TESCO PERSONAL FINANCE LIMITED

(formerly Tesco Personal Finance plc)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2025

Company Number SC173199

TESCO PERSONAL FINANCE LIMITED
CONTENTS

TESCO PERSONAL FINANCE LIMITED
DIRECTORS AND ADVISERS

Directors:	Elizabeth Buckley	Independent Non-Executive Chair
	Gillian Cass	Chief Financial Officer
	Margot Cronin	Independent Non-Executive Director
	Simon Machell	Senior Independent Non-Executive Director
	Robert Endersby[1]	Independent Non-Executive Director
	Peter Manchester	Independent Non-Executive Director
	Caroline Ramsay	Independent Non-Executive Director

Company Secretary: Patricia Lynne Mitchell

Registered Office:
2 South Gyle Crescent
Edinburgh
EH12 9FQ

Independent Auditor:
Deloitte LLP
4 Brindley Place
Birmingham
B1 2HZ

Bankers:
The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

HSBC Bank plc
8 Canada Square
London
E14 5HQ

[1] Robert Endersby was Senior Independent Non Executive Director until 1 November 2024 when the role transferred to Simon Machell

TESCO PERSONAL FINANCE LIMITED
STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 28 February 2025.

The Annual Report and Financial Statements comprises the Strategic Report, the Directors' Report and the Company Financial Statements and accompanying notes.

The Company is a wholly owned subsidiary of Tesco Personal Finance Group Limited (TPFG), the share capital of which is wholly owned by Tesco PLC (Tesco).

Business Model

The core objective of the Board is to create and deliver the long-term sustainable success of the Company, generating value for the Company's shareholder and contributing to wider society. The Company has adopted Tesco's values and purpose, which is to serve its customers, communities and planet a little better every day. The Board sets the Company's strategy and is accountable to the Company's shareholder for ensuring that the Company is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours.

As set out below, the Company completed the sale of its banking business, which primarily comprised its Credit Cards, Personal Loans and Savings portfolios, to Barclays Bank UK PLC (Barclays) on 1 November 2024. The Company currently provides Insurance and Money Services products to personal customers in the United Kingdom (UK).

The Company is a private limited company incorporated and registered in Scotland. The Company was previously a public limited company and was re-registered during the year post sale of the banking business.

Developments During the Year

Sale of the Company's banking business to Barclays

Sale information

Following Court approval of a Part VII transfer under the Financial Services and Markets Act 2000 (Part VII transfer), regulatory approval by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and non-objection by the Competition and Markets Authority, the Company completed the sale of its banking business to Barclays on 1 November 2024. The banking business sold comprised all Personal Loans, Credit Cards and Savings portfolios, together with certain other associated assets and liabilities. The TPFG Group's securitisation special purpose vehicle, which included entities previously accounted for as subsidiaries of the Company, was also included in the sale perimeter. All assets, liabilities and entities transferred are collectively referred to throughout these Financial Statements as the Banking business or disposal group. All other existing activities of the Company, including Insurance, ATMs, Travel Money and Gift Cards, continue to be carried out by the retained business. As part of the sale the Company has entered into a number of reverse Transitional Service Agreements (rTSAs) with Barclays to support existing processes, systems and applications. The migration of these items to Company ownership and exit of associated rTSAs is being managed via an overall programme of activity across a two year period. The Company has rebranded externally following the sale, together with other entities in the TPFG Group, as 'Tesco Insurance', known internally as 'Tesco Insurance and Money Services' (Tesco IMS or The IMS business)'.

Classification, measurement and presentation

In accordance with the requirements of *International Financial Reporting Standard (IFRS) 5 Non-current assets held for sale and discontinued operations* (IFRS 5), the Company classified its banking business as a discontinued operation with effect from 7 February 2024, being the date on which the transaction was approved in principle.

Amounts recognised in the Income Statement in respect of the banking business for both the prior and current year up to the date of sale are presented as a single line item after profit after tax from continuing operations.

Assets and liabilities of the disposal group representing the banking business are presented separately in the prior year Company Balance Sheet.

Under IFRS 5, the assets and liabilities of the disposal group were measured at fair value less costs to sell (FVLCS) at 29 February 2024 and until the date of sale on 1 November 2024. This resulted in the recognition of a fair value measurement loss after tax of £585.6m in respect of the final sale of the banking business, of which £64.6m was recognised in the current year. Further information in respect of the Company's discontinued operations is set out on in notes 12 and 13.

Effect on the Company's balance sheet

In advance of this sale of the banking business the Company sold its portfolio of investment securities and repaid its banking related funding and regulatory capital instruments. As part of a capital restructuring programme post sale the Company repaid its subordinated debt in November 2024 and was re-registered as a private limited company on 6 December 2024. Subsequent to the re-registration the

Developments during the year (continued)

Company has undertaken two share capital reductions to fund the distribution of its investment in its subsidiary, Tesco Underwriting Limited (TU) to its immediate parent company, TPFG, and to return the final proceeds from the sale of the banking business to the ultimate parent company (refer note 28).

Changes to the Company's regulatory requirements

Banking capital ratios remained above regulatory minimum requirements throughout the period until completion of the sale of the banking business on 1 November 2024. On the date of sale, the Company's application to vary the permissions of the firm and remove the banking permissions was granted. This also removed the associated banking capital requirements. From this date the minimum capital requirement under the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU) capital requirements have applied to the Company. Post separation the Company has complied with all new regulatory requirements. Further information on these requirements and compliance throughout the remainder of the year are set out in note 31.

Changes to risk management and governance processes

The Company has established a new Governance structure post banking sale. The Company's risk management and governance structure will continue to evolve in the next financial year to reflect the nature of, and risks associated with, the retained business.

Changes to the presentation of the financial statements

Due to the changes in the business during the year, and as the Company no longer has debt instruments traded in a public market, nor has any subsidiaries following the sale of the securitisation entities and the transfer of the investment in TU to TPFG, the preparation of consolidated Financial Statements is no longer required. As a result, these Financial Statements have been prepared for the Company only. Some comparative data for the prior year is therefore presented in this format for the first time but has been derived from previously audited Financial Statements.

Future developments

The Company plans to continue to operate in the UK insurance and money services market as part of the ongoing Tesco commitment to these markets and to Tesco customers.

Financial Review

Income Statement

- Profit before tax from continuing operations is £83.6m (2024: £50.8m).
- Underlying profit before tax from continuing operations, which excludes items which are not reflective of ongoing trading performance, is £96.7m (2024: £54.3m). A reconciliation of statutory to underlying profit for the current and prior year is set out at note 4.
- Profit after tax from discontinued operations is £26.9m (2024: loss of £341.2m).
- Profit before tax from continuing operations

  The key drivers of the increase in profit before tax from continuing operations are:

  - an 85.3% increase in net interest income to £47.8m (2024: £25.8m). This predominantly reflects growth in the loans and advances to customers balance of insurance premium financing (£8.2m increase), offset by a decrease in interest income on investment securities as all investment securities held by the Company at amortised cost were sold during the year (£17.6m decrease). Interest expense on banking related funding and subordinated debt fell by £29.2m year on year as these balances were all fully repaid during the year;
  - a 19.2% increase in net fees and commissions income to £280.3m (2024: £235.1m), reflecting primarily higher insurance volumes in the year (£17.2m increase) and an increase in renewal commission income of £25.2m year on year due to the signing of a new pet insurance contract which drives the recognition of renewal income at the point of signing;
  - a 337.3% increase in other income to £22.3m (2024: £5.1m) representing dividend income from TU and net gains on treasury instruments; and
  - a 23.6% increase in operating expenses to £262.9m (2024: £212.7m), primarily reflecting the costs of the separation programme, higher direct costs due to higher insurance volumes and higher staff related costs as the retained business is established.

Financial review (continued)

- **Income tax charge on profit from continuing operations**

  Income tax on the Company's profit for the year from continuing operations is a charge of £15.5m (2024: £13.3m). The tax charge for the year is based on a 25.0% (2024: 24.5%) corporation tax rate. In addition, a banking surcharge of 3.0% (2024: 3.4%) is applied to the Company's banking profits above £100.0m.

- **Profit/(loss) after tax from discontinued operations**

  The profit after tax from discontinued operations in the current year of £26.9m (2024: loss after tax of £341.2m) predominantly reflects the performance of the banking business in the period to sale, less an additional loss after tax of £48.5m recognised on measurement of the disposal group at FVLCS. The loss in the prior year includes the initial loss after tax on remeasurement of the disposal group at FVLCS of £406.0m.

  Further information in respect of the results of discontinued operations is set out in notes 12 and 13.

Balance Sheet

- Cash and balances with central banks decreased by 71.2% to £126.6m (2024: £440.2m) which reflects the lower cash requirements of the retained business.
- Loans and advances to customers have increased by 29.9% to £230.9m (2024: £177.7m) reflecting the growth in sales of insurance policies in the year and the number of customers who pay by direct debit over the life of the policy.
- All investment securities held by the Company at amortised cost which did not form part of the disposal group were sold during the year, in preparation for the sale of the banking business (2024: £833.0m). Derivative financial instruments held in relation to these investment securities were also fully closed out during the year.
- The Company's investment in subordinated debt issued by its subsidiary,TU, (2024: £42.8m) was converted to equity in February 2025, prior to the transfer of the full investment in TU to its parent entity, TPFG, as part of the group restructuring post sale of the banking business.
- Other assets at 28 February 2025 of £470.0m (2024: £149.4m) include a short term loan of £315.0m to Tesco Corporate Treasury Services PLC which will be repaid in advance of the final distribution of sale proceeds to the ultimate parent entity.
- The Company retained an indemnity provision of £30.0m (2024: £36.0m) related to customer redress at the year end. Further detail is included in note 24 to the Financial Statements. £20.7m of this balance was settled with Barclays on 16 April 2025, as referenced in note 36 to the Financial Statements.
- The Company repaid £900.0m accessed under the Bank of England's Term Funding Scheme with incentives for Small & Medium Entities (TFSME) prior to the sale of the banking business. The company then utilised proceeds from the sale to repay equity instruments of £150.0m and subordinated debt of £379.7m in November 2024.

Key Performance Indicators

Following the sale of the banking business during the year, the Directors now consider the following to be the key performance indicators (KPIs) for the Company:

	2025	2024
Profit before tax from continuing operations	**£83.6m**	£50.8m
Insurance in force policies	**2.3m**	2.0m
Insurance new business sales	**1.4m**	1.3m
ATM withdrawals	**212.3m**	211.8m

Risk Management

Following the sale of the banking business on 1 November 2024, activity has commenced to revise the Risk Management Framework (RMF) to reflect the risks and exposures inherent to the Company as part of the IMS business. This refresh is being managed via a dedicated programme of activity with due oversight by the IMS Executive Risk Committee (ERC) and Board Risk Committee (BRC). The Company continues to operate in line with its existing RMF whilst the new RMF is developed and implemented.

Risk Management Approach

The Board of Directors has overall responsibility for determining the Company's strategy and related Risk Appetite. The Board's Risk Appetite comprises a suite of Risk Appetite statements, underpinned by corresponding measures with agreed triggers and limits. The Risk Appetite Framework defines the type and amount of risk that the Company is prepared to accept to achieve its objectives and forms a key link between the day-to-day risk management of the business, its strategic objectives, long-term plan (LTP), capital plan and stress testing. The Risk Appetite is formally reviewed by the Board on at least an annual basis.

The Board is also responsible for overall corporate governance, which includes overseeing an effective system of risk management and that the level of capital held is adequate and consistent with the risk profile of the business. The Company has a strong relationship with Tesco, with regular updates and meetings taking place with relevant senior management and the Board Members in relation to performance and strategy. Shareholder reserved matters have been agreed and significant matters are referred to Tesco for concurrence, as necessary.

The Chief Risk Officer (CRO) performs a strategic risk management role and is responsible for managing and enhancing the RMF and is independent from any commercial function.

The Company is exposed to a variety of risks through its day-to-day operations. The Board undertakes a robust review of principal risks and areas of emerging risks at least annually. The principal risks and uncertainties faced by the Company, along with information on how these are managed within the RMF, is set out below. These risks do not comprise all of the risks associated with the business and are not set out in priority order. Additional risks not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business. All business areas and functions are required to maintain and actively manage a risk register. In addition, the BRC oversees a Horizon Scanning Risk process which focuses on emerging risks.

Principal risks and uncertainties

The Company has identified the key risks and uncertainties it faces as an Insurance and Money Services business through its Risk Taxonomy. At the highest level, the Company is exposed to overarching risks (Level 0 risks) as follows:

- Operational Risk.
- Regulatory, Legal and Governance Risk.
- Financial Risk.

These principal risks are supported by more granular Level 1 risks which more explicitly capture the risks and uncertainties and align to the overarching Level 0 risks. These risks are subject to oversight and scrutiny through a number of internal governance processes including ERC and BRC as well as supporting business and management.

Following the sale of the banking business, a significant programme of activity has commenced to adopt, adapt or implement new enterprise-wide processes that are fit-for-purpose, proportionate and reflective of the retained business. A number of processes, systems and applications are now provided to the Company by Barclays through reverse Transition Service Agreements (rTSAs) and this is being managed via an overall programme of activity across a two-year plan to migrate processes, systems and applications to the Company ownership in full as well as supporting the proper exiting of associated rTSAs.

Appropriate governance, performance management and oversight mechanisms are in place to support the delivery of this activity between the Company and Barclays as well as internally within IMS. This programme of work will impact several risks across the taxonomy, most notably Operational Risk.

(a) Barclays/IMS Transition Risks - Operational risk

The risk of a potential error, loss, harm, or failure caused by ineffective or inadequately defined processes, system failures, improper conduct, human error or from external events. Following the sale of the banking business, Management's focus is on ensuring operational continuity throughout the period to full separation from Barclays.

Key controls and mitigating factors

The Company aims to manage operational risks within defined Risk Appetite limits and its RMF. Business units and functions regularly assess operational risks through a prescribed Risk and Control Self-Assessment (RCSA) process. The RCSA is reviewed and updated on a timely basis by the business units and functions to reflect the risk and control environment and any material changes to internal or external reporting environments.

Oversight and challenge of the Company's operational risk profile is provided by governance bodies, including the ERC and BRC.

Third-party service providers

A significant number of services and processes are provided by third-party service providers with notable reliance now on Barclays as a Material Outsourced Provider. A key operational risk as a result of this is the failure of an outsourced service provider.

Governance and performance oversight arrangements are in place to manage the services now provided by Barclays. These are set to a monthly cadence with appropriate Senior Management representation at relevant forums.

Additionally, work has commenced to redefine the Procurement and Outsourcing Framework to be more proportionate and relevant to the Company and this will be complete in 2025/26.

People

People risks are integral to the Company's RMF. This ensures appropriate visibility and management of risks associated with organisational capacity and capability, including resource attraction, retention, performance, talent and succession planning.

To support separation activity a programme of handovers has been completed across the Company to support knowledge transfer and upskilling where required. Additionally, a significant recruitment programme has been completed to support the setting up of the retained business with the majority of successful candidates transferring across from Tesco Bank to the Company prior to separation. Ongoing support mechanisms are in place where complex processes have transferred across from Barclays.

Technology

Technology is a key element in providing services to customers in a consistent and secure manner. Causes of technology outages across the industry include failure of planned change, failures in the supply chain, shadow IT risks or security events. The Company manages technology and technology risk in accordance with the RMF and has aligned key processes and controls with recognised industry standards. Regular reporting on technology services and technology risk are provided to the Company's Executive Committee (ExCo), ERC, BRC and the Board.

There is a reliance on Barclays for provision of a number of systems and applications which are all managed via rTSAs and form part of the programme of activity to transition these systems and applications to IMS ownership over the next two years. Additionally, a preferred supplier has been identified to provide technological infrastructure services to IMS which will support the transition of these services from Barclays.

(b) Business-as-usual Risks

Operational risk - Information and Cyber-security risk

The Company's approach to managing these risks is embedded in its RMF. This framework ensures accountability and responsibility, supports sound decision-making and provides a mechanism to assess, prioritise, manage and report improvement activities. Within the framework, the Company's information and cyber-security risks, and the controls used to manage them, are aligned to globally recognised frameworks (including ISO 27000 and the National Institute of Standards and Technology's Cyber-Security Framework). The ERC and BRC oversee management of these risks and receive regular updates on cyber-security readiness and the threats the Company faces, as well as improvement activities to ensure it provides stable, secure digital platforms to meet its strategic objectives.

The Company understands the need for a strong security culture, where colleagues make good security decisions that protect customers and the Company. All employees and contractors with access to systems must complete an annual training course which sets out the expected security behaviours. Additional mandatory training is provided to colleagues with line manager responsibilities. Senior leaders are further supported through spotlight sessions that are held at the ERC and BRC and the Company regularly tests the Board's readiness to handle critical cyber-security events, simulating major incidents to ensure that the Board has confidence to act decisively and safely.

Regulatory and Conduct risk

Regulatory risk is the risk of poor customer outcomes, reputational damage, liability, loss or regulatory censure arising from failure to comply with the requirements of regulators or industry codes of best practice. Conduct risk is the risk that the conduct, acts or omissions of the organisation, or individuals within the organisation, leads to customer detriment, or have an adverse effect on market stability or effective competition.

