

RECORD GROUP RESULTS – £1 BILLION UK INVESTMENT UNDERWAY**Financial headlines:**

- Group sales up 7.4% to £72.0bn*, up 5.9% exc. petrol
- Statutory profit before tax up 5.3% to £3.8bn; Underlying profit before tax up 1.6% to £3.9bn
- Group trading profit up 1.3% to £3.8bn – UK down (1.0)% to £2.5bn; International up 17.7% to £1.1bn
- Underlying diluted EPS growth of 2.1%**; dividend per share growth of 2.1%
- Results in line with latest market consensus***
- Increase in return on capital employed to 13.3%; 2014/15 14.6% target maintained
- Financial strategy to put increased focus on delivering sustainable business growth, improving returns and higher level of cash generation
- Reducing Group capital expenditure from £3.8bn in 2011/12 to £3.3bn in 2012/13

Business update:

- UK plan being implemented, beginning with recruitment and training of over 8,000 new staff in existing stores – part of 20,000 net new jobs over two years
- UK net new space growth to reduce by 38%, with renewed focus on existing portfolio reflected in a comprehensive Refresh programme, starting with 430 stores in 2012/13
- Internet investment increasing rapidly across the Group – new Tesco Direct website launched
- Tesco Bank migration to complete next month – ready for further growth
- United States losses reduced by 17.7%; on track for further significant reduction in current year
- Market share increases in 10 of our 13 markets****
- We donated £74.5 million to charities and good causes, including significant support for Thai communities affected by last year's tragic floods
- Recognised as best retailer in the Carbon Disclosure Project's Global 500 Index

UK Plan – Building a Better Tesco:

- £1bn commitment this year to improve the shopping trip for customers – including c.£0.4bn of capital investment – focused on six key elements:
 1. **Service & Staff** – more staff for existing stores, initially in fresh food departments
 2. **Stores & Formats** – faster store Refresh programme; introducing warmer look and feel
 3. **Price & Value** – better prices and promotions, more personalised offers
 4. **Range & Quality** – better ranges, starting with re-launching the Tesco brands
 5. **Brand & Marketing** – better, clearer, more relevant communication with customers
 6. **Clicks & Bricks** – Click & Collect roll out, transforming range and online presence

Philip Clarke – Chief Executive

“The last few months have seen us drive a faster pace of change in Tesco, particularly in the UK, reflecting our determined focus on the immediate objectives for the Group that were set out last April. This pace of change will accelerate further over the next twelve months. We have already taken important steps to renew and strengthen management in the UK and across the Group in key areas, to support this programme of change.

“Whilst our International business is delivering excellent growth, contributing £1.1 billion of profit to the Group, we fully recognise that we need to raise our game in the UK. As a result, we are committing over £1 billion to make the UK shopping trip better for customers: more staff giving improved service in-store; refreshed stores that are better and easier places to shop; lower prices and even more value from an improved product range. As we improve the shopping trip for our customers, it will follow that our sales growth and financial performance will improve too.

“These are decisive steps and this cost investment – as we have already announced – will constrain our near-term profitability. We are also focusing our lower overall capital expenditure more into our existing stores and in building our online businesses. We are adapting our UK capital plans so that we have the right store base for the future, to underpin the returns that create long term value for our shareholders. Together these steps are the right things to do both to improve the shopping trip for customers and to secure a return to profitable growth in the UK.”

*Group sales (inc. VAT) exclude the accounting impact of IFRIC 13.

**Underlying diluted EPS growth calculated on a constant tax rate basis; 3.2% at actual tax rates.

***Source: Vuma consensus estimates, published February 2012.

****Exc. Japan

FINANCIAL HIGHLIGHTS

Continuing operations 52 weeks ended 25 February 2012 (unaudited)	2011/12	Change vs. 2010/11
Group sales (inc. VAT)*	£72,035m	7.4%
Group revenue (exc. VAT)	£64,539m	6.8%
Group trading profit	£3,761m	1.3%
Group trading profit (pre Bank PPI** provision increase and Hungary sales tax)	£3,856m	5.2%
Underlying profit before tax	£3,915m	1.6%
Underlying profit before tax (pre Bank PPI provision increase and Hungary sales tax)	£4,010m	5.4%
Group profit before tax	£3,835m	5.3%
Underlying diluted earnings per share	37.41p	2.1%***
Diluted earnings per share	36.64p	7.0%
Dividend per share	14.76p	2.1%

Outlook

Despite an economic environment which remains mixed for our businesses around the world, we are at this stage comfortable with latest market consensus forecasts**** for 2012/13. At home, a sluggish economic recovery masks a still challenging environment for consumers and similar conditions exist in some of our markets outside the UK, including in Central Europe. Oil prices and the burden of increasing regulation and taxation from governments also contribute to these challenges. However, the diversity of the Group, combined with improving performance in a number of key businesses – such as Fresh & Easy and Tesco Bank – mean that we remain confident of making modest progress this year despite the substantial planned revenue investment in the UK business.

*Group sales (inc. VAT) exclude the accounting impact of IFRIC 13.

**Payment Protection Insurance (PPI).

***Underlying diluted EPS growth calculated on a constant tax rate basis; 3.2% at actual tax rates.

****Source: Vuma consensus estimates, published February 2012.

SUMMARY OF GROUP RESULTS¹

Continuing operations ²	Group		
	TY £m	LY £m	Growth %
Sales (inc. VAT)⁴	72,035	67,074	7.4%
Growth %			
UK LFL (exc. Petrol)			
Revenue (exc. VAT) ⁵	64,539	60,455	6.8%
Growth %			
UK LFL – IFRIC 13 compliant basis (exc. Petrol)			
Trading profit/(loss)⁶	3,761	3,714	1.3%
Growth %			
Trading profit margin ⁴	5.77%	6.07%	(30)bp
Change (basis points)			
<i>Trading profit ex Hungary Tax and PPI</i>	3,856	3,664	5.2%
Growth %			
Profit arising on property-related items	376	432	(13.0)%
Deduct: IAS adjustments	(152)	(229)	33.6%
Statutory/ operating profit	3,985	3,917	1.7%
JVs and associates	91	57	59.6%
Net finance costs	(241)	(333)	27.6%
Statutory profit before tax	3,835	3,641	5.3%
Add: IAS adjustments	80	212	(62.3)%
Underlying profit before tax⁷	3,915	3,853	1.6%
Dividend per share (pence)	14.76	14.46	2.1%

	Group		
	TY	LY	YOY Change
Capital expenditure (£bn)	3.8	3.7	0.1
Gross space added (million sq.ft.)	10.0	9.3	0.7
	Group		
	TY	LY	YOY Change
Cashflow from operating activities (£bn)	4.4	4.2	0.2
IFRS pensions liability post-tax (£bn)	1.4	1.0	0.4
Net debt (£bn) ⁸	6.8	6.8	0.0

UK ³	Asia	Europe	US	Tesco Bank
				TY £m
TY £m	TY £m	TY £m	TY £m	TY £m
47,355	11,627	11,371	638	1,044
6.2%	10.5%	7.7%	27.1%	13.6%
(0.0)%				
42,248	10,793	9,826	628	1,044
5.3%	10.5%	7.3%	26.9%	13.6%
(0.6)%				
2,480	737	529	(153)	168
(1.0)%	21.8%	0.4%	17.7%	(36.4)%
5.79%	6.81%	5.36%	(24.29)%	16.09%
(35)bp	64bp	(37)bp	1,329bp	(1,264)bp
		567		225
		7.6%		5.1%

UK	Asia	Europe	US	Tesco Bank
				TY
TY	TY	TY	TY	TY
1.6	1.2	0.7	0.2	0.2
2.6	4.5	2.7	0.3	n/a

Notes:

