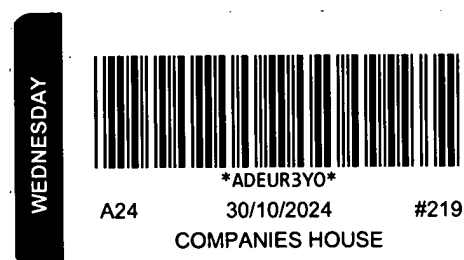


ONE STOP STORES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024
REGISTERED COMPANY NUMBER: 02462858



ONE STOP STORES LIMITED

CONTENTS

Company Information	3
Strategic Report	4
Directors' Report	9
Statement of Directors' Responsibilities	13
Independent Auditor's report to the members of One Stop Stores Limited	15
Income Statement	19
Statement of Financial Position	20
Statement of Changes in Equity	21
Notes to the Financial Statements	22

ONE STOP STORES LIMITED

COMPANY INFORMATION

Directors

M E Everitt
R J Welch
S Wood
R Chard
Tesco Services Limited

Company secretary

Tesco Secretaries Limited.

Registered company number

02462858

Registered office

Apex Road,
Brownhills, Walsall
West Midlands, WS8 7HU,
United Kingdom

Independent auditor

Deloitte LLP
4th Floor, Abbots House,
189 Abbey Street,
Reading,
RG1 3BD,
United Kingdom

ONE STOP STORES LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

The Directors present their Strategic Report of One Stop Stores Limited (the “Company”) for the 52 weeks ended 24 February 2024 (prior period 52 weeks ended 25 February 2023 (“2023”)).

Business review and principal activity

The principal activity of the Company is the operation of a network of 733 (2023: 712) convenience stores (as at 24 February 2024) and sales to 317 (2023: 291) independently operated Franchise stores across the United Kingdom.

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.

The Company achieved total revenue of £1,297.6m (2023: £1,171.3m), a growth of 10.8% (2023: 4.0%). Gross profit was £153.1m (2023: £132.0m) Operating profit was £21.4m (2023: £17.3m), after adjusting items charges of £10.9m (2023: £10.2m) relating to impairment and restructuring costs.

The One Stop Franchise business segment achieved an operating profit of £3.6m (2023: £3.5m). 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.

The Company continued its pledge to serving the local community and hence donated £0.6m (2023: £0.4m) to charities during the period and invested £0.1m on hampers (2023: £0.1m) for our most vulnerable customers in April 2023 and December 2023. Through our partnership with FareShare and local foodbanks our generous customers and colleagues enabled us to donate 1,054,524 (2023: 772,016) equivalent foodbank meals. As well as volunteered 42,811 hours (2023: 26,516) of colleagues’ time in our communities.

Results and dividends

The results for the 52 weeks ended 24 February 2024 reflect a pre-tax profit of £22.1m (2023: £15.4m) and an after-tax profit of £19.1m (2023: £13.9m).

A net impairment charge of £9.1m has been recognised in respect of tangible assets of £2.4m (2023: £5.1m) and right of use assets of £6.7m (2023: £5.1m). Further details of the adjusted items movements are disclosed in Note 12 and 13 respectively. Sales amounted to £1,297.6m (2023: £1,171.3m). Net assets at the end of the period were £163.6m (2023: £169.5m).

The Directors declared and paid an interim dividend during the period totalling £25.0m (2023: £30.0m). The Directors do not recommend the payment of a final dividend (2023: £nil).

Key performance indicators (KPIs)

The principal financial KPIs are like for like sales growth, operating profit and cash. Principal non-financial KPIs comprise: customers recommend us and come back time and time again; colleagues recommend us as a great place to work; and community and charity initiatives that help the local area.

The Company achieved like-for-like sales growth of 6.8% (2023: 4.4%), in line with the market (as defined by the Institute of Grocery Distribution). This compares to total sales growth of 10.8% (2023: 4.0%). Operating profit was £21.4m (2023: £17.3m), after adjusting items charges of £10.9m (2023: £10.2m). The Company is cash generative and has generated cash from operations in the period of £57.3m (2023: £69.9m) ending the period with a net cash balance of £44.7m (2023: £89.7m) after paying a dividend of £25.0m to its shareholders (2023: £30.0m) and executing an interest bearing intercompany loan to Tesco Corporate Treasury Services PLC amounting to £40.0m (2023: £nil).

The development, performance and position of the operations of the Tesco PLC Group (the “Group”), which includes the Company, is discussed on page 16 of the Tesco PLC Annual Report and Financial Statements 2024, 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.

ONE STOP STORES LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024 (continued)

Future developments

The Company's future developments form a part of the Group's long-term strategies, which are discussed on pages 2 to 47 of the Tesco PLC Annual Report and Financial Statements 2024, which does not form a part of this report.

Principal risks and uncertainties

The most significant risks facing the business include: financial performance risk; cyber security; data privacy; technology risks; supply chain risks; risks associated with the online delivery and franchise parts of the business; climate change risks; people risk; political regulatory and compliance risk; customer risk; safety risks (including health and safety as well as product safety); competition and markets risk; distribution and transport risk.

In line with the Group, the Company has an established risk management process which is reviewed on a regular basis. 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 both the Company's and the Group's Leadership management and the Group Executive Committee. Further discussion of the Group approach to principal risks and uncertainties is provided on pages 30 to 37 of the Tesco PLC Annual Report and Financial Statements 2024, which do not form a part of this report. Details on the principal financial risks faced by the Company are explained below.

Business Risk

At present, there continues to be a heightened level of geopolitical uncertainty due to wars and civil unrest, terrorism, organised crime, government restrictions, risk of potential future pandemics and the cost of living. The Company continues prioritising the safety of its colleagues and customers in the event of such incidents. The Company understands the short-term risks and impacts, and have the right teams, governance mechanisms, customer offerings and strategies in place. However, the long-term impacts remain uncertain, and the Company will continue to monitor the geopolitical landscape closely and respond accordingly. Further, the Company will also continue to assess and monitor the potential risks and impacts on the Company and its stakeholders as a whole, while taking mitigations measures to address challenges as appropriate.

Financial risk management

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

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company 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. The credit risk posed due to balances owed by the Company's Group undertakings is determined to be low.

ONE STOP STORES LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024 (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 appropriate in all the circumstances.

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 Group's Code of Business Conduct defines the standards and behaviours expected of colleagues when interacting with our stakeholders. This is a fundamental part of the Company's culture and training which supports delivery of our Values and protects the reputation of the Company.

The Company's key stakeholders are its workforce, customers, suppliers, pensioners, regulators 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 70-72 of the Tesco PLC Annual Report and Financial Statements 2024.