The Company seeks to comply with rules and regulations. If regulatory events and breaches occur, the Company will take appropriate rectifying action on a timely basis. The Company seeks to deliver good outcomes and mitigate the risk of foreseeable harm. If good outcomes are not delivered, the Company will take appropriate rectifying action on a timely basis.

A Good Outcomes Framework, which provides the practical measures to comply with the FCA's Consumer Duty, is in place. This aims to ensure good customer outcomes are achieved across products and services, price and value, customer understanding and customer support. This process includes assessment of both new products and changes to products and services through periodic reviews and regular monitoring of customer outcomes' management information. If poor outcomes or harm occur, this will be identified and addressed. The Risk function provides robust oversight of customer outcomes and the ExCo and Board review and challenge delivery of good outcomes for customers.

The volume and pace of regulatory change remain high, with specific focus on Consumer Duty and Operational Resilience. The Company actively engages in relevant industry consultation and closely monitors potential changes to regulatory requirements.

Financial risk

The risk related to the Company's ability to meet regulatory financial requirements. This includes risks related to Capital, Credit and Market. The Company undertakes close management and monitoring of financial risk through its RMF to ensure that it complies with current regulatory financial requirements. This includes financial and capital related scenario analysis and stress testing to support internal financial and capital planning processes.

The stress and scenario testing results are presented to the ERC and BRC for challenge and to the Board for approval.

Emerging risk - climate change

Overview

The Climate Change programme is overseen by the ExCo, with the Senior Management Function (SMF) accountability for managing climate change risk being held by the CRO. The Company is committed to understanding and reducing its environmental impact, as well as assessing and managing the risks arising from climate change. The Company's ambition is to achieve its target of carbon neutral in its own operations by 2035 and net zero across the Company's whole footprint by 2050. The Company continues to work closely with Tesco to ensure that its and Tesco's approach to tackling climate change are aligned.

Governance

Progress updates are provided to the ERC and BRC on a quarterly basis.

Strategy

Management believe that the nature of the Company's business model results in the direct risks from climate change being low. No balances within the Financial Statements are materially affected by climate change in this reporting period. This is due to the short duration of the Company's insurance activities and the fact that insurance is not reliant on collateral which may be more likely to be impacted by climate change.

A number of areas have been identified where the Company has exposure to climate change, however these typically represent an indirect or low risk to the Company. The Company has exposures to customers who work for industries whose business models may be impacted through the transition to a greener economy and, as a result, could face lower income or the loss of their job. Physical impacts of weather events may affect the ability of the Company's colleagues to work in the office, although this continues to be significantly mitigated through the move to hybrid working practices. Changes to the way the Company's customers shop and behave, such as reducing travel, may impact the Company's Travel Money services.

The Company's own operations already use 100% green electricity and work is ongoing to reduce the impact of the Company's offices on the environment.

Areas of focus for risk management over the next year are maintaining climate-related management information and ensuring business areas have fully embedded climate change into their risk identification and control processes.

Risk Management

Climate change forms part of the Environment and Social risk which is a Level 1 risk in the Company's risk taxonomy. The primary risks identified are physical risk via impacts on the Company's customers and colleagues; and reputational risk.

As part of the RMF, the identification and assessment of climate change risk are embedded within the relevant business areas as a business-as-usual process.

Metrics and targets

The Company’s scope 1 and 2 carbon footprints are disclosed below. The Company has identified the number of tonnes of carbon dioxide equivalent (tCO2e) emissions per full-time equivalent colleague as the most appropriate intensity factor for its business due to the majority of emissions produced from the Company's own operations being closely linked with the number of colleagues employed.

Emissions data

	2025	2024
tCO_2e emissions (Market-based)[1]		
- Scope 1[2]	661	889
- Scope 2[1,3]	-	-
Carbon Intensity Factor		
tCO_2e emissions per FTE	0.26	0.29

[1] Market-based method of calculation reflects the emissions from the electricity that the Company is purchasing and includes its purchase of electricity backed by Renewables Energy Guarantees of Origin or Renewable Energy Certificates.

[2] Scope 1 emissions are from natural gas used at the Company's offices.

[3] Scope 2 emissions are from electricity purchased for use at the Company's offices.

Emissions for both are calculated via industry-standard conversion factors as published by the UK government.

[4] Emissions are for the Company's Newcastle, Glasgow and Edinburgh offices only.

Emissions have fallen during the year with the transfer of the Glasgow office lease to Barclays as part of the sale of the banking business.

The Company continues to develop its approach towards the measurement of its scope 3 emissions. Analysis has indicated that the Company's most significant controllable areas of scope 3 impacts are purchased goods and services, business travel, employee commuting and office waste.

Work is ongoing to reduce the Company's impact in all of these areas and further disclosures in this respect will be provided as market practice develops.

Risk Management Framework

The following pages provide a more granular overview of the operational control processes and risk mitigants adopted by the Company.

The Company has a formal structure for reporting, monitoring and managing risks. This comprises, at its highest level, the Company's Risk Appetite, approved by the Board, which is supported by the RMF. The RMF creates an integrated approach to managing risk and extends to all principal risks (the Level 1 Risk Taxonomy). The RMF brings together Governance, Risk, Appetite, the Three Lines model, the Policy Framework and risk management tools to support the business in managing risk as part of a day-to-day activity.

Three Lines of Defence

The model is a widely recognised, best practice approach to ensuring that the risks within an organisation are appropriately managed and are subject to effective oversight and challenge. Clearly defined roles and responsibilities help to drive effective risk management.

Business Areas (First Line)

Senior Management within each business area are responsible for managing the risks that arise from the activities in which the business area is engaged in accordance with the Company's RMF and policies. The role of the Business Areas is to adhere to the Company's RMF, policies, standards and processes; identify, assess, own, manage and monitor risks that arise from the activities in which the respective business area is engaged; identify, design, implement, own, check and operate management controls; identify, manage and monitor risk events, including the delivery of remedial actions and performance of root cause analysis; translate Board Risk Appetite into clear, precise articulation of acceptable risks; provide input to reporting on the risk environment in line with risk reporting standards established by the Risk function; perform risk aggregation, analysis and reporting within their business line; maintain appropriate awareness of external and future risk to support effective management; and ensure compliance with all relevant regulation and codes.

Risk Function (Second Line)

The Risk function operates under the leadership of the CRO. The Risk and Compliance teams reporting to the CRO are resourced by people with expertise in each of the principal risks faced by the Company. This enables appropriate analysis, challenge, understanding, oversight and assurance of each of the principal risks.

The role of the Risk function is to own, develop, communicate, implement and provide advice on the Company's RMF and policies; provide subject matter expertise in the management of specific types of risk and regulation, including supporting in the identification and management of risk events and associated remediation activity; provide risk-based oversight of the Business Areas' implementation of, and adherence to, the RMF and policies; provide risk-based oversight of Business Areas' risk management and control, including challenging the completeness of risk identification and assessment, which can take a variety of forms including active involvement in committees and meetings; analysis of management information and data and providing an independent perspective on topics of significant interest; maintain and co-ordinate the Risk Appetite submission to the Board and oversee its implementation across the business; design and deliver standards for consistent risk reporting, risk governance and escalation; perform Company-wide risk aggregation and analysis; provide proactive insight and direction on industry, governing body and regulatory developments that will help improve the management of risk in the organisation; and deliver and co-ordinate specific regulatory returns.

Internal Audit (Third Line)

This comprises the Internal Audit function, which is responsible for providing independent assurance to the Board and Senior Management on the adequacy of the design and operational effectiveness of governance, risk management and internal control systems and measures across the First and Second Lines. The Internal Audit function has an independent reporting line to the Chair of the Board Audit Committee (BAC) and is resourced by individuals with relevant experience and professional qualifications. In addition, Internal Audit resources are supplemented across a range of audits by external support to provide additional subject matter expertise when required.

Independent assessment is provided through the execution of an agreed plan of audits, through attendance at relevant governance committees and through stakeholder management meetings.

Policies

The Company has a Policy Framework in place which requires a Board approved policy for each of the Principal risks (Level 1 risks as per the risk taxonomy) faced by the Company, unless otherwise agreed by the CRO. Each Board approved policy is owned by a specific individual who is responsible for developing and maintaining the policy, including gaining approval for the policy at the requisite level; communicating the policy, supporting the implementation of policies, ensuring those affected by it have sufficient training, information and understanding to comply; undertaking suitable oversight to monitor compliance across the business; and reviewing non-compliance with policies through the issues management process.

Each policy must be reviewed on at least a biennial basis, or earlier if there is a trigger for policy review such as a regulatory change, to ensure its continued effectiveness and applicability in line with changing risks. The Risk function provides tracking and oversight of the Policy Framework and is responsible for providing reports to the Board on its effectiveness.

Risk Identification and Assessment

RCSA is the process used to identify, assess, manage, monitor and report risks and controls across the Company. The process sets out principles which should be consistently applied to the identification of risk. New and emerging risks and the recommended responses to them are reported by Business Areas and the Risk function to relevant governance bodies. The risk assessment process is the means by which the Company understands and estimates the effect of risk on the business, processes and systems and the controls that mitigate those risks to an acceptable level. These assessments are reported to the Board on a proportionality basis.

The Company monitors and tracks current exposures against limits defined in the agreed Risk Appetite and by the regulators. Exceptions are reported on a quarterly basis to the ERC and BRC. Adherence to these limits is independently monitored, measured and reported using a suite of risk measures (key indicators). Key discussion points from subordinate risk committees and management forums are reported to Senior Management and committees as appropriate.

Event Management

An Event is an occurrence caused by an internal or external failure which could impact the Company's finances, customers, compliance with regulations, brand and reputation, or resilience of operations. The Event Management process provides the tools and techniques to identify, assess and manage events through to closure. No such events were identified in the latest reporting period.

Integrated Risk Processes

The Company's integrated risk processes include the linking of Risk Appetite to business plans and associated capital requirement

s172 Statement by the Directors

s172 Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, s172 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 between members of the company.

In discharging its s172 duties, the Board has regard to the factors set out above. The Board also has regard to other factors which it considers relevant to the decisions it makes. The Board acknowledges that not every decision it makes will necessarily result in a positive outcome for all of the Company's stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the Board does, however, aim to make sure that its decisions are consistent.

The Board delegates authority for the day-to-day running of the business to the interim CEO and, through him, to Senior Management to set, approve and oversee execution of the Company's strategy and related policies. The Board reviews matters relating to financial and operational performance; business strategy; key risks; stakeholder-related matters; compliance; and legal and regulatory matters, over the course of the financial year. This is supported through the consideration of reports and presentations provided at Board meetings and frequently reviewing aspects of the Company's strategy. Directors are supported in the discharge of their duties by provision of induction materials and ongoing training. Agendas for Board and Board Committee meetings are structured to provide sufficient time for consideration and discussion of key matters and ad hoc meetings are scheduled where necessary.

Engaging with the Company's stakeholders is key to the way the Company runs its business and is an important consideration for the Directors when making relevant decisions. Details of how the Directors engage with colleagues and have regard to the need to foster relationships with suppliers, customers and other key stakeholders can be found in the Directors' Report on pages 12 to 14. Examples of how the Directors have oversight of stakeholder matters and had regard for these matters when making decisions are included throughout this Annual Report, together with details of the strategic decisions and actions set out below, which are supportive of this s172 Statement.

The following decisions taken by the Board during the year ended 28 February 2025 are considered to be principal decisions and strategically important to the Company:

- Approval of new pet insurance contract.
- Sale of the Company's Banking business to Barclays Bank UK plc;
- Changes to the Company's capital structure; and
- Day 2 programme

Approval of new pet insurance contract

In March 2024 the Board approved the signing of a contract with a new third party insurance underwriter for the provision of pet insurance underwriting, white label distribution and policy administrative services. This followed a process to identify a new strategic partner for pet insurance, with the Board being satisfied that this would result in continuity of product and service for existing customers, as well as several customer benefits not previously available. The Board took into consideration the key contractual and commercial terms, due diligence, customer impacts and migration risk assessment before providing this approval.

Sale of the Group's Banking business to Barclays Bank UK plc

Following the Board decision in the prior year to sell the banking business to Barclays the Board received regular updates over the period to sale to ensure that the sale process completed successfully and achieved the outcomes desired by the shareholder. Throughout the period the Board also continued to consider the impact of the sale on customers, colleagues and suppliers.

The Board oversaw the Executive-led separation programme throughout the period to sale, and received regular updates from the new Separation Programme Executive Committee which were discussed and challenged.

The Board approved the final sale on 31 October 2024 following confirmation from the Separation Programme Executive Committee that all key pre-completion deadlines had been met. The final transaction was in line with the terms of the transaction documents entered into on 9 February 2024.

Changes to the Company's capital structure

The Board approved a number of changes to the capital structure of the Company throughout the year as a result of the sale. These had been set out in a 'step plan' which had been approved by the Board ahead of sale. This plan has been executed post sale and the Board received regular updates on the capital restructuring plan and provided specific approval for each of the major milestones.

In July 2024 the Company sold its portfolio of investment securities and repaid its banking related funding. The Board was satisfied the portfolio of high quality liquid assets which had previously supported treasury operations of the banking business would no longer be required post sale.

Following the sale in November 2024 the Board approved the repayment of the Company's regulatory capital instruments and subordinated debt to the parent company as part of the return of proceeds of the sale to the ultimate shareholder, Tesco PLC.

The Company was re-registered as a private limited company on 6 December 2024, following which the Board approved two separate share capital reductions to fund the distribution of the Company's investment in its subsidiary to its immediate parent company, and to be in a position to return the final proceeds from the sale to the ultimate parent company. Prior to approving the share capital reductions the Board gave consideration to the capital and liquidity position of the Company post sale and capital adequacy requirements.

Day 2 programme

Following the sale of the banking business. Barclays are delivering a number of services under reverse Transitional Services Agreements (rTSAs) to support existing processes, systems and applications. A significant programme of 'Day 2' activity has commenced to deliver the exit of these rTSAs over a period of up to two years post separation. Appropriate governance, performance management and oversight mechanisms are in place to support the delivery of this activity between the Company and Barclays as well as internally within IMS. The Board has been provided with regular updates on the mobilisation of the programme and has sought confidence from management that appropriate and robust plans are in place, alongside clear responsibilities and accountabilities for the programme. The Board will continue to receive regular updates on the programme status and progress against plan throughout the next financial year.

The Strategic Report was approved by the Board of Directors and signed by order of the Board.

Gillian Cass

Director

1 May 2025

TESCO PERSONAL FINANCE LIMITED
DIRECTORS' REPORT

The Directors present their Annual Report, together with the Company Financial Statements and Independent Auditor's Report, for the year ended 28 February 2025.

Business Review and Future Developments

The Company's business review and future developments are set out in the Strategic Report on pages 2 to 4.

Risk Management

The Company's risk management disclosures are set out in the Strategic Report on pages 4 to 9.

Financial Instruments

The Company no longer undertakes hedge accounting following the sale of the banking business during the year. Previous policies for hedging major types of transaction are discussed in notes 2 and 23 to the Financial Statements.

Capital Structure

The Company's capital structure is discussed in notes 28 and 31 to the Financial Statements. Changes to the Company's capital structure during the year as a result of the sale of the banking business are set out in the Strategic Report on pages 2 to 3.

Events after the Reporting Date

Details of events occurring after the reporting date are discussed in note 36 to the Financial Statements.

Going Concern

The Directors consider that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the Financial Statements. The Company has no reliance on external funding sources, holds capital significantly in excess of the minimum regulatory requirement and is forecast to do so throughout the going concern assessment period. The capital requirement is outlined in note 31 to the Financial Statements. The Company also has a strong cash position and is forecast to be cash generative over the assessment period. A number of key services are currently outsourced to Barclays through reverse Transitional Service Agreements. These are overseen through a joint governance framework, and a specific change programme is underway to migrate services and exit the agreements. This is subject to oversight from the Executive Committee and Board.

Dividends

No interim or final dividend has been paid in the current year.

In the prior year a special interim dividend of £250.0m was paid to TPFG on 14 July 2023. There was no final dividend paid in the prior year.

Directors

The present Directors and Company Secretary at the date of signing this Annual Report and Financial Statements are listed on page 1. Details of changes in Directors during the year and up to the date of signing the Financial Statements are set out below.

Since 1 March 2024 to date the following changes have taken place:

Directors	Appointed
Scott Fitzgerald	1 October 2024
Margot Cronin	1 November 2024
Gary Duggan	1 November 2024
Caroline Ramsay	1 November 2024
Gillian Cass	29 November 2024
Peter Manchester	23 January 2025
	Resigned
Adrian Morris	12 July 2024
Prasanna Gopalakrishnan	1 September 2024
Julie Currie	1 November 2024
Jacqueline Ferguson	1 November 2024
Scott Fitzgerald	1 November 2024
Richard Henderson	1 November 2024
Gerard Mallon	1 November 2024
Tikendra Patel	1 November 2024
Deborah Walker	1 November 2024
Gary Duggan	11 February 2025

Company Secretary	Appointed
Patricia Lynne Mitchell	1 November 2024

	Resigned
Fiona Burden	1 November 2024

Directors' Indemnities

In terms of Section 236 of the Companies Act 2006, all Executive and Non-Executive Directors of TPF are issued a Qualifying Third-Party Indemnity Provision by the Company. All Qualifying Third-Party Indemnities were in force or in the process of being issued at the date of approval of the Financial Statements and shall remain in force without any limit in time. This will not be affected by the expiration or termination of a Director's appointment, however it may arise.

