tesco Bank	**12.2%**	**39.9%**	**25.4%**	**24.6%**	**12.2%**	**39.9%**	**25.4%**	**24.6%**
Total Group	**2.6%**	**2.4%**	**2.5%**	**3.1%**	**3.0%**	**3.0%**	**3.0%**	**3.5%**

Appendix 3

Country detail – Retail

	Revenue (exc. VAT, inc. fuel)			
	Local currency (m)	£m	Average exchange rate	Closing exchange rate
UK	24,147	24,147	1.0	1.0
ROI	1,464	1,237	1.2	1.2
Booker	4,399	4,399	1.0	1.0
Czech Republic	22,646	775	29.2	29.0
Hungary	324,083	704	460.3	484.9
Slovakia	774	654	1.2	1.2

Appendix 4

UK sales area by size of store

	27 August 2022			26 February 2022		
Store size (sq. ft.)	No. of stores	Million sq. ft.	% of total sq. ft.	No. of stores	Million sq. ft.	% of total sq. ft.
0-3,000	2,572	5.5	14.2%	2,556	5.5	14.2%
3,001-20,000	272	2.9	7.5%	281	3.0	7.8%
20,001-40,000	287	8.3	21.5%	286	8.3	21.4%
40,001-60,000	182	8.8	22.8%	182	8.8	22.7%
60,001-80,000	119	8.4	21.8%	120	8.4	21.7%
80,001-100,000	45	3.7	9.6%	45	3.7	9.6%
Over 100,000	8	1.0	2.6%	8	1.0	2.6%
Total*	**3,485**	**38.6**	**100.0%**	**3,478**	**38.7**	**100.0%**

* Excludes Booker and franchise stores.

Appendices continued

Appendix 5

Actual Group space – store numbers[a]

	2021/22 year end	Openings	Closures/ disposals	Net gain/ (reduction)[b]	As at 27 August 2022	Repurposing/ extensions[c]
Large	798	7	(1)	6	804	–
Convenience	1,966	17	(8)	9	1,975	–
Dotcom only	6	–	–	–	6	–
Total Tesco	**2,770**	**24**	**(9)**	**15**	**2,785**	**–**
One Stop[d]	695	5	–	5	700	–
Booker	192	–	–	–	192	–
Jack's	13	–	(13)	(13)	–	–
UK[d]	3,670	29	(22)	7	3,677	–
ROI	152	12	–	12	164	1
UK & ROI[d]	**3,822**	**41**	**(22)**	**19**	**3,841**	**1**
Czech Republic[d]	185	1	(2)	(1)	184	5
Hungary	198	–	–	–	198	6
Slovakia[d]	154	1	–	1	155	3
Central Europe[d]	**537**	**2**	**(2)**	**–**	**537**	**14**
Group[d]	**4,359**	**43**	**(24)**	**19**	**4,378**	**15**
UK (One Stop)	252	28	(8)	20	272	–
Czech Republic	126	2	(1)	1	127	–
Slovakia	15	7	–	7	22	–
Franchise stores	**393**	**37**	**(9)**	**28**	**421**	**–**
Total Group	**4,752**	**80**	**(33)**	**47**	**4,799**	**15**

Actual Group space – '000 sq. ft.[a]

	2021/22 year end	Openings	Closures/ disposals	Repurposing/ extensions[c]	Net gain/ (reduction)	As at 27 August 2022
Large	31,402	76	(65)	–	11	31,413
Convenience	5,287	39	(36)	–	3	5,290
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,405**	**115**	**(101)**	**–**	**14**	**37,419**
One Stop[d]	1,134	8	–	–	8	1,142
Booker	8,210	–	–	–	–	8,210
Jack's	128	–	(128)	–	(128)	–
UK[d]	46,877	123	(229)	–	(106)	46,771
ROI	3,344	120	–	10	130	3,474
UK & ROI[d]	**50,221**	**243**	**(229)**	**10**	**24**	**50,245**
Czech Republic[d]	4,248	5	(22)	(81)	(98)	4,150
Hungary	5,927	–	–	(178)	(178)	5,749
Slovakia[d]	3,143	11	–	–	11	3,154
Central Europe[d]	**13,318**	**16**	**(22)**	**(259)**	**(265)**	**13,053**
Group[d]	**63,539**	**259**	**(251)**	**(249)**	**(241)**	**63,298**
UK (One Stop)	367	38	(10)	–	28	395
Czech Republic	115	1	(1)	–	–	115
Slovakia	13	8	–	–	8	21
Franchise stores	**495**	**47**	**(11)**	**–**	**36**	**531**
Total Group	**64,034**	**306**	**(262)**	**(249)**	**(205)**	**63,829**

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

Appendices continued

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

	As at 27 August 2022	Openings	Closures/ disposals	Repurposing/ extensions	Net gain/ (reduction)	2022/23 year end
Large	31,413	26	–	–	26	31,439
Convenience	5,290	134	(13)	–	121	5,411
Dotcom only	716	–	–	–	–	716
Total Tesco	**37,419**	**160**	**(13)**	**–**	**147**	**37,566**
One Stop[b]	1,142	24	–	–	24	1,166
Booker	8,210	–	(29)	–	(29)	8,181
UK[b]	46,771	184	(42)	–	142	46,913
ROI	3,474	38	(17)	–	21	3,495
UK & ROI[b]	**50,245**	**222**	**(59)**	**–**	**163**	**50,408**
Czech Republic[b]	4,150	41	–	(43)	(2)	4,148
Hungary	5,749	–	–	(123)	(123)	5,626
Slovakia[b]	3,154	27	–	(27)	–	3,154
Central Europe[b]	**13,053**	**68**	**–**	**(193)**	**(125)**	**12,928**
Group[b]	**63,298**	**290**	**(59)**	**(193)**	**38**	**63,336**
UK (One Stop)	395	60	–	–	60	455
Czech Republic	115	2	–	–	2	117
Slovakia	21	11	–	–	11	32
Franchise stores	**531**	**73**	**–**	**–**	**73**	**604**
Total Group	**63,829**	**363**	**(59)**	**(193)**	**111**	**63,940**

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

Appendix 6

Tesco Bank income statement

	H1 2022/23[a] £m	H1 2021/22[a] £m
Revenue		
Interest receivable and similar income	252	238
Fees and commissions receivable	134	101
Gross insurance premium income	154	94
	540	**433**
Direct costs		
Interest payable	(34)	(20)
Fees and commissions payable	(6)	(10)
Insurance premium income ceded to reinsurers	(69)	(42)
Insurance claims	(77)	(61)
Reinsurers' share of claims incurred	34	34
	(152)	**(99)**
Other income	2	11
Gross profit	**390**	**345**
Other expenses		
Staff costs	(115)	(104)
Premises and equipment	(34)	(33)
Other administrative expenses	(108)	(85)
Depreciation and amortisation	(27)	(30)
Impairment reversal/(loss) on financial assets	(39)	(21)
Adjusted operating profit/(loss)	**67**	**72**
Adjusting items[b]	(5)	–
Operating profit/(loss)	**62**	**72**
Finance income/(costs): movements on derivatives and hedge accounting	2	(1)
Finance income/(costs): interest	(3)	(2)
Finance income/(costs): leases	(1)	(1)
Share of profit/(loss) of joint venture	–	3
Profit/(loss) before tax	**60**	**71**

(a) These results are for the six months ended 31 August 2022 and the previous period represents the six months ended 31 August 2021.
(b) Adjusting items of £(5)m in H1 2022/23 (H1 2021/2022: £nil) relate to operational restructuring changes, as part of the multi-year 'Save to Invest' programme.