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 24 FEBRUARY 2024 (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	Throughout the year, the Board has continued to track the financial and business impact of the heightened level of geopolitical uncertainty with particular focus on cost of living and government restrictions. These impacts also result in an increase in operational costs for the Company as well as its suppliers. 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 can be met. Directors reviewed the business plan and progress against the plan, including sales, profit and cash generation. In addition, the Board considered their practices for paying suppliers, intragroup loan arrangements and proposed dividends. When considering dividend proposals, the Board consider a range of factors including the long-term viability of the Company; its expected cash flow, financing requirements and the ongoing need for strategic investment in the business and workforce, as well as the expectations of its stakeholders.
Operational Performance and Strategy	The Board regularly reviewed the operational performance of the Company and the Company's vision, strategy and associated business plans. The Board considered a range of factors including the availability of products, pricing, challenges within distribution, store maintenance, health and safety, its online proposition and strategy through its franchise partnerships.
Risk Management and Compliance	The Board receive quarterly risk and compliance updates. Risk registers allow Directors to review the most significant risks facing the Company. In addition, the Board reviewed risks associated with regulatory changes and health and safety matters. Compliance updates provide insight to complaints, food safety, store audits and regulatory changes. In addition, internal audit updates are provided.
Sustainability and Climate	The Board reviewed the sustainability vision and actions required to support the Group to achieve net-zero for own operations by 2035 and within the full value chain by 2050. Regular updates on progress are provided to the Board.

ONE STOP STORES LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024
(continued)

Section 172(1) Statement (continued)

Wider Stakeholder Engagement	The Board received regular updates on stakeholder engagement: colleague initiatives and surveys, customer feedback; supplier reviews; health and safety matters; franchisee matters and opportunities; adoption of modern slavery statement and regulatory updates. The Board are committed to providing an inclusive working environment and during the year have received updates on the progress of a number of diversity and inclusion initiatives, talent management, reward and benefits. Further details on colleague engagement are set out in the Directors' Report on pages 10 and 11. Through Tesco Group policies, the Company is able to support colleagues and ensure the health and safety of colleagues and customers in stores. The Board places great importance on helping the communities we serve. In support of the Group's Sustainability strategy, the Board review initiatives undertaken which support the communities we operate in.
------------------------------	---

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

Non-financial and sustainability information

The Company's non-financial and sustainability information (NFSI) disclosures form a part of the Group's NFSI disclosures, which are discussed on page 232 of the Tesco PLC Annual Report and Financial Statements 2024, which do not form a part of this Report.

Approved by the Board of Directors on 18th October 2024 and signed on its behalf by:



Mark Everitt

Director

One Stop Stores Limited

Registered Number: 02462858

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

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

The Directors present their report and the audited financial statements of the Company for the 52 weeks ended 24 February 2024 (prior period 52 weeks ended 25 February 2023).

The Company is a subsidiary of Tesco PLC. The principal activity of the Company is the operation of a network of 733 (2023: 712) convenience stores (as at 24 February 2024) and 317 (2023: 291) independently operated Franchise stores 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 4.

Future developments

This is discussed in the Strategic Report on page 5.

Going concern

The Company made a profit after tax for the 52 week period ended 24 February 2024 of £19.1m compared to £13.9m in the prior period (52 week period). As at 24 February 2024, the Company has net current liabilities of £3.4m (2023: net current assets £0.8m), this incorporates £5.5m owed to group undertakings in respect of the Companies investment in One Stop Convenience Stores Limited (see Note 14). The Company has net assets of £163.6m (2023: £169.5m). The Company is cash generative and has generated cash from operations in the period of £57.3m (2023: £69.9m) ending the period with a net cash balance of £44.7m (2023: £89.7m) after paying a dividend of £25.0m to its shareholders (2023: £30.0m). The Company has no net external debt and has access to intra-group funding if required.

The Directors have considered the forecast financial performance and cash flow of the Company in making their going concern assessment.

The Directors consider that the Company has adequate resources to remain in operation for a period of at least twelve months from the approval of the accounts and have therefore continued to adopt the going concern basis in preparing the financial statements.

Events after the Statement of Financial Position date

There were no adjusting events after the reporting period that require mention in Note 25 to the financial statements.

Political donations

There were no political donations for the period (2023: £nil) and the Company did not incur any political expenditure (2023: £nil).

Research and development

The Company capitalised £16.8k (2023: £58.4k) relating to the development of software during the period. Research and development costs expensed for the period were £nil (2023: £nil).

Charitable donations

This can be found in the Strategic Report on page 4.

Financial risk management

This is discussed in Strategic Report on page 5.

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024 (continued)

Colleague engagement

We have continued our focus on ensuring that our policies are simple, helpful and trusted, so that our colleagues are able to source the information they need quickly and easily. The introduction, development and continuing use of our new Colleague Help portal puts information quickly and easily into the hands of colleagues themselves whenever and wherever they need them, ensuring policies are better utilised, and available to all.

We continue to engage with our colleagues through our annual colleague survey providing opportunities for colleagues' views to be heard and action taken. We engage in weekly listening groups with our retail teams through our Shop Floor Feedback initiative, gaining valuable insight and feedback each week and enabling us to act quickly on feedback received. The Company regularly communicates with their employees via various channels e.g. business huddles, in regards to the financial and economic factors affecting the performance of the company.

Over the last year we have continued to review our pay and benefits policies and taken significant steps to ensure they are future fit and enable colleagues to be at their best. We have improved our family leave offerings to colleagues including increasing maternity, adoption and parental leave pay, and well as introducing new carers leave, fertility leave and neo natal leave policies to support out colleagues with time off work when they may need it most.

We have reviewed our flexible working policies to encourage and support a more flexible approach to work, enabling us to attract and retain talent who may not be able, or want, to commit to traditional working hours or working patterns.

In response to cost of living pressures, last year saw the largest investment in pay and benefits for our colleagues in recent years as well as introducing location pay supplements for our stores based in and around London in recognition of the additional cost of living challenges they face.

We increased the focus on Health & wellbeing, continuing to actively promote the resources available with Grocery Aid and WeCare and well as introducing 'Wellbeing First', which brings together a number of existing and new wellbeing tools and benefits for use by all colleagues across the business to make it easier and simpler for colleagues to access the information and support they need.

As part of our Financial Wellbeing offer, during the year we launched our first ever Save As You Earn scheme, providing colleagues with the opportunity to save directly from their pay across a 3 or 5 year period, with the ability to purchase Tesco shares at the end of the savings period. In addition, we introduced a dedicated Financial Wellbeing website providing practical tools to support colleagues in understanding and managing their finances.

We have enhanced the Health Assessment offer for our Senior Leaders, through a new service provider offering a more comprehensive health assessment to support our leaders in proactively managing their health and wellbeing.