- The financial year represents the 52 weeks ended 25 February 2012 (prior financial year 52 weeks ended 26 February 2011). For the UK, the Republic of Ireland and the US, the results are for the 52 weeks ended 25 February 2012 (prior financial year 52 weeks ended 26 February 2011). For all other operations, the results are for the calendar year ended 29 February 2012 (prior financial year ended 28 February 2011). All growth rates are calculated at actual exchange rates unless otherwise stated. Statutory numbers include the accounting impact of IFRIC 13 (Customer Loyalty Programmes). All other numbers are shown excluding the accounting impact of IFRIC 13, consistent with internal management reporting. More information can be found in Note 1 to the preliminary consolidated financial information.
- Continuing operations exclude the results from our operation in Japan which have been treated as discontinued following our decision to sell the business.
- The UK segment excludes Tesco Bank, which is reported separately in accordance with IFRS 8 'Operating Segments'.
- Excludes the accounting impact of IFRIC 13 (Customer Loyalty Programmes). Trading margin is based on revenue excluding the accounting impact of IFRIC 13.
- Includes the accounting impact of IFRIC 13 (Customer Loyalty Programmes).
- Trading profit excludes property profits and makes the same additional adjustments as our underlying profit measure, except for the impact of non-cash elements of IAS 32 and 39, and the interest element of IAS 19.
- Underlying profit excludes the impact of non-cash elements of IAS 17, 19, 32, and 39 (principally the impact of annual uplifts in rents and rent-free periods, pension costs, and the marking to market of financial instruments); the amortisation charge on intangible assets arising on acquisition (Tesco Bank) and acquisition costs, and the non-cash impact of IFRIC 13 (Customer Loyalty Programmes). It also excludes restructuring and other one-off costs (relating to the US, Europe and Tesco Bank) and closure costs (Vin Plus).
- Including Japan as a discontinued operation.

GROUP RESULTS

Group sales, including VAT, increased by 7.4% to £72.0bn. At constant exchange rates, sales also increased by 7.4% (including petrol) and 6.0% (excluding petrol).

Group trading profit was £3,761m, up 1.3% on last year. This included two one time events – Hungary sales tax and an increase in provisions in Tesco Bank relating to payment protection insurance (PPI). Before these items, Group trading profit increased by 5.2%. Group trading margin, at 5.8%, decreased by 30 basis points after the impact of the increase in PPI provision and Hungary sales tax, and by 7 basis points, to 5.9% before these items. **Underlying profit before tax** rose to £3,915m, an increase of 1.6%. Before the additional PPI provision and Hungary sales tax, underlying profit before tax rose by 5.4%. **Group profit before tax** increased 5.3% to £3,835m.

As a consequence of the previously announced decision to sell our business in Japan, the results of our business there, including a small full year trading loss (£25m) before store impairment (£77m) and the impact of restructuring costs (£23m), have been classified as **discontinued operations** in these results.

Net finance costs decreased to £241m (£333m last year). £35m of this reduction was the result of the revaluation of the liability relating to our obligation to purchase Samsung's minority interest in our business in Korea, which we completed in July and which was included in our first half results. Before the non-cash IAS 19, 32, and 39 adjustments, actual net interest cost also fell by £(30)m to £303m. Capitalised interest reduced by £7m to £140m.

Total **Group tax** has been charged at an effective rate of 22.9% (last year 23.7%). This reduction mainly reflects a fall in the UK corporation tax rate.

Cash Flow and Balance Sheet. Net debt remained at £6.8bn, reflecting lower levels of property proceeds, a lower level of working capital improvement as well as the £290m repurchase of Tesco shares to offset share scheme equity issuance. The strength of our property-backed balance sheet was again demonstrated through continued strong investor demand for our property sale and leaseback transactions and the recent very successful Tesco Lotus PFPO, which completed after the year-end. This raised £379m of proceeds from the sale of 17 high quality shopping malls in Thailand.

Pensions. The Group's net pension deficit after tax has increased from £992m to £1,406m. The increase is largely due to a reduction in bond yields and asset returns being lower than expected. Our pension scheme is highly valued by our staff and remains one of the best in the UK. We announced last month that we are keeping our UK defined benefit scheme but are proposing some essential changes to keep it sustainable in the future. We also made a one-off cash contribution of £180m after the year-end, in anticipation of the forthcoming outcome of the triennial actuarial valuation.

Group **capital expenditure** was £3.8bn, or 5.3% of sales (2010/11: £3.7bn). Capital expenditure in the UK was £1.6bn, with a further £0.2bn in the Bank, principally for continued and now largely completed investment in the re-platforming of our systems, and £2.1bn in International.

We plan to invest a lower level of Group capital expenditure in the current financial year – from £3.8bn in 2011/12 to £3.3bn in 2012/13. A key driver of this change is a reduced new store opening programme in the UK, with around 38% less net new space opening in 2012/13 than in 2011/12. This will result in an overall reduction in UK capital expenditure even though we are stepping up our investment in existing stores and online.

Going forward, we intend total capital expenditure for the Group to remain comfortably below 5% of sales. These changes in relation to capital expenditure form part of a financial strategy which supports sustainable business growth, as we continue to invest whilst also moving towards a higher level of cash generation and, in line with our stated objective, improving return on capital employed.

Return on Capital Employed

Group **Return on Capital Employed** (ROCE) increased by 40 basis points during the year – to 13.3%. Despite the reset to market expectations of our profit performance in 2012/13, announced in January 2012, we still expect to deliver our targeted increase in ROCE to 14.6% by 2014/15.

This increase will be broadly based, driven by maturing investment overseas, combined with increased capital efficiency (including the work-in-progress release) and a reduced overall level of capital expenditure.

Dividend

The Board has approved a final dividend of 10.13p per share. Combined with the increase in the interim dividend, this brings the full year dividend increase to 2.1%, in line with the growth in full year underlying diluted earnings per share at a constant tax rate. Dividend cover has increased to a strong 2.5* times. The final dividend will be paid on 6 July 2012 to shareholders on the Register of Members at the close of business on 27 April 2012.

Tesco Team Objectives

Last April we set six immediate team objectives against which we expect to be judged. They are: first, **keeping the UK strong and growing**; second, **becoming outstanding internationally, not just successful**; third, as the combination of stores and online becomes compelling for customers, we aim to **become a multi-channel retailer wherever we trade**; fourth, we will **deliver on the potential of retailing services** – of which the Bank is a big part; fifth, by **applying Group skill and scale** we will add more value and competitive advantage to our businesses, and finally, **delivering higher returns for shareholders** has already begun and it will continue.

Our determined focus on these immediate objectives has seen us take action in key areas during the year to strengthen our performance:

- First, we are making rapid, substantial changes to our **UK** business to sharpen execution and competitiveness for customers by investing in staff and training, price and promotions, ranging, service and store environment. This has required us to make a significant revenue and capital investment in the business which, when implemented, we expect to deliver a stronger sales performance in the months ahead;
- Second, having decided last autumn to slow the final stage of **Tesco Bank** systems migration to ensure a smooth transition for customers, we have almost completed the migration and the business is now ready for further growth;
- Third, **Fresh & Easy** is showing promising results, with losses having fallen for the first time. Although we have made slower progress towards breakeven than we expected, we now anticipate that this point will be reached during the 2013/14 financial year;
- Fourth, having stepped up our investment **Online** during the year, in the UK we have recently introduced a substantially enhanced Tesco Direct website and product offer, rolled out Click & Collect to 774 stores for non-food and 45 for grocery, added a fourth dotcom-only store at Enfield – and also introduced dotcom grocery in the Czech Republic, with Poland soon to follow;
- Fifth, in line with our target to increase **Return on Capital Employed** for shareholders, we are reducing our capital expenditure, focusing more of our investment on existing stores and pursuing growth through smaller, less capital intensive formats and online.