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. The Company cautions users of these Financial Statements that a number of factors, including matters referred to in this document, could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, those discussed under 'Principal risks and uncertainties' on pages 5 to 6.

Information provided to the Independent Auditor

So far as each Director is aware at the date of approving this report, there is no relevant audit information, being information needed by the independent auditor in connection with preparing this report, of which the independent auditor is unaware. All of the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the independent auditor is aware of that information.

Engaging with stakeholders

The Company actively engages with a number of key stakeholder groups. Listening to, understanding and engaging with these stakeholder groups is an important role for the Board in setting strategy and decision-making. The Company recognises its obligations and requirements to be a well-controlled financial services business, compliant with regulation and delivering good customer outcomes. The Regulators are consulted and kept closely informed in relation to key decisions made by the Board, as appropriate.

Details of some of the key strategic decisions made during the year ended 28 February 2025 are set out on pages 2 to 10.

Our Customers

Following the sale of the banking business to Barclays, the transition of the remaining activities of the Company to the new Tesco Insurance brand has progressed according to plan with no significant customer disruption or impact.

The Company's purpose remains to serve its customers, communities and planet a little better every day. Developing customer-centric insights is key to how the Company designs and improves new services and products for customers, bringing the best of Tesco to help customers with their insurance and money needs.

The Company has interacted with customers to understand their needs in a variety of ways, including face-to-face, in stores, through surveys and remotely via online and telephone, all with the common goal to deepen the Company's understanding of its customers, learn from them and ultimately develop compelling customer propositions.

The Company continues to invest and look at ways to connect Tesco customers to the right money services and insurance products for their needs. Investment continues in technology, data, design and personalised marketing. This connection ensures the Company develops its relationship with its customers to serve more of their money needs, adding more value to customers and gaining trust and loyalty in return.

Providing consistently good service and consistently good outcomes from the products offered to customers is a key objective of the Company. Processes providing additional support to vulnerable customers have been strengthened further during the year with the introduction of a new dedicated Customer Care Team.

Overall the business has seen positive momentum in improving outcomes for its customers, including seeing its Transactional Net Promoter Score for home and motor insurance increase by 6 points compared to prior year.

Our Colleagues

The Company tracks colleague sentiment and performance against key performance objectives using a continuous listening programme. The current year saw an enhanced approach to track how colleagues felt during and subsequent to the sale of the banking business to Barclays.

The listening initiatives used were Company-wide quarterly pulse surveys, monthly pulse surveys with the Company's Challenger Network (a business-representative group of colleagues) and the annual Every Voice Matters (EVM) survey. The Company considers EVM to be the most effective mechanism to measure colleague engagement. All colleagues receive the survey, with an 80% completion rate benchmark.

A robust communications and engagement plan was also put in place throughout the separation period. The Company's colleagues reported they felt supported and informed throughout.

Our colleagues (continued)

The EVM results provide Management detailed insight into where the business is thriving and where more attention is needed. The most recent EVM survey results (from January 2025) reported that the link between colleagues' work and Tesco's purpose is strong. Colleagues also have a positive perception about being listened to and feeling they can be themselves at work without fear of judgement.

The Board and Senior Management are responsible for ensuring that EVM action plans exist. The Head of People will report EVM results to the Board, allowing the Company's leadership team to review and discuss colleague feedback to shape business plans.

The Company is committed to promoting a diverse, inclusive workplace, reflective of the communities it serves. It has an Equal Opportunities and Diversity Policy, setting how the Company will support its culture aspirations. This Policy aims to ensure that colleagues receive equal opportunities during their careers, alongside a fair process to attract, develop and retain talent. In addition, the Company has introduced five Diversity, Equity & Inclusion (DE&I) commitments, in line with Tesco, to further enhance its efforts.

The Company has established a calendar of moments that matter for colleagues and the community the Company serves. This engages colleagues in conversations about diverse cultures, religious festivals, Inclusion campaigns and historical events, allowing a platform for open discussion, awareness, and education and enabling a culture of Inclusion by embracing diverse thoughts and perspectives.

The TPFG Group is a Women in Finance Charter signatory, supporting the progression of women into senior roles in the financial services sector and championing the benefits of greater diversity within businesses through setting a women's representation target. Signatories are required to publicly report on progress to deliver against these internal targets in support of the accountability and transparency needed to drive change.

In the last year, the Company maintained its women's representation, remaining above its stretch target of 40% representation of women in leadership (ExCo, director of, head of department) positions to meet the 2025 target deadline.

The Company had a target to increase ethnicity representation to 10% in the leadership team by 2025. As of 28 February 2025, ethnicity representation amongst the leadership team had reached 10%. An increased target of 12% across Company leadership has been set for 2026.

As a Disability Confident Employer, the Company is committed to further improving the support and experiences of its colleagues with disabilities, with the aspiration of achieving Disability Confident Leader status by the end of 2025.

The Company's Code of Business Conduct defines the standards and behaviours expected of colleagues and supports its core values. Company policies and mandatory training, including anti-bribery and corruption, competition law, data protection and whistleblowing, help colleagues understand what the Code means in practice.

Colleagues must complete mandatory training to reinforce the importance of these standards. New colleagues must complete the suite of mandatory training within 30 days of joining the Company. Refresher training is required on an annual basis, making sure colleagues understand the Company's objectives and the regulatory environment it operates in.

The Board and Senior Management lead by example, ensuring their activities reflect the culture expected from the Company's colleagues and other stakeholders, driving the right behaviours. The Board is responsible for reviewing the annual report on whistleblowing, in compliance with the Whistleblowing Policy. The Company's independent and confidential whistleblowing service gives colleagues the ability to raise concerns about misconduct and breach of the Code of Business Conduct.

Supporting colleagues to be their best and play their part in delivering Tesco's purpose is a key priority for the Company. Working closely with Tesco, the Company is committed to actively supporting colleagues to live healthier lives and make healthier choices around their physical, financial, and emotional wellbeing. Colleagues have access to an Employee Assistance Programme, with a Virtual GP service, online content, webinars and over the phone support. This is an independent and unlimited 24/7 telephone support line.

Colleagues are encouraged to become involved in the financial performance of Tesco through a variety of schemes, principally the Tesco savings-related share option scheme (Save As You Earn). There are also communication and engagement activities to help them be advocates of the products and services available across Tesco, including discounts through a Colleague Clubcard and access to colleague savings portals, including the Value Vault and Deals & Discounts.

Part of the separation programme was a dedicated People Workstream that supported the Company's colleagues. The workstream worked closely with Barclays, its union partners (USDAW and Unite) and elected employee representatives to support collective consultation for those colleagues transferring to Barclays. Colleagues had the opportunity to apply for 170 roles created within the remaining business.

Our Suppliers

Our suppliers play an important role in the operation of the Company's business to enable the delivery of an effective and efficient business model. During the year ended 28 February 2025 material contracts were presented to the Board for approval, covering both new relationships and contract renewals. In approving these contracts, the Board considered the strategic alignment and value of the relationships as well as looking at the customer impacts, risk exposure, legal and compliance considerations and financial implications. The Company has a framework in place which provides a consistent and proportionate approach to procurement and the management of suppliers to ensure that it can effectively engage, manage and terminate, where appropriate, supplier relationships. In addition to meetings and dialogue with suppliers in accordance with the framework, the Company participates in the Tesco Supplier Viewpoint Survey to encourage further feedback and engagement. To support regulatory reporting requirements, the Company expects its

Our suppliers (continued)

suppliers to monitor their own supply chain and be able to provide the Board with appropriate evidence and assurance of compliance, as required.

Due to the changes brought about by the sale of the banking business during the year, there has been a change to the way the Company engages with a number of its active suppliers. The Company now engages with its suppliers either through a direct relationship or via Barclays under the Transitional Services Agreement that was put in place to support the separation process. This Transitional Services Agreement expires 24 months post separation and work has commenced to move to contract directly with these suppliers or make alternative arrangements.

The Company recognises its responsibilities to respect the human rights of its customers, colleagues, suppliers and the communities it serves and does not tolerate slavery, human trafficking, forced labour, child labour or child exploitation. The Group's Modern Slavery statement is available on its website at the following link: Accounts and Disclosures (tescoplc.com)

There have been no material changes to the Company's Modern Slavery statement since this was approved in August 2024.

Our Shareholder

The Company uses its relationship with Tesco PLC, the Company's ultimate shareholder, to provide access to rich customer data, a strong brand and a Clubcard loyalty programme to better serve customers. The Company has a strong relationship with Tesco, with regular updates and meetings taking place with relevant senior management and the Board Members in relation to performance and strategy. Shareholder reserved matters have been agreed and significant matters such as the long term plan and annual forecasts are referred to Tesco for concurrence, as necessary. The Company also acknowledges its responsibility to share certain information with Tesco.

Our Community

The Company is committed to making a positive impact in the communities it serves.

During the year, colleagues supported the Company's charity partners, as well as local charities through a variety of Company wide opportunities, while our Colleague Networks supported with local fund-raising challenges and volunteering. Colleagues continue to donate food to collection points across their office locations.

The Tesco 20% top-up scheme is available to the Company's colleagues to allow them to apply for a 20% increase to any charitable funds raised.

The Company also gives colleagues and customers the opportunity to make charitable donations through ATM donations.

Corporate Governance

The Companies (Miscellaneous Reporting) Regulations 2018 require companies meeting certain threshold requirements to explain the corporate governance arrangements applied by the company. The UK Corporate Governance Code 2018 (2018 Code) is applicable to companies with a premium listing. The Company, despite not being premium listed, had voluntarily chosen to apply the 2018 Code in previous years because of its previous status as a public limited company and because it was a regulated bank. This is no longer considered proportionate to the size of the remaining business. While the Company continued to apply the main principles and complied with the relevant provisions set out in the 2018 Code during the year to 28 February 2025, some of the related information previously disclosed is no longer included in the Director's report and Strategic Report. The Board will continue to evolve the corporate governance structure for the remaining business during the next financial year.

Responsibility for corporate governance arrangements remains with the Board and the Board retains the primary responsibility to provide effective leadership to ensure that it promotes the long-term success of the Company for the benefit of its members as a whole.

The governance structure set out below describes the structure that was in place as at 28 February 2025.

The Board

The Board is the key governance body and is responsible for overall strategy, performance of the business and ensuring appropriate and effective risk management, in line with the approved Risk Appetite.

The Board approves the Company's business plans, budget and any material new product lines in line with the approved Risk Appetite and monitors the Company's risk management profile and capital adequacy position.

The Board has delegated the day-to-day running of the business to the interim CEO, Craig Bundell. The interim CEO has established the ExCo to support delivery against the strategy in an effective and controlled way and to set out a framework of reporting to the Board that is sufficient to enable the Board to fulfil its responsibilities. The Board has established Board committees and the executive has established Senior Management committees to:

- Challenge and oversee the RMF;
- Identify the key risks facing the Company; and
- Assess the effectiveness of risk management actions.

The Board has overall responsibility for the management of the business and acts as the main decision-making forum. It sets the Risk Appetite and strategic aims for the business, in some circumstances subject to shareholder agreement, within a control framework which is designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are appropriate through the reporting provided to it and provides feedback where necessary to ensure that reporting remains fit for purpose.

Sub-committees

In order to support effective governance and management of the wide range of responsibilities, the following sub-committees have also been established:

Board Audit Committee (BAC)

The role of the BAC is to monitor the integrity of the Financial Statements; review the approach to compliance with relevant accounting standards; examine the arrangements made by management regarding compliance with requirements and standards under the regulatory system review the internal control systems for the appropriateness and effectiveness of systems and controls; review the internal audit programme and oversee the internal audit function; consider the appointment of the external auditors and their independence; provide an interface between management and the external auditors; work closely with the BRC to avoid as far as possible any overlap or gap in the overall risk and assurance activities of the two committees; and carry out such investigations or reviews referred to it by the Board.

Board Risk Committee (BRC)

The role of the BRC is to consider and recommend to the Board the Risk Appetite; seek to ensure that overall business strategy is informed by and remains aligned with the Company's Risk Appetite; review all the major risks and to alert the Board to any areas of concern; review and challenge the reporting of all risks, controls, issues and events as per the requirements of the RMF reporting parameters; and take a forward-looking view of possible economic trends and risks, informed by analysis of appropriate information, and consider their potential impact on the business.

Board Remuneration Committee (RemCo)

The role of the RemCo is to approve the remuneration policy for the Company and the specific remuneration arrangements for senior management; receive reports at least annually on the performance of the Company and relevant employees; approve the funding of any incentive schemes; and work with the Risk and People functions, as well as Tesco Plc, on remuneration matters.

Executive Committee (ExCo)

The Company's Board has delegated the day-to-day running of the business to the interim CEO. The interim CEO has established the ExCo to support delivery against the strategy in an effective and controlled way and to set out a framework of reporting to the Board that is sufficient to enable the Board to fulfil its responsibilities. The ExCo supports the interim CEO, who has responsibility for the executive management of the business. Each ExCo member is accountable to the interim CEO and to the Board for managing performance in line with the Company's Risk Appetite, LTP, strategy and annual budget.

Executive Risk Committee (ERC)

The ERC has been established to support the CRO by providing oversight and challenge in relation to the effective implementation of the RMF across the Company's business. This includes overseeing that the Three Lines of Defence model is operating effectively; the appropriateness of, and adherence to, the Risk Appetite; providing oversight of material risks facing the Company; and assessing whether appropriate arrangements are in place to manage and mitigate those risks effectively. In addition, the ERC supports the monitoring of the status of regulatory compliance; considers the impact of regulatory initiatives and upstream regulatory risk on the current and future state of compliance; and provides oversight and challenge on conduct risks and customer outcomes. The ERC reviews key policies and provides agreement for onward submission to the Board (or Board Committee) for final approval.

Statement of Directors' Responsibilities

The following should be read in conjunction with the responsibilities of the independent auditor set out in their report on pages 59 to 61.

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 such financial statements for each financial year. Under that law the Directors have prepared the Company Financial Statements in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the International Accounting Standards Board (IASB).

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 year. In preparing these Financial Statements, the Directors are required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on page 1 of the Annual Report and Financial Statements, confirms that to the best of their knowledge:

- The Financial Statements, which have been prepared in accordance with IASs in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- The Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the Company's shareholder to assess the Company's position, performance, business model and strategy.

Approved by the Board of Directors and signed by order of the Board.

Gillian Cass
Director
1 May 2025

TESCO PERSONAL FINANCE LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2025

	Note	2025 £m	2024 £m
Continuing operations			
Interest and similar income	5	91.8	102.2
Interest expense and similar charges	5	(44.0)	(76.4)
Net interest income		**47.8**	**25.8**
Fee and commission income	6	280.5	235.3
Fee and commission expense	6	(0.2)	(0.2)
Net fee and commission income		**280.3**	**235.1**
Other income	7	22.3	5.1
Total income		**350.4**	**266.0**
Administrative expenses	8	(250.9)	(200.7)
Depreciation and amortisation	20/21	(12.0)	(12.0)
Operating expenses		**(262.9)**	**(212.7)**
Impairment loss on financial assets	9	(3.9)	(2.5)
Profit before tax from continuing operations		**83.6**	**50.8**
Income tax expense	10	(15.5)	(13.3)
Profit after tax from continuing operations		**68.1**	**37.5**
Profit/(loss) after tax from discontinued operations	12	26.9	(341.2)
Profit/(loss) for the year		**95.0**	**(303.7)**

The notes on pages 22 to 58 form an integral part of these Financial Statements.

TESCO PERSONAL FINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2025

	Note	2025 £m	2024 £m
Profit/(loss) for the year		**95.0**	**(303.7)**
Items that may be reclassified subsequently to profit or loss			
Losses on cash flow hedges	23	(0.2)	(0.1)
Cash flow hedges reclassified to the income statement	23	0.2	–
Other comprehensive expense after tax		–	**(0.1)**
Total comprehensive income/(expense) for the year		**95.0**	**(303.8)**
Comprising total comprehensive income/(expense) from:			
Continuing operations		68.1	37.4
Discontinued operations		26.9	(341.2)

There are no items of other comprehensive income which will not be reclassified subsequently to the Income Statement (2024: no items).

TESCO PERSONAL FINANCE LIMITED (SC173199)
BALANCE SHEET
AS AT 28 FEBRUARY 2025

	Note	2025 £m	2024 £m
Assets			
Cash and balances with central banks	14	126.6	440.2
Loans and advances to customers	15	230.9	177.7
Derivative financial instruments	23	–	28.9
Investment securities	16	0.5	876.9
Prepayments and accrued income	17	18.2	30.3
Other assets	18	470.0	149.4
Current tax asset		5.3	16.9
Investment in subsidiary	19	–	184.1
Deferred tax asset	10	38.8	48.6
Intangible assets	20	17.0	19.4
Property and equipment	21	60.3	61.1
Assets of the disposal group	12	–	7,700.4
Total assets		**967.6**	**9,733.9**
Liabilities			
Borrowings	22	–	914.2
Derivative financial instruments	23	–	8.7
Provisions for liabilities and charges	24	32.4	38.4
Accruals and deferred income	25	61.4	54.7
Other liabilities	26	51.9	104.2
Subordinated debt	27	–	380.4
Liabilities of the disposal group	12	–	7,129.0
Total liabilities		**145.7**	**8,629.6**
Net assets		**821.9**	**1,104.3**
Shareholders' equity			
Share capital	28	35.0	107.0
Share premium	28	314.9	962.9
Other equity instruments	28	–	149.6
Reserves	28	21.7	23.0
Retained earnings	28	450.3	(138.2)
Total shareholders' equity		**821.9**	**1,104.3**

The notes on pages 22 to 58 form an integral part of these Financial Statements.

