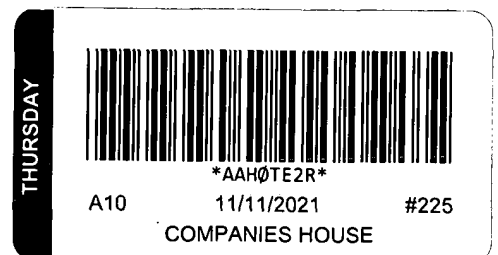


ONE STOP STORES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

Registered Number: 02462858



ONE STOP STORES LIMITED

Contents

Strategic report	2
Directors' report	8
Statement of director's responsibilities	13
Independent auditor's report to the members of One Stop Stores Limited	14
Income statement	17
Statement of financial position	18
Statement of changes in equity	19
Notes	20

ONE STOP STORES LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

The Directors present their Strategic report of One Stop Stores Limited (the "Company") for the 52 weeks ended 27 February 2021 (prior period 53 weeks ended 29 February 2020 ("2020")).

Business review and principal activity

The principal activity of the Company is the operation of retail stores and associated activities with 701 (2020: 697) stores throughout England and Wales.

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

During a year impacted heavily by COVID-19, the Company has ensured the safety and satisfaction of our customers and colleagues remains our foremost priority. From March 2020, One Stop took on the responsibility to serve food and essentials to our local communities when they needed us most. The Company promptly introduced COVID-19 safety measures, investing in equipment to provide protection to both our colleagues and customers. Free personal protective equipment was provided to our Franchisees along with detailed guidance to ensure the safety of all.

The Company welcomed temporary colleagues, allowing those who were vulnerable or self-isolating to do so safely at home on full pay from day one. No furlough payments were claimed from the government in respect of increased COVID-19 payroll costs. Additional costs relating to COVID-19 of £11.6m have been recognised in administrative expenses in the income statement. The Company decided to repay £7m of UK Government business rates relief.

In recognition of the exceptional efforts of our colleagues through such a challenging year, in addition to its existing bonus schemes, the Company announced a one-off bonus payment for all remaining colleagues. This was paid to colleagues in June 2021.

The Company achieved like-for-like sales growth of 15.5% (2020: 1.9%), outperforming the market. This compares to total sales growth of 4.1% (2020: 2.8%). Like-for-like growth differs from total growth predominantly due to changing store numbers; the Company has achieved an increase in revenue of 4.1% despite experiencing the full year effect of total stores reducing at the end of the prior year to 697 (2019: 772). Operating profit was £28.2m (2020: £30.3m), after exceptional charges of £1.4m (2020: £2.4m). Despite challenging stock availability in the first quarter along with extra costs incurred in protecting our customers and colleagues, the Company continued to simplify its operations – allowing it to focus on serving local shoppers a little better every day. Like-for-Like Store Performance outperformed the market (as defined by the Institute of Grocery Distribution) over the 52 weeks, both in Company Owned and Franchise Estates.

At the period-end, 207 (2020: 191) independently operated stores were trading as One Stop Franchises. The One Stop Franchise business segment achieved an operating profit of £3.4m (2020: £2.9m). The Directors remain committed to building a business that helps independent retailers grow their business and develop the franchise model to benefit the Franchisees and the Company.

In 2020/21, the Company made significant investment in several areas:

- The Company has continued to maintain and invest in the conditions of its stores by investing across the estate, in addition to an ongoing maintenance programme with the priority focused on customer health and safety and colleague security.
- The Company completed the rollout of its new EPoS system, making it live in the remainder of the company owned estate and all franchise stores.
- A new wireless broadband solution for its stores.

ONE STOP STORES LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

(continued)

Business review and principal activity (continued)

Due to the impact of the COVID-19 pandemic, the Company was unable to take part in a normal level of fundraising. Despite this, however, £454k (2020: £717k) was donated by the Company to charities we support, in the period. In addition, the Company also spent £102k on hampers (2020: £32k) for our most vulnerable customers in December 2020. Our colleagues volunteered 12,488 hours (2020: 28,541) in our communities, where restrictions allowed colleagues to safely do so. In response to the pandemic, our generous colleagues and customers provided 67,167 (2020: 20,183) meals through our food bank donations.

Results and dividends

The results for the 52 weeks ended 27 February 2020 reflect a pre-tax profit of £24.7m (2020: £27.6m) and an after tax profit of £25.5m (2020: £27.0m).

A net impairment charge has been debited in respect of Right of Use assets and tangible assets to the extent of £0.8m (2020: reversal of £3.8m) and £0.8m (2020: charge of £0.3m) respectively. Further details of the exceptional and non-exceptional split of these movements is disclosed in Note 10 and 16 on pages 34 and 37, respectively. Sales amounted to £1,153.7m (2020 restated: £1,108.3m). Net assets at the end of the period were £193.6m (2020: £263.2m).

The Directors declared and paid an interim dividend during the period totalling £95m (2020: £15m). The directors do not recommend the payment of a final dividend (2020: £nil).

Key performance indicators (KPIs)

The principle financial KPIs are like for like sales growth and operating profit. Principle non-financial KPIs comprise franchise store growth and community investment.

The Company achieved like-for-like sales growth of 15.5% (2020: 1.9%), outperforming the market. This compares to total sales growth of 4.1% (2020: 2.8%). Operating profit was £28.2m (2020: £30.3m), after exceptional charges of £1.4m (2020: £2.4m).

At the period-end, 207 (2020: 191) independently operated stores were trading as One Stop Franchises. The One Stop Franchise business segment achieved an operating profit of £3.4m (2020: £2.9m).

In terms of community investment, the Company donated £454k (2020: £717k) to charities we support and spent £102k on hampers (2020: £32k) for our most vulnerable customers. Our colleagues, also, volunteered 12,488 hours (2020: 28,541) in our communities and, along with our generous customers, provided 67,167 (2020: 20,183) meals through our food bank donations.

The development, performance and position of the operations of the Tesco PLC Group, which includes the Company, is discussed on pages 2-39 of the Tesco PLC Annual Report and Financial Statements 2021, which does not form part of this report. Further discussion around KPIs and how the Group has performed against those measures can be found there.

Future developments

Despite some reductions in sales as the COVID-19 pandemic recedes, the Company is well-placed to build on the positive trajectory of the business throughout the next financial period, based on pre-pandemic trade.

The Company's future developments form a part of the Tesco PLC Group's (the "Group") long-term strategies, which are discussed on page 2-39 of the Tesco PLC Annual Report and Financial Statements 2021, which does not form a part of this Report.

ONE STOP STORES LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

Principal risks and uncertainties

The most significant risks facing the UK business include: customer proposition risk; risks associated with the failure to achieve transformation objectives; liquidity risk; competition and markets risk; risks relating to brand, reputation and trust; technology risk; risks associated with data security and data privacy; political, regulatory and compliance risk; health and safety risk; people risk; Brexit risk; COVID-19 risk, and responsible sourcing and supply chain risk.

The Group has an established risk management process which is reviewed on a regular basis and covers all business units including the Company. This includes the maintenance of risk registers which details the risks, the risk movement and the relevant key controls and mitigating factors. These are reviewed on a regular basis by the UK Leadership management and the Executive Committee. Further discussion of the Group approach to principal risks and uncertainties is provided on pages 31 to 37 of the Tesco PLC Annual Report and Financial Statements 2021, which do not form part of this Report. Details on the principal financial risks faced by the Company are explained below.

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

Business Risk

Data Security is a growing risk for all organisations with an increase in the number of targeted cyber-attacks. The One Stop Limited Board is working to minimise any risk and has implemented a plan supported by specialists within the Company and wider Tesco group.

Uncertainty around the UK's departure from the EU has reduced over the last 12 months but potential long-term impacts continue to be monitored.