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 continue to 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. To support this, we have launched both 'Being an Inclusive Manager' as well as 'Being Inclusive at One Stop' training as well as rolling out our 'This is Me' Survey to help us understand the diversity of our workforce. We want One Stop to be a great place to work for everybody, and that includes an ambition to create a diverse, equitable and inclusive workplace and to achieve meaningful change for colleagues where it's needed most.

Along with the Being an Inclusive Manager training we have rolled out Being Inclusive at One Stop to salaried colleagues within Distribution and the Store Support Centre (SSC).

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024 (continued)

Colleague engagement (continued)

Our continuing aim is to attract and welcome a diverse range of applicants from different backgrounds and support these colleagues in successfully advancing their career should they wish. All of our applicants and colleagues are 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 the Company. This includes colleagues who may become disabled during their employment where every endeavour will be made to retain colleagues through workplace adjustments. We are proud to have recently achieved Level 2 status for being a Disability Confident employer in May 2024 and are now actively working on achieving our ambition to become Level 3 by end of 2025.

We offer a range of colleague networks which we have continued to develop and grow. They continue to help to promote and support a culture of diversity and inclusivity, including: Women at One Stop; Race and Ethnicity and Families and Carers, Armed Forces, LGBTQ+ and Disability Networks. Members of these Networks work together to engage with colleagues throughout the business, hosting events and webinars about relevant topics, where anyone across the business can join. These events encourage colleagues to share their stories and raise awareness, helping to promote an inclusive and diverse culture.

At One Stop, we're committed to giving under-represented groups consistent support and visibility to realise their potential. In line with this we have launched a Diverse Talent Community which will focus on colleagues who have potential to progress to a bigger or more complex role and who secondly, identify as diverse. As part of this programme, we provide delegates with the tools, visibility and support to drive their career forwards.

We recognise that Apprenticeships can help to learn the skills, build knowledge and behaviours required for a rewarding career and it enables a workforce with future ready skills. As such we reviewed and improved our Apprenticeship Offer within Head Office and Distribution offering a wider range of apprenticeship opportunities for our existing colleagues. Our retail teams will be offered apprenticeship opportunities in 2024.

The Company had 5,985 employees (full time equivalents) on average during the 52 weeks ended 24 February 2024 (2023: 6,225).

Statement of Compliance with Tesco Governance Code

For the period ended 24 February 2024, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Tesco Governance Code (the 'Code') which can be found on the Tesco PLC website at www.tescopl.com.

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 the Company 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 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 Code. An overview of how the Company has applied the Code is detailed below. This statement of compliance can be found at www.onestop.co.uk.

Culture and Purpose

Tesco Group policies and procedures are promoted throughout our operations and the Tesco Code of Business Conduct is at the heart of how we run the business. 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 objectives. For example, this year One Stop has focused on reducing plastic packaging.

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024 (continued)

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.

There is 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.

Directors are 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 supports Board meetings and assists on a range of governance related matters and maintains 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 support 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 Company's Streamlined Energy and Carbon Reporting (SECR) disclosures form a part of the Group's SECR disclosures, which are discussed on page 230 of the Tesco PLC Annual Report and Financial Statements 2024, which does not form a part of this Report.

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024 **(continued)**

Directors

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

M E Everitt
R J Welch
S L Lawler (resigned 6 June 2023)
S Wood (appointed 6 June 2023)
S Kyte (resigned 6 June 2023)
R Chard (appointed 6 June 2023)
Tesco Services Limited

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

Directors Liabilities

The Tesco Group maintains Directors' and officers' liability insurance which gives appropriate cover for any legal action brought against any of the Group's employees acting as statutory Directors to its subsidiary companies. Indemnities have been granted to Tesco PLC Directors, the Group General Counsel and Group Company Secretary, to the extent permitted by law, and a qualifying third-party indemnity provision (as defined in Section 234 of the Companies Act 2006) was in force during the period ended 24 February 2024 and remains in force up to the date of signing the financial statements.

Cautionary statement regarding forward-looking information

Where this document contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to 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.

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 (UK 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, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and

ONE STOP STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024 (continued)

Directors' responsibilities statement (continued)

- 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.

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.

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 Directors' report was approved by the Board of Directors on 18th October 2024 and is signed on its behalf by:



Mark Everitt

Director

One Stop Stores Limited

Registered Number: 02462858

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

ONE STOP STORES LIMITED

INDEPENDENT AUDITOR'S 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 of 24 February 2024 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; and
- the related Notes to the Financial Statements 1 to 25.

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.

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

- challenging the assumptions used within the Company's going concern model specifically the reasonableness of forecast trading assumptions;
- testing the clerical accuracy of the model used to prepare the forecasts and going concern model;
- reviewing the liquidity forecast and sensitivities performed by management to assess whether there is sufficient headroom; and
- assessing the appropriateness of the Company's disclosure concerning the going concern basis.

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.

ONE STOP STORES LIMITED

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

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

We have nothing to report in this regard.

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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

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 the Groceries Supply Code of Practice (GSCOP), UK Companies Act, 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. These include UK employment law, health and safety and food safety laws and regulations.

We discussed among the audit engagement team including relevant internal specialists such as valuations, IT, real estate, and risk advisory/data analytics specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

ONE STOP STORES LIMITED

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

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following area, and our procedures performed to address it are described below:

- Recognition of commercial income from buying arrangements with suppliers:
 - Obtained an understanding of relevant controls the Company has established in relation to commercial income recognition, and assessed their design and implementation;
 - Obtained an understanding of the different types of commercial income and assessed the appropriateness of the related recognition policy;
 - Circularised a sample of suppliers, obtaining independent confirmation to validate whether the arrangements recorded were accurate and complete;
 - Tested whether a sample of amounts recognised were accurate and recorded in the correct period when the performance conditions associated with it had been met, by agreeing contractual performance obligations to individual supplier agreements and/or independent supplier confirmations;
 - Traced a sample of deals identified as part of our store visits and agreed these back to the internal deal tracker for inclusion within claims at period-end to validate completeness;
 - Reviewed post period end payments/receipts to provide assurance over the cut-off risk surrounding commercial income recognition; and
 - Assessed the appropriateness of the commercial income provision held to determine whether this is deemed reasonable.

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, internal audit and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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.

ONE STOP STORES LIMITED

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

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.