The Company Financial Statements on pages 17 to 58 were approved by the Board of Directors and authorised for issue on 1 May 2025 and were signed on its behalf by:

Gillian Cass
Director

TESCO PERSONAL FINANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2025

	Note	Share capital £m	Share premium £m	Other equity instruments £m	Reserves £m	Retained earnings £m	Total equity £m
At 1 March 2023		122.0	1,097.9	–	20.5	415.5	1,655.9
Loss for the year		–	–	–	–	(303.7)	(303.7)
Net movements on cash flow hedges	28	–	–	–	(0.1)	–	(0.1)
Total comprehensive expense		–	–	–	**(0.1)**	**(303.7)**	**(303.8)**
Transactions with owners							
Share capital reduction		(15.0)	–	–	–	–	(15.0)
Share premium reduction		–	(135.0)	–	–	135.0	–
Capital distribution		–	–	–	–	(135.0)	(135.0)
Other equity instruments issued		–	–	149.6	–	–	149.6
Dividends paid	11	–	–	–	–	(250.0)	(250.0)
Share based payments	28	–	–	–	2.6	–	2.6
Total transactions with owners		**(15.0)**	**(135.0)**	**149.6**	**2.6**	**(250.0)**	**(247.8)**
At 29 February 2024		**107.0**	**962.9**	**149.6**	**23.0**	**(138.2)**	**1,104.3**
Profit for the year		–	–	–	–	95.0	95.0
Net movement on cash flow hedges	28	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	**95.0**	**95.0**
Transactions with owners							
Shares capital reduction	28	(72.0)	–	–	–	72.0	–
Share premium reduction	28	–	(648.0)	–	–	648.0	–
Distribution of investment	19	–	–	–	–	(226.5)	(226.5)
Other equity instruments redeemed	28	-	–	(149.6)	–	–	(149.6)
Share based payments	28	–	–	–	(1.3)	–	(1.3)
Total transactions with owners		**(72.0)**	**(648.0)**	**(149.6)**	**(1.3)**	**493.5**	**(377.4)**
At 28 February 2025		**35.0**	**314.9**	–	**21.7**	**450.3**	**821.9**

TESCO PERSONAL FINANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2025

	Note	2025 £m	2024 £m
Profit/(loss) before tax		**119.2**	**(380.3)**
Adjusted for:			
Impairment loss on financial assets - discontinued operations	12	17.5	64.7
Impairment loss on financial assets - continuing operations	9	3.9	2.5
Depreciation and amortisation	20/21	12.0	41.0
Loss on disposal and impairment of intangible assets and premises and equipment		12.0	97.4
Gain on disposal of investment securities	7	(0.7)	–
Dividend income	7	(20.0)	–
Excess loss on assets held for sale	12	56.7	417.8
Provisions for liabilities and charges	24	(2.4)	4.1
Equity settled share based payments		(2.6)	2.1
Fair value movements		(41.3)	(1.3)
Interest expense on financing activities		16.8	27.9
Net changes in operating assets and operating liabilities			
Mandatory reserve deposits with the Bank of England		55.1	(11.6)
Loans and advances to customers		(445.3)	(787.9)
Prepayments, accrued income and other assets		(11.3)	(9.1)
Other assets		(330.4)	1.9
Borrowings		(908.1)	(71.6)
Deposits from customers		479.3	669.1
Provisions used		(4.1)	(2.9)
Accruals, deferred income and other liabilities		(37.4)	25.3
Other liabilities		(49.1)	487.1
Income tax paid		(1.0)	(1.4)
Net cash (used in)/provided by operating activities		**(1,081.2)**	**574.8**
Purchase of intangible assets and premises equipment		(12.6)	(35.4)
Purchases of investment securities		–	(239.7)
Proceeds from sale or maturity of investment securities		882.3	301.8
Dividend received from subsidiary		20.0	–
Net cash flow from sale of banking business		207.9	–
Net cash provided by investing activities		**1,097.6**	**26.7**
Subordinated debt repaid	32	(379.7)	–
Interest paid on subordinated debt, including associated hedging instruments	32	(19.3)	(25.4)
Costs paid on issue of other equity instruments		-	(0.4)
Other equity instruments repaid		(150.0)	–
Lease payments	32	(4.5)	(5.6)
Dividends paid	11	–	(250.0)
Net cash used in financing activities		**(553.5)**	**(281.4)**
Net (decrease)/increase in cash and cash equivalents		**(537.1)**	**320.1**
Cash and cash equivalents at beginning of year		**663.7**	**343.6**
Cash and cash equivalents and end of year	14	**126.6**	**663.7**

TESCO PERSONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

General information

Tesco Personal Finance Limited (the Company, formerly Tesco Personal Finance plc) is a private limited company incorporated and domiciled in Scotland under the Companies Act 2006. The main activities of the Company since the disposal of the banking business are the distribution of insurance policies, and provision of automatic teller machine (ATM), Gift Card and Travel Money services.

Basis of preparation

The Financial Statements have been prepared in accordance with United Kingdom (UK)-adopted IFRS and the requirements of the Companies Act 2006. The Financial Statements are presented in Pounds Sterling, which is the functional currently of the Company. The figures shown are rounded to the nearest £0.1 million unless otherwise stated. The Financial Statements are prepared on the historical cost basis, except for certain financial instruments which are measured at fair value.

The Directors consider that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the Financial Statements. The Company has no reliance on external funding sources, holds capital significantly in excess of the minimum regulatory requirement and is forecast to do so throughout the going concern assessment period. The capital requirement is outlined in note 31 to the Financial Statements. The Company also has a strong cash position and is forecast to be cash generative over the assessment period. A number of key services are currently outsourced to Barclays through reverse Transitional Service Agreements. These are overseen through a joint governance framework, and a specific change programme is underway to migrate services and exit the agreements. This is subject to oversight from the Executive Committee and Board.

Changes during the year

During the year, there have been significant changes to the Company related to the sale of the banking business to Barclays Bank UK PLC (Barclays), which completed on 1 November 2024. In advance of this sale the Company sold its portfolio of investment securities and repaid its banking related funding. As part of a capital restructuring programme post sale the Company repaid its subordinated debt and regulatory capital instruments in November 2024 and was re-registered as a private limited company on 6 December 2024. Following the re-registration the Company has undertaken two share capital reductions to fund the distribution of its investment in its subsidiary to its immediate parent company, and in preparation for the return of the final proceeds from the sale to the ultimate parent company.

The aggregate results of the banking business to the date of sale are presented in discontinued operations for current and prior year. Refer to Note 12 for further information.

The impact of other changes to the Company throughout the year are set out in the relevant notes.

Changes to the presentation of the Financial Statements

Due to the changes in the business during the year, and as the Company no longer has debt instruments traded in a public market or any subsidiaries, the preparation of consolidated financial statements is no longer required. As a result, these Financial Statements have been prepared for the Company only. Some comparative data for the prior year is therefore presented in this format for the first time but has been derived from previously audited Financial Statements.

2. Accounting Policies

Unless otherwise stated, the Company's accounting policies have been applied consistently to all periods presented in these Financial Statements. There have been no new standards, interpretations or amendments effective in the current financial year that have impacted the Company.

The Company has not applied any standards, interpretations or amendments that have been issued but are not yet effective. Work is ongoing to assess the impact of any such standards, interpretations or amendments that will impact future reporting periods, most notably IFRS 18 *Presentation and Disclosure in Financial Statements*.

a) Investment in subsidiaries

Subsidiaries are all entities over which the Company has control. The Company's investments in its subsidiaries are stated at cost less any impairment, except in the case of a subsidiary acquired via a step acquisition, where the original investment is revalued to fair value at the date on which the Company obtains control.

b) Revenue recognition

Net interest income recognition

Interest income and expense for all financial instruments measured at amortised cost are recognised using the effective interest rate (EIR) method.

The EIR method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the expected life of the financial asset or financial liability. The EIR is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

Calculation of the EIR takes into account fees receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual and behavioural terms of a financial instrument are considered when estimating future cash flows.

2. Accounting policies (continued)

Interest income is calculated on the gross carrying amount of a financial asset unless the financial asset is impaired, in which case interest income is calculated on the net carrying amount, after allowance for expected credit loss (ECL).

Net fee and commission income recognition

Insurance commission income is generated from the sale of insurance products underwritten by a related party, Tesco Underwriting Limited, and third-party insurance providers. This commission income is based on commission rates which are independent of the profitability of underlying insurance policies and is recognised on a net basis as such policies are sold, in line with the satisfaction of performance obligations to customers.

In addition, the Company generates fee income from the referral of insurance customers to third-parties for car hire and legal services. This income is recognised at the time a referral is made, in line with the satisfaction of the performance obligation for the Company.

The Company also recognises future commission income from policy renewals on certain insurance provided by third-party insurers at the point these policies are sold. This is when the Company has satisfied all of its performance obligations in relation to the policy sold and it is considered highly probable that a significant reversal in the amount of revenue recognised will not occur in future periods. This calculation takes into account both estimates of future renewal volumes and renewal commission rates. A contract asset is recognised in relation to this revenue. This is unwound over the remainder of the contract with the customer, the customer in this case being the third-party insurance provider.

The end policyholders have the right to cancel an insurance policy at any time. Therefore, a contract liability is recognised for the amount of any expected refunds due and the revenue recognised in relation to these sales is reduced accordingly. This contract refund liability is estimated using prior experience of customer refunds. The appropriateness of the assumptions used in this calculation is reassessed at each reporting date.

The Company also generates fees from money services products, being ATM machines, Travel Money and Gift Card sales. Fees in respect of these services are recognised in line with the satisfaction of performance obligations. This can be either at a point in time or over time, in line with the provision of the service to the customer.

The majority of money services are performed at a point in time and payment is due from a customer at the time a transaction takes place. For services performed over time, payment is generally due monthly in line with the satisfaction of performance obligations.

The costs of providing these money services are incurred as the services are rendered.

Customer loyalty programme

The Company participates in the customer loyalty programme operated by Tesco Stores Limited (TSL). The programme operates by allowing customers to accumulate Clubcard points on purchases for future redemption against a range of Tesco products. Revenue in respect of these points is recognised at the time of the customer transaction as the Company has no obligation to customers in respect of Clubcard points once the points are allocated to a customer account. The revenue is recognised net of the cost of providing Clubcard points to customers, which is recharged by TSL to the Company.

Dividend income recognition

Dividends are recognised in the income statement when the Company's right to receive payment is established.

c) Taxation

The tax charge or credit included in the income statement consists of current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Assumptions used in determining future taxable profits are consistent with other internal financial forecasts.

The Company assesses their recoverability over a reasonably foreseeable timeframe, being typically a minimum of 5 years, considering the future expected profit profile and any potential legislative restrictions on use. This is in line with other internal financial forecasts.

The carrying amount of deferred tax assets is reviewed at each reporting 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 realised.

2. Accounting policies (continued)

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set-off current tax assets against current tax liabilities and it is management's intention to settle these on a net basis. The Company has applied the Pillar Two income taxes exception in IAS 12, so neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

d) Foreign currency translation

Foreign currency transactions are translated to the functional currency at the exchange rate on the date of the transaction.

Monetary items denominated in foreign currency are translated at the closing rate as at the reporting date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments. All foreign exchange gains and losses recognised in the income statement are presented net within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits with banks.

f) Financial instruments

The Company classifies a financial instrument as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it creates a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Company after the deduction of liabilities.

Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories:

- Fair value through profit or loss (FVPL);
- Amortised cost.

Management determines the classification of the Company's financial assets at initial recognition. Purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset.

All financial assets are measured at initial recognition at fair value, plus transaction costs for those classified as amortised cost. Transaction costs on financial assets classified as FVPL are recognised in the income statement at the time of initial recognition.

Classification and subsequent measurement of financial assets depend on:

- The Company’s business model for managing the financial asset; and
- The cash flow characteristics of the financial asset.

The business model reflects how the Company manages its financial assets in order to generate cash flows and is determined by whether the Company’s objective is solely to collect contractual cash flows from the assets or to collect both contractual cash flows and cash flows arising from the sale of assets. If neither of these models applies, the financial assets are classified as FVPL.

In determining the business model, the Company considers past experience in collecting cash flows, how the performance of these financial assets is evaluated and reported to management and how risks are assessed.

Where the business model is to hold financial assets to collect contractual cash flows or to collect contractual cash flows and sell the assets, the Company assesses whether the financial asset’s cash flows represent solely payments of principal and interest. When making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement.

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated as FVPL, are classified and subsequently measured at amortised cost. The carrying value of these financial assets is adjusted by any ECL allowance recognised and measured as described below.

Financial assets at FVPL

Financial assets that do not meet the criteria for recognition at amortised cost or at fair value through other comprehensive income are measured at FVPL.

Impairment

The Company assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

2. Accounting policies (continued)

- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Refer to note 29 for further details on the calculation of the allowance for ECL.

Financial liabilities

Classification and measurement

All of the financial liabilities held by the Company, other than derivative financial liabilities, are classified and measured at amortised cost using the EIR method, after initial recognition at fair value. Fair value is calculated as the issue proceeds, net of premiums, discounts and transaction costs incurred. For financial liabilities in fair value hedge relationships, the carrying value is adjusted through the income statement for value movements due to the underlying hedged risk.

Derivative financial liabilities are classified and measured at FVPL. Further information on the classification and measurement of derivative financial instruments is set out at policy 2g.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows have expired or where substantially all of the risks and rewards of ownership have been transferred and the transfer qualifies for derecognition. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

g) Derivative financial instruments and hedge accounting

The Company previously used derivative financial instruments for the purpose of providing an economic hedge to its exposures to interest rate and foreign exchange risks as they arose from operating, financing and investing activities. The Company does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are initially recognised at fair value on the contract date and are remeasured at fair value at subsequent reporting dates.

Hedge accounting

The Company designates certain hedging instruments as either fair value hedges or cash flow hedges, where it is efficient to do so and the relevant criteria are met. This attempts to match any gains or losses on the fair value of the hedged item attributable to the risk being hedged with the losses or gains on the fair value of the hedging instrument so that they are recognised in the Income Statement or Statement of Other Comprehensive Income, as appropriate, in the same accounting period.

Through this matching process, the volatility in the Income Statement or statement of comprehensive income is either reduced or eliminated. The Company implemented I*FRS 9 Financial Instruments* (IFRS 9) hedge accounting requirements in respect of its fair value hedges of the Company's investment securities and its cashflow hedges.

The Company applies hedge accounting as follows:

- Hedge relationships are classified as fair value hedges where the derivative financial instruments hedge the change in the fair value of fixed rate financial assets or financial liabilities due to movements in interest rates.
- Hedge relationships are classified as cash flow hedges where the derivative financial instruments hedge the foreign currency risk on certain foreign currency invoices.

To qualify for hedge accounting the Company documents, at the inception of the hedge: the hedging risk management strategy; the relationship between the hedging instrument and the hedged item or transaction; and the nature of the risks being hedged. The Company also documents the assessment of the effectiveness of the hedging relationship, to show that the hedge has been, and will be, highly effective on an ongoing basis.

Fair value hedges

Changes in the fair value of derivative financial instruments that are designated as fair value hedges are recognised in the income statement. The hedged item is also adjusted for changes in fair value attributable to the hedged risk, with the corresponding adjustment made in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the income statement over the remaining period to maturity. When the hedging instrument expires or is sold, terminated or exercised, hedge accounting is discontinued. At that point, the cumulative gain or loss is also recognised in the income statement.

Cash flow hedges

Changes in the fair value of the derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income and accumulated in the cash flow hedge reserve and the ineffective portion is recognised immediately in the income statement. Amounts recognised in other comprehensive income are recycled to the income statement when equivalent amounts of the hedged item are recognised in the income statement.

When the hedging instrument expires or is sold, terminated or exercised, hedge accounting is discontinued. Any cumulative gain or loss existing in the cash flow hedge reserve and/or currency basis reserve at that time remains until the forecast transaction occurs or the original hedged item affects the income statement. At that point, the cumulative gain or loss is also recognised in the income statement. If

2. Accounting policies (continued)

a forecast hedged transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve or currency basis reserve is reclassified to the income statement.

h) Derivative financial instruments not in hedge accounting relationships

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

i) Property and equipment

Items of property and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repairs and maintenance costs are charged to the income statement in the period in which they are incurred.

Depreciation is charged to the income statement on a straight-line basis so as to allocate the costs less residual values over the useful life of the related asset and, for leasehold improvements and right-of-use assets, the expected lease term. Depreciation commences on the date that the assets are brought into use. Work-in-progress assets are not depreciated until they are brought into use and transferred to the appropriate category of property, plant and equipment.

Estimated useful lives are:

- Land and buildings 40 years
- Fixtures and fittings 2 to 10 years
- Computer hardware 3 to 10 years
- Right-of-use assets 3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in administrative expenses in the income statement.

j) Intangible assets

Intangible assets that are acquired by the Company are stated at historical cost less accumulated amortisation and any impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives. The Company's intangible assets are computer software, for which the estimated useful lives are 3 to 10 years.