The COVID-19 pandemic has been a challenge for all retailers during the last year and the Company has continued to operate as an essential retailer. Although the UK appears to be recovering from the worst effects, One Stop Stores Limited Board will continue to follow Government advice and mitigate any further risk.

Financial risk management

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

Liquidity

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities.

The Company finances its operations by a combination of retained profits, disposals of assets, leases and intra-Group borrowings.

Credit risk

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

ONE STOP STORES LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this section 172(1)(a)-(f) requires a director to have regard, amongst other matters, to the:

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

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our pensioners and our relationship with regulators. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

As is normal for large companies, we delegate authority for day-to-day management of the Company to senior management in setting, approving and overseeing execution of the business strategy and related policies. We review matters relating to: financial and operational performance; business strategy; key risks; stakeholder-related matters; health and safety; diversity and inclusivity; environmental matters; corporate responsibility; governance; compliance; and legal and regulatory matters over the course of the financial year.

This is done through the consideration of reports which are sent in advance of each Board meeting and through presentations to the Board.

The Company's key stakeholders are its workforce, customers, suppliers, pensioners and the local communities in which it operates. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. While there are cases where the board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and Tesco Group means that occasionally our stakeholder engagement takes place at an operational or group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagement that takes place with the Company's stakeholders so as to encourage the directors to understand the issues to which they must have regard please see pages 52 of the Tesco plc 2021 Annual Report.

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

ONE STOP STORES LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

(continued)

Section 172(1) Statement (continued)

Examples of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty and the effect of that on decisions taken by us are set out below:

Board activity	Board Consideration
Financial performance	<p>The Board regularly reviewed the financial position of the Company to consider the strategic direction and the long-term viability of the Company and ensure that future liabilities could be met especially in light of the pandemic.</p> <p>The Board reviewed the business plan, progress against the plan, review of the Company's KPIs, together with updates on sales, profit and cash generation and the potential impact of COVID-19 and Brexit. The Board considered a range of factors including the ongoing supply of products from suppliers, customer and employee safety, and government regulations & recommendations.</p> <p>In addition, the Board reviewed their practices for paying suppliers, intragroup loan arrangements and approval of new banking arrangements.</p>
Operational Performance and Strategy	<p>The Board regularly reviewed the operational performance of the Company receiving updates on many initiatives including the completion of the transfer of stores approved during 2019/20; review of property leases, distribution arrangements and Post Office services and approval of capital expenditure in connection with system improvements which would benefit customers and colleagues.</p> <p>As the business grows, it has become necessary to review the capacity of the three distribution centres. The board agreed short term actions to aid current capacity and the Board continues to consider longer term strategic optimisation options.</p> <p>The Board considered and agreed a 3 year Security Strategy to further protect employees and counter the increasing threat of violence in store. The Strategy is to include colleague training, investment in technology and other physical deterrents along with development of a security focused culture.</p> <p>The Board took the decision to close five Subways franchises within the Estate. Consideration was given to the performance of the franchises, the impact on colleagues, the relationship with suppliers and the alternative use of space.</p>
Risk Management	<p>The Board reviewed the most significant risks facing the Company including closely monitoring risks associated with COVID-19, the impact that it had on colleagues, customers and suppliers and the financial impact on the Company to ensure stores remained open and operated safely as an essential retailer.</p> <p>In addition, the Board assessed the risks associated with the uncertainty of Brexit; data security; responsible sourcing; health and safety matters.</p>
Commercial agreements	<p>The Board review and approve entry into material contracts taking into consideration the operational and financial benefits and risks. In reaching its final decision, the Board had regard to several factors including: the business case and reputation of the contractors; the impact on our workforce, suppliers, customers and the environment; risk management, and the long-term reputation of the Company.</p>

ONE STOP STORES LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

(continued)

Section 172(1) Statement (continued)

Approval of Dividend	The board approved the declaration of a special dividend of £95,000,000 in January 2021. When considering the declaration of the dividend, the Board considered a range of factors including the long-term viability of the Company; its expected cash flow and financing requirements; the financial position of the Company's pension scheme and the ongoing need for strategic investment in the business and the workforce as well as the expectations of the members.
Wider Stakeholder Engagement	<p>The Board received regular updates on stakeholder engagement: colleague initiatives, customer feedback; supplier initiatives; health and safety matters; adoption of modern slavery statement and regulatory updates.</p> <p>The Company has provided significant support to colleagues throughout the pandemic to support the Company's response to COVID-19. Through Tesco Group policies, the Company was able to support vulnerable colleagues and change the way we worked to ensure the health and safety of colleagues and customers in stores.</p>

Further details on employee engagement are set out in the Directors' Report on page 9.

In accordance with requirements this section 172(1) statement will be published on the One Stop website at www.onestop.co.uk.

The Strategic Report was approved by the Board of Directors on 5th November 2021 and signed on its behalf by:



Mark Everitt

Director

One Stop Stores Limited

Registered Number: 02462858

Registered Office: Apex Road, Brownhills, Walsall, WS8 7HU, United Kingdom

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

The Directors present their report and the audited financial statements of One Stop Stores Limited (the "Company") for the 52 weeks ended 27 February 2021 (prior period 53 weeks ended 29 February 2020 ("2020")).

The Company is a subsidiary of Tesco PLC. The principal activity of the Company is the operation of a network of 701 convenience stores (as at 27 February 2021) and a Franchise operation across the United Kingdom. The Company is registered in England and Wales.

Results and dividends

This can be found in the Strategic report on page 3.

Future developments

This is discussed in the Strategic Report on page 3.

Going concern

The Company made a profit after tax for the 52 week period ended 27 February 2021 of £25.5m compared to £27.0m in the prior period (53 week period). As at 27 February 2021, the Company has net current assets of £9.1m (2020: £72.8m) and net assets of £193.6m (2020: £263.2m). The Company is cash generative and has generated cash from operations in the period of £66.8m (2020: £55.1m) ending the period with a net cash balance of £55.0m (2020: £26.1m) after paying a dividend of £95.0m to its shareholders (2020: £15.0m). The Company has no net external debt and is funded via intra-group borrowing if required. At the period end, the Company was in a net intercompany debtor position. The Directors have considered the forecast financial performance and cash flow of the Company in making their going concern assessment. As explained in the Strategic Report, as an essential grocery retailer, the Company has continued to operate during the coronavirus pandemic. The Directors consider that the Company has adequate resources, taking into account COVID 19, to remain in operation for a period of at least 12 months from the date of signing and have therefore continued to adopt the going concern basis in preparing the financial statements.

Research and development

The Company capitalised £20k (2020: £111k) relating to the development of software during the period. Research and development costs expensed for the period were £nil (2020: £nil).

Events after the balance sheet date

There were no adjusting events after the reporting period that require mention in Note 24 to the financial statements.

Political donations

There were no political donations for the period (2020: £nil) and the Company did not incur any political expenditure (2020: £nil).

Charitable donations

This can be found in the Strategic report on page 3.

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

Financial risk management

This is discussed in Strategic Report on page 4.

Employee engagement

Our employment policies are regularly reviewed to ensure they are simple, helpful and trusted to enable an honest and transparent employment culture. We are continuously focused upon strengthening our policy positioning in order to maintain this vision and culture. Much of our focus over the past year, has been placed upon removing complexity and hierarchy from our policies to create more clarity and fairness for our colleagues. As we continue to transition towards more enabling technology, our focus remains on how we can make our policies and the processes that sit within these more accessible to our colleagues. This enables self-service and provides our colleagues with direct access to the information they need to help and support them at work.