*Dividend cover based on continuing operations basis

BUSINESS PERFORMANCE

UK

	UK Results 2011/12	
	£m	% growth
UK sales	£47,355m	6.2%
UK revenue (exc. VAT, exc. impact of IFRIC 13)	£42,798m	5.0%
UK trading profit	£2,480m	(1.0)%
Trading margin (trading profit/revenue)	5.79%	(35)bp

UK trading conditions were difficult throughout the year, linked to the continuing adverse impact of high petrol prices and falling real incomes on customers' discretionary spending. Having delivered a solid first half profit outcome, profits and margins weakened in the second half. This was the result of a disappointing sales performance, particularly during the seasonally important Christmas period, combined with the impact of our step up in the investment in our customer offer.

Like-for-like sales, excluding petrol, were weaker than planned in the UK through much of the year. Nevertheless, combined with a strong contribution from net new space, linked to our excellent new store performance, our total sales growth was faster than the market as a whole. The like-for-like performance weakened during the second half, driven mainly by food & grocery, in part due to reduced levels of inflation, some of which was self-induced as we lowered prices. The more important driver of this deterioration, which was more pronounced in December and January, was a lack of couponing activity at a time when the industry at large was issuing large volumes of cumulative spend coupons. We have since remedied this with a more active couponing programme.

	UK LFL Growth 2011/12				
	H1	Q3	Q4	H2	FY
LFL (inc.VAT, inc. petrol)	3.5%	3.4%	1.2%	2.2%	2.8%
LFL (inc VAT, exc. petrol)	0.5%	0.1%	(1.0)%	(0.5)%	0.0%
LFL (exc. VAT, exc. petrol)	(0.5)%	(0.9)%	(1.6)%	(1.2)%	(0.9)%
LFL (exc. VAT, exc. petrol) IFRIC 13*	(0.6)%	(0.9)%	(0.1)%	(0.6)%	(0.6)%

*Compliant with IFRIC 13 (Loyalty schemes) – the variance between like-for-like sales growth excluding both petrol and VAT for the fourth quarter, and the same growth on an IFRIC 13-compliant basis is due principally to the consequences for revenue recognition of the changes to our Clubcard scheme announced in September.

With net new space contributing 3.7%, total sales (excluding petrol and including VAT) grew by 3.7% in the year. However, excluding both petrol and VAT, like-for-like sales in the year reduced by (0.9)%, with a reduction of (1.6)% in the fourth quarter.

The UK Plan – Building a Better Tesco

It is against this background of slower than planned like-for-like growth and a further weakening in our performance relative to the wider industry that we took the decision in January to accelerate a plan – which had been developed over the course of 2011 – to make substantial changes to the UK business for customers. Elements of that plan, including the most significant changes to our pricing and promotions strategy for many years, had started to be introduced in the autumn of 2011. We had also begun, just before Christmas, to progress another key component of the plan – designed to increase significantly staffing levels in key departments – initially in over 200 trial stores – to improve service standards.

The additional investment we announced in January in these and other areas will result in a significant reset to the level of UK margins. This reset will give us the financial resources we need to make a comprehensive set of improvements to the shopping trip for customers over the course of the next few months.

Implementation of the plan has already begun to accelerate supported by a £1bn commitment this year to improve the overall shopping trip for customers – including c.£0.4bn of capital investment – focused on six key elements. In summary, these elements of the plan to reinvigorate the UK core business are:

1. **Service & Staff** – more staff for existing stores, initially in fresh food departments
2. **Stores & Formats** – faster store Refresh programme; introducing warmer look and feel
3. **Price & Value** – better prices and promotions, more personalised offers
4. **Range & Quality** – better ranges, starting with re-launching the Tesco brands
5. **Brand & Marketing** – better, clearer, more relevant communication with customers
6. **Clicks & Bricks** – Click & Collect roll out, transforming range and online presence

- **Service & Staff.** We are investing substantially more in staff hours, particularly in our larger stores and in our fresh food departments. This will involve the recruitment of over eight thousand more store staff, which has already begun, as well as additional investment in training and equipment, with the aim of giving our stores more of the people, skills and tools they need to serve customers well. This activity alone will require additional revenue cost investment of over £200m.

In the 16 trial stores in which we made similar changes last summer and subsequently in the extended pilot of over 200, which received additional resources just before Christmas – we have seen encouraging progress. The 16 have delivered an average like-for-like sales improvement relative to a control group of 1.2% and the 200 stores have shown an improvement of 1.1% so far. Overall customer perceptions of service, availability and quality have also shown significant improvement in these stores.

- **Stores & Formats.** We are making some significant changes to our existing stores and we are altering our approach to new development. First, we have stepped up the pace of refreshing the existing estate, improving the look and feel of stores for customers – featuring warmer colours, better lighting, improved sightlines across the store and clearer, less functional signage. Within these changes, there has been a strong emphasis on fresh departments, including service counters, as well as for example, beers, wines and spirits areas. Again, after successful trials, we will refresh or refit some 430 stores in 2012/13 representing more than 25% of our total UK space. More than 40% of active Clubcard customers will see the difference.

Secondly, our investment plans for new property are also changing – reflecting the growing importance of our online business in general merchandise, and our desire to focus on the most productive use of new capital. Whilst we will continue to expand across our range of formats, this change will reflect four priorities: maintaining investment in expanding our highly successful Express business, investing more in dotcom-only stores in densely populated areas, building out space we are committed to complete (in particular mixed-use schemes) and pursuing other new opportunities only with high return characteristics. This will mean new space added in 2012/13 will be 38% lower than in 2011/12 and capital expenditure in the UK will also reduce, despite our additional investment in existing space and online.

- **Price & Value.** Last September we reinvested over £300m from the cost of double Clubcard points to lower the prices of 3,000 products, focusing on the most important lines for customers, as part of a new stronger pricing policy. At the same time we introduced other changes to the Clubcard scheme to ensure it remains the strongest in the market. We have seen some encouraging signs since the Big Price Drop was introduced – including, on our internal measures, a stronger shelf-edge price position against competitors and an improvement in volume growth relative to the market – but we have not seen the desired improvement in customer price perception. This was in part because we did not strike the right balance between price, promotion, couponing and loyalty investment for our customers, particularly in December and January.

Going forward, we intend to further strengthen Price Drop to build trust in our pricing but we will also increase the promotional element of it with stronger deals, including improved seasonal events. In addition, our trials of new activities to encourage higher basket sizes and loyalty, including money-off couponing through Clubcard and at the checkout, have gone well and will be applied more widely.

- **Range & Quality.** We have a programme of range improvement in key areas already underway with a focus on a complete re-launch of the Tesco Brand ranges, more store and format-specific ranging to improve choice for customers and further work to restore differentiation and growth to our general merchandise and clothing departments (see Page 11).

The Tesco Value range is already growing at over twice the rate of the market as a whole, with more customers using it to help balance their budgets. The entire Value range is being re-launched – as Everyday Value – by the end of May including new, more contemporary packaging and 220 product quality improvements. The Tesco standard ranges, which comprise more than 8,000 products and represent around 40% of our UK food sales, are being comprehensively upgraded with a programme of range-by-range improvement, including over 2,000 new lines, through to April 2013.

As part of strengthening the broad appeal of Tesco, we are increasing the flexibility for our stores and formats to adapt our offer more to local customer needs – including for example around ethnicity and affluence – following some very successful trials.

- **Brand & Marketing.** We aim to back our increased investment in the shopping trip for customers with better brand communication. We have already made changes in marketing, including bringing dunnhumby back into the heart of the UK business to provide more insight to the improvements we are making for customers.
- **Clicks & Bricks.** We are already a leader online, but as the pace of change quickens, we are planning significant improvements across all of our dotcom businesses, building on our strong base and anticipating further migration of customer shopping habits online. We are increasing our capital investment in this area to around £150m in 2012/13 and have already made a strong start with our new web platform for Tesco Direct launched a few weeks ago. The new website, which has been well received by customers, will soon house almost all of our UK online businesses. It is also a big step forward in terms of functionality and ease of use for customers, offering a much richer user experience and being fully configured for mobile devices for the first time. We have already doubled the number of products on the new website, bringing the total available to well over 75,000. The site also features the first of our marketplace vendors who are now selling additional ranges through tesco.com. A much greater expansion of the product range and further platform upgrades are planned in the months ahead.