K. Thomas.

Kirsty Thomas (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

18th October 2024

ONE STOP STORES LIMITED**INCOME STATEMENT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024**

	Note	52 weeks to 24 February 2024	52 weeks to 25 February 2023
		£'000	£'000
Revenue	4	1,297,556	1,171,345
Cost of sales		(1,144,456)	(1,039,346)
Gross profit		153,100	131,999
Administrative expenses, excluding adjusting items		(132,770)	(120,889)
Adjusting items	6	(10,925)	(10,211)
Total administrative expenses		(143,695)	(131,100)
Other operating income	7	12,011	16,408
Operating profit	6	21,416	17,307
Net loss on disposal of fixed assets		(240)	(140)
Net gain/(loss) on disposal of right of use assets		150	(349)
Interest receivable and similar income	9	4,973	1,761
Interest payable and similar charges	13	(4,227)	(3,155)
Profit before taxation		22,072	15,424
Income tax charge	10	(2,982)	(1,483)
Profit for the financial period		19,090	13,941

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

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

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

The notes on pages 22 to 48 are an integral part of these financial statements.

ONE STOP STORES LIMITED**STATEMENT OF FINANCIAL POSITION AS AT 24 FEBRUARY 2024**

		24 February 2024	25 February 2023
	Note	£'000	£'000
Non-current assets			
Intangible fixed assets	11	114,913	115,047
Property, plant and equipment	12	54,748	51,405
Right of use assets	13	104,058	91,613
Finance lease receivables	13	7,455	8,506
Investments	14	5,466	5,466
Deferred tax asset	10	-	2,618
		286,640	274,655
Current assets			
Inventories	15	82,440	72,929
Trade and other receivables	16	96,155	47,835
Finance lease receivables	13	1,107	1,775
Cash and cash equivalents		44,673	89,652
		224,375	212,191
Current liabilities			
Trade payables	17	(135,423)	(121,620)
Amounts owed to group undertakings	17	(14,222)	(17,403)
Other tax and social security	17	(5,205)	(4,327)
Other payables	17	(24,230)	(22,502)
Accruals and deferred income	17	(25,878)	(24,196)
Provisions for liabilities	18	(5,338)	(4,848)
Lease liabilities	13	(17,102)	(16,455)
Deferred tax liability	10	(364)	-
		(227,762)	(211,351)
Net current (liabilities)/assets		(3,387)	840
Total assets less current liabilities		283,253	275,495
Non current liabilities			
Non-current provisions for liabilities	18	(4,333)	(2,593)
Lease liabilities	13	(115,287)	(103,439)
Net assets		163,633	169,463
Equity			
Called up share capital	19	-	-
Retained earnings		163,633	169,463
Total shareholders' funds		163,633	169,463

The notes on pages 22 to 48 are an integral part of these financial statements. The financial statements on pages 19 to 21 were approved and authorised for issue by the Board of Director on 18th October 2024 and signed on its behalf by:


Mark Everitt (Director)

One Stop Stores Limited, Registered Number: 02462858

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

ONE STOP STORES LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024**

	Note	<i>Called up share capital*</i>	<i>Retained earnings</i>	<i>Total equity</i>
		£'000	£'000	£'000
At 26 February 2022		-	185,338	185,338
Profit for financial period		-	13,941	13,941
Transactions with owners				
Share-based payment transactions	21	-	184	184
Dividends paid	20	-	(30,000)	(30,000)
At 25 February 2023		-	169,463	169,463
Profit for financial period		-	19,090	19,090
Share-based payment transactions	21	-	80	80
Dividends paid	20	-	(25,000)	(25,000)
At 24 February 2024		-	163,633	163,633

*Refer to Note 19 for a breakdown of the Called-up share capital.

The notes on pages 22 to 48 are an integral part of these financial statements.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

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

The financial statements of One Stop Stores Limited (the “Company”) for the 52 weeks ended 24 February 2024 were approved by the Board of Directors on 18th October 2024 and the Statement of Financial Position was signed on the Board’s behalf by Mark Everitt.

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

As permitted by Schedule 1 to the Accounting Regulations, the presentation of the financial statements have been adapted to be in line with the presentation prescribed by IAS 1.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Tesco PLC. The Company’s results are included in the consolidated financial statements of Tesco PLC, which are available from Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

The functional and presentational currency of the Company is considered to be Pound Sterling (£) as the currency of the primary economic environment in which the Company operates. The financials are rounded to the nearest Thousand Pound Sterling (£’000), except when otherwise stated.

2. General information

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The address of the registered office is Apex Road, Brownhills, Walsall, West Midlands, WS8 7HU, United Kingdom. The nature of the Company’s operations and its principal activity are set out in the Strategic Report on page 4.

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

3. Accounting policies

a) Basis of preparation

As set out in Note 7 (and in our Revenue and Other operating income accounting policy notes), certain presentational changes have been made in the current year to better reflect the operations of our business. No restatement of 2023 has been made in respect of these changes on the grounds of materiality.

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

The Company is a qualifying entity for the purposes of FRS 101. Note 24 gives details of the Company’s parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

3. Accounting policies (continued)

a) Basis of preparation (continued)

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- 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 126 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;
- 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 and the Company has also taken disclosure exemption from the requirement of para 17 of IAS 24;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirement of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by the paragraph 61(1) of schedule 1 to the Regulation is presented separately for lease liabilities and other liabilities, and in total.
- 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;
 - (ii) paragraph 118(e) of IAS 38 Intangible Assets;

Adoption of new IFRS standards and interpretation

The Company has not applied any new standards, interpretations or amendments, which are effective in the current financial year, save for the changes in the definition of Other Income as stated below. Hence there has been no material impact in the financial statements.

b) Going concern

The Company made a profit after tax for the 52 week period ended 24 February 2024 of £19.1m compared to £13.9m in the prior period (52 week period). As at 24 February 2024, the Company has net current liabilities of £3.4m (2023: net current assets £0.8m), this incorporates £5.5m owed to group undertakings in respect of the Companies investment in One Stop Convenience Stores Limited (see Note 14). The Company has net assets of £163.6m (2023: £169.5m). The Company is cash generative and has generated cash from operations in the period of £57.3m (2023: £69.9m) ending the period with a net cash balance of £44.7m (2023: £89.7m) after paying a dividend of £25.0m to its shareholders (2023: £30.0m). The Company has no net external debt and has access to intra-group funding if required.

The Directors have considered the forecast financial performance and cash flow of the Company in making their going concern assessment.

The Directors consider that the Company has adequate resources to remain in operation for a period of at least twelve months and have therefore continued to adopt the going concern basis in preparing the financial statements.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

3. Accounting policies (continued)

c) Key sources of estimation uncertainty and critical accounting judgements

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.

Key sources of estimation uncertainty

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

Impairment

At each Statement of Financial Position 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 fair value and value in use. Fair value is assessed as the amount by which the estimated selling price exceeds the total of any additional costs expected to be incurred during the sale of the asset. 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 Group's operational scale.

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 fair value and/or value in use of cash generating units.