We recognise that in order to drive our business forward we must respond to colleague feedback; therefore, we continue to work towards improving our communication to colleagues to ensure they are engaged with the decisions we make, and so we can respond to their feedback. Over the last year we have continued to work with Usdaw, our recognised trade union in the UK, to improve our policies so that they address the needs of all our colleagues. These include several changes to our sickness absence policy. These take into account the unique challenges posed by COVID-19, including ensuring that all colleagues are paid company sick pay from the first day of any COVID-19 related absence, regardless of their entitlement and excluding COVID-19 related absence from any attendance management processes.

Our equal opportunities, diversity and inclusion policies support managers and colleagues in creating a diverse and inclusive culture where everyone is welcome. Our policies demonstrate our commitment to providing equal opportunities to all colleagues, irrespective of age, disability (including colleagues who may have become disabled during service), gender, marriage and civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation. We pride ourselves on having an inclusive environment where colleagues are treated with dignity and respect. By encouraging diversity, and employing people with different experiences, backgrounds and talent, we aim to reflect the customers and communities we serve and strengthen and grow as a business.

Our aim is to attract and welcome a diverse range of applicants from all different backgrounds. All of our applicants and colleagues will be treated fairly and we have a zero-tolerance approach, not only to harassment but also to discrimination and bullying of any kind. This includes an expectation that our recruitment systems are accessible and managers give a full and fair consideration to colleagues who have disabilities during recruitment and subsequently throughout their career with Tesco, including colleagues who may become disabled during their employment where every endeavour will be made to retain colleagues through workplace adjustments.

We are working continually to improve the communication channels we use to engage, consult, inform and connect with colleagues, both to enable awareness of the financial and economic factors affecting the Company's performance and to ensure our colleagues' voices are heard. Our colleagues' feedback is important to us and we recognise that to drive our business forward we must respond to their feedback to ensure they are engaged in the decisions we make for the business.

The Company had 6,514 employees (full time equivalents) on average during the 52 weeks ended 27 February 2021 (2020: 6,886).

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

Disabled Employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employees Involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining it.

Statement of Compliance with Tesco Governance Code

At One Stop, we are committed to maintaining high standards of corporate governance. Good corporate governance is about implementing the right systems and structures across One Stop to facilitate effective management and sound business decision making. Due to the large scale of Tesco Group's operations and the variety of business activities carried on, the Tesco Governance Code (the 'Code') provides guidance on the minimum standard of governance principles that the Group's large UK incorporated companies should implement to achieve a high level of corporate governance, while supporting directors in compliance with their statutory duties.

During the period under review, the Company has complied with the Tesco Governance Code. An overview of how the Company has applied the Tesco Governance Code is detailed below. This statement of compliance can be found at www.onestop.co.uk.

Culture and Purpose

The Tesco Group purpose is to serve shoppers a little better every day and this sits at the heart of how we run the business. Our purpose is underpinned by strong policies and procedures set out in the Tesco Code of Business Conduct. It sets out the ways we can make the right decisions for our stakeholders, using the Group values and leadership behaviours to ensure that through our conduct and decision-making we do the right thing for the business and deliver our strategic objective.

Board Effectiveness

The Board comprises five directors, with the necessary skills and experiences to fulfil the role and responsibilities of the Board. Directors keep under review the size and composition of the Board to ensure it has the appropriate balance of skills, knowledge and experience. Upon appointment, Directors receive induction training which covers not only details on the operations of the business but also, amongst other things, guidance on their statutory duties as a director to ensure they understand their role as a director and to whom they are accountable.

The Board has adopted a schedule of matters reserved for its decision to ensure that the right decisions are being made in the right forum and that there is appropriate oversight of them. As is normal for a large business and as a subsidiary of a larger Group, the Company complies with the Group Delegation of Authorities, seeking permission to proceed where a significant business decision is required. However, the decision is ultimately taken by the Board with background papers provided to support any decisions setting out any benefits and risks, the financial implications and any relevant potential impact on stakeholders.

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

(continued)

Statement of Compliance with Tesco Governance Code (continued)

Directors have continued to be required to report actual or potential conflicts of interest to the Board for consideration and, if appropriate, authorisation. If such conflicts exist, Directors excuse themselves from consideration of the relevant matter. A Directors' and Officers' Liability Insurance policy is maintained for all Directors providing cover in respect of certain legal action brought against them.

The Board is supported by a Company Secretary who assists on a range of governance related matters and maintain corporate records.

Risk

When making decisions, the Board considers the relevant risks and ensures that mitigating steps are put in place where appropriate and possible. Any significant risks or concerns are highlighted to the Company's Risk and Compliance Manager for consideration through the Company Risk management process. The latter is reviewed on a regular basis and covers all business units including the Company. This includes the maintenance of risk registers which detail the risks, the risk movement and the relevant key controls and mitigating factors. These are reviewed on a regular basis by the leadership team and the Audit Committee which helps to further promote sufficient oversight and management of risk.

Remuneration

The Tesco PLC Board has overall responsibility for reviewing remuneration and related policies across the Group ensuring they are appropriate, fair and supports the Group's strategy, creating value for stakeholders. The Remuneration Committee of the Tesco PLC Board approves the Remuneration Policy for Executive Directors and senior managers, having regard to pay across the Group. The Group is committed to rewarding colleagues with a total reward package that is competitive and provides them with choice and that they really value. The Board ensure that remuneration is paid in line with Group processes and the following principles:

- Competitive: setting pay with reference to internal relativity and external market practices.
- Simple: helping all colleagues to understand how they are rewarded.
- Fair: achieving consistent outcomes through flexible and transparent policies.
- Sustainable: aligning reward to business strategy and performance.

Energy and Carbon Reporting

The GHG emissions and energy consumption of the Company are integrated within the balances of the Group and are not managed separately. The emissions of the Group, which include the Company, are discussed on page 100 of the Tesco PLC Annual Report and Financial Statements 2021, which does not form a part of this Report.

Fostering of Business Relations

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

Directors

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

M Everitt
S Kyte
J McQuarrie
R Welch
Tesco Services Limited

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

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

(continued)

Directors (continued)

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

Disclosure of information to auditor

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

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

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

Cautionary statement regarding forward-looking information

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

Modern Slavery Act

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

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021 (continued)

Directors' responsibilities statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Further information and disclosure surrounding the Board's operations and decision making is published on our Group website.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor

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

The Director report was approved by the Board of Directors on 5th November 2021 and is signed on its behalf by:



Mark Everitt
Director
One Stop Stores Limited
Registered Number: 02462858
Registered Office: Apex Road, Brownhills, Walsall, WS8 7HU, United Kingdom

ONE STOP STORES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ONE STOP STORES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of One Stop Stores Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 27 February 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 24.

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

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

ONE STOP STORES LIMITED

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ONE STOP STORES LIMITED (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the recognition of commercial income from buying arrangements with suppliers. Our specific procedures performed to address it are described below:

- obtaining an understanding of relevant controls the Company has established in relation to commercial income recognition;
- testing whether amounts recognised were accurate and recorded in the correct period, by agreeing to the contractual performance obligations in a sample of individual supplier agreements; and
- circularising a sample of suppliers to test whether the arrangements recorded were complete and accurate; where responses from suppliers were not received, we completed alternative procedures such as agreement to underlying contractual arrangements;

ONE STOP STORES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ONE STOP STORES LIMITED

(continued)

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

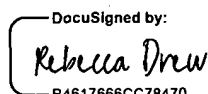
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:


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Rebecca Drew ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

5th November 2021

ONE STOP STORES LIMITED

INCOME STATEMENT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

	Note	52 weeks to 27 February 2021 £'000	53 weeks to 27 February 2020 (restated*) £'000
Revenue	3	1,153,701	1,108,257
Cost of sales		(1,017,973)	(979,309)
Gross profit		135,728	128,948
Administrative expenses, excluding exceptional costs		(122,629)	(114,505)
Exceptional charges	5	(1,401)	(2,359)
Total administrative expenses		(124,030)	(116,864)
Other operating income	6	16,545	18,208
Operating profit	5	28,243	30,292
Net loss on disposal of fixed assets		(1,261)	(605)
Net gain on disposal of right of use assets		867	1,600
Interest receivable and similar costs	19	137	-
Interest payable and similar charges	16	(3,321)	(3,673)
Profit before taxation		24,665	27,614
Income tax credit/(charge)	8	825	(566)
Profit for the financial period		25,490	27,048

*Restated for the prior year restatements as explained in Note 2.