We are also making more use of our uniquely strong network of stores, offering even more customers the convenience of being able to pick up orders placed online close to where they live and work. We already have over 770 Click & Collect collection points in our stores across the UK, covering almost 70% of the country and handling 70% of online general merchandise orders. 70 of these are in Express stores, offering a new level of ease and convenience for customers. We will increase our coverage of the UK to 85% in the next year, with 700 new collection points. Grocery Click & Collect is now in 45 stores and growing fast and we are already trialling joint grocery and general merchandise collection points in a number of stores.

The combined revenue and capital investment of these initiatives will exceed £1 billion, including the 2012/13 incremental element of the investment of c.£500m we announced into core pricing in October last year. We are comfortable that the margin impact of this investment is consistent with the guidance we gave in January and appropriately reflected in latest market forecasts.

We have made a number of management changes in the UK during the course of the year, initially in the general merchandise, clothing and electricals and also, more recently, in store and operations management – including appointing format managing directors for Extra, Superstore, Metro and Express – and marketing. Many of these changes were put in place to drive the UK reinvigoration plan through the business.

Tesco Telecoms. We have made excellent progress in our telecoms business this year. Tesco Mobile's customer base has increased to over three million, with particularly strong growth in our pay-monthly contract business, helped by the popularity of our 'capped contracts' which help customers on tight budgets manage their costs. Our in-store phone shops – we now have 240 – are now profitable and we are adding a further 24 this year. Our new broadband offer, which makes fast broadband access much more affordable at £2.50 per month, has proved very popular with customers.

ASIA, EUROPE & UNITED STATES

	International Results* 2011/12		
	Actual rates		Constant rates
	£m	% growth	% growth
International sales	£23,636m	9.5%	9.6%
International revenue (exc. VAT, exc. impact of IFRIC 13)	£21,324m	9.4%	9.5%
International trading profit	£1,113m	17.7%	16.5%
Trading margin (trading profit/revenue)	5.22%	37bp	31bp

*Exc. Japan

During the year as a whole, our international businesses delivered good overall performance, with strong growth in sales and profit and increasing returns. In general we have been able to make progress against a background of still subdued economic growth across most of our countries and weakening consumer confidence in most markets, particularly in Europe but also in parts of Asia. It is encouraging that in this context, Tesco is winning share in almost all of its markets and in some countries this is continuing at a faster rate than for many years.

Our second half sales performance was satisfactory given the strength of our market share gains but like-for-like sales trends reflected a combination of country-specific challenges – for example, the Thai floods – and a general weakening of consumer demand in many markets, not least in Europe but also in our important Asian markets, particularly Korea and China.

	Asia, Europe, US LFL* Growth 2011/12				
	H1	Q3	Q4	H2	FY
Asia	3.8%	0.8%	(0.4)%	0.2%	1.9%
Europe	1.0%	0.9%	0.3%	0.6%	0.8%
United States	11.7%	11.9%	12.3%	12.1%	11.9%
Total International	2.7%	1.1%	0.2%	0.7%	1.6%

*Exc. petrol, exc. Japan

Note: A full table of quarterly country LFL growth is provided in Appendix 2 on page 18.

We have continued a strong pace of new space opening, with 6.9m of net new square feet of space coming on stream in the year. This compares with 5.9m square feet of net new space in 2010/11 and 4.8m square feet in 2009/10. We plan to open a further 5.8m square feet during the current year, with a growing proportion of the new space in less capital-intensive smaller formats – some 49% of the opening programme in 2012/13.

The strengthening of our mature hypermarket assets in Europe and also now in Asia through the introduction of the Extra format continues to deliver good results. We have converted some 34 stores in total to date – 31 in Europe and 3 in Asia, with the first conversions in Thailand and China starting well. The cumulative improvement in sales in these stores is now 17% even after a modest overall reduction in sales area. Given the improvements particularly to the fresh food, general merchandise and clothing departments, profitability has also improved.

The development of our convenience formats internationally, including Express, remains a core element of our expansion plans. We now have over 1,600 such stores outside the UK – and as well as being very popular with customers, just as at home, these are rapidly becoming high returning assets. The first Express stores in the US, with six now trading, have opened well.

Our plans to roll-out our dotcom grocery operations across our markets, initially with a focus on capitals and other large cities – have also made good progress. Our new operation in Prague, which began in January is already trading well ahead of expectations and our second European operation, in Warsaw, will be launched soon. The existing dotcom operations in Korea and Ireland grew combined sales by 41% in the year. Our virtual stores in Korea, located in subway stations and other prominent sites are showing promising results.

Asia

	Asia Results* 2011/12		
	Actual rates		Constant rates
	£m	% growth	% growth
Asia sales	£11,627m	10.5%	10.4%
Asia revenue (exc. VAT, exc. impact of IFRIC 13)	£10,828m	10.5%	10.3%
Asia trading profit	£737m	21.8%	21.5%
Trading margin (trading profit/revenue)	6.81%	64bp	62bp

*Exc. Japan

Our businesses in Asia delivered another strong performance, with good increases in sales and profits – supported by solid like-for-like growth in the year as a whole and an excellent contribution from new stores. Overall Asia trading profits grew by 21.8% to £737m, and by a similar amount at constant exchange rates. Trading margins improved by 64 basis points, driven by the effect of the Thai flooding – with sales growth temporarily impacted by the disruption caused but profitability supported by adequate insurance cover. Korea and Malaysia's performance also contributed strongly in the year.

With the slowing economy in China, a combination of persistently high inflation and wage cost pressures are making the environment for mainstream retailers much more challenging. This background has led us to take a more cautious stance on the market, at least for the time being. We had already taken a more measured approach to substantial new capital commitments to freehold shopping centres and we have also decided to hold back on the pace of new hypermarket development this year – with plans to open 16 stores, instead of stepping up the pace of expansion as we had intended.

In line with our overall property strategy, we have recently listed successfully a property fund for public offering (PFPO) of the Tesco Lotus Property Fund on the Thai Stock Exchange. Tesco's property activities have one principal objective: to ensure we have the best properties from which to retail; and as a result we also create long-term shareholder value from property development and management. This new fund comprises 17 high quality shopping malls, each anchored by a Tesco Lotus hypermarket. The PFPO raised proceeds of £379m, supporting investment in further innovation and growth in Thailand.

This year we plan to open 3.8m square feet of net new selling area in Asia overall. We have also continued to make good progress in developing strong brands in our leading Asian businesses with further strong growth of Clubcard and promising early expansion of retailing services.

Europe

	Europe Results 2011/12		
	Actual rates		Constant rates
	£m	% growth	% growth
Europe sales	£11,371m	7.7%	7.8%
Europe revenue (exc. VAT, exc. impact of IFRIC 13)	£9,866m	7.3%	7.5%
Europe trading profit	£529m	0.4%	(0.4)%
Trading margin (trading profit/revenue)	5.36%	(37)bp	(42)bp

The strong increase in sales, profits and margins we saw last year and during the first half of this year in Europe faltered during the second half. Europe profits overall grew by 0.4% to £529m, but profits reduced in the second half and margins also declined. Trading profit growth would have been significantly higher – at 7.6% – but for the first time Hungary sales tax charge of £38m in the year, but this was nevertheless a weaker than expected performance.

This performance was nevertheless resilient in the context of strengthening economic headwinds in Central Europe and the continued effects of severe austerity measures in two of our largest markets – Ireland and Hungary.