Internally generated intangible assets - research and development expenditure

Research costs are expensed in the income statement as incurred.

Development expenditure incurred on an individual project is capitalised only if all of the following criteria are demonstrated:

- an asset is created that can be identified (such as software);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Following the initial recognition of development expenditure, the cost is amortised over the estimated useful life of the asset created. Amortisation commences on the date that the asset is brought into use. Work-in-progress assets are not amortised until they are brought into use and transferred to the appropriate category of intangible assets.

Cloud software license agreements

Licence agreements to use cloud software are treated as service contracts and expensed in the income statement unless the Company has both a contractual right to take possession of the software at any time without significant penalty and the ability to run the software independently of the host vendor. In such cases, the licence agreement is capitalised as computer software.

k) Leases

The Company has entered into leases for office buildings.

Leases are recognised as a right-of-use asset and corresponding lease liability at the date on which the leased asset becomes available for use by the Company.

Right-of-use assets are included within property and equipment in the balance sheet.

Right-of-use assets are measured at cost, which comprises:

- the amount of the initial lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are depreciated over the lease term on a straight-line basis.

2. Accounting policies (continued)

Lease liabilities are initially calculated as the net present value of expected lease payments, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Following initial recognition, lease payments are allocated between the outstanding lease liability and interest expense.

The interest expense is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

l) Impairment of non-financial assets

Non-financial assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. If an asset's carrying amount is determined to be greater than its recoverable amount, an impairment loss is recognised in the income statement and the carrying value of the asset is written down by the amount of the loss. The recoverable amount is the higher of the asset's fair value less costs to sell (FVLCS) and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets for which an impairment loss has been recognised are reviewed for possible reversal of the impairment at each reporting date.

m) Employee benefits

The Company accounts for pension costs on a contributions basis in line with the requirements of *IAS 19 Employee Benefits* (IAS 19). The Company made contributions in the year to a funded defined benefit scheme and a funded defined contribution scheme. Both of these schemes are operated by TSL.

IAS 19 requires that, where there is no policy or agreement for sharing the cost of a defined benefit scheme across the subsidiaries, the Sponsoring employer recognises the net defined benefit cost of a defined benefit scheme. The Sponsoring employer of the funded defined benefit scheme is TSL and the principal pension plan is the Tesco PLC (Tesco) pension scheme. TSL has recognised the appropriate net liability of the Tesco pension scheme in accordance with IAS 19.

n) Share based payments

Employees of the Company receive part of their remuneration in the form of share based payment transactions, whereby employees render services in exchange for Tesco shares or rights over shares (equity-settled transactions) or in exchange for entitlements to cash based payments based on the value of the shares (cash-settled transactions).

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

The grant by Tesco of options over its equity instruments to the employees of the Company is treated as a capital contribution in equity. The social security contribution payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction.

o) Provisions for liabilities and charges and contingent liabilities

A provision is recognised where there is a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of economic resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation.

A contingent liability is a possible obligation which is dependent on the outcome of uncertain future events not wholly within the control of the Company, or a present obligation where an outflow of economic resources is not likely or the amount cannot be reliably measured.

Contingent liabilities, other than those recognised as part of a business combination, are not recognised in the balance sheet but are disclosed in the notes to the Financial Statements unless the possibility of an outflow of economic resources is remote.

p) Dividends paid

Dividends paid are recognised in equity in the period they are approved by the Board.

q) Non-current assets (or disposal groups) held for sale and discontinued operations

The Company classifies non-current assets (or disposal groups) as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable, with the asset (or disposal group) available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets (or disposal groups).

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and FVLCS, with the exception of assets which are not within the scope of the measurement requirements of IFRS 5. These balances are initially measured in line with their respective accounting policies, for example financial assets, which continue to be measured in accordance with IFRS 9, and subsequently remeasured as part of the overall disposal group, in accordance with the requirements of IFRS 5.

If the carrying amount of the non-current asset (or disposal group) is greater than the FVLCS, an impairment loss for any initial or subsequent write down of the asset (or disposal group) to FVLCS is recognised. This is first of all allocated to any goodwill attributable to the disposal group, and then to the non-current assets of the disposal group within the measurement scope of IFRS 5 pro rata on the basis of the carrying amount of each asset in the disposal group.

2. Accounting policies (continued)

Thereafter, any remaining impairment loss is recognised against the remaining assets of the disposal group. Non-current assets within a disposal group are not depreciated or amortised from the point of classification as held for sale.

The net results of discontinued operations are presented separately in the income statement where a component of the Company has been disposed of or is classified as held for sale and:

(a) Represents a separate major line of business or geographical area of operations; or

(b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

A component of the Company comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company's operations and cash flows. If a component of the Company is classified as a discontinued operation, prior years in the income statement and Statement of Comprehensive Income are restated to present these on a consistent basis with the current year presentation of discontinued operations.

r) Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors have adopted various APMs. These measures are not defined by IFRSs and therefore may not be directly comparable with other companies' APMs, including those in the Company's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Company. APMs are also used to enhance the comparability of information between reporting periods by adjusting for items which are not reflective of the Company's underlying results or trading performance and which affect IFRS measures, to aid users in understanding the Company's performance.

Details of the Company's APMs are set out at note 4 and in the glossary of terms on page 63.

3. Critical accounting estimates and judgements

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the Financial Statements. The Company's principal accounting policies are set out in note 2. UK company law and IFRS require the Directors, in preparing the financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. Where accounting standards are not specific and Management have to choose a policy, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, requires Management to adopt policies that will result in relevant and reliable information in light of the requirements and guidance in IFRS dealing with similar and related issues and the *International Accounting Standards Board Framework for the Preparation and Presentation of Financial Statements*.

In the preparation of the Financial Statements, judgement was applied at the prior year end in Management's assessment of whether the IFRS 5 criteria were met in respect of the proposed sale of the banking business. No judgements have been made in the current year in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the Financial Statements, other than those using estimations.

The significant accounting estimates with a significant risk of a material change to the carrying value of assets within the next year are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

Insurance contract asset

In line with the requirements of IFRS 15 *Revenue from Contracts with Customers*, the Company recognises an insurance contract asset in relation to insurance revenue from policy renewals at the point these policies are first sold. The growth in the balance in the year primarily reflects the signing of a new contract with a third party underwriter and the recognition of renewal income for the full term of the contract. This is when the Company has satisfied all of its performance obligations in relation to the policy sold and it is considered highly probable that a significant reversal in the amount of revenue recognised will not occur in future periods. This calculation takes into account estimates of retention rates, renewal commission rates and renewal premiums. Any change in these variables in future could have a material impact on the carrying amount of this insurance contract asset within the next financial year.

At 28 February 2025 the carrying value of the insurance contract asset is £51.1m (2024: £19.7m). The table below sets out the impact on this carrying value in the event of potential future changes to the variables in the calculation:

Variable	Sensitivity	Impact
Retention rate year 1	+/-6%	+8.8m/-£8.2m
Retention rate years 2-5 haircut*	+/-3%	-£10.1m/+£18.1m
Renewal commission rates	+/-3%	+/-£9.1m
Renewal premium	+/-£50	+/-£6.2m

*Treated as increase/decrease to absolute fall in year 1 retention rates in subsequent years from a base position of 10% per annum.

4. Underlying profit

The Company's financial performance is presented in the income statement on page 17. A summary of the Company's financial performance on an underlying basis, excluding items which are not reflective of ongoing trading performance, is presented below:

	2025			2024		
	Statutory basis £m	Adjusting items £m	Underlying basis £m	Statutory basis £m	Adjusting items £m	Underlying basis £m
Continuing operations						
Net interest income	47.8	–	47.8	25.8	–	25.8
Net fee and commission income	280.3	–	280.3	235.1	–	235.1
Other income	22.3	(0.7)	21.6	5.1	0.2	5.3
Total income	**350.4**	**(0.7)**	**349.7**	**266.0**	**0.2**	**266.2**
Operating expenses	(262.9)	13.8	(249.1)	(212.7)	3.3	(209.4)
Impairment loss on financial assets	(3.9)	–	(3.9)	(2.5)	–	(2.5)
Profit before tax	**83.6**	**13.1**	**96.7**	**50.8**	**3.5**	**54.3**

4. Underlying profit (continued)

Adjusting items

	2025 £m	2024 £m
Movements on derivatives and hedge accounting	(0.7)	0.2
Restructuring costs	13.8	3.3
Total adjusting items	**13.1**	**3.5**

Movements on derivatives and hedge accounting

Fair value movements on financial instruments reflect hedge ineffectiveness arising from hedge accounting and fair value movements on derivatives in economic hedges that do not meet the criteria for hedge accounting. Where these derivatives are held to maturity, fair value movements represent timing differences that will reverse over the life of the derivatives. Therefore, excluding these movements from underlying profit more accurately represents the underlying performance of the Company. Where derivatives are terminated prior to maturity, this may give rise to fair value movements that do not reverse. All derivative financial instruments held by the Company were closed out during the year due to the sale of the banking business.

Restructuring costs

Restructuring costs relate to the sale of the banking business and the ongoing work to establish the standalone infrastructure for the insurance and money services business which are not considered part of the Company's underlying trading performance.

5. Net interest income

	2025 £m	2024 £m
Continuing operations		
Interest income		
On financial assets held at amortised cost		
Loans and advances to customers	42.4	34.2
Cash and balances with central banks	26.7	27.7
Investment securities	15.8	33.4
Other assets	5.4	1.5
On financial assets measured at fair value		
Derivative financial instruments - FVPL	1.5	5.4
Total interest income	**91.8**	**102.2**
Interest expense		
On financial liabilities measured at amortised cost		
Borrowings	(29.4)	(51.7)
Lease liabilities	(0.2)	(0.2)
Subordinated debt	(13.1)	(20.0)
Other liabilities	(1.3)	(4.5)
Total interest expense	**(44.0)**	**(76.4)**
Net interest income	**47.8**	**25.8**

6. Net fee and commission income

	2025 £m	2024 £m
Continuing operations		
Fee and commission income		
Insurance revenue from contracts with customers	139.0	96.8
Money services revenue from contracts with customers	141.5	138.5
Total fee and commission income	**280.5**	**235.3**
Fee and commission expense		
Money services expense	(0.2)	(0.2)
Total fee and commission expense	**(0.2)**	**(0.2)**
Net fee and commission income	**280.3**	**235.1**

7. Other income

	2025 £m	2024 £m
Continuing operations		
Net fair value gain on investment securities	0.7	0.2
Net fair value gain/(loss) on other financial instruments	0.6	(0.2)
Net gain on disposal of investment securities	0.7	–
Net gain on disposal of other financial instruments	–	5.1
Dividend income from investment in subsidiary	20.0	–
Dividend income from investment securities	0.2	–
Other income	0.1	–
Net other income	**22.3**	**5.1**

8. Administrative expenses

	2025 £m	2024 £m
Continuing operations		
Wages and salaries	48.9	30.6
Social security costs	4.7	2.9
Other pension costs	2.9	1.9
Share based payments	4.7	2.6
Other costs including temporary staff	22.8	27.6
Total staff costs	**84.0**	**65.6**
Premises and equipment	33.2	46.4
Marketing	56.5	40.7
Outsourcing, professional and other expenses	77.2	48.0
Total non-staff costs	**166.9**	**135.1**
Total administrative expenses	**250.9**	**200.7**

8. Administrative expenses (continued)

Auditor's remuneration

Audit fees for the year relating to both continuing and discontinued operations were as follows:

	2025 £'000	2024 £'000
Audit of the company	1,583	1,314
Audit of the financial statements of the Company's immediate parent	68	65
Total audit services	1,651	1,379
Audit related assurance services	85	89
Other non-audit services not covered above	–	13
Total non-audit services	**85**	**102**
Total auditor's remuneration	**1,736**	**1,481**

Total auditor’s remuneration for the year includes £68,000 (2024: £65,000) paid for the audit of the Company’s immediate parent company, Tesco Personal Finance Group Limited, without reimbursement.

Number of employees

The average total monthly number of persons, including Executive Directors, employed by the Company during the year and relating to continuing and discontinued operations was:

	2025	2024
Head office and administration	1,194	1,519
Operations	1,438	1,663
Total average employees	**2,632**	**3,182**

9. Impairment Loss on Financial Assets

	2025 £m	2024 £m
Continuing operations		
Impairment release on investment securities at amortised cost	(0.5)	–
Impairment loss on loans and advances to customers	4.4	2.5
Total impairment loss on financial assets	**3.9**	**2.5**

10. Income tax

Income tax expense

Reconciliation of the prima facie income tax expense on profit before tax with the income tax expense recognised in profit or loss:

	2025 £m	2024 £m
Continuing operations		
Current tax charge /(credit) for the period	6.4	(5.0)
Current tax over provided on profits for prior years	(1.1)	(3.8)
Total current tax	**5.3**	**(8.8)**
Deferred tax charge for the period	10.0	18.4
Deferred tax charge under provided on profits for prior periods	0.2	3.7
Total deferred tax	**10.2**	**22.1**
Income tax expense	**15.5**	**13.3**

	2025 £m	2024 £m
Profit before income tax	**83.6**	**50.8**
Prima facie income tax expense at a standard UK tax rate of 25.0% (2024: blended rate of 24.5%)	20.9	12.4
Tax effect of permanent differences:		
Difference between local and group tax rate	–	0.3
Non-assessable income	(6.4)	(0.1)
Non-deductible expenses	2.5	0.5
Adjustments recognised in the current year in relation to the current tax of prior years	(1.1)	(3.8)
Adjustments recognised in the current year in relation to the deferred tax of prior years	0.2	3.7
Share based payments	(0.6)	0.3
Income tax expense	**15.5**	**13.3**

Deferred tax assets and liabilities

Deferred tax balances comprise temporary differences attributable to:

	Accelerated capital allowances £m	Financial instruments £m	Share based payments £m	Other £m	Total £m
At 1 March 2024	**24.2**	**22.1**	**1.9**	**0.4**	**48.6**
Recognised in the Income Statement:					
- for the current year	(3.6)	(5.4)	(0.8)	(0.2)	(10.0)
- for prior years	(0.3)	–	0.1	–	(0.2)
Recognised directly in equity	–	–	0.4	–	0.4
At 28 February 2025	**20.3**	**16.7**	**1.6**	**0.2**	**38.8**

10. Income tax (continued)

	Accelerated capital allowances £m	Financial instruments £m	Share based payments £m	Other £m	Total £m
At 1 March 2023	**13.6**	**31.1**	**1.4**	**0.2**	**46.3**
Recognised in the Income Statement:					
- for the current year	(12.9)	(5.6)	0.1	–	(18.4)
- for prior years	(3.6)	–	-	–	(3.6)
Recognised directly in equity	–	–	0.2	–	0.2
Discontinued operations	27.1	(3.4)	0.2	0.2	24.1
At 29 February 2024	**24.2**	**22.1**	**1.9**	**0.4**	**48.6**

Deferred tax asset recovery and deferred tax liability payable

	2025 £m	2024 £m
Deferred tax asset recovery:		
- Within one year	11.5	12.8
- After more than one year	27.4	36.1
Total deferred tax asset	**38.9**	**48.9**
Deferred tax liability payable:		
- After more than one year	(0.1)	(0.3)
Total deferred tax liability	**(0.1)**	**(0.3)**
Net deferred tax asset	**38.8**	**48.6**

The Company's corporation tax rate is 25.0% (2024: 24.5%). In addition, a banking surcharge of 3.0% (2024: 3.4%) is applied to the Company's banking profits above £100.0m.

11. Dividends

	2025 £m	2024 £m
Special dividend paid	–	250.0

No dividends were paid in the current year. In the prior year, a special interim dividend of £250.0m (£0.2049 per ordinary share) was paid on 14 July 2023.

12. Discontinued operations

Sale of the Company's Banking business

On 9 February 2024, the Company announced an agreement on the terms of a proposed sale of its banking business, comprising all Personal Loans, Credit Cards and Savings portfolios, together with certain other associated assets and liabilities, including the securitisation special purpose entities controlled by the Company (collectively referred to throughout these Financial Statements as the banking business or disposal group), to Barclays for £600.0m. The sale completed on 1 November 2024. Other existing activities of the Company, including Insurance, ATMs, Travel Money and Gift Cards were not included in the sale.

Discontinued operations - income statement

The tables below show the results of discontinued operations of the Company's banking business. As the sale of the banking business completed on 1 November 2024 the current year amounts represent only eight months of operations.