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

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

The notes on pages 20 to 41 form an integral part of these financial statements.

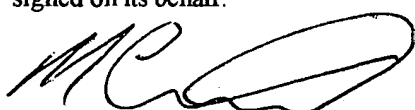
ONE STOP STORES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 27 FEBRUARY 2021

	Note	27 February 2021 £'000	29 February 2020 (restated*) £'000
Non-current assets			
Intangible fixed assets	9	114,917	115,196
Property, plant and equipment	10	62,704	68,705
Right of use assets	16	89,136	97,779
Finance lease receivables	16	8,347	-
Investments	11	5,466	5,466
Deferred tax asset	12	4,340	3,514
		284,910	290,660
Current assets			
Inventories	13	72,939	60,566
Trade and other receivables	14	80,305	166,118
Finance lease receivables	16	1,395	-
Cash and cash equivalents		65,153	56,848
		219,792	283,532
Current liabilities			
Trade payables	15	(119,836)	(101,265)
Amounts owed to group undertakings	15	(21,731)	(19,724)
Other tax and social security	15	(117)	(3,412)
Other payables	15	(19,632)	(17,734)
Overdraft facilities	15	(10,179)	(30,786)
Accruals and deferred income	15	(19,052)	(17,787)
Provisions for liabilities	17	(3,130)	(3,174)
Lease liabilities	16	(17,020)	(16,850)
		(210,697)	(210,732)
Net current assets		9,095	72,800
Total assets less current liabilities		294,005	363,460
Non-current provisions for liabilities	17	(5,808)	(5,770)
Lease Liabilities	16	(94,611)	(94,492)
Net assets		193,586	263,198
Equity			
Called up share capital	20	-	-
Retained earnings		193,586	263,198
Total shareholders' funds		193,586	263,198

*Restated for the prior year restatement as explained in Note 2.

The notes on pages 20 to 41 are an integral part of the financial statements. The financial statements on pages 17 to 41 were approved and authorised for issue by the board of directors on 5th November 2021 and were signed on its behalf:



Mark Everitt
Director

Registered Number: 02462858

Registered Office: Apex Road, Brownhills, Walsall, WS8 7HU, United Kingdom

ONE STOP STORES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

	Note	<i>Called up share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
		£'000	£'000	£'000
At 23 February 2019		-	250,933	250,933
Profit and total comprehensive income for financial period		-	27,048	27,048
Transactions with owners				
Share-based payment transactions	18	-	217	217
Dividends paid		-	(15,000)	(15,000)
At 29 February 2020		-	263,198	263,198
Profit and total comprehensive income for financial period		-	25,490	25,490
Transactions with owners				
Share-based payment transactions	18	-	(102)	(102)
Dividends paid		-	(95,000)	(95,000)
At 27 February 2021		-	193,586	193,586

The notes on pages 20 to 41 are an integral part of the financial statements.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS101

The financial statements of One Stop Stores Limited (the “Company”) for the period ended 27 February 2021 were approved by the board of Directors on 5th November 2021 and the Statement of Financial Position was signed on the board’s behalf by Mark Everitt. The Company is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The registered office and principal place of business for the Company is Apex Road, Brownhills, Walsall, West Midlands, WS8 7HU. The nature of the Company’s operations and its principal activity are set out in the Strategic and Directors’ Report on page 2 to 12.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention and the Companies Act 2006.

The Company’s financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£’000) except where otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of Tesco PLC, a Company incorporated and domiciled in England and Wales.

The consolidated financial statements of Tesco PLC are available from Tesco House, Shire Park, Welwyn Garden City, AL7 1GA.

The principal accounting policies adopted by the Company are set out in Note 2. These policies have been consistently applied to all periods presented unless otherwise stated.

2 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework” issued by the Financial Reporting Council.

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

There are no amendments to the accounting standards in the period that would have a material impact on the financial statements.

The Company is a qualifying entity for the purposes of FRS 101. Note 23 gives details of the Company’s parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

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

- the requirements of paragraph 40A of IAS 1 Presentation of Financial Statements;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
- The requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with Customers;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

2 ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of
 - (i) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (ii) paragraph 118(e) of IAS 38 Intangible Assets.

Prior year restatement

The financial statements include a prior year restatement in relation to commission on lottery sales. This restatement better aligns the Company with the accounting of the wider Tesco Group. The Company has corrected prior year comparatives by netting lottery sales with lottery cost of sales that had previously been recognised gross in revenue and cost of sales, respectively. The net balance is recognised as commission in other operating income. The impact on the income statement for the 53 weeks ended 29 February 2020 is a decrease in revenue of £67.0m, a decrease in cost of sales of £59.6m and an increase in other operating income of £7.4m. All lottery income in the current year has been recognised net of costs in other operating income (see Note 6). The impact on operating profit and profit before and after tax is nil.

The financial statements also include a prior year restatement in relation to notional cash pooling arrangements where the intention to net settle cannot be clearly demonstrated. The Company has corrected prior year comparatives by grossing up cash and overdraft balances that had previously been offset on the balance sheet. The impact on the 29 February 2020 balance sheet is an increase in both cash and overdraft balances of £30.8m. As at 27 February 2021, the Company's notional cash pooling arrangements were physically settled where possible. All overdrafts are considered an integral part of the Company's cash management process and are not utilised for financing arrangements. There is no impact on the comparative period income statement, net debt or total indebtedness.

Going concern

The Company made a profit after tax for the 52 week period ended 27 February 2021 of £25.5m compared to £27.0m in the prior period (53 week period). As at 27 February 2021, the Company has net current assets of £9.1m (2020: £72.8m) and net assets of £193.6m (2020: £263.2m). The Company is cash generative and has generated cash from operations in the period of £66.8m (2020: £55.1m) ending the period with a net cash balance of £55.0m (2020: £26.1m) after paying a dividend of £95.0m to its shareholders (2020: £15.0m). The Company has no net external debt and is funded via intra-group borrowing if required. At the period end, the Company was in a net intercompany debtor position. The Directors have considered the forecast financial performance and cash flow of the Company in making their going concern assessment. As explained in the Strategic Report, as an essential grocery retailer, the Company has continued to operate during the coronavirus pandemic. The Directors consider that the Company has adequate resources, taking into account COVID 19, to remain in operation for a period of at least 12 months from the date of signing and have therefore continued to adopt the going concern basis in preparing the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

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

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

2 ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Estimates

The following key sources of estimation uncertainty have had the most significant effect on amounts recognised in the financial statements:

Impairment

At each Balance Sheet date, the Company reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of an impairment loss (if any).

Recoverable amount is the higher of net realisable value and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying value of goodwill. Any remaining impairment loss is charged to other assets in the cash generating unit.

For the purposes of impairment reviews, the Directors are required to identify the smallest group of assets which generate an independent revenue source. The Directors have determined that the individual stores are the smallest group of assets which generate an independent revenue source. Impairment reviews are, therefore, performed on this basis. Determining whether cash generating units have been impaired requires an estimation of the net realisable value and/or value in use of cash generating units. Information around sensitivity analysis is disclosed in Note 9 and Note 10.