As planned, some 2.5m square feet of net new space was opened during the year, and we have a programme to add a further 1.8m square feet of new space across the region this year. In Ireland and Hungary the current economic conditions, and in the latter case the present fiscal environment, mean that we will pursue growth predominantly through existing stores, rather than invest substantial new capital. In Europe, our new space expansion is now largely coming through smaller formats with the

hypermarket networks in most markets nearing completion. Last year, smaller formats accounted for 39% of our new space.

United States

	US Results 2011/12		
	Actual rates		Constant rates
	£m	% growth	% growth
US sales	£638m	27.1%	31.5%
US revenue (exc. VAT, exc. impact of IFRIC 13)	£630m	27.3%	31.7%
US trading loss	£(153)m	Improved 17.7%	Improved 15.1%

Fresh & Easy has made encouraging progress against its demanding improvement plan. It reduced its losses for the first time, delivering a reduction of 18% against last year and delivered a sustained improvement in like-for-like sales throughout the year, even against very demanding comparatives and despite absorbing the implementation costs of the 'friends' loyalty programme in the second half.

This performance was driven by further improvements in the offer for customers as we extend the changes we have made to some stores to more of the estate. As a result, we are more confident about the outlook for the business, although clearly much remains to be done.

The business is on track to deliver a further significant reduction in losses during the current year, even though the timing of break-even will now be later than our earlier guidance. This is because we intend to focus on delivering store level profitability first, before pushing on faster with the expansion we need to create sufficient scale to cover our overheads. We ended 2011/12 with 185 stores and this revised development programme will take us to approaching 230 stores by February 2013, consistent with our more conservative approach to new capital commitment across the Group.

Our first clear objective was to accelerate the already strong growth in customer numbers and this is being met. The fourth quarter saw our ninth consecutive quarter of strong like-for-like sales growth and our two-year increase on this measure was 19.6% in the fourth quarter. This growth continues to steadily drive sales per store towards the levels we require.

The further changes we have been rolling out to the stores as we adapt the offer better to the needs of local customers have been very well-received. These include introducing in-store bakeries, loose produce, additional ranges in grocery, as well as many new Fresh & Easy products. The impact of these improvements can also be seen in the performance of new stores.

GROUP GENERAL MERCHANDISE, CLOTHING & ELECTRICALS

Non-food categories have been a drag on our performance at home throughout the recession – particularly in like-for-like sales terms. This remained the case in 2011/12 despite some signs of improvement during the third quarter as our efforts in the early months of the year to improve ranging and merchandising came through.

Total general merchandise sales grew during the year, although we saw strengthening headwinds of subdued demand for discretionary items in many markets as the year progressed – including the UK in particular. Despite this tough environment, some large categories – such as toys and sports, and particularly online – did see some growth in the year and electricals also returned to growth in the second half.

General merchandise, clothing & electricals sales in the UK were (3.9)% down year-on-year on a like-for-like basis, reflecting the challenging environment and also, in that context, action we have taken to reduce the level of new space devoted to these areas compared with previous years.

Strengthening the performance of these categories in the UK remains a priority and further planned improvements to ranging, merchandising, pricing and promotions are still to come through. Further, substantial changes to product ranges, category emphasis and space allocation in stores will be implemented in the year ahead.

General merchandise, clothing & electrical sales growth in Asia and Europe was stronger than the UK, although consumer confidence levels remain subdued even in the better performing economies.

Clothing sales, increased by a pleasing 12% at constant exchange rates in Central Europe, reflecting the strength of the F&F brand and also the particularly strong performance of clothing in our reformatted Extra hypermarkets.

TESCO BANK

	Tesco Bank Results 2011/12	
	£m	% growth
Tesco Bank revenue (exc. VAT, exc. impact of IFRIC 13)	£1,044m	13.6%
Tesco Bank trading profit	£168m	(36.4)%
Tesco Bank trading margin	16.09%	(1,264)bp
Tesco Bank Baseline profit	£203m	29.3%
Tesco Bank Baseline trading margin	19.4%	220bp

In a very important year for Tesco Bank, which marked the near-completion of its new systems and infrastructure, it achieved good business and baseline profit growth. This performance was particularly pleasing given the need to take a conservative approach on new savings and loans business during the final stages of systems migration, a posture which has now changed – giving rise to a resumption of faster growth.

Some 75% of the Bank's business is already done online, making it one of the largest internet banks in the UK and positioning it well for the future, as customers increasingly use digital channels for their financial services needs.

Total revenue increased by 13.6% in the year, driven by a good performance in the insurance business, with over 1.5 million customers choosing to insure their car or home with us, helped also by the change in the insurance operating model following the successful completion of migration in November 2011.

Net income for the Bank as a whole increased by 6% before the additional £57m of PPI provision, which was applied in the first half, and baseline Bank trading profit – that is before all key provisioning movements, including PPI, and before fair value – grew strongly – by 29% to £203m. Fair value releases reduced substantially – from £155m in 2010/11 to £22m this year.

Customer account numbers grew modestly, by 2% in the UK, during the year, driven principally by strong growth in Tesco credit cards, where spend grew by 11% and our market share of transactions increased to 12%. Savings balances have increased by c.£330m (7%) as a result of the successful launch of fixed rate products during the year although loan balances have been temporarily reduced to help workload during migration. Year-on-year, ATM transactions also rose strongly, by 9%. Our new platforms have enabled some significant customer service improvements – for example, instant decisions are now available on loan applications and customers can now open and fund their savings account in ten minutes (previously around two weeks).

Bad debts reduced by 5.2% driven by a reduction in customer defaults due to the application of a robust credit policy and, as a result, attracting good quality assets.

Tesco Bank's overall capital position improved once again from an already good position, with the risk asset ratio improving by 240 basis points to 16.0%. The core Tier 1 ratio remains strong at 15.3% (last year 15.9%).

The large and complex project of infrastructure and systems build, which has been the Bank's main focus for the last three years is now nearing completion, with motor and household insurance, savings accounts and loans now migrated successfully onto our new platforms and with credit cards scheduled shortly. Having taken the decision to slow down the introduction of new products until we have settled in the new bank team, processes and systems, following some technical issues last summer, this is an important milestone, which positions the Bank well for future growth.

This decision to delay the timing of the completion of migration and the launch of new products had implications for the financial performance of the Bank in 2011/12. Specifically, the focus on the completion meant that active marketing for existing and new products, including the launch of mortgages, were deferred until 2012. It also meant a temporary extension of the period during which the Bank absorbs double running costs. These issues impacted total trading profit during the year by around £40m but their effects will begin to reduce, as planned, in the new financial year.

During the first half, having reviewed carefully the level of provisioning which is appropriate to cover claims against Tesco arising from potential mis-selling of payment protection insurance policies through our joint venture with RBS prior to 2008, we decided to increase our provision, which was originally set up in 2009, by a further £57m with our Interim Results in October 2011. Our net provision now stands at £75m.

An income statement, balance sheet and cash flow statement for Tesco Bank is available in the Investor Centre section of our corporate website – (www.tescopl.com/prelims2012).

COMMUNITY, ENVIRONMENT AND CORPORATE RESPONSIBILITY

The year ahead will be one in which Tesco refocuses on putting customers right at the heart of everything we do – including delivering a great shopping experience wherever we trade. It will also be about making sure we are a business that gives something back to society. We will do more to ensure that Tesco is valued and trusted in local communities all around the world for doing the right thing. Operating in 14 countries and now employing over half a million people, we make a major contribution to improving skills, helping local suppliers and farmers and sustaining local communities. Our achievements in the last year include:

Caring for the environment. As announced earlier this year we have been recognised as the best retailer and fourth best company in the world for our carbon management, disclosure and performance in the industry-renowned Carbon Disclosure Project's Global 500 index. We have achieved our target to reduce carbon emissions from our new stores by 31% and existing stores by 5% compared to 2010/11. We also opened Asia's first zero carbon hypermarket in Thailand.