	2025 8 months £m	2024 12 months £m
Interest and similar income	482.5	626.8
Interest expense and similar charges	(201.8)	(215.5)
Net interest income	**280.7**	**411.3**
Fee and commission income	74.9	108.6
Fee and commission expense	(19.1)	(29.6)
Net fee and commission income	**55.8**	**79.0**
Net gain/(loss) on financial instruments at FVPL	0.3	(3.9)
Net other income	**0.3**	**(3.9)**
Total income	**336.8**	**486.4**
Administrative expenses	(219.1)	(302.9)
Depreciation and amortisation	–	(29.0)
Operating expenses	**(219.1)**	**(331.9)**
Impairment loss on financial assets	(17.5)	(64.7)
Profit before tax and loss on sale from discontinued operations	**100.2**	**89.8**
Income tax expense	(24.8)	(25.0)
Profit after tax from discontinued operations before loss on sale	**75.4**	**64.8**
Loss on sale before tax	(64.6)	(521.0)
Income tax credit on loss on sale	16.1	115.0
Profit/(loss) after tax from discontinued operations	**26.9**	**(341.2)**

12. Discontinued operations (continued)

Loss analysis

	2025 £m	2024 £m
Loss on sale before tax comprises:		
Initial price	600.0	600.0
Purchase price adjustments	14.7	(0.6)
Cash sale proceeds	**614.7**	**599.4**
less:		
Disposal costs	(35.7)	(35.2)
Carrying amount of net assets of the disposal group, excluding excess loss	(1,061.1)	(989.1)
Impairment of premises and equipment	(14.0)	(14.0)
Impairment of intangible assets	(89.5)	(82.1)
Total loss on sale before tax	**(585.6)**	**(521.0)**
less: loss on sale recognised in previous year	521.0	–
Loss on sale in current year	**(64.6)**	**(521.0)**
Represented by:		
Impairment of premises and equipment	–	(14.0)
Impairment of intangible assets	(7.4)	(82.1)
Disposal costs incurred	(0.5)	(7.1)
Excess loss	(56.7)	(417.8)
Loss on sale in current year	**(64.6)**	**(521.0)**

Assets and liabilities of the disposal group

The following table presents a breakdown of the assets and liabilities of the disposal group:

	Sold 2025 £m	Held for sale 2024 £m
Assets of the disposal group		
Cash and balances with central banks	378.7	278.6
Loans and advances to customers	8,071.1	7,668.7
Derivative financial instruments	33.9	54.1
Prepayments and accrued income	49.3	25.9
Other assets	87.4	90.9
Excess loss on remeasurement of the disposal group	(474.5)	(417.8)
Assets of the disposal group	**8,145.9**	**7,700.4**
Liabilities of the disposal group		
Deposits from customers	6,925.7	6,439.8
Derivative financial instruments	13.8	16.2
Provisions for liabilities and charges	17.5	19.1
Accruals and deferred income	15.6	57.7
Other liabilities	586.7	596.2
Liabilities of the disposal group	**7,559.3**	**7,129.0**
Net assets	**586.6**	**571.4**

12. Discontinued operations (continued)

Customer redress provision

The results of discontinued operations for each year also include the impact of the customer redress provision recognised by the Company in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with Consumer Credit Act 1974 (CCA) regulated products have not been fully met. Although, in accordance with the terms of the sale agreement with Barclays, the provision is not included within the liabilities of the disposal group, the income statement impact of this provision has been reflected through the current and prior year results of discontinued operations as this is where the original income has been recognised. Costs of the redress programme have also been included within the results of discontinued operations. Further information in respect of this provision is set out in note 24.

Discontinued operations - cash flow statement

	2025 8 months £m	2024 12 months £m
Net cash flows from operating activities	170.1	690.8
Net cash flows from investing activities	(386.1)	(21.7)
Net cash flows from financing activities	(2.9)	(3.8)
Net cash flows from discontinued operations	**(218.9)**	**665.3**
Changes in liabilities arising from financing activities - lease liabilities in disposal group		
At beginning of year	17.5	19.9
Interest expense	1.0	1.4
Lease payments	(2.9)	(3.8)
Derecognised on sale of the banking business	(15.6)	-
At end of year	–	17.5

13. Impairment loss on financial assets - discontinued operations

The tables below show the movements in the gross balance for loans and advances to customers and the related allowance for expected credit loss, for assets held in the disposal group for the prior year and current year up to the date of the of the sale of the banking business. Net loans and advances to customers of the disposal group per note 12 also includes a reduction of £14.4m (2024: £33.4m) for fair value hedge adjustments on fixed rate Personal Loans in addition to the amounts in the table below.

	Allowance for expected credit losses				Gross exposure			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 March 2023	**56.6**	**290.6**	**112.5**	**459.7**	**5,687.2**	**1,622.4**	**202.4**	**7,512.0**
Transfers:								
- from stage 1 to stage 2	(7.1)	7.1	–	–	(413.4)	413.4	–	–
- stage 2 to stage 1	104.4	(104.4)	–	–	720.8	(720.8)	–	–
- to stage 3	(1.1)	(41.7)	42.8	–	(46.2)	(113.7)	160.0	0.1
- from stage 3	0.9	1.5	(2.4)	–	1.7	3.0	(4.7)	–
Net transfers between stages	**97.1**	**(137.5)**	**40.4**	–	**262.9**	**(418.1)**	**155.3**	**0.1**
New and increased provisions (net of releases):								
- net remeasurement following stage transfer	(74.7)	21.6	57.8	4.7	–	–	–	–
- new and increased lending	35.3	37.6	11.2	84.1	2,260.1	222.8	15.7	2,498.6
- customer repayments	(6.0)	(13.8)	(3.2)	(23.0)	(1,533.8)	(215.0)	(11.8)	(1,760.6)
- risk parameter changes and other movements	(36.1)	27.0	25.1	16.0	–	–	–	–
New and increased provisions (net of releases)	**(81.5)**	**72.4**	**90.9**	**81.8**	**726.3**	**7.8**	**3.9**	**738.0**
Other movements								
Accrued interest and other movements	–	–	–	–	13.2	2.7	(5.3)	10.6
Write-offs and asset disposals	(0.1)	–	(105.2)	(105.3)	(2.4)	(0.2)	(123.3)	(125.9)
Transfer from/(to) provisions liability	(2.1)	(1.3)	–	(3.4)				
At 29 February 2024	**70.0**	**224.2**	**138.6**	**432.8**	**6,687.2**	**1,214.6**	**233.0**	**8,134.8**

13. Impairment loss on financial assets - discontinued operations (continued)

	Allowance for expected credit losses				Gross exposure			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 March 2024	**70.0**	**224.2**	**138.6**	**432.8**	**6,687.2**	**1,214.6**	**233.0**	**8,134.8**
Transfers:								
- from stage 1 to stage 2	(8.7)	8.7	–	–	(298.6)	298.6	–	–
- stage 2 to stage 1	78.4	(78.4)	–	–	604.9	(604.9)	–	–
- to stage 3	(1.2)	(35.6)	36.8	–	(38.1)	(97.3)	135.4	–
- from stage 3	1.3	2.2	(3.5)	–	2.7	4.3	(7.0)	–
Net transfers between stages	**69.8**	**(103.1)**	**33.3**	–	**270.9**	**(399.3)**	**128.4**	–
New and increased provisions (net of releases):								
- Net remeasurement following stage transfer	(53.0)	17.1	44.3	8.4	–	–	–	–
- New lending	26.3	12.9	3.3	42.5	1,777.6	84.9	4.8	1,867.3
- Customer repayments	(4.9)	(6.2)	(3.0)	(14.1)	(1,354.3)	(78.8)	(13.3)	(1,446.4)
changes in financial risk parameters and other movements	(32.1)	2.9	19.6	(9.6)	–	–	–	–
New and increased provisions	**(63.7)**	**26.7**	**64.2**	**27.2**	**423.3**	**6.1**	**(8.5)**	**420.9**
Other movements								
Interest accrual and other changes	–	–	–	–	(2.0)	(2.6)	11.9	7.3
Bad debts written off	(0.1)	–	(80.6)	(80.7)	(1.8)	(0.1)	(95.0)	(96.9)
Transfer to/(from) provisions liability	0.2	1.0	–	1.2				
Derecognised on completion of business sale	(76.2)	(148.8)	(155.5)	(380.5)	(7,377.6)	(818.7)	(269.8)	(8,466.1)
At 28 February 2025	–	–	–	–	–	–	–	–

14. Cash and balances with central banks

	2025 £m	2024 £m
Travel Money cash	60.6	34.6
Cash at bank	66.0	2.6
Balances held with the Bank of England (BoE) other than mandatory reserve deposits	–	347.9
Mandatory reserve deposits held with the BoE	–	55.1
Cash and balances with central banks	**126.6**	**440.2**

At the prior year end, mandatory reserve deposits of £55.1m were not included within cash and cash equivalents as these did not have short-term maturities. These balances were not available in the Company's day-to-day operations and were non-interest bearing. There are no such balances held by the Company at 28 February 2025 following the sale of the banking business during the year.

15. Loans and advances to customers

	2025 £m	2024 £m
Insurance instalment receivables	233.1	179.4
Allowance for ECL	(2.2)	(1.7)
Loans and advances to customers	**230.9**	**177.7**

Allowance for expected credit loss

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 1 March 2024	(1.2)	(0.5)	–	(1.7)
Transfer between stages	4.5	(4.5)	–	–
New financial assets originated	(4.8)	–	–	(4.8)
Write offs and asset disposals	–	4.3	–	4.3
At 28 February 2025	**(1.5)**	**(0.7)**	–	**(2.2)**

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 1 March 2023	(0.8)	(0.4)	–	(1.2)
Transfer between stages	2.4	(2.4)	–	–
New financial assets originated	(2.8)	–	–	(2.8)
Write offs and asset disposals	–	2.3	–	2.3
At 29 February 2024	**(1.2)**	**(0.5)**	–	**(1.7)**

16. Investment Securities

	2025 £m	2024 £m
Debt investment securities measured at amortised cost	–	875.8
Equity securities measured at FVPL	0.5	1.1
investment securities	**0.5**	**876.9**

The Company previously held debt securities as part of its banking liquidity portfolio. These securities were sold in preparation for the sale of the Company's banking business as this liquidity portfolio is no longer required.

The Company also previously held an investment in subordinated debt issued by TU which was converted to equity prior to the transfer of the investment in TU to the immediate parent company, TPFG.

The Company's equity securities measured at FVPL represent an investment in VISA Inc. preferred stock which may be convertible into Class A Common Stock of VISA Inc. at certain future dates, the latest point of which will be June 2028. Conversion is contingent upon future events principally related to the outcome of interchange litigation against VISA Europe Limited. As such, the valuation reflects both an illiquidity discount and the risk of a reduction in the conversion rate to VISA Inc. common stock. The reduction in the conversion rate is the most significant unobservable input to the valuation.

17. Prepayments and accrued income

	2025 £m	2024 £m
Prepayments	3.5	5.8
Accrued income	14.7	24.5
Prepayments and accrued income	**18.2**	**30.3**

All the above balances are classified as current at the year end (2024: all current).

18. Other assets

	2025 £m	2024 £m
Insurance commissions receivable	14.7	14.9
Insurance renewal commission income contract asset	51.1	19.7
Derivatives margin and collateral paid	–	36.3
Accounts receivable and sundry debtors	13.2	5.3
Amounts due from related parties	391.0	73.2
Other assets	**470.0**	**149.4**

	2025 £m	2024 £m
Insurance renewal commission income contract asset movement		
At beginning of year	19.7	13.5
Renewal commission income recognised upon satisfaction of performance obligations	54.0	23.7
Reclassified to insurance commissions receivable upon policy renewals	(22.6)	(17.5)
At end of year	**51.1**	**19.7**

	2025 £m	2024 £m
Current (due within 12 months)	437.2	149.4
Non-current (due after 12 months)	32.8	–

Non-current balances represent the element of the insurance renewal commission income contract asset which will be reclassified to insurance commissions receivable upon policy renewals after more than one year.

19. Investment in subsidiary

	2025 £m	2024 £m
At beginning of the year	184.1	184.1
Conversion of TU subordinated debt to equity	42.3	–
Transfer of investment in TU	(226.4)	–
At end of the year	–	**184.1**

TU was the Company's wholly owned subsidiary. TU is a UK incorporated authorised insurance company which underwrites motor and home insurance products sold by the Company. TU's registered address is The Omnibus Building, Lesbourne Road, Reigate, Surrey, RH2 7LD.

The Company previously also held an investment in subordinated debt issued by TU which was converted to equity on 17 February 2025, therefore increasing the Company's investment in TU by £42.3m. On 19 February 2025 the total investment held by the Company in TU of £226.4m was transferred to the immediate parent company, TPFG, by way of an in specie distribution.

20. Intangible assets

	Work in progress £m	Computer software £m	Total £m
Cost			
At 1 March 2024	3.2	533.0	536.2
Additions	11.4	0.2	11.6
Reclassifications	(0.1)	1.7	1.6
Disposals	(11.2)	(191.5)	(202.7)
At 28 February 2025	**3.3**	**343.4**	**346.7**
Accumulated Amortisation			
At 1 March 2024	–	(516.8)	(516.8)
Charge for the year	–	(4.4)	(4.4)
Reclassifications	–	–	–
Disposals	–	191.5	191.5
At 28 February 2025	–	**(329.7)**	**(329.7)**
Net carrying value at 28 February 2025	3.3	13.7	17.0

	Work in progress £m	Computer software £m	Total £m
Cost			
At 1 March 2023	36.6	774.7	811.3
Additions	19.0	3.5	22.5
Reclassifications	(43.1)	42.0	(1.1)
Transfers to disposal group	(8.3)	(256.9)	(265.2)
Disposals	(1.0)	(30.3)	(31.3)
At 29 February 2024	**3.2**	**533.0**	**536.2**
Accumulated Amortisation			
At 1 March 2023	–	(702.5)	(702.5)
Charge for the year	–	(28.2)	(28.2)
Reclassifications	–	0.6	0.6
Transfer to disposal group	–	183.2	183.2
Disposals	–	30.1	30.1
At 29 February 2024	–	**(516.8)**	**(516.8)**
Net carrying value at 29 February 2024	3.2	16.2	19.4

21. Premises and equipment

	Land and buildings £m	Fixtures and fittings £m	Computer hardware £m	Work in progress £m	Right of use assets £m	Total £m
Cost						
At 1 March 2024	32.4	30.9	75.4	9.0	3.1	150.8
Additions	–	0.7	1.1	2.0	5.5	9.3
Reclassifications	–	0.4	3.4	(5.4)	–	(1.6)
Disposals	–	–	(0.8)	(0.1)	(3.1)	(4.0)
At 28 February 2025	**32.4**	**32.0**	**79.1**	**5.5**	**5.5**	**154.5**
Accumulated depreciation						
At 1 March 2024	(9.6)	(28.1)	(49.1)	–	(2.9)	(89.7)
Depreciation expense	(0.7)	(1.9)	(4.6)	–	(0.4)	(7.6)
Disposals	–	–	–	–	3.1	3.1
At 28 February 2025	**(10.3)**	**(30.0)**	**(53.7)**	–	**(0.2)**	**(94.2)**
Net carrying value at 28 February 2025	**22.1**	**2.0**	**25.4**	**5.5**	**5.3**	**60.3**

	Land and buildings £m	Fixtures and fittings £m	Computer hardware £m	Work in progress £m	Right of use assets £m	Total £m
Cost						
At 1 March 2023	32.4	40.9	104.6	9.4	30.0	217.3
Additions	–	2.0	4.3	1.4	–	7.7
Reclassifications	–	–	2.9	(1.8)	–	1.1
Disposals	–	(0.9)	(26.9)	–	–	(27.8)
Impairment	–	–	–	–	–	–
Transfer to disposal group	–	(11.1)	(9.5)	–	(26.9)	(47.5)
At 29 February 2024	**32.4**	**30.9**	**75.4**	**9.0**	**3.1**	**150.8**
Accumulated depreciation						
At 1 March 2023	(8.9)	(33.7)	(74.4)	–	(20.4)	(137.4)
Depreciation expense	(0.7)	(3.9)	(6.8)	–	(1.5)	(12.9)
Reclassifications	–	–	(0.6)	–	–	(0.6)
Disposals	–	0.7	26.9	–	–	27.6
Transfer to disposal group	–	8.8	5.8	–	19.0	33.6
At 29 February 2024	**(9.6)**	**(28.1)**	**(49.1)**	–	**(2.9)**	**(89.7)**
Net carrying value at 29 February 2024	**22.8**	**2.8**	**26.3**	**9.0**	**0.2**	**61.1**

22. Borrowings

	2025 £m	2024 £m
BoE Term Funding Scheme with incentives for Small and Medium Sized Entities (TFSME) funding	–	908.1
Deposits from other TPFG companies	–	6.1
Borrowings	**–**	**914.2**

In preparation for the sale of the banking business, funding drawn under the BoE's TFSME was fully repaid in two tranches, £150.0m on 16 May 2024 and £750.0m on 30 October 2024.

23. Derivative financial instruments

During the year the Company ceased using all derivative financial instruments. Those related to the banking business and included in the results of discontinued operations in current and prior years were transferred to Barclays on 1 November 2024. Derivatives held to hedge fixed rate investment securities and issuances of fixed rate debt were closed out during the year as the investment portfolio was sold and all debt was repaid. Derivatives previously held to hedge foreign currency contracts are no longer required post sale of the banking business as there are no material foreign currency exposures remaining. Hedge ineffectiveness recognised in the income statement on fair value hedges for continuing operations is £0.6m (2024: (£0.2m)). Losses on cash flow hedges for continuing operations recognised in the statement of comprehensive income is £0.2m (2024: £0.1m).