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.

A sensitivity analysis of changes in discount rate, growth rate and probability scenarios in relation to which these estimates apply, is provided in Note 12.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

3. Accounting policies (continued)

Critical accounting judgements:

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.

d) Significant accounting policies

Tangible fixed assets and assets not in use

Tangible fixed assets are carried at cost less accumulated depreciation and any recognised impairment in value. Tangible fixed assets are depreciated on a straight-line basis to their residual value over its anticipated useful economic life.

The following depreciation rates were applied for the Company and are consistent with the prior period:

- Freehold – at rates varying from 2% to 10% of cost per annum
- Improvements to leasehold property – at rates varying from 2% to 10% of cost per annum
- Plant, equipment, fixtures and fittings and motor vehicles - at rates predominantly varying from 5% to 33% of cost per annum; and
- 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 on the derecognition of the asset is included in the Income Statement in the period of derecognition.

Assets not in use comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date.

Intangible assets

Company law (in particular paragraph 22 to the Regulations) requires goodwill to be written off over a finite period. Non-amortisation of goodwill, in accordance with International Financial Reporting Standards, is a departure from the requirements of company law for the overriding purpose of giving a true and fair view. If this departure from company law had not been made, the profit for the financial year would have been reduced by amortisation of goodwill. However, the amount of amortisation cannot reasonably be quantified other than by

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Intangible assets (continued)

reference to an arbitrary assumed period for amortisation. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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, between 5% to 20% of cost per annum.

Investments

Investments in associated undertakings are held at historical cost less any applicable provision for impairment reviewed annually. Any impairment is recognised in the Income Statement in the period in which it occurs.

Leases

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

Company as a lessee

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

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease. Lease payments include: fixed payments; 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 of £5,000 or less 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.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

3. Accounting policies (continued)

d) Significant accounting policies (continued)

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.

Inventories

Inventories comprise goods held for sale. Inventories are valued at the lower of cost and net realisable value 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 include all costs incurred in bringing each product to its present location and condition, including raw materials and consumables that 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.

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 Statement of Financial Position date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. 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.

Pillar Two legislation has been enacted in the UK introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax, effective for accounting periods starting on or after 31 December 2023. The Company has applied the exception to IAS12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Deferred taxes

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly in equity, in which case deferred tax is also recognised in equity.

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

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

Current tax and deferred tax for the period

Current and deferred tax are recognised in the Income Statement.

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 Income Statement.

Pension and other post-employment benefit obligations

A defined contribution scheme, Retirement Savings Plan, is open to all employees in the UK. A defined contribution pension scheme is one under which members pay contributions to an independently administered fund, into which the Company also pays contributions based upon a fixed percentage of the members' contributions. The Company has no legal or constructive obligation to pay further contributions to this fund once its initial contributions have been paid.

Members' benefits upon retirement are then determined by the amount of contributions paid into the fund, together with the performance of the investments into which those contributions have been invested. Members are able to choose the investments into which their contributions are invested, as well as how they wish to receive benefits upon retirement. As a result, any risks associated with either the future value of benefits or the performance of the assets invested lie with the member. Payments to this scheme are recognised as an expense as they fall due.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Pension and other post-employment benefit obligations (continued)

The company participates in defined 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 the Tesco Stores Limited, as per Group policy. There is no contractual agreement or agreed policy for recharges.

Financial instruments

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

Financial assets

The Company's financial assets include cash at bank and in hand, trade receivables and other receivables. Trade receivables are non-interest bearing and are recognised at fair value. Amounts owed by Group undertakings includes an interest-bearing loan with Tesco Corporate Treasury Services PLC.

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 fair value. Creditors including trade payables, accruals and amounts owed to Group undertakings are non-interest bearing and are recognised at fair value.

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 Income Statement 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. 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.

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 Income Statement.

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.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position consist of cash at bank and on hand, credit and debit card receivables, demand deposits with banks and short-term highly liquid investments with an original maturity of three months or less, for example short-term deposits.

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.

Interest payable and similar charges

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

Interest receivable and similar income

Interest receivable is calculated on an accruals basis.

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 and services sold in store, revenue is recognised at the point of sale. For online sales, revenue is recognised at the point of delivery. 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.

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 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. 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 52 WEEKS ENDED 24 FEBRUARY 2024

3. Accounting policies (continued)

d) Significant accounting policies (continued)

Other operating income

Other operating income constitutes property rental income, parcel services commission, and other commission and sundry income which are ancillary to the Company's normal core operations.

Adjusting items

Adjusting 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 items of income or expense that have been shown separately due to the significance of their nature or amount.

Share based payments

Share options granted by the parent of the Group to employees of a subsidiary are accounted for as an investment in the subsidiary with a corresponding increase in the share option reserve.

The Group operates equity-settled share-based schemes which are granted to certain employees in exchange for services rendered by them. The fair value is measured using an option valuation model at the date of grant and is recognised as an employee expense over the period in which the employees become unconditionally entitled to the options, with a corresponding increase in equity, shown in a separate share option reserve.

This valuation is based on estimates of the number of options that will eventually vest, based on related service and non-market vesting conditions that are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. Following the merger of Tesco and on 5 March 2018, the awards held by employees were rolled over to new equity-settled awards linked to Tesco's share payment plans.

Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, fixture cash flows at a pre-tax rate reflects the time value of money and the risks specific to the liability.

4. Revenue

Revenue of £1,297.6m (2023: £1,171.3m) 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.

	52 weeks ended 24 February 2024 £'000	52 weeks ended 25 February 2023 £'000
One Stop Convenience Retail	1,080,290	984,094
One Stop Franchise	217,266	187,251
	1,297,556	1,171,345

Revenue by geographical area

Revenue of £1,297.6m (2023: £1,171.3m) recognised in the Income Statement is all generated within the United Kingdom.

ONE STOP STORES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024****5. 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 Franchisees

The reconciliation of the segment measures to the respective statutory items included in the Income Statement, are as follows:

	52 weeks ended 24 February 2024		52 weeks ended 25 February 2023	
	Retail £'000	Franchise £'000	Retail £'000	Franchise £'000
Revenue	1,080,290	217,266	984,094	187,251
Operating profit	17,771	3,644	13,825	3,482

ONE STOP STORES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024****6. Operating profit/(loss)**

This is stated after charging:

	52 weeks ended 24 February 2024 £'000	52 weeks ended 25 February 2023 £'000
Depreciation of Property Plant and Equipment (Note 12)	11,725	13,223
Depreciation of Right of Use Assets (Note 13)	14,429	15,606
Adjusting Items:		
- Impairment charge and release of PPE (Note 12)	2,384	5,141
- Impairment charge and release of ROU (Note 13)	6,719	5,070
- Restructuring	1,822	-
Amortisation of Intangible Assets (included in Administration Expenses):		
- Amortisation of development costs (Note 11)	151	183
Auditor's Remuneration:		
- Audit of these financial statements	368	334
Net Charge in Provisions (Note 18)	3,800	2,011
Cost of inventory recognised as an expense (included in cost of sales)	938,491	852,721
Write-down of Inventory to Net Realisable Value included in Cost of Sales	7,114	5,149

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

7. Other operating income

To aid an understanding of our financial statements we note that certain presentational changes have been made in the current year to better reflect the operations of our business. Lottery Commission of £5.7m (2023: £5.8m) and Sundry Income of £2.5m (2023: £1.9m) has been included in Revenue (2023: Other operating income). Rental Income of £1.2m (2023: £1.3m) has been included in Other operating income (2023: Administrative Expenses).