Actively supporting local communities. We have donated 1.9% of pre-tax profits (£74.5 million) to charities and good causes, in terms of direct donations, staff time and gifts in kind, exceeding our target of 1%. In the UK we have raised over £7 million for our charity of the year, the Alzheimer's Society, and in Thailand, following the devastating floods, we donated almost £500,000 and over 50,000 relief bags to support those in need.

Buying and selling products responsibly. This year we continued to strengthen our Ethical Trading programme, increasing our Group resource and in-country capacity to engage with local stakeholders. With a team of 20 ethical trading specialists across Europe, Asia, the Americas and Africa, and over 60 Ethical Champions embedded within Commercial Teams globally, we are working hard to support our suppliers focus on improvement.

Providing customers with healthy choices. We continue to develop healthy ranges across the Group. This year we have extended our Eat Well range in the US and we've launched the Tesco Goodness range for kids in the UK and Ireland. We helped over 8.5 million people get active through our events and partnerships. Our FA skills partnership has now brought football skills training to three million five to eleven year olds since it launched in 2007.

Creating good jobs and careers. We opened our zero carbon state of the art training Academy in Asia earlier this year and have already delivered the equivalent of 11,500 training days. We have also piloted our Tesco Academy Online which will give our people the opportunity to access training anywhere, anytime across our business. We've increased the total number of staff in the Group by over 30,000 this year and in the UK we are committed to creating 20,000 new jobs and offering 10,000 new apprenticeships in the next two years.

More details will be contained in our Corporate Responsibility Review, published next month.

Supplementary Information

The following supplementary information can be found within our analyst pack, which is available via the internet at www.tescopl.com/prelims2012

- Group Income Statement
- Segmental Summary
- Tesco Bank – Income Statement, Balance Sheet, Cashflow
- Group Cashflow
- UK Sales Performance
- International Sales Performance
- Group Space Summary and Forecast
- Earnings Per Share

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This document is available via the internet at www.tescopl.com/prelims2012

A meeting for investors and analysts will be held today at 9.00am at Nomura Bank, 1 Angel Lane, London, EC4R 3AB. Access will be by invitation only. Presentations from the meeting will be available at www.tescopl.com/prelims2012

An interview with Philip Clarke, Chief Executive, discussing the Preliminary Results is available now to download in video, audio and transcript form at www.tescopl.com/prelims2012

Additional Disclosures

Risks and Uncertainties

As with any business, risk assessment and the implementation of mitigating actions and controls are vital to successfully achieving the Group's strategy. The Tesco Board has overall responsibility for risk management and internal control within the context of achieving the Group's objectives. The principal risks and uncertainties faced by the Group include:

- Strategy and Finance
- Reputation, Operations and People
- Regulation and External Environment

Greater detail on these risks and uncertainties will be set out in our 2012 Annual Report, the publication of which will be announced in due course.

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge this consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority, International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRIC) interpretations, as endorsed by the European Union (EU). The accounting policies applied are consistent with those described in the 2011 Annual Report and Group Financial Statements, apart from those arising from the adoption of new International Financial Reporting Standards and Interpretations. In preparing the consolidated financial information, the Directors have also made reasonable and prudent judgements and estimates and prepared the consolidated financial information on the going concern basis. The consolidated financial information and management report contained herein give a true and fair view of the assets, liabilities, financial position and profit of the Group. The Directors of Tesco PLC as at the date of this announcement are as set out below.

The Board

Directors

Sir Richard Broadbent* – Chairman

Philip Clarke – Chief Executive

Tim Mason – Deputy Chief Executive

Andrew Higginson

Laurie McIlwee

Lucy Neville-Rolfe CMG

Gareth Bullock*

Stuart Chambers*

Ken Hanna*

Deanna Oppenheimer*

Patrick Cescau* – Senior Non-executive Director

Karen Cook*

Ken Hydon*

Jacqueline Tammenoms Bakker*

*Non-executive Directors

Company Secretary

Jonathan Lloyd

Appendix 1 – Segmental Sales Growth Rates*

		Total Sales Growth 2011/12 – Actual Rates**						
		Q1	Q2	H1	Q3	Q4	H2	FY
Inc. Petrol	Group	7.9%	10.0%	8.8%	7.2%	4.8%	6.1%	7.4%
	International	9.5%	16.1%	12.3%	8.2%	5.1%	7.0%	9.5%
	Asia	9.3%	15.4%	11.7%	9.7%	8.3%	9.4%	10.5%
	Europe	9.1%	16.4%	12.4%	5.8%	0.7%	3.4%	7.7%
	United States	21.9%	23.8%	23.1%	29.2%	33.1%	31.0%	27.1%
	UK	7.0%	7.3%	7.1%	6.7%	4.1%	5.4%	6.2%
	Tesco Bank	19.9%	1.9%	10.1%	4.4%	33.3%	17.3%	13.6%
Exc. Petrol	Group	6.8%	8.2%	7.3%	5.4%	3.7%	4.6%	5.9%
	International	9.7%	16.2%	12.4%	8.3%	5.1%	6.9%	9.5%
	Asia	9.3%	15.4%	11.7%	9.7%	8.3%	9.4%	10.5%
	Europe	9.5%	16.6%	12.7%	5.8%	0.4%	3.2%	7.7%
	United States	21.9%	23.8%	23.1%	29.2%	33.1%	31.0%	27.1%
	UK	4.9%	4.0%	4.4%	3.7%	2.3%	3.0%	3.7%
	Tesco Bank	19.9%	1.9%	10.1%	4.4%	33.3%	17.3%	13.6%

		Total Sales Growth 2011/12 – Constant Rates**						
		Q1	Q2	H1	Q3	Q4	H2	FY
Inc. Petrol	Group	8.5%	8.2%	8.2%	7.3%	5.8%	6.7%	7.4%
	International	11.3%	10.5%	10.4%	8.8%	8.2%	8.9%	9.6%
	Asia	12.5%	12.6%	11.9%	8.9%	8.2%	9.0%	10.4%
	Europe	9.1%	7.2%	7.8%	7.7%	7.2%	7.8%	7.8%
	United States	31.7%	32.3%	32.0%	29.6%	32.1%	31.0%	31.5%
	UK	7.0%	7.3%	7.1%	6.7%	4.1%	5.4%	6.2%
	Tesco Bank	19.9%	1.9%	10.1%	4.4%	33.3%	17.3%	13.6%
Exc. Petrol	Group	7.4%	6.2%	6.7%	5.5%	4.8%	5.3%	6.0%
	International	11.6%	10.6%	10.6%	8.8%	8.1%	8.8%	9.6%
	Asia	12.5%	12.6%	11.9%	8.9%	8.2%	9.0%	10.4%
	Europe	9.5%	7.4%	8.1%	7.7%	6.9%	7.5%	7.8%
	United States	31.7%	32.3%	32.0%	29.6%	32.1%	31.0%	31.5%
	UK	4.9%	4.0%	4.4%	3.7%	2.3%	3.0%	3.7%
	Tesco Bank	19.9%	1.9%	10.1%	4.4%	33.3%	17.3%	13.6%

*Growth rates shown on a continuing operations basis.

**Quarterly growth rates based on comparable days for the current year and the previous year comparison for the UK, US and the Republic of Ireland. All other countries benefit from an extra day (29th February 2012) in Quarter 4 2012 in relation to the leap year.