This is based on the Directors' knowledge and expertise of the particular location from which the cash generating unit operates. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value.

Commercial income

Consistent with standard industry practice, the Company has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers. Most of the income received from suppliers relates to adjustments to a core cost price of a product, and as such is considered part of the purchase price for that product. Sometimes receipt of the income is conditional on the Company performing specified actions or satisfying certain performance conditions associated with the purchase of the product. These include achieving agreed purchases or sales volume targets and providing promotional or marketing materials and activities or promotional product positioning. While there is no standard industry definition, these amounts receivable from suppliers in connection with the purchase of goods for resale are generally termed commercial income.

Commercial income is recognised when earned by the Company, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract. The income is recognised as a credit within cost of sales. Where the income earned relates to inventories which are held by the Company at the reporting date, the income is included within the cost of those inventories, and recognised in cost of sales upon sale of those inventories. Amounts due relating to commercial income are recognised within trade and other receivables, except in cases where the Company currently has a legally enforceable right of set-off and intends to offset amounts due from suppliers against amounts owed to those suppliers, in which case only the net amount receivable or payable is recognised. Accrued commercial income is recognised within accrued income when commercial income earned has not been invoiced at the reporting date.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

2 ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Judgements

Critical judgements, apart from those involving estimations, that are applied in the preparation of the financial statements are discussed below:

Leases

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Break and extension options are included to provide operational flexibility should the economic outlook for an asset be different to expectations, and hence at commencement of the lease, break or extension options are not typically considered reasonably certain to be exercised, unless there is a valid business reason otherwise.

The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Management uses the rate implicit in the lease where the lessor is a related party (such as leases from joint ventures) and the lessee's incremental borrowing rate for all other leases. Incremental borrowing rates are determined monthly and depend on the term, country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk free rate based on government bond rates; a country specific risk adjustment; a credit risk adjustment based on Tesco bond yields; and an entity specific adjustment where the entity risk profile is different to that of the Group.

Refer to Note 16 for additional disclosures relating to leases.

Significant accounting policies

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

- Freehold property – at 2.5% of cost
- Improvements to leasehold property are depreciated by equal annual instalments over 10 years
- Fixtures and fittings – at rates varying from 10% to 33%
- Freehold land is not depreciated

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

Intangible assets

Separately acquired intangible assets, such as software are measured initially at cost. Intangible assets with finite useful lives are carried at cost and are amortised on a straight-line basis over their estimated useful lives, at 20% of cost per annum.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to the cash-generating units expected to benefit from the business combination's synergies and to the lowest level at which management monitors the goodwill. Goodwill is not amortised but tested annually for impairment.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

2 ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued) **Significant accounting policies (continued)**

Cash at bank and in hand

Cash at bank and in hand in the Balance Sheet comprises of cash at bank; store floats and safes; and petty cash.

Overdraft facilities

Overdraft facilities in the Balance Sheet consists of overdraft balances which are repayable on demand, form an integral part of the Company's cash management process and are not utilised for financing arrangements.

Income taxes

Current tax, including United Kingdom (UK) corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Profit and Loss Account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Company will be required to settle that tax. Measurement is dependent on subjective judgements as to the outcome of decisions by tax authorities in the various tax jurisdictions in which the Company operates. This is assessed on a case by case basis using in-house tax experts, professional firms and previous experience.

Group relief on taxation

The Company may receive or surrender group relief from Group companies without payment and consequently there may be no tax charge in the Profit and Loss Account.

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the Income Statement. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Current tax and deferred tax for the period

Current and deferred tax are recognised in the Profit and Loss Account, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Inventories

Inventories comprise goods held for sale. Inventories are valued at the lower of cost and fair value less costs to sell using the weighted average cost basis. Directly attributable costs and incomes are included in the cost of inventories and are stated at the lower of cost and net realisable value.

Costs includes all cost incurred in bringing each product to its present location and condition, as follows:

Raw materials and consumables – are valued on a weighted average cost basis less any rebate income receivable.

Net realisable value is based on the estimated selling price less additional costs of disposal.

Financial instruments

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

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

2 ACCOUNTING POLICIES (continued) *Significant accounting policies (continued)*

Financial assets

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

Financial liabilities and equity

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

Impairment of Financial Assets

For trade and other receivables, contract assets and lease receivables, the Company applies the simplified approach permitted by IFRS9, with lifetime expected credit losses (ECLs) recognised from initial recognition of the receivable. These assets are grouped, based on shared credit risk characteristics and days past due, with ECLs for each grouping determined, based on the Company's historical credit loss experience, adjusted for factors specific to each receivable, general economic conditions and expected changes in forecast conditions.

Revenue

Revenue represents net billed sale of goods excluding value added tax. Revenue is recognised when performance obligations are satisfied and control has transferred to the customer. For all revenue streams, there is a low level of judgement applied in determining the transaction price and timing of transfer of control.

All revenue was generated wholly and exclusively in the United Kingdom. Revenue by origin and destination are not materially different.

For goods sold in store, revenue is recognised at the point of sale. Franchise revenue is recognised on collection by, or delivery to, the franchisee. Revenue is reduced by a provision for expected returns (refund liability). An asset and corresponding adjustment to cost of sales is recognised for the Company's right to recover goods from the customers.

Other operating income

Other operating income constitutes commission and sundry income which are ancillary to the Company's usual operations. Income is recognised as commission when, under IFRS 15, the Company meets the criteria as an agent. In such circumstances, income is recognised net of any relevant costs in other operating income.

Impairment of non-financial assets

Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. The recoverable amount is the higher of fair value less costs to sell and value in use. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Any impairment is recognised immediately in the Profit and Loss account and is not subsequently reversed.

For all other non-financial assets (including intangible assets and tangible fixed assets) the Company performs impairment testing where there are indicators of impairment.

If such an indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of value in use and fair value less costs of disposal. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Profit and Loss account.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately as a credit to the Profit and Loss account.

Provisions for liabilities

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Provisions for onerous contracts are recognised when the Company believes that the unavoidable costs of meeting or exiting the contractual obligations exceed the economic benefits expected to be received under the contract.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in administrative expenses.

Property provision- Dilapidations

Property provisions also include dilapidations provisions which are recognised based upon an estimation of the number of properties we anticipate to expire in the next financial year. This is based upon the lease expiry dates and number of dilapidations we have received during the period.

Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment. All investments are assessed for impairment on an annual basis, or when an indicator of impairment arises, as required by IAS 36.

Pension and Post-employment benefit obligations

The Company participates in defined benefit pension schemes and cannot identify its share of the underlying assets and liabilities of the schemes. Therefore, in accordance with IAS 19, the entire net defined benefit deficit relating to the schemes are recognised by Tesco Stores Limited, as per Group policy. There is no contractual agreement or agreed policy for recharges.

The Company also participates in a defined contribution scheme open to all UK employees. Payments to this scheme are recognised as an expense as they fall due.

Operating segments

The Company has two separate operations; the sale of goods through stores maintained and operated by the Company and a Franchise portfolio of stores which provide wholesale and distribution income. These two operations are defined separately within the Company's internal reporting and are monitored separately.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Share-based payments

The Company has taken advantage of the FRS 101 exemption regarding IFRS 2 'Share Based Payments'.

The fair value of employee share option plans is calculated at the grant date using the Black-Scholes model. The resulting cost is charged to the income statement over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Leases

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

Company as a lessee

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

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

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

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

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

Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Where the Company is an intermediate lessor, the sub lease classification is assessed with reference to the head lease right of use asset. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment in the lease. Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

3 REVENUE

Revenue of £1,153.7m (2020: £1,108.3m) recognised in the income statement relates to the sale of goods and the provision of services.