	52 weeks ended 24 February 2024	52 weeks ended 25 February 2023
	£'000	£'000
Lottery Commission	-	5,838
Commission on parcel services	7,486	5,702
Other Commission	2,191	2,379
Rental Income	1,161	-
Sundry Income	1,173	2,489
	12,011	16,408

8. Staff costs and Directors' remuneration

(a) Staff costs

	52 weeks ended 24 February 2024 £'000	52 weeks ended 25 February 2023 £'000
Wages and salaries	164,763	150,400
Social security costs	9,865	9,474
Other pension costs (Note 23)	4,528	4,233
Equity settled share - based payments (Note 21)	143	184
Total staff costs	179,299	164,291

(b) Average FTE

	52 weeks ended 24 February 2024 No.	52 weeks ended 25 February 2023 No.
Head Office	321	366
Retail	4,857	5,044
Distribution	807	815
Total FTE	5,985	6,225

ONE STOP STORES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024****8. Staff costs and Directors' remuneration (continued)****(c) Directors' remuneration**

	52 weeks ended 24 February 2024	52 weeks ended 25 February 2023
	£'000	£'000
Directors' remuneration	1,644	1,849
Includes amounts receivable under long term incentive plans	609	538

There were no payments for loss of office or retirement in the period.

In respect of the highest paid Director:

Aggregate remuneration	809	1,131
Includes accrued pension at the end of the period	35	33

The highest paid director received shares under the Tesco Group Long Term Incentive Scheme.

£1,195k of the directors' costs is borne by Tesco PLC (2023: £1,406k).

	52 weeks ended 24 February 2024	52 weeks ended 25 February 2023
	No.	No.
Number of Directors who received shares in respect of qualifying services	6	5

9. Interest receivable and similar income

	52 weeks ended 24 February 2024	52 weeks ended 25 February 2023
	£'000	£'000
Interest income on loans to Group undertakings	1,582	274
Bank Interest	2,846	887
Finance Sublease Interest Received	545	600
Total	4,973	1,761

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

10. Tax charge on profit

(a) Factors that have affected the tax charge

The standard rate of corporation tax in the UK at the Statement of Financial Position date is 25%. This gives a corporation tax rate for the Company for the full period of 24.441% (2023:19%).

(b) Tax charge in the Income Statement

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

	52 weeks ended 24 February 2024 £'000	52 weeks ended 25 February 2023 £'000
Current income tax:		
UK corporation tax on profit for financial period	-	-
Foreign tax	-	-
Adjustments in respect of prior periods	-	-
Total current income tax charge	-	-
Deferred tax:		
Current period	(2,899)	(1,255)
Adjustments in respect of prior periods	(17)	(84)
Impact of rate change adjustment	(66)	(144)
Total deferred tax charge	(2,982)	(1,483)
Total tax charge in the Income Statement	(2,982)	(1,483)

(c) Reconciliation of the tax charge

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

	52 weeks ended 24 February 2024 £'000	52 weeks ended 25 February 2023 £'000
Profit before tax	22,072	15,424
Tax charge at standard UK corporation tax rate of 24.441% (2023: 19%)	(5,395)	(2,931)
Effects of:		
Expenses not deductible for tax purposes	(1,660)	(1,021)
Tax overprovided in previous periods	(17)	(84)
Group relief claimed without payment	4,156	2,697
Change in tax laws and rate	(66)	(144)
Total tax charge	(2,982)	(1,483)

ONE STOP STORES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024****10. Tax charge on profit (continued)****(d) Deferred tax assets/(liabilities)**

The following are the major deferred tax assets/(liabilities) recognised by the Company and movements thereon during the current and prior financial periods measured using the tax rates that are expected to apply when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

	Capital allowances and short- term timing differences £'000
At 25 February 2023	2,618
Origination and reversal of temporary differences	(2,899)
Adjustments in respect of previous period	(17)
Effect of change in tax laws and rates	(66)
At 24 February 2024	(364)

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:

	2024 £'000	2023 £'000
Deferred tax (liability)/asset	(364)	2,618

At the period end the deferred tax liability amounted to £364k (2023: deferred tax asset £2,618k) 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.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

11. Intangible assets

	Software £'000	Goodwill £'000	Total £'000
Cost			
At 25 February 2023	2,222	217,326	219,548
Additions	17	-	17
At 24 February 2024	2,239	217,326	219,565
Accumulated amortisation/impairment			
At 25 February 2023	846	103,655	104,501
Charge for the period	151	-	151
At 24 February 2024	997	103,655	104,652
Net book value:			
At 24 February 2024	1,242	113,671	114,913
At 25 February 2023	1,376	113,671	115,047

Impairment

Goodwill has been allocated to the grouping of all stores within the Company in the UK. This represents the lowest level with the Company at which goodwill is monitored for internal purposes. Goodwill is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that goodwill may be impaired. An impairment review was performed by comparing the carrying value of goodwill with the recoverable amount of the cash generating unit to which goodwill has been allocated. The recoverable amount for the group of cash generating units is determined using the value in use calculations. No impairment has been recognised in the current year (2023: £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 three years using data from the Company's latest internal forecast, the results of which are reviewed by the Board. The forecasts are extrapolated beyond three years with a growth rate of 2.0% applied (2023: 2.0%). 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 pre-tax rate 8.53% (2023: 8.64%) 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 24 February 2024, no impairment of goodwill has been charged to the Income Statement (2023: nil). The impairment review for the trading business showed headroom of £168m (2023: £391m), and therefore there were no indicators of impairment for the underlying trading business. The year-on-year change in impairment headroom is driven principally by the decrease in the average lease term outstanding.