24. Provisions for liabilities and charges

	Customer redress £m	Lease dilapidations £m	Total £m
At 1 March 2024	36.0	2.4	38.4
Provided during the year	3.2	–	3.2
Utilised during the year	(3.6)	–	(3.6)
Released during the year	(5.6)	–	(5.6)
At 28 February 2025	**30.0**	**2.4**	**32.4**

Customer redress

As part of the sale of the banking business the legal liability for customer redress matters related to the banking business transferred to Barclays. Barclays is therefore responsible for the ongoing assessment of the liability and the completion of the redress programme. However the Company has indemnified Barclays for the costs of these historic matters and therefore has retained a provision for the expected indemnification amounts. The provision balance at the year end date represents the best estimate of the cost of providing redress to the relevant banking customers, together with associated costs. Management do not consider there to be a significant risk of a material adjustment to the carrying amount of the customer redress provision within the next financial year. Accordingly, no sensitivity analysis is provided.

Payment protection insurance (PPI)

A provision of £8.3m (2024: £8.5m) relates to potential settlement of customer complaints arising from historic sales of PPI. The Financial Conduct Authority's (FCA) general claims deadline passed on 29 August 2019, albeit legal claims continued to be received. Although a significant degree of uncertainty remains with regard to the ultimate cost of settling PPI claims, the provision balance represents the best estimate at the reporting date of that cost and is based on historical uphold rates, average redress and the associated administrative expenses. The PPI provision and the impact of regulatory changes will continue to be monitored as Barclays finalise their assessment of existing claims, ongoing legal claims and levels of redress thereon. The timing of utilisation of the remaining provision is dependent on the timing of settlement of the remaining claims. This remains inherently uncertain given their legal nature.

24. Provisions for liabilities and charges (continued)

Consumer Credit Act 1974 (CCA)

A provision of £21.7m (2024: £27.5m) relates to a historic operational issue which had resulted in instances where the requirements of the CCA in relation to the provision of certain administrative post-contractual documentation had not been fully complied with for certain credit card customers. As a result, the Company determined in the prior year that it was appropriate to redress certain customers affected by these breaches. The requirements of the CCA in respect to this issue are not straightforward and extensive analysis has been undertaken of the relevant issue to identify where customers have been affected and to determine if the Company should take further action.

During the year a process to refund previously recognised interest and fees to customers has been commenced and is ongoing by Barclays at the year end date. The remaining provision includes this refund cost along with the associated costs of the redress programme. The remaining provision is expected to be fully utilised in the year to 28 February 2026.

Lease dilapidations

Provisions related to the anticipated costs of restoring leased assets to their original condition. The provision will be used at the end of the lease term which is due to end in 2028.

25. Accruals and deferred income

	2025 £m	2024 £m
Accrued expenses	48.8	41.9
Deferred income	12.6	12.8
Accruals and deferred income	**61.4**	**54.7**

	2025 £m	2024 £m
Current (due within 12 months)	60.9	54.7
Non-current (due after 12 months)	0.5	–

26. Other liabilities

	2025 £m	2024 £m
Insurance creditor	24.7	20.1
Value added tax and national insurance payable	1.1	0.6
Insurance refunds contract liability	2.0	2.0
Accounts payable	9.1	6.6
Derivatives margin and collateral received	–	63.6
Lease liabilities	5.2	1.4
Amounts owing to related parties	6.5	7.9
Other liabilities	3.3	2.0
Other liabilities	**51.9**	**104.2**

All of the above balances are classified as current at the year end (2024: all current), with the exception of lease liabilities as per the table below.

Insurance refunds contract liability

Revenue recognised in the year under IFRS 15 in respect of the opening contract liability balance is £0.1m (2024: £0.2m).

26 Other liabilities (continued)

Leases

The Company leases office buildings under contracts containing a range of terms and conditions, include extension options. These options are exercisable only by the Company and not by the respective lessors.

Undiscounted potential future lease payments in relation to extension options not included in the reasonably certain lease term, and hence not included in lease liabilities, at year end is £nil (2024: £65.3m).

The ageing of lease liabilities is set out in the table below:

Ageing of lease liabilities	2025 £m	2024 £m
Current (due within 12 months)	1.3	1.4
Non-current (due after 12 months)	3.9	–

27. Subordinated debt

	2025 £m	2024 £m
Fixed rate subordinated debt	–	142.9
Floating rate subordinated debt	–	192.0
Undated floating rate notes	–	45.5
Subordinated debt	–	**380.4**

Subordinated debt comprised loan capital issued by the Company to its parent entity, TPFG. All subordinated debt was fully repaid on 12 November 2024 following the sale of the banking business.

28. Shareholders' equity

	2025 £m	2024 £m
Share capital	35.0	107.0
Share premium	314.9	962.9
Other equity instruments	–	149.6
Share based payments reserve	21.7	23.0
Retained earnings	450.3	(138.2)
Shareholders' equity	**821.9**	**1,104.3**

Share Capital

	2025		2024	
	Number	£m	Number	£m
Authorised				
Ordinary shares of 10p each	Unlimited		Unlimited	
Allotted, called up and fully paid				
Ordinary shares of 10p each	350,000,000	35.0	1,069,900,000	107.0

Capital restructuring

Following the sale of the banking business, the Company repaid £150.0m of regulatory capital instruments to TPFG on 12 November 2024. £0.4m of issuance costs previously deducted from equity were recognised in the income statement at the date of repayment.

28. Shareholders' equity (continued)

On 16 December 2024 the Company undertook a reduction in issued share capital of £40.5m, along with an associated partial cancellation of £364.5m of the share premium account to fund the distribution of the Company's investment in its subsidiary to its immediate parent company, and to be in a position to return the final proceeds from the sale to the ultimate parent company, Tesco Plc. Furthermore, in order to facilitate the return of the final proceeds from the sale to the ultimate parent company, on 14 February 2025 the Company undertook a second reduction in issued share capital of £31.5m, along with an associated partial cancellation of £283.5m of the share premium account. Both of these steps resulted in an increase in distributable reserves within retained earnings by the same amount.

Reserves

	2025			2024		
	Share based payments £m	Cash flow hedge £m	Total reserves £m	Share based payments £m	Cash flow hedge £m	Total reserves £m
At beginning of year	23.0	–	23.0	20.4	0.1	20.5
Other comprehensive loss						
(Losses)/gains on cash flow hedges	–	(0.2)	(0.2)	–	0.3	0.3
Cash flow hedges reclassified in the income statement	–	0.2	0.2	–	(0.4)	(0.4)
Other comprehensive loss	–	–	–	**–**	**(0.1)**	**(0.1)**
Transactions with owners						
Fair value of equity settled share options granted	(2.6)	–	(2.6)	2.1	–	2.1
Tax relating to share based payments reserve movements	1.3	–	1.3	0.5	–	0.5
Transactions with owners	**(1.3)**	–	**(1.3)**	**2.6**	–	**2.6**
At end of year	**21.7**	–	**21.7**	**23.0**	–	**23.0**

29. Financial Risk Management

Through its normal operations, the Company is exposed to a number of risks arising from its use of financial instruments, the most significant of which are credit risk, market risk, and liquidity and funding risk. The key risk management processes and tools are described in detail on pages 4 to 9 in the Strategic Report.

Following the sale of the banking business, the Company has reassessed its financial risks and the following disclosures primarily reflect those relating to the Company's continuing operations. Presentation and comparative amounts have been updated for consistency with current period disclosures.

(a) Credit Risk

Credit risk within the Company arises principally from retail lending activities and from placement of surplus funds with banks. Credit risk also arises from contractual arrangements with third-parties where payments and commissions are owed to the Company for short periods of time.

Credit risk: measurement of ECL

The Company assesses, on a forward-looking basis, the ECL associated with financial assets carried at amortised cost. At 28 February 2025 the ECL recognised relates wholly to loans and advances to customer balances. The Company has not recognised an ECL allowance for cash and other assets balances at 28 February 2025 due to the short term nature of these balances and the frequency of origination and settlement.

ECL is calculated in line with the requirements of IFRS 9 using the three stage model for impairment:

- Stage 1 Financial asset is not credit impaired and has not had a significant increase in credit risk since initial recognition.
- Stage 2 Financial asset is not credit impaired but has had a significant increase in credit risk since initial recognition.
- Stage 3 Financial asset is credit impaired.

The measurement of ECL is dependent on the classification stage of the financial asset. For financial assets in stage 1, loss allowances are calculated based on ECL arising from default events that are possible within 12 months from the reporting date. For financial assets in stages 2 and 3, loss allowances are calculated based on lifetime ECL.

29. Financial Risk Management (continued)

For loans and advances to customers balances an account is deemed to have defaulted when a customer does not make a monthly instalment payment.

Inputs, assumptions and techniques used for estimating impairment

The ECL on loans and advances to customers is measured by multiplying together the exposure at default (EAD), the loss given default (LGD) and the probability of default (PD) for the relevant time period.

- EAD: Represents the expected amount due from the customer at the point of default. The Company derives the EAD by assessing the projected run off of the balance over the next 12 months based on expected contractual repayment from the customer.
- LGD: Represents the Company's expectation of the extent of the loss if there is a default. This is based on historic write off experience.
- PD: Represents the likelihood a customer will default over the policy length of 12 months.

Stage 1 ECL is calculated by applying the LGD rate to the expected contractual repayment over the next 12 months.

Any accounts which are in arrears at the reporting date are classified as Stage 2 and a provision at a level of 100% of the arrears balance is held. The Company retains the insurance risk for policies which have not been cancelled, regardless of whether or not a customer has paid. As such the Company pursues a write off policy, whereby accounts which are in arrears and the customer does not make payments to bring them back up to date, are written off following a 26 day period.

Credit risk: Credit risk exposure

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount.

(b) Liquidity and Funding Risk

Liquidity risk is the risk that the Company is not able to meet its obligations as they fall due. Funding risk is the risk that the Company does not have sufficiently stable and diverse sources of funding.

Following the sale of the banking business, the Company does not have any debt funding reflecting the simplified nature of its operations. During the current year, the Company had access to a £200.0m undrawn committed repurchase facility which ended on 26 October 2024 , ahead of the sale of the banking business. This facility had not been used during the current or prior year. All remaining liabilities are current and payable within one year, with the exception of an element of lease liabilities which are due in more than one year. Refer to note 26 for ageing analysis of lease liabilities which reflects the timing of expected cash outflow for the Company.

(c) Market Risk

The Company defines market risk as the risk that movements in market prices (such as interest rates and foreign exchange rates) lead to a reduction in either the Company's earnings or economic value.

Interest rate risk

Interest rate risk is the current or prospective risk to both earnings and economic value arising from movements in interest rates. Following the sale of the banking business, the Company's interest rate risk arises mainly on its interest earning assets which include interest earning bank deposits, and loans and advances to customers.

Foreign exchange risk

Foreign exchange risk is the current or prospective risk to both earnings and economic value arising from movements in foreign exchange rates. The Company assesses its exposure to foreign exchange risk by measuring its net open currency position.

Foreign exchange exposure may arise through the Company's 'Click and Collect' Travel Money provision and invoices received which are denominated in foreign currencies. The Company's maximum exposure to foreign exchange risk, representing the net assets denominated in foreign currencies, at 28 February 2025 is £0.8m (2024: £9.2m).

Residual price risk

Residual price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices, for reasons other than interest rate or credit risk.

The Company has equity investment securities at 28 February 2025 of £0.5m (2024: £1.1m) which are held at fair value in the balance sheet.

30. Financial Instruments

Classification of financial assets and financial liabilities

The Company recognises and measures financial instruments at either amortised cost or fair value, with the majority of financial instruments on the balance sheet at amortised cost.

The following tables set out the classification of financial assets and liabilities according to their measurement bases, together with the carrying amounts as recognised on the balance sheet.

	2025			2024		
	At amortised cost £m	At fair value £m	Total £m	At amortised cost £m	At fair value £m	Total £m
Financial assets						
Cash and balances with central banks	66.0	60.6	126.6	405.6	34.6	440.2
Loans and advances to customers	230.9	–	230.9	177.7	–	177.7
Derivative financial instruments	–	–	–	–	28.9	28.9
Investment securities	–	0.5	0.5	875.8	1.1	876.9
Other assets	470.0	–	470.0	149.4	–	149.4
Financial assets	**766.9**	**61.1**	**828.0**	**1,608.5**	**64.6**	**1,673.1**
Financial liabilities						
Borrowings	–	–	–	914.2	–	914.2
Derivative financial instruments	–	–	–	–	8.7	8.7
Subordinated debt	–	–	–	380.4	–	380.4
Other liabilities	51.9	–	51.9	104.2	–	104.2
Financial liabilities	**51.9**	**–**	**51.9**	**1,398.8**	**8.7**	**1,407.5**

Fair value of financial assets and financial liabilities

The carrying values of financial assets and financial liabilities as recognised on the balance sheet are approximately equal to their fair value due to the short term nature of these balances and the frequency of origination and settlement, with the exception of the following:

	2025		2024	
	Carrying Value £m	Fair Value £m	Carrying Value £m	Fair Value £m
Financial assets				
Loans and advances to customers	230.9	230.9	177.7	177.7
Investment securities - amortised cost	–	–	875.8	876.0
	230.9	**230.9**	**1,053.5**	**1,053.7**
Financial liabilities				
Subordinated debt	–	–	380.4	354.9
	–	**–**	**380.4**	**354.9**

The only financial assets which are carried at fair value in the Company balance sheet at year end are cash balances relating to the Travel Money business and equity investment securities. The valuation techniques and inputs used to derive fair values at the year end are described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where an active market is considered to exist, fair values are based on quoted prices. For instruments which do not have active markets, fair value is calculated using present value models, which take individual cash flows together with assumptions based on market conditions and credit spreads, and are consistent with accepted economic methodologies for pricing financial instruments.

30. Financial instruments (continued)

The table below categorises all financial instruments held at fair value and the fair value of financial instruments held at amortised cost according to the method used to establish the fair value disclosed.

2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets carried at fair value				
Cash and balances with central bank	–	60.6	–	60.6
Investment securities - FVPL	–	–	0.5	0.5
Financial assets carried at amortised cost				
Loans and advances to customers	–	–	230.9	230.9
Total	–	**60.6**	**231.4**	**292.0**

2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets carried at fair value				
Cash and balances with central bank	–	34.6	–	34.6
Investment securities - FVPL	–	–	1.1	1.1
Derivative financial instruments	–	28.9	–	28.9
Financial assets carried at amortised cost				
Loans and advances to customers	–	–	177.7	177.7
Investment securities - amortised cost	833.4	42.6	–	876.0
Total	**833.4**	**106.1**	**178.8**	**1,118.3**
Financial liabilities carried at fair value				
Derivative financial instruments	–	8.7	–	8.7
Financial liabilities carried at amortised cost				
Subordinated debt	–	354.9	–	354.9
Total	–	**363.6**	–	**363.6**

The Company categorises assets and liabilities carried at fair value into a fair value hierarchy in accordance with IFRS 13 *Fair value measurement* based on the observability of inputs used to measure the fair value:

- Level 1 - valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuations using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices);
- Level 3 - valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

There were no transfers between Level 1 and Level 2 in the current or prior year.

The were no transfers from Level 2 to Level 3 in the current or prior year.

During the current year £0.6m of investment securities at FVPL transferred from Level 3 to Level 2 prior to sale. There were no such transfers in the prior year.

31. Capital management

Capital management strategy

The Company operates an integrated risk management process to identify, quantify and manage risk in the Company. It is the Company's policy to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities to optimise the return to shareholders.

Regulatory environment

The Company has permissions under Part 4A of the Financial Services and Markets Act 2000 to carry on insurance distribution activity and enter into regulated credit agreements. The Company must hold minimum capital as set by the FCA. The Company has complied with all relevant capital requirements throughout the year. The minimum capital requirement under the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU), as they apply to the Company, is the aggregate of the following:

	Related business activities	Minimum requirement
Insurance distribution	Distribution of insurance products underwritten by TU and other third party insurers.	Higher of £5,000 and 2.5% of annual insurance commission income.
Regulated credit agreements	Premium finance (insurance instalment debtors) provided to insurance customers.	Higher of £100,000 and 1% of total assets less intangible assets.

The following table shows the Company's capital resources and capital resources requirement based on the audited numbers included in these Financial Statements. Comparatives are not presented because these FCA regulatory capital requirements only became effective for the Company on 1 November 2024, and the banking related regulatory capital requirements that previously applied to the Company are not applicable to the Company's continuing operations.

	2025 £m
Shareholders' equity	821.9
less: intangible assets	(17.0)
Total capital resources held	**804.9**
Capital resources requirement:	
- Insurance distribution	3.5
- Regulated credit agreements	9.5
Total capital resources requirement	**13.0**
Excess of capital resources held over capital resources requirement	**791.9**

In addition to the above regulatory capital requirements, following the sale of the banking business the Company has also developed an internal assessment of capital needs based on the FCA Handbook Threshold Condition 2.4 (Appropriate Resources). The capital resources of the Company are regularly monitored against the higher of this internal assessment and regulatory requirements.