The Company operates in two principal areas of activity; the sale of goods within stores maintained and operated by the Company and sales to Franchisees.

Revenue by area of activity

	52 weeks to 27 Feb 2021 £'000	53 weeks to 29 Feb 2020 (restated*) £'000
One Stop Convenience Retail	1,008,107	996,007
One Stop Franchise	145,594	112,250
	1,153,701	1,108,257

Revenue by geographical area

Revenue of £1,153.7m (2020 restated: £1,108.3m) recognised in the income statement is all generated within the United Kingdom.

* Restated for the prior year restatements as explained in Note 2.

4 SEGMENTAL REPORTING

The Company's reporting segments are determined based on the internal reporting to the Chief Operating Decision Maker ('CODM').

The CODM considers the principal activities of the Company to be:

- Retailing and associated activities to the public
- Wholesaling and associated services to Franchisee

The reconciliation of the segment measures to the respective statutory items included in the income statement, the segment assets and other segment information are as follows:

	52 weeks to 27 Feb 2021		53 weeks to 29 Feb 2020 (restated*)	
	Retail £'000	Franchise £'000	Retail £'000	Franchise £'000
Revenue	1,008,107	145,594	996,007	112,250
Operating profit	24,851	3,392	27,365	2,927
Total non-current assets	283,663	1,247	289,393	1,267
Net assets	189,882	3,704	262,886	312

* Restated for the prior year restatements as explained in Note 2.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

5 OPERATING PROFIT

This is stated after charging/(crediting):

	52 weeks to 27 Feb 2021 £'000	53 weeks to 29 Feb 2020 £'000
Expenses relating to properties generating rental income	115	133
Rental income (included in administration expenses)	(2,545)	(1,572)
Depreciation of property, plant and equipment (Note 10)	16,370	16,845
Depreciation of right of use assets (Note 16)	16,661	17,836
Exceptional Items (included in exceptional administration costs):		
- Supply chain integration costs	-	4,554
- Exceptional movement in ROU Impairment (Note 16)	1,019	(2,527)
- Exceptional movement in PPE Impairment (Note 10)	382	(27)
- Litigation and Claims	-	359
Amortisation of Intangible assets (included in administration expenses):		
- Amortisation of development (Note 9)	93	107
Auditor's remuneration:		
- Audit of these financial statements	191	157
- Other non-audit services	-	-
Cost of inventory recognised as an expense (included in cost of sales)	856,826	877,393
- write-down of stocks to net realisable value included in cost of sales	4,153	4,594

6 OTHER OPERATING INCOME

Other income comprises:

	52 weeks to 27 Feb 2021 £'000	53 weeks to 29 Feb 2020 (restated*) £'000
Lottery Commission	6,980	7,429
Commission on parcel services	5,319	4,959
Other commission	2,649	3,072
Sundry income	1,597	2,748
	16,545	18,208

* Restated for the prior year restatements as explained in Note 2.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

7 STAFF COSTS AND DIRECTORS' REMUNERATION

(a) Staff costs (including directors)

	52 weeks to 27 Feb 2021 £'000	53 weeks to 29 Feb 2021 £'000
Wages and salaries	151,905	146,407
Social security costs	8,141	8,237
Other pension costs (Note 21)	3,808	3,791
Share based payments (Note 18)	(66)	217
	163,788	158,652

Included in other pension costs are £3,808k (2020: £3,791k) in respect of defined contribution schemes and £nil (2020: £nil) in respect of the defined benefit scheme.

The average monthly number of employees during the period was made up as follows (including directors):

	Average FTE	
	52 weeks to 27 Feb 2021 No.	53 weeks to 29 Feb 2020 No.
Head office	353	355
Retail	5,369	5,746
Distribution	792	785
	6,514	6,886

(b) Directors' remuneration

	52 weeks to 27 Feb 2021 £'000	53 weeks to 29 Feb 2020 £'000
Directors' remuneration	1,381	1,576
<i>Included in Director's remuneration:</i>		
Amounts receivable under long term incentive plans	468	461
Compensation for loss of office	-	-
Number of directors accruing benefits under:		
Defined benefit schemes	-	-
Number of directors who received shares in respect of qualifying services	4	4
Number of directors who exercised share options	-	-

£975k of the directors' costs are borne by Tesco (2020: £1,006k)

	52 weeks to 27 Feb 2021 £'000	53 weeks to 29 Feb 2020 £'000
In respect of the highest paid director:		
Aggregate remuneration	942	1,056
Including accrued pension at the end of the period	41	39

The highest paid director received shares under the Tesco Group long term incentive scheme.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

8 TAXATION

Tax charged in the income statement

	52 weeks to 27 Feb 2021 £'000	53 weeks to 29 Feb 2020 £'000
Current income tax:		
UK corporation tax on profit for financial period	-	-
Adjustments in respect of prior years	-	-
Total current income tax (credit)/charge	-	-
Deferred tax:		
Origination and reversal of temporary differences	(203)	259
Adjustments in respect of previous period	(187)	334
Effect of change in tax laws and rates	(435)	(27)
Total deferred tax (credit)/charge	(825)	566
Total income tax (credit)/charge in the profit and loss account	(825)	566

Reconciliation of the effective tax charge

The tax assessed for the period is lower (2020: lower) than the rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	52 weeks to 27 Feb 2021 £'000	53 weeks to 29 Feb 2020 £'000
Profit before income tax	24,665	27,614
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19.0%)	4,686	5,247
Expenses not deductible for tax purposes	1,080	1,091
Group relief received without payment	(5,969)	(6,079)
Tax (overprovided)/underprovided in previous periods	(187)	334
Change in tax laws and rate	(435)	(27)
Total tax (credit)/charge reported in the income statement and statement of total comprehensive income	(825)	566

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

9 INTANGIBLE ASSETS

	Software Development £'000	Goodwill £'000	Total costs £'000
<i>Cost:</i>			
At 29 February 2020	1,898	217,325	219,223
Additions	20	-	20
Disposals	(224)	-	(224)
At 27 February 2021	1,694	217,325	219,019
<i>Accumulated depreciation and impairment:</i>			
At 29 February 2020	371	103,656	104,027
Amortisation during the period	93	-	93
Disposals	(18)	-	(18)
At 27 February 2021	446	103,656	104,102
<i>Net book value:</i>			
At 27 February 2021	1,248	113,669	114,917
At 29 February 2020	1,527	113,669	115,196

Impairment

As a qualifying entity under FRS 101, goodwill is not amortised in accordance with IFRS 3 Business Combinations. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to the Regulations, which requires acquired goodwill to be written off over its useful economic life. A true and fair view override has been applied in order to comply with the requirements of IFRS 3. Accordingly, as set out in note 2, goodwill is assessed for impairment annually. No impairment has been recognised in the current year (2020: £nil).

Goodwill acquired in a business combination is allocated to groups of cash-generating units according to the level at which management monitor that goodwill. Impairment reviews are performed by comparing the carrying value of goodwill with the total recoverable amount of the cash generating units. Recoverable amounts for cash-generating units are based on the higher of value in use and fair value less costs of disposal.

Value in use is generally calculated from cash flow projections for five years using data from the Company's latest internal forecast, the results of which are reviewed by the Board. The forecasts are extrapolated beyond five years with a growth rate of 2% applied (2020: 2%). The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. Management estimates discount rates using the post-tax rate 4.3% (2020: 6.6%) that reflect the current market assessment of the time value of money and the risks specific to the cash-generating units. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

During the 52 weeks ended 27 February 2021, no impairment of goodwill has been charged to the income statement (2020: nil). The impairment review for the trading business showed headroom of £1,732.5m (2020: £981.5m), and therefore there were no indicators of impairment for the underlying trading business.