		Like-For-Like Sales Growth 2011/12*						
		Q1	Q2	H1	Q3	Q4	H2	FY
Inc. Petrol	Group	3.4%	3.2%	3.3%	2.6%	0.9%	1.8%	2.4%
	International	2.9%	2.3%	2.6%	1.2%	0.4%	0.8%	1.6%
	Asia	3.6%	3.9%	3.8%	0.8%	(0.4)%	0.2%	1.9%
	Europe	1.7%	0.1%	0.9%	1.0%	0.6%	0.8%	0.9%
	United States	11.1%	12.4%	11.7%	11.9%	12.3%	12.1%	11.9%
	UK	3.4%	3.5%	3.5%	3.4%	1.2%	2.2%	2.8%
	Tesco Bank	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Exc. Petrol	Group	2.0%	0.9%	1.4%	0.4%	(0.5)%	(0.1)%	0.6%
	International	3.0%	2.3%	2.7%	1.1%	0.2%	0.7%	1.6%
	Asia	3.6%	3.9%	3.8%	0.8%	(0.4)%	0.2%	1.9%
	Europe	2.0%	0.1%	1.0%	0.9%	0.3%	0.6%	0.8%
	United States	11.1%	12.4%	11.7%	11.9%	12.3%	12.1%	11.9%
	UK	1.0%	(0.0)%	0.5%	0.1%	(1.0)%	(0.5)%	(0.0)%
	Tesco Bank	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Like-for-like growth shown on a continuing operations basis.

Appendix 2 – Country Like-For-Like Growth Inc. VAT Exc. Petrol*

	2011/12 Like-For-Like Growth						
	Q1	Q2	H1	Q3	Q4	H2	FY
UK	1.0%	(0.0)%	0.5%	0.1%	(1.0)%	(0.5)%	0.0%
Asia	3.6%	3.9%	3.8%	0.8%	(0.4)%	0.2%	1.9%
China	6.4%	6.1%	6.2%	3.4%	1.7%	2.5%	4.1%
Malaysia	(3.2)%	5.4%	1.2%	(5.0)%	(3.4)%	(4.1)%	(1.7)%
South Korea	1.2%	0.9%	1.0%	0.3%	(2.1)%	(1.0)%	0.0%
Thailand	8.0%	7.5%	7.8%	1.4%	2.2%	1.9%	4.7%
Europe	2.0%	0.1%	1.0%	0.9%	0.3%	0.6%	0.8%
Czech Republic	3.7%	0.0%	1.8%	(0.3)%	(5.5)%	(3.0)%	(0.8)%
Hungary	3.5%	1.8%	2.6%	1.2%	2.3%	1.8%	2.2%
Poland	1.6%	(2.2)%	(0.4)%	4.0%	2.8%	3.4%	1.6%
Slovakia	11.0%	4.9%	7.8%	5.7%	1.3%	3.3%	5.4%
Turkey	3.4%	5.3%	4.4%	(2.6)%	0.2%	(1.3)%	1.5%
Republic of Ireland	(3.9)%	(3.0)%	(3.4)%	(2.4)%	(0.7)%	(1.5)%	(2.4)%
United States	11.1%	12.4%	11.7%	11.9%	12.3%	12.1%	11.9%

	2010/11 Like-For-Like Growth						
	Q1	Q2	H1	Q3	Q4	H2	FY
UK	1.1%	1.3%	1.2%	1.5%	0.2%	0.8%	1.0%
Asia	(1.2)%	5.5%	2.0%	4.9%	2.4%	3.6%	2.8%
China	3.2%	9.3%	6.2%	5.7%	4.3%	4.9%	5.5%
Malaysia	(2.1)%	(2.0)%	(2.1)%	0.6%	(1.8)%	(0.7)%	(1.4)%
South Korea	0.6%	6.0%	3.2%	5.7%	0.8%	3.1%	3.2%
Thailand	(5.5)%	4.8%	(0.8)%	2.9%	5.0%	4.0%	1.6%
Europe	0.7%	3.7%	2.2%	3.6%	2.4%	3.0%	2.6%
Czech Republic	(2.2)%	4.4%	1.1%	2.8%	3.0%	2.9%	2.0%
Hungary	(8.6)%	(2.5)%	(5.4)%	3.8%	2.7%	3.2%	(1.2)%
Poland	0.8%	3.2%	2.0%	2.8%	1.3%	2.0%	2.0%
Slovakia	5.8%	11.6%	8.7%	13.7%	12.1%	12.9%	10.9%
Turkey	(1.5)%	0.0%	(0.7)%	2.8%	(2.0)%	0.4%	(0.1)%
Republic of Ireland	8.4%	7.4%	7.9%	0.9%	(0.2)%	0.3%	3.9%
United States	7.5%	12.2%	9.6%	9.8%	8.6%	9.2%	9.4%

* Like-for-like growth shown on a continuing operations basis.

TESCO PLC

GROUP INCOME STATEMENT

52 weeks ended 25 February 2012

	Notes	2012 £m	2011* £m	Increase %
Continuing operations				
Revenue	2	64,539	60,455	6.8
Cost of sales		(59,278)	(55,330)	
Gross profit		5,261	5,125	2.7
Administrative expenses		(1,652)	(1,640)	
Profits/losses arising on property-related items		376	432	
Operating profit	2	3,985	3,917	1.7
Share of post-tax profits of joint ventures and associates		91	57	
Finance income		176	150	
Finance costs		(417)	(483)	
Profit before tax		3,835	3,641	5.3
Taxation	3	(879)	(864)	
Profit for the year from continuing operations		2,956	2,777	6.4
Discontinued operations				
Loss for the year from discontinued operations	4	(142)	(106)	
Profit for the year		2,814	2,671	5.4
Attributable to:				
Owners of the parent		2,806	2,655	
Non-controlling interests		8	16	
		2,814	2,671	5.4

Earnings per share from continuing and discontinued operations

Basic	6	34.98p	33.10p	5.7
Diluted	6	34.88p	32.94p	5.9

Earnings per share from continuing operations

Basic	6	36.75p	34.43p	6.7
Diluted	6	36.64p	34.25p	7.0

Dividend per share (including proposed final dividend)	5	14.76p	14.46p	2.1
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Non-GAAP measure: underlying profit before tax	1	£m	£m	
Profit before tax from continuing operations		3,835	3,641	5.3
<i>Adjustments for:</i>				
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements		(44)	(19)	
IAS 19 'Employee Benefits' – non-cash Income Statement charge for pensions	8	17	113	
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods		38	48	
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions		22	42	
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards		17	8	
Restructuring and other one-off costs		30	20	
Underlying profit before tax from continuing operations		3,915	3,853	1.6
Underlying diluted earnings per share from continuing operations	6	37.41p	36.26p	3.2

*See Note 1 Basis of Preparation for details of reclassifications.

The notes on pages 25 to 35 form part of this preliminary consolidated financial information.

TESCO PLC

GROUP STATEMENT OF COMPREHENSIVE INCOME

52 weeks ended 25 February 2012

	Notes	2012 £m	2011 £m
Profit for the year		2,814	2,671
Other comprehensive income:			
Change in fair value of available-for-sale financial assets and investments		13	2
Currency translation differences		(22)	(344)
Actuarial (losses)/gains on defined benefit pension schemes	8	(498)	595
Gains/(losses) on cash flow hedges:			
- Net fair value gains/(losses)		241	(22)
- Reclassified and reported in the Group Income Statement		(142)	8
Tax relating to components of other comprehensive income		73	(153)
Total comprehensive income for the year		2,479	2,757
Attributable to:			
Owners of the parent		2,466	2,746
Non-controlling interests		13	11
Total comprehensive income for the year		2,479	2,757
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations		2,607	2,851
Discontinued operations		(141)	(105)
		2,466	2,746

The notes on pages 25 to 35 form part of this preliminary consolidated financial information.