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 52 WEEKS ENDED 24 FEBRUARY 2024

12. Tangible assets

	Freehold Property £'000	Improvement to Leasehold Property £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 25 February 2023	10,903	18,554	214,869	244,326
Additions	153	3,235	14,307	17,695
Disposals	-	(629)	(2,718)	(3,347)
At 24 February 2024	11,056	21,160	226,458	258,674
Accumulated depreciation and impairment				
At 25 February 2023	6,980	14,132	171,809	192,921
Charge for the period	131	765	10,829	11,725
Impairment charge	-	-	4,865	4,865
Reversal of impairment loss	-	-	(2,481)	(2,481)
Disposals	-	(608)	(2,496)	(3,104)
At 24 February 2024	7,111	14,289	182,526	203,926
Net book value:				
At 24 February 2024	3,945	6,871	43,932	54,748
At 25 February 2023	3,923	4,422	43,060	51,405

Within additions there are assets not in use of £3,822k (2023: £3,715k).

Impairment of tangible assets and right of use assets

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 Statement of Financial Position 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 of 2% (2023: 2%). Long-term growth rates for the Retail business are based on inflation forecasts by recognised bodies. 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. For the breakdown see sensitivity analysis below.

Management estimate discount rates using pre-tax rates that reflect the market assessment as at the Statement of Financial Position date of the time value of money and the risks specific to the cash-generating units. The pre-tax discount rates of 8.53% (2023: 8.64%) 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.

The post-tax WACC used to calculate value in use is 6.40% (2023: 6.48%). 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 52 WEEKS ENDED 24 FEBRUARY 2024

12. Tangible assets (continued)

Sensitivity analysis

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 long-term growth rates would indicate a material impairment difference.

While there is not a significant risk of an adjustment to the carrying amount of any one store cash-generating unit that would be material to the Group as a whole in the next financial year, the table below summarises the reasonably possible changes in each key assumption and its impact on the impairment of the Group's entire portfolio of the store cash generating units, presented in aggregate due to the large number of individually immaterial store cash-generating units:

Key Assumptions	Reasonably possible change	Impact on impairment	£'000
Post-tax discount rates	Increase of 1.0%pt	Increase	(1,377)
	Decrease of 1.0%pt	Decrease	1,381
Future cash flows	Increase of 5.0%	Decrease	644
	Decrease of 5.0%	Increase	(686)
Long-term growth rates	Increase of 1.0%	Decrease	606
	Decrease of 1.0%	Increase	(576)
Property fair values	Increase of 5.0%	Decrease	839
	Decrease of 5.0%	Increase	(827)

The base case represents the cashflows derived from the three-year internal forecasts and is assigned a weighted average probability of 82.5%. The impairment is not highly sensitive to the climate change scenario which is assigned 5% weighted average probabilities. The table below sets out the weighted average probability assigned to each of the remaining scenarios, to which the impairment is most sensitive, and shows the impact on impairment of a reasonably possible change in probability for each scenario, where the corresponding opposite change in probability is applied to the base case. The scenarios modelled differ to last year, consistent with the scenarios modelled for the viability statement.

Scenario	Weighted average probability	Reasonably possible change	Impact on impairment	£'000
Persistent Inflation, higher input costs & weak consumer confidence	12.5%	Increase of 5.0%pt	Increase	(1713)
		Decrease of 5.0%pt	Decrease	1514

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

13. 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	Plant and equipment, fixtures and fittings and motor vehicles	Total
At 25 February 2023 and for the 52 weeks ended 24 February 2024	£'000	£'000	£'000
Net carrying value at 25 February 2023	84,799	6,814	91,613
Additions and modifications	32,574	1,652	34,226
Depreciation charge for the year	(12,815)	(1,614)	(14,429)
Disposals	(616)	(17)	(633)
Impairment charge	(7,393)	(1,384)	(8,777)
Reversal of impairment loss	2,058		2,058
Net carrying value at 24 February 2024	98,607	5,451	104,058

	Land and buildings	Plant and equipment, fixtures and fittings and motor vehicles	Total
At 26 February 2022 and for the 52 weeks ended 25 February 2023	£'000	£'000	£'000
Net carrying value at 26 February 2022	82,895	6,433	89,328
Additions and modifications	20,035	3,361	23,396
Depreciation charge for the year	(13,211)	(2,395)	(15,606)
Disposals	(435)	0	(435)
Impairment charge	(6,037)	(674)	(6,711)
Reversal of impairment loss	1,552	89	1,641
Net carrying value at 25 February 2023	84,799	6,814	91,613

Short-term leases & leases of low value assets

The expense for the reporting period relating to short-term leases and leases of low value assets accounted for under IFRS 16 was £111k. Income from subleasing right of use assets for the period was £1,703k.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

13. Leases (continued)

Impairment of Right of Use Assets

Impairment of right of use assets is consistent with the impairment of tangible fixed assets described in Note 12. Sensitivities in Note 12 are inclusive of ROU assets as well as PPE.

Lease Liabilities

The following tables show the discounted lease liabilities included in the Company Statement of Financial Position and a maturity analysis of the contractual undiscounted lease payments.

	52 weeks ended 24 February 2024 £'000	52 weeks ended 25 February 2023 £'000
Lease liabilities		
Current	17,102	16,455
Non-current	115,287	103,439
Total lease liabilities	132,389	119,894

	2024 £'000	2023 £'000
Maturity analysis – contractual undiscounted lease payments		
Within one year	21,761	19,848
Greater than one year but less than five years	72,219	64,442
After five years	64,296	53,448
Total undiscounted lease payments	158,276	137,738

	52 weeks to 24 Feb 2024 £'000	52 weeks to 25 Feb 2023 £'000
Amounts recognised in the Income Statement		
Interest on lease liabilities	(4,227)	(3,155)
Depreciation charged on right of use assets	(14,429)	(15,606)

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 £7,949k (2023: £7,319k).

The Company is committed to payments (undiscounted) totalling nil (2023: nil) in relation to leases that have been signed but have not yet commenced.

ONE STOP STORES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024****13. Leases (continued)****Company as a Lessor**

	52 weeks to 24 Feb 2024 £'000	52 weeks to 25 Feb 2023 £'000
Amounts recognised in the Income Statement		
Sublease interest income	545	600
	2024 £'000	2023 £'000
Undiscounted finance lease payments to be received		
Within one year	1,582	1,792
Greater than one year but less than five years	5,397	6,157
After five years	3,863	5,065
Total undiscounted finance lease payments receivable	10,842	13,014
Unearned finance income	(2,280)	(2,733)
Net investment in the lease included in the Company Statement of Financial Position	8,562	10,281
	2024 £'000	2023 £'000
Lease receivables		
Current	1,107	1,775
Non-current	7,455	8,506
Total lease receivables	8,562	10,281

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.

These receivables are recognised in trade and other receivables on the Statement of Financial Position and are further disclosed in Note 16.