The Company has carried out a sensitivity analysis on the impairment tests of each group of cash-generating units to which goodwill has been allocated, using various reasonably possible scenarios based on recent market movements. Neither a one percentage point increase in discount rates nor a one percentage point decrease in year one sales growth would indicate impairment in any group of cash-generating units.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

10 PROPERTY, PLANT AND EQUIPMENT

	Freehold Property £'000	Improvements to Leasehold Property £'000	Fixtures and Fittings £'000	Total £'000
<i>Cost:</i>				
At 29 February 2020	10,888	15,564	201,979	228,431
Additions	-	-	12,351	12,351
Disposals	(1)	(15)	(7,169)	(7,185)
At 27 February 2021	10,887	15,549	207,161	233,597
<i>Accumulated depreciation and impairment:</i>				
At 29 February 2020	6,600	12,989	140,137	159,726
Provided during the period	127	407	15,836	16,370
Impairment charge	-	-	770	770
Disposals	(1)	(12)	(5,960)	(5,973)
At 27 February 2021	6,726	13,384	150,783	170,893
<i>Net Book value:</i>				
At 27 February 2021	4,161	2,165	56,378	62,704
At 29 February 2020	4,288	2,575	61,842	68,705

Impairment

The Company has determined that for the purposes of impairment testing, each store is a cash-generating unit. Cash-generating units are tested for impairment if there are indications of impairment at the balance sheet date. The recoverable amount of each store cash-generating unit is the higher of its value in use and its fair value less costs of disposal. Head office and central assets such as distribution centres and associated costs are allocated to store cash-generating units based on level of use, estimated with reference to sales.

Estimates for value in use calculations include discount rates, long-term growth rates, expected changes to future cash flows, including volumes and prices, and the probabilities assigned to cash flow scenarios. Estimates are based on past experience and expectations of future changes in the market, including the prevailing economic climate and global economy, competitor activity, market dynamics, changing customer behaviours, structural challenges facing retail and the resilience afforded by the wider Group's operational scale.

Cash flow projections are based on the Company's three-year internal forecasts, the results of which are reviewed by the Board. The forecasts are extrapolated beyond three years based on estimated long-term average growth rates. Long-term growth rates for the Retail business are based on inflation forecasts by recognised bodies. In the current year, the Company applies an expected cash flow approach by probability-weighting different cash flow scenarios. The greatest probability weighting is applied to the cash flows derived from the three-year internal forecasts. Additional scenarios take account of the risks presented by COVID-19 in addition to a macroeconomic downturn.

Management estimates discount rates using pre-tax rates that reflect the market assessment as at the balance sheet date of the time value of money and the risks specific to the cash-generating units. The pre-tax discount rates are derived from the Company's post-tax weighted average cost of capital (WACC), as adjusted for the specific risks relating to each geographical region. Risk-free rates are based on UK government bond rates and equity risk premia are based on forecasts by recognised bodies. In the current year the risks associated with Brexit and COVID-19 are reflected in the probability-weighted cash flow scenarios, and hence the discount rate is no longer adjusted for these risks.

The post-tax WACC used to calculate value in use is 4.7% (2020: 6.6%). This discount rate is derived from the Tesco Group's post-tax weighted average cost of capital, adjusted for the specific risks relating to the Company.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

10 PROPERTY, PLANT AND EQUIPMENT (continued)

At the period-end we conducted a review of the carrying value of our stores in line with Tesco Group policy. The result of this review was a property, plant and equipment impairment charge of £770k (2020: charge of £275k) which included an exceptional one-off charge of £382k (2020: release of £27k) and a non-exceptional charge of £388k (2020: charge of £302k) recognised in the income statement.

The recoverable amount of Property, Plant and Equipment does not differ materially from the carrying amount disclosed above.

The Company has carried out sensitivity analyses on the above impairment tests, using various reasonably possible scenarios based on recent market movements. Neither a one percentage point increase in discount rates nor a one percentage point decrease in year one sales growth would indicate a material impairment difference.

11 INVESTMENTS – NON - CURRENT

	Investments in subsidiary undertakings £'000
<i>Cost and carrying value:</i>	
At 29 February 2020	5,466
Additions	-
Disposals	-
At 27 February 2021	5,466

In the prior year, the Company purchased One Stop Convenience Stores Limited from M & W Limited for consideration of £5,466,000.

The Company's carrying value of remaining investments totalled £5,446,000 as at 27 February 2021 (2020: £5,466,000). The Directors believe that the carrying value of investments is supported by their underlying net assets.

All subsidiary companies are incorporated in England and Wales.

<i>Name of Company</i>	<i>Registered Address</i>	<i>Proportion of voting rights and Ordinary nominal shares held</i>	<i>Nature of business</i>	<i>Share class</i>
<i>Subsidiary undertakings:</i>				
One Stop Stores Trustee Services Limited	Apex Road, Brownhills, Walsall, West Midlands, United Kingdom, WS8 7TS	100% (Direct)	Dormant Company	Ordinary
One Stop Convenience Stores Limited	Apex Road, Brownhills, Walsall, West Midlands, United Kingdom, WS8 7HU	100% (Direct)	Dormant Company	Ordinary

At the prior period end, Linebush Limited, Linebush IV Limited and Linebush V Limited were in liquidation. They were subsequently dissolved on 29 April 2020. In addition, Snowman Retail 1 Limited and Morgam News Limited were in liquidation at the prior period end and were subsequently dissolved on 26 May 2020 and 22 October 2020, respectively.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

12 DEFERRED TAX

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior reporting period. There are no unrecognised deferred tax assets.

	Capital allowances and short term timing differences £'000	Total £'000
At 29 February 2020	3,514	3,514
Origination and reversal of temporary differences	203	203
Adjustments in respect of previous period	187	187
Effect of change in tax laws and rates	435	435
At 27 February 2021	4,340	4,340

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021 £'000	2020 £'000
Deferred tax assets	4,340	3,514

At the period end the deferred tax asset amounted to £4,340k (2020: deferred tax asset £3,514k) which is attributable to capital allowances and short term timing differences.

Factors that may affect future current and total tax charges

Under IAS 12 deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

At the Budget 2021 on 3 March 2021, the Government announced that the Corporation Tax rate will increase to 25% for companies with profits above £250,000 with effect from 1 April 2023, as well as announcing a number of other changes to capital allowances and treatment of losses. These changes were not substantively enacted or enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. Deferred tax balances are, instead, measured at 19% being the effective future rate as at 27 February 2021. The Company has assessed the impact of the change in rate on its deferred tax assets and liabilities and the impact would be to increase the deferred tax assets at the balance sheet date by £1.07m.

13 INVENTORIES

	2021 £'000	2020 £'000
Goods for resale	72,939	60,566

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

14 TRADE AND OTHER RECEIVABLES

	2021 £'000	2020 £'000
Trade receivables	33,042	34,107
Amounts owed by group undertakings	41,598	125,793
Prepayments and accrued income	5,663	5,890
Other receivables	2	328
	80,305	166,118

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

Amounts owed by Group undertakings are either interest-bearing balances of £40m or non-interest-bearing balances of £1.6m. Those balances which are interest-bearing do so at 0.618%. The Company had interest-bearing amounts owed by Group undertakings of nil in the prior year.

Prepayments and accrued income consists largely of prepayments and the level of accrued income is immaterial.

15 CURRENT LIABILITIES

Trade creditors are non-interest bearing, unsecured and are normally settled in line with Group policy. Other creditors are non-interest bearing, unsecured and have an average term of six months.

Of the amounts owed to Group undertakings, all amounts are unsecured, interest free and have no fixed repayment date.

Accruals and deferred income consists largely of accruals and the level of deferred income is immaterial.