32. Reconciliation of liabilities relating to financing activities

			Non cash movements			
	1 March 2024 £m	Financing cash flows £m	Fair value change £m	Accrued interest £m	Other £m	28 February 2025 £m
Subordinated liabilities and notes	377.4	(379.7)	2.2	–	0.1	–
Interest payable	3.0	(16.0)	–	13.0	–	–
Assets held to hedge fixed rate bonds	3.4	(3.4)	0.7	(0.7)	–	–
Lease liabilities	18.8	(4.5)	–	1.0	(10.1)	5.2
Total liabilities from financing activities	**402.6**	**(403.6)**	**2.9**	**13.3**	**(10.0)**	**5.2**

			Non cash movements			
	1 March 2023 £m	Financing cash flows £m	Fair value change £m	Accrued interest £m	Other £m	29 February 2024 £m
Subordinated liabilities and notes	371.9	–	5.1	–	0.4	377.4
Interest payable	2.4	(19.2)	–	19.8	–	3.0
Assets held to hedge fixed rate bonds	8.5	6.2	(11.5)	0.2	–	3.4
Lease liabilities	22.9	(5.6)	–	1.5	-–	18.8
Total liabilities from financing activities	**405.7**	**(18.6)**	**(6.4)**	**21.5**	**0.4**	**402.6**

33. Related Parties

Ultimate parent undertaking

The Company's ultimate parent undertaking and controlling party is Tesco PLC which is incorporated in England. The Financial Statements for Tesco PLC can be obtained from its registered office at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA.

Immediate parent undertaking

The Company's immediate parent company is Tesco Personal Finance Group Limited (formerly Tesco Personal Finance Group plc) which is incorporated in Scotland.

Key management personnel

Key management personnel (KMP) are defined as directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Company. Executive roles included in KMP are the Company's Chief Executive Officer, Chief Financial Officer and Chief Risk Officer. The below key management personnel and director disclosures relate to both continuing and discontinued operations for the current and prior year.

Key management personnel compensation	2025 £m	2024 £m
Short term employee benefits	5.9	5.3
Other long term benefits	1.8	1.9
Termination benefits	1.2	–
Share based payments	0.8	0.8
Total	**9.7**	**8.0**

Other long term benefits comprise aggregate amounts receivable under long term incentive schemes and are the maximum amounts awarded in the year. Actual amounts payable under long term incentive schemes may vary depending on the level of performance achieved against specific measures.

Additional director disclosures required by the Companies Act 2014	2025 £m	2024 £m
Highest paid director		
Total compensation, including amounts due under long term incentive schemes	2.8	3.6
Share options exercised	0.9	–
Accrued pension and lump sum under a defined benefit scheme	–	–
	Number	**Number**
Number of directors:		
- to whom retirement benefits are accruing under defined benefit or defined contribution schemes	1	3
- in respect of whose services shares were received or receivable under long-term incentive schemes	4	3
- who exercised share options	2	1
- who left the Company during the year	10	1

Other transactions with related parties

The Company undertakes transactions with the Immediate Parent Company, its previously controlled entities and other members of the Tesco group. These transactions principally consist of funding transactions and operational and process support.

33. Related parties (continued)

Transactions	2025 £m	2024 £m
Immediate parent company		
Interest expense	(13.2)	(21.5)
Shares cancelled	720.0	–
Other equity instruments repaid	150.0	–
Other members of the Tesco Group		
Fee and commission income	49.8	41.6
Interest income	7.1	3.7
Provision of services	(50.5)	(57.1)
Tax losses sold	(1.0)	70.9
Discontinued operations:		
- Interest expense	(22.0)	(19.9)

Outstanding balances	2025 £m	2024 £m
Controlled entities		
Investment in subsidiary	–	184.1
Other members of the Tesco group		
Prepayments and accrued income	2.2	–
Other assets	391.0	73.2
Total due from related parties	**393.2**	**257.3**
Immediate parent company		
Deposits from immediate parent company	–	(6.1)
Subordinated debt	–	(380.3)
Other members of the Tesco group		
Accruals and deferred income	(9.9)	(7.5)
Other liabilities	(6.5)	(7.9)
Total due to related parties	**(16.4)**	**(401.8)**

Tesco Group post-employment benefit plans

Defined benefit plans

The Company made contributions in the year to a closed funded defined benefit scheme operated by TSL. The principal pension plan is the Tesco pension scheme, a funded defined benefit pension scheme in the UK, the assets of which are held as a segregated fund and administered by the Trustee. TSL has recognised the appropriate net liability of the Tesco pension scheme in accordance with IAS 19.

Defined contribution plans

A defined contribution scheme operated by TSL is open to all Company employees in the UK. Detailed disclosures, in line with the requirements of IAS 19, are included in the Tesco 2025 Financial Statements.

34. Share based payments

The table below shows amounts charged to the income statement in respect of share based payments:

	2025 £m	2024 £m
Income statement		
Equity settled share based payment charge	6.4	8.1
Cash settled National Insurance contributions	2.9	1.1
Total*	**9.3**	**9.2**

* Includes £4.6m (2024: £6.6m) in relation to discontinued operations.

Share option schemes

The Company had three share option schemes in operation during the year, all of which are equity settled schemes using Tesco shares:

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 option schemes			
The Performance Share Plan (2011)	Selected senior executives	Normally exercisable between the vesting date(s) set at grant and 10 years from the date of grant for nil consideration. No further options will be granted under this scheme.	Conditional upon the achievement of specified performance targets over a three year period and/or continuous employment.
The Long Term Incentive Plan (2015)	Selected senior executives	Normally exercisable between the vesting date(s) set at grant and 10 years from the date of grant for nil consideration.	
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 Group Bonus Plan and the Deferred Bonus Plan (2019)	Selected senior executives and senior managers	Granted based on a percentage of salary, which is determined by the achievement of corporate and individual performance targets. The bonus awards are paid partly in cash and partly in deferred shares. The fair value of shares awarded under these schemes is their market value on the date of award. Expected dividends are not incorporated into the fair value.	Conditional on completion of continuous employment and achievement of corporate and individual performance targets.

34. Share based payments (continued)

The following table reconciles the total number of share options outstanding and the weighted average exercise price (WAEP):

	Savings related Share Option Scheme	
	Options	WAEP (pence)
Outstanding at 29 February 2024	**4,200,097**	**205.68**
Granted	258,242	279.00
Forfeited	(1,218,632)	207.22
Exercised	(1,773,670)	201.68
Outstanding at 28 February 2025	**1,466,037**	**222.15**
Exercise price range (pence)		189 to 279
Weighted average remaining contractual life (years)		2.39
Exercisable at 28 February 2025	**1,272**	**198.00**
Exercise price range (pence)		198.00
Weighted average remaining contractual life (years)		0.00

Share options were exercised on a regular basis throughout the financial year. The average Tesco share price during the year ended 28 February 2025 was 335.25p (2024: 270.43p).

The fair value of Savings Related share options schemes is estimated at the date of grant using the Black-Scholes option pricing model. The following table gives the assumptions applied to the options granted in the respective periods shown.

	2025	2024
	Savings Related share options schemes	Savings Related share options schemes
Expected dividend yield (%)	4.21% to 4.42%	4.48% to 4.61%
Expected volatility (%)	19.20% to 20.80%	19.35% to 21.42%
Risk-free interest rate (%)	4.41% to 4.49%	3.59% to 3.74%
Expected life of option (years)	3 or 5	3 or 5
Weighted average of fair value of options granted (pence)	77.71	66.76
Profitability of forfeiture (%)	6% to 12%	6% to 12%
Share price (pence)	349.13	290.50
Weighted average exercise price (pence)	279.00	220.00

Volatility is a measure of the amount by which a price is expected to fluctuate in the period. The measure of volatility used in Tesco's option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. In estimating the future volatility of Tesco's share price, the Tesco Board considers the historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the option, taking into account the remaining contractual life of the option.

Share Bonus Schemes

Selected executives participate in the Annual Bonus Plan, a performance related bonus scheme. The amount paid to colleagues is based on a percentage of salary and is paid partly in cash and partly in shares. Bonuses are awarded to selected executives who have completed a required service period and depend on the achievement of corporate and individual performance targets.

Selected executives participate in the Performance Share Plan (2011), the Long Term Incentive Plan (2015) and the Long Term Incentive Plan (2021). Awards made under these plans will normally vest on the vesting date(s) set on the date of the award for nil consideration. Vesting will normally be conditional on the achievement of specified performance targets over a three-year performance period and/or continuous employment.

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

The number of Tesco shares and weighted average fair value (WAFV) of share bonuses awarded during the year were:

34. Share based payments (continued)

	2025		2024	
	Number of shares	WAFV (pence)	Number of shares	WAFV (pence)
Group Bonus Plan	1,438,910	306.47	1,163,987	270.68
Performance Share Plan	1,868,580	309.51	2,043,883	256.70

35. Contingent liabilities and commitments

Contingent liabilities

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either it is not probable that an outflow of economic benefits will be required or the amount of the obligation cannot be reliably estimated.

Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits is remote. There are a number of contingent liabilities that arise in the normal course of business which, if realised, are not expected to result in a material liability to the Company.

The Company has provided warranties and indemnities in favour of the purchaser in connection with the sale of the Company's banking business on 1 November 2024, covering a range of matters and risks. It is exposed to potential claims under those warranties, indemnities and commitments.

Capital commitments

At 28 February 2025 the Company has capital commitments related to premises and equipment, and intangibles of £0.8m (2024: £0.5m) for IT hardware purchases and IT software development. The Company's management is confident that future net revenues and funding will be sufficient to cover these commitments.

36. Events after the reporting date

Barclays sale completion

Following the sale of the banking business to Barclays, which completed on 1 November 2024, the Company and Barclays finalised the completion procedures as set out in the Business Transfer Agreement. At year end, the Company recognised a liability to Barclays of £1.1m relating to the final true up payment on settlement of the transaction. This amount was paid in full on 17 March 2025.

Customer redress provision

Prior to the sale of the banking business the Company recognised provision balances in relation to potential customer redress. As part of the sale, the liability to customers for this redress was transferred to Barclays, with the Company providing an indemnity to Barclays for the full amount. Since 28 February 2025, £20.7m has been paid to Barclays under the indemnity relating to amounts issued to customers and associated operational costs. The remaining provision of £9.3m relates to PPI and expected residual operational costs for the CCA customer redress programme.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TESCO PERSONAL FINANCE LIMITED

Deloitte.

Opinion

In our opinion the financial statements of Tesco Personal Finance Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 28 February 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB); 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 comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the IASB.

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:

- Assessing the profit forecasts of the company;
- Assessing the company's regulatory capital requirements over the going concern assessment period and the forecast capital surplus over that time;
- Assessing the company's ability to pay planned dividends over the going concern assessment period and the impact on the company's regulatory capital requirements; and
- Consideration of the company's material outsource service providers.

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

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

Other information

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

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

We have nothing to report in this regard.

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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, 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 UK Companies Act and the HM Revenue and Customs (HMRC) 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. This included the requirements of the Financial Conduct Authority (FCA) and the Consumer Credit Act (CCA).

We discussed among the audit engagement team including relevant internal 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.

As a result of performing the above, we identified the greatest potential for fraud in respect of the valuation of the insurance renewal commission income contract asset. Our procedures performed to address the risk included:

- performing statistical analysis using historically observed data to challenge the key assumptions used by management to model the insurance renewal commission income contract asset;
- reviewing market data to identify any contradictory or corroborative evidence regarding management's assumptions, including consideration of whether historic data was indicative of future performance; and
- verifying that the insurance renewal commission income contract asset recorded agreed to the output of management's model.

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 in-house 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, reviewing internal audit reports and reviewing correspondence with the FCA.

Report on other legal and regulatory requirements

Opinions and 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 Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Matt Perkins FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
1 May 2025

ABBREVIATIONS

APM Alternative Performance Measures
BAC Board Audit Committee
Barclays Barclays Bank UK PLC
BoE Bank of England
BRC Board Risk Committee
CCA Consumer Credit Act 1974
CEO Chief Executive Officer
CRO Chief Risk Officer
EAD Exposure at default
ECL Expected credit loss
EIR Effective interest rate
ERC Executive Risk Committee
EVM Every Voice Matters
ExCo Executive Committee
FCA Financial Conduct Authority
FRC Financial Reporting Council
FVLCS Fair value less costs to sell
FVPL Fair value through profit or loss
HMRC His Majesty's Revenue and Customs
IAS International Accounting Standard
IAS 19 IAS 19 'Employee Benefits'
IASB International Accounting Standards Board
IFRS International Financial Reporting Standard
IFRS 5 IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations'
IFRS 9 IFRS 9 ‘Financial Instruments’
IFRS 15 IFRS 15 ‘Revenue from Contracts with Customers’
IMS Insurance and Money Services’
ISAs (UK) International Standards on Auditing (UK)
KMP Key Management Personnel
LGD Loss given default
LTP Long-term plan
MIPRU Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries issued by the FCA
PD Probability of default
PPI Payment protection insurance
PRA Prudential Regulation Authority
RemCo Board Remuneration Committee
RCSA Risk and control self-assessment
rTSA Reverse transitional service agreements
RMF Risk Management Framework
SMF Senior Management Function
tCO_2e Tonnes of carbon dioxide equivalent
Tesco Tesco PLC
TFSME Term Funding Scheme with incentives for small and medium sized entities
TPFG Tesco Personal Finance Group plc
TSL Tesco Stores Limited
TU Tesco Underwriting Limited
UK United Kingdom
WAEP Weighted average exercise price
WAFV Weighted average fair value
2018 Code UK Corporate Governance Code 2018

TESCO PERSONAL FINANCE LIMITED
GLOSSARY OF TERMS

A	
Alternative performance measure	In the reporting of financial information, the Directors have adopted various APMs. These measures are not defined by IFRSs and therefore may not be directly comparable with other companies' APMs, including those in the Company's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements
Amortised cost	The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.
B	
Black-Scholes model	A financial model used to price options.
Business areas	Internal operating segments within the Company
C	
Capital resources	Eligible capital held in order to satisfy capital requirements.
Company	Tesco Personal Finance Limited.
Conduct risk	The risk that the conduct, acts or omissions of the organistion, or individuals within the organisation, leads to customer detriment, or has an adverse effect on market stability or effective competition.
Credit risk	Credit risk is the risk that a borrower will default on a debt or obligation by failing to make contractually obligated payments, or that the Company will incur losses due to any other counterparty failing to meet their financial obligations.
D	
Derivatives	Financial instruments whose value is based on the performance of one or more underlying assets.
E	
Event	An event is an occurrence caused by an internal or external failure which could impact the Company's finances; customers; compliance with regulations; brand and reputation; or resilience of operations.
Expected credit loss	The weighted average of credit losses with the respective risks of a default occurring as the weights.
Exposure	A claim, contingent claim or position which carries a risk of financial loss.
Exposure at default or exposure value	Represents the expected amount due from the customer at the point of default.
F	
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Financial Conduct Authority	The statutory body responsible for conduct of business regulation and supervision of UK authorised firms from 1 April 2013. The Financial Conduct Authority also has responsibility for the prudential regulation of firms that do not fall within the PRA's scope.
Financial instrument	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Foreign exchange risk	The risk that the value of transactions in currencies other than Sterling is altered by the movement of exchange rates.
Funding and liquidity risk	The risk that the Company is not able to meet its obligations as they fall due and the risk that the Company does not have sufficiently stable and diverse sources of funding.
I	
Impairment losses	The reduction in value that arises following an impairment review of an asset which has determined that the asset's value is lower than its carrying value.
Intensity factor	The emission rate of a given pollutant relative to the intensity of a specific activity.
Interest rate risk	The risk arising from the different repricing characteristics of the Company's interest earnings assets and liabilities.
L	
Liquidity risk	Liquidity risk is the risk that the Company is not able to meet its obligations as they fall due.
Loss given default	Represents the Company's expectation of the extent of the loss if there is a default. This is based on historic write off experience.
M	
Market-based	A method of calculating a company's emissions which reflects the emissions from electricity purchased by a company, including its purchase of electricity backed by Renewable Energy Guarantees of Origin or Renewable Energy Certificates.
Market risk	The risk that movements in market prices (such as interest rates and foreign exchange rates) lead to a reduction in either the Compan's earnings or economic value.
Minimum capital	The minimum regulatory capital that must be held in accordance with requirements

requirement	
N	
Net zero	The balance achieved when the amount of carbon added to the atmosphere is no more than the amount removed.
O	
Operational risk	The risk of a potential error, loss, harm or failure caused by ineffective or inadequately defined processes, system failures, improper conduct, human error or from external events.
P	
Physical risks	Risks arising from changes in weather and climate, impacting physical assets and people.
Probability of default	Represents the likelihood a customer will default over the relevant period, being either 12 months.
Prudential Regulation Authority	The statutory body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.
R	
Regulatory capital	The capital that a bank holds, determined in accordance with the relevant regulation.
Regulatory risk	The risk of poor customer outcomes, reputational damage, liability, loss or regulatory censure arising from failure to comply with the requirements of regulators or industry codes of best practice.
Residual price risk	The risk that the fair value of a financial instrument will fluctuate because of changes in market prices, for reasons other than interest rate or credit risk.
Reverse transitional service agreements	Agreements entered into with Barclays to support existing processes, systems and applications across a two-year period post separation
Risk Appetite	The level and types of risk that the Company is willing to assume to achieve its strategic objectives.
Risk and Control Self-Assessment process	A systematic approach used to identify, assess, and manage potential operational risks.
S	
Subordinated debt	Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.
T	
Term Funding Scheme for Small and Medium Sized Entities	A funding scheme provided by the BoE which provides participating banks and building societies with funding at interest rates close to the BoE's base rate.
Tonnes of carbon dioxide equivalent	Tonnes of carbon dioxide equivalent refers to the amount of carbon dioxide emitted by one metric ton of another greenhouse gas.
V	
Value-in-use	The present value of the future cash flows expected to be derived from an asset or cash-generating unit.