ONE STOP STORES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024****14. Investments**

	Investments in subsidiary undertakings
	£'000
Cost and carrying value:	
At 25 February 2023	5,466
At 24 February 2024	5,466

In 2019-2020, the Company purchased One Stop Convenience Stores Limited from M&W Limited for consideration of £5,466,000.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Details of Group undertakings

In accordance with Schedule 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, a full list of related undertakings, the registered office address, the place of incorporation and the percentage of each share class owned as at 24 February 2024 is as follows:

Subsidiary undertakings as at 24 February 2024

<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 7HU	100% (Direct)	Dormant Company	GBP1.00 Ordinary
One Stop Convenience Stores Limited	Apex Road, Brownhills, Walsall, West Midlands, United Kingdom, WS8 7HU	100% (Direct)	Dormant Company	GBP1.00 Ordinary

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

15. Inventories

	24 February 2024 £'000	25 February 2023 £'000
Goods For Resale	82,440	72,929

Inventories are carried at lower of cost or net realisable value.

16. Trade and Other Receivables: amounts falling due within one year

	24 February 2024 £'000	25 February 2023 £'000
Amounts owed by Group undertakings	42,601	1,789
Trade Receivables	41,663	36,191
Prepayments and accrued income	11,014	9,499
Other Receivables	877	356
Total	96,155	47,835

Amounts owed by Group undertakings includes an interest-bearing loan with Tesco Corporate Treasury Services PLC amounting to £40m. Interest is charged based on the sterling overnight swap rate plus 0.48%. The remainder relates to non-interest bearing, unsecured balances that have no fixed date of repayment and are repayable on demand. The company had interest-bearing amounts owed by Group undertakings of nil in the prior year.

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

17. Current Liabilities

Trade payables are non-interest bearing, unsecured and are normally settled in line with Group policy. Other creditors are non-interest bearing and are normally settled within 3 months.

Of the amounts owed to Group undertakings, all amounts are unsecured, interest free and are settled in line with group policy.

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

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

18. Provisions

	Property Provisions £'000	Operational Insurance Provisions £'000	Staff Related Provisions £'000	Other Provisions £'000	Total £'000
As at 25 February 2023	(5,394)	(1,918)	-	(129)	(7,441)
Analysed as:					
Current	(2,801)	(1,918)	-	(129)	(4,848)
Non-current	(2,593)	-	-	-	(2,593)
Amount provided during the period	(2,338)	(1,326)	(693)	-	(4,357)
Amount released in period	86	342	-	129	557
Utilised	757	813	-	-	1,570
As at 24 February 2024	(6,889)	(2,089)	(693)	-	(9,671)
Analysed as:					
Current	(2,556)	(2,089)	(693)	-	(5,338)
Non-current	(4,333)	-	-	-	(4,333)

Property Provisions: Dilapidations

Dilapidation provisions are recognised on all properties based on the latest average dilapidations cost, which is derived from proportioning the percentage of schedules received from the total leases renewed/surrendered. The dilapidations provision outstanding at the period end was £6,889k (2023: £5,394k). The dilapidations provision is normally utilised at the end of the lease term. Leases for new stores have a 15-year lease term, average lease term remaining is 6 years.

Operational Insurance Provisions

The insurance provisions relate to claims for accidents that are not covered by insurance policies.

19. Called up share capital

	24 February 2024 £'000	25 February 2023 £'000
Authorised, Allotted, called up and fully paid 100 Ordinary shares of £1 each (2023: 100 Ordinary shares of £1 each)	-	-
Total	-	-

Ordinary Shares have attached to them full and equal voting rights at General Meetings of the Company and are entitled to receive dividends as per their shareholding.

20. Dividends paid and proposed

	24 February 2024 £'000	25 February 2023 £'000
Declared and paid during the year	25,000	30,000
Total	25,000	30,000

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

21. Share based payments

Share option schemes

The Company had one share option scheme and one discretionary share award scheme in operation during the financial year, all of which are equity-settled schemes:

Arrangement	Participants	Term	Vesting requirements
Savings-related option schemes			
The Savings-related Share Option Scheme (2021)	UK colleagues	Three or five years.	The options are capable of being exercised at the end of the term at a subscription price of not less than 80% of the average of the middle-market quotations of an Ordinary share over the three dealing days immediately preceding the offer date.
Discretionary share award schemes			
The Performance Share Plan (2011) and the Long Term Incentive Plan (2021)	Selected senior executives and senior managers	Awards made under these plans will normally vest on the vesting date(s) set on the date of the award for nil consideration.	Conditional on the achievement of specified performance targets over a three year performance period and/or continuous employment.

The following tables reconcile the number of share options outstanding and the weighted average exercise price (WAEP):

For the 52 weeks ended 24 February 2024	Savings-related share option schemes	
	Options	WAEP
Outstanding at 25 February 2023	0	0.00
Granted	1,388,004	220.00
Forfeited	(37,652)	220.00
Exercised	0	0.00
Outstanding at 24 February 2024	1,350,352	220.00
Exercise price range (pence)		220.00 to 220.00
Weighted average remaining contractual life (years) *		4.37
Exercisable as at 24 February 2024	0	0.00
Exercise price range (pence)		0.00
Weighted average remaining contractual life (years) *		0.00

*Contractual life represents the period from award to the scheme end date. Certain schemes may be exercised later than vesting date at the discretion of the individual.

ONE STOP STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

21. Share based payments (continued)

The Income Statement charge for the year in respect of share-based payments is £164k (2023: £184k) which represents ongoing costs less a true up of prior and current year schemes reflecting updated performance expectations. Of this amount £143k (2023: £160k) comprises equity settled schemes and £21k (2023: £24k) comprises National Insurance contributions.

During the year Tesco PLC invoiced One Stop Stores Limited £63k for shares issued to its employees for which payment had not previously been made.

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

	2024		2023	
	Number of shares	WAFV pence	Number of shares	WAFV pence
Performance Share Plan	36,578	252.00	35,397	255.40

22. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries within the Group.

23. Pensions and other post-employment benefits

The cost of contributions to the defined contribution scheme amounts to £4,528k (2023: £4,233k) and the creditor at 24 February 2024 was £262k (2023: £254k).

24. Ultimate parent undertaking and controlling party

The Company's immediate parent undertakings are Tesco PLC (95%) and Spen Hill Properties (Holdings) PLC (5%). The Company's ultimate parent undertaking and controlling party is Tesco PLC which is registered in England and Wales, and which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of the Tesco PLC Annual Report and Financial Statements 2024 are available from the Company Secretary at the registered office address: Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom or available online at www.tescopl.com.

25. Events after the reporting period

No subsequent events occurred after the Statement of Financial Position date.