All amounts owed under overdraft facilities form part of a cash pooling arrangement and are, therefore, unsecured, interest free and repayable on demand.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

16 LEASES

Lease liabilities represent rentals payable by the Company for certain of its retail, distribution and office properties and other assets such as motor vehicles. The leases have varying terms, purchase options, escalation clauses and renewal rights. Purchase options and renewal rights, where they occur, are at market value. Escalation clauses are in line with market practices and include inflation linked, fixed rates, resets to market rents and hybrids of these.

Right of use assets

	Land and Buildings £'000	Plant and Equipment, Fixtures and Fittings and Motor Vehicles £'000	Total £'000
At 27 February 2021 and for the 52 weeks ended 27 February 2021			
Carrying amount	93,732	4,047	97,779
Additions and modifications	17,348	3,409	20,757
Depreciation	(14,351)	(2,311)	(16,662)
Disposals	(11,996)	10	(11,986)
Impairment (charge)/reversal	(504)	(515)	(1,019)
Impairment reversal on disposal	258	9	267
Net carrying value	84,487	4,649	89,136

	Land and Buildings £'000	Plant and Equipment, Fixtures and Fittings and Motor Vehicles £'000	Total £'000
At 29 February 2020 and for the 53 weeks ended 29 February 2020			
Carrying amount	94,129	2,349	96,478
Additions and modifications	12,825	4,343	17,168
Depreciation	(15,287)	(2,549)	(17,836)
Disposals	(1,811)	(14)	(1,825)
Impairment (charge)/reversal	2,642	(115)	2,527
Impairment reversal on disposal	1,234	33	1,267
Net carrying value	93,732	4,047	97,779

Impairment

Impairment of right of use assets is consistent with the impairment of tangible fixed assets described in Note 10.

At the period-end we conducted a review of the carrying value of our stores in line with Tesco Group policy. The result of this review was a right of use impairment charge of £752k (2020: reversal of £3,794k) which included an exceptional one-off charge of £1,019k (2020: reversal of £2,527k) and a non-exceptional reversal of £267k (2020: reversal of £1,267k) recognised in the income statement.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

16 LEASES (continued)

Liabilities

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

	2021 £'000	2020 £'000
Lease liabilities		
Current	17,020	16,850
Non-current	94,611	94,492
Total lease liabilities	111,631	111,342

	2021 £'000	2020 £'000
Maturity analysis – contractual undiscounted lease payments		
Within one year	20,057	20,085
Greater than one year but less than five years	58,782	58,260
After five years	47,713	50,252
Total undiscounted lease payments	126,552	128,597

	52 weeks ended 27 February 2021 £'000	53 weeks ended 29 February 2020 £'000
Amounts recognised in the Profit and Loss Account		
Interest on lease liabilities	(3,321)	(3,673)
Depreciation charged on right of use assets	(16,661)	(17,836)

Future possible cash outflows not included in the lease liability

Some leases contain break clauses or extension options to provide operational flexibility. Potential future lease payments (undiscounted) not included in the reasonably certain lease term and hence not included in lease liabilities total £6,996k (2020: £7,231k).

The Company is committed to payments (undiscounted) totalling £nil (2020: £nil) in relation to leases that have been signed but have not yet commenced.

Company as lessor

	2021 £'000	2020 £'000
Lease receivables		
Current	1,395	-
Non-current	8,347	-
Total lease receivables	9,742	-

	52 weeks ended 27 February 2021 £'000	53 weeks ended 29 February 2020 £'000
Amounts recognised in the Profit and Loss Account		
Sublease interest income	125	-

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

16 LEASES (continued)

Company as lessor (continued)

	2021	2020
	£'000	£'000
Undiscounted finance lease payments to be received		
Within one year	1,414	-
Greater than one year but less than five years	5,173	-
After five years	5,832	-
Total undiscounted lease payments receivable	12,419	-
Unearned finance income	(2,677)	-
Net finance lease receivable	9,742	-

In the period, the Company signed a sublease arrangement with another company in the group, Tesco Stores Limited, in respect of the leases relating to the stores transferred in the prior year. This agreement was made in December 2021. All relevant right-of-use assets held by the Company on this date were derecognised with a receivable recognised in respect of future receivables less unearned finance income.

17 PROVISIONS FOR LIABILITIES

	Property Provisions	Other Provisions	Total
	£'000	£'000	£'000
At 29 February 2020	(8,135)	(809)	(8,944)
Analysed as:			
Current	(2,800)	(374)	(3,174)
Non-current	(5,335)	(435)	(5,770)
Amount provided during the period	(1,751)	(8)	(1,759)
Amount released in the period	490	10	500
Utilised	934	331	1,265
At 27 February 2021	(8,462)	(476)	(8,938)
Analysed as:			
Current	(2,778)	(352)	(3,130)
Non-current	(5,684)	(124)	(5,808)

Property Provisions: - Dilapidations

Dilapidations provisions are recognised based upon an estimation of the number of properties we anticipate to expire in the next financial year. This is based upon the lease expiry dates and the number of dilapidations we have received during the period.

The dilapidations provision outstanding at the period end was £8,462k (2020: £8,135k). The dilapidations provision is utilised at the end of the lease term.

Onerous Contract provisions

The remaining provision of £476k (2020: 809k) relates to ongoing maintenance contracts that are no longer required and onerous technology contracts. This charge is expected to be utilised by July 2022.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

18 SHARE-BASED PAYMENTS

The Income Statement release for the year in respect of share-based payments is £66k (2020: £217k charge) which represents ongoing costs less a true up of prior and current year schemes reflecting updated performance expectations. Of this amount £(77)k (2020: £217k) comprises equity settled schemes and £11k (2020: nil) comprises National Insurance contributions. In the year, the Company paid £36k (2020: £nil) to Tesco PLC in respect of share-based payment charges for previous years. These amounts have been released from the share-based payments reserve in retained earnings.

Selected executives participate in the Performance Share Plan (2011). Awards made under this plan will normally vest on the vesting date(s) set on the date of the award for nil consideration. Vesting will normally be conditional on the achievement of specified performance targets over a three-year performance period and/or continuous employment.

The fair value of shares awarded under these schemes is their market value on the date of award. Expected dividends are not incorporated into the fair value.

The number and weighted average fair value (WAFV) of share bonuses awarded during the financial period were:

	2021	2021	2020	2020
	Shares	£	Shares	£
Performance Share Plan	34,394	221.50	74,648	231.44

19 INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	£'000	£'000
Interest receivable on finance subleases	125	-
Interest receivable on loans to Group undertakings	12	-
	137	-

20 CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	2021	2020
	£'000	£'000
	£	£
100 Ordinary shares of £1 each (2020: 100)	-	-
	-	-

21 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The cost of contributions to the defined contribution scheme amounts to £3,808k (2020: £3,791k) and the creditor at 27 February 2021 was £228k (2020: £242k).

22 OTHER RELATED PARTY TRANSACTIONS

Transactions with other wholly-owned subsidiary companies within the Group are not disclosed as the Company has taken advantage of the exemption under paragraph 8(k) of FRS 101.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 27 FEBRUARY 2021 (continued)

23 ULTIMATE GROUP UNDERTAKING

The Company's immediate parent undertaking is Tesco PLC (95%) and Spen Hill Properties (Holdings) plc (5%).

The Company's ultimate parent undertaking and controlling party is Tesco PLC, and is the smallest and largest group of undertakings which consolidates these financial statements at 27 February 2021. The Company is included within the consolidated Tesco PLC Annual Report and Financial Statements which can be obtained from the Company Secretary at its registered office: Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, Hertfordshire, AL7 1GA.

24 EVENTS AFTER THE REPORTING PERIOD

There were no post balance sheet events between the balance sheet date and the date of signing this report.