TESCO PLC

GROUP BALANCE SHEET

As at 25 February 2012

	Notes	25 February 2012 £m	26 February 2011* £m
Non-current assets			
Goodwill and other intangible assets		4,618	4,338
Property, plant and equipment		25,710	24,398
Investment property		1,991	1,863
Investments in joint ventures and associates		423	316
Other investments		1,526	938
Loans and advances to customers		1,901	2,127
Derivative financial instruments		1,726	1,139
Deferred tax assets		23	48
		37,918	35,167
Current assets			
Inventories		3,598	3,162
Trade and other receivables		2,657	2,330
Loans and advances to customers		2,502	2,514
Derivative financial instruments		41	148
Current tax assets		7	4
Short-term investments		1,243	1,022
Cash and cash equivalents	7	2,305	2,428
		12,353	11,608
Assets of the disposal group and non-current assets classified as held for sale	4	510	431
		12,863	12,039
Current liabilities			
Trade and other payables		(11,234)	(10,484)
Financial liabilities			
- Borrowings		(1,838)	(1,386)
- Derivative financial instruments and other liabilities		(128)	(255)
- Customer deposits and deposits from banks		(5,465)	(5,110)
Current tax liabilities		(416)	(432)
Provisions		(99)	(64)
		(19,180)	(17,731)
Liabilities of the disposal group	4	(69)	-
Net current liabilities		(6,386)	(5,692)
Non-current liabilities			
Financial liabilities			
- Borrowings		(9,911)	(9,689)
- Derivative financial instruments and other liabilities		(688)	(600)
Post-employment benefit obligations	8	(1,872)	(1,356)
Deferred tax liabilities		(1,160)	(1,094)
Provisions		(100)	(113)
		(13,731)	(12,852)
Net assets		17,801	16,623
Equity			
Share capital		402	402
Share premium		4,964	4,896
Other reserves		40	40
Retained earnings		12,369	11,197
Equity attributable to owners of the parent		17,775	16,535
Non-controlling interests		26	88
Total equity		17,801	16,623

* See Note 1 Basis of Preparation for details of reclassifications.

The notes on pages 25 to 35 form part of this preliminary consolidated financial information.

TESCO PLC

GROUP STATEMENT OF CHANGES IN EQUITY

52 weeks ended 25 February 2012

	Share capital	Share premium	Other reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 26 February 2011	402	4,896	40	11,197	16,535	88	16,623
Total comprehensive income	-	-	-	2,466	2,466	13	2,479
Transactions with owners							
Purchase of treasury shares	-	-	-	(13)	(13)	-	(13)
Shares purchased for cancellation	(3)	-	-	(287)	(290)	-	(290)
Share-based payments	2	-	-	123	125	-	125
Issue of shares	1	68	-	-	69	-	69
Purchase of non-controlling interests	-	-	-	72	72	(72)	-
Future purchase of non-controlling interests	-	-	-	(3)	(3)	-	(3)
Dividends paid to non-controlling interests	-	-	-	-	-	(3)	(3)
Dividends authorised in the year	-	-	-	(1,180)	(1,180)	-	(1,180)
Tax on items charged to equity	-	-	-	(6)	(6)	-	(6)
Transactions with owners	-	68	-	(1,294)	(1,226)	(75)	(1,301)
At 25 February 2012	402	4,964	40	12,369	17,775	26	17,801

	Share capital	Share premium	Other reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 27 February 2010	399	4,801	40	9,356	14,596	85	14,681
Total comprehensive income	-	-	-	2,746	2,746	11	2,757
Transactions with owners							
Purchase of treasury shares	-	-	-	(50)	(50)	-	(50)
Share-based payments	-	-	-	220	220	-	220
Issue of shares	3	95	-	-	98	-	98
Purchase of non-controlling interests	-	-	-	6	6	(6)	-
Dividends paid to non-controlling interests	-	-	-	-	-	(2)	(2)
Dividends authorised in the year	-	-	-	(1,081)	(1,081)	-	(1,081)
Transactions with owners	3	95	-	(905)	(807)	(8)	(815)
At 26 February 2011	402	4,896	40	11,197	16,535	88	16,623

The notes on pages 25 to 35 form part of this preliminary consolidated financial information.

TESCO PLC

GROUP CASH FLOW STATEMENT

52 weeks ended 25 February 2012

	Notes	2012 £m	2011* £m
Cash flows from operating activities			
Cash generated from operations	9	5,688	5,613
Interest paid		(531)	(614)
Corporation tax paid		(749)	(760)
Net cash generated from operating activities		4,408	4,239
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(65)	(89)
Proceeds from sale of property, plant and equipment, investment property and non-current assets classified as held for sale		1,141	1,906
Purchase of property, plant and equipment and investment property		(3,374)	(3,178)
Proceeds from sale of intangible assets		-	3
Purchase of intangible assets		(334)	(373)
Net decrease/(increase) in loans to joint ventures		122	(194)
Investments in joint ventures and associates		(49)	(174)
Investments in short-term and other investments		(1,972)	(683)
Proceeds from sale of short-term and other investments		1,205	719
Dividends received from joint ventures and associates		40	62
Interest received		103	128
Net cash used in investing activities		(3,183)	(1,873)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		69	98
Increase in borrowings		2,905	2,217
Repayment of borrowings		(2,720)	(4,153)
Repayments of obligations under finance leases		(45)	(42)
Purchase of non-controlling interests		(89)	-
Dividends paid to equity owners	5	(1,180)	(1,081)
Dividends paid to non-controlling interests		(3)	(2)
Own shares purchased		(303)	(31)
Net cash used in financing activities		(1,366)	(2,994)
Net decrease in cash and cash equivalents		(141)	(628)
Cash and cash equivalents at beginning of the year		2,428	3,102
Effect of foreign exchange rate changes		24	(46)
Cash and cash equivalents including cash held in disposal group at the end of year		2,311	2,428
Cash held in disposal group	4	(6)	-
Cash and cash equivalents at the end of year	7	2,305	2,428

*See Note 1 Basis of Preparation for details of reclassifications.

The notes on pages 25 to 35 form part of this preliminary consolidated financial information.

Reconciliation of net cash flow to movement in net debt

52 weeks ended 25 February 2012

	Notes	2012 £m	2011* £m
Net decrease in cash and cash equivalents		(141)	(628)
Elimination of net decrease/(increase) in Tesco Bank cash and cash equivalents		126	(219)
Investment in Tesco Bank		(112)	(446)
Debt acquired on acquisition		(98)	(17)
Net cash outflow to repay Retail debt and lease financing		262	2,870
Dividend received from Tesco Bank		100	150
Increase/(decrease) in Retail short-term investments		221	(292)
(Decrease)/increase in Retail joint venture loan receivables		(122)	159
Other non-cash movements		(330)	(480)
Elimination of other Tesco Bank non-cash movements		46	42
(Increase)/decrease in net debt for the year		(48)	1,139
Opening net debt		(6,790)	(7,929)
Closing net debt	10	(6,838)	(6,790)

*See Note 1 Basis of Preparation for details of reclassifications.

NB: The reconciliation of net cash flow to movement in net debt is not a primary statement and does not form part of the cash flow statement but forms part of the notes to this preliminary consolidated financial information.

The notes on pages 25 to 35 form part of this preliminary consolidated financial information.

The unaudited preliminary consolidated financial information for the 52 weeks ended 25 February 2012 was approved by the Directors on 17 April 2012.

NOTE 1 Basis of preparation

This unaudited preliminary consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority, International Financial Reporting Standards ("IFRS") and the IFRS Interpretation Committee (IFRIC) interpretations as endorsed by the European Union ("EU"). The accounting policies applied are consistent with those described in the Annual Report and Group Financial Statements 2011, apart from those arising from the adoption of new IFRS detailed below, which will be described in more detail in the Annual Report and Group Financial Statements 2012. The auditors have confirmed that they are not aware of any matter that may give rise to a modification to their audit report.

This unaudited preliminary consolidated financial information does not constitute statutory consolidated financial statements for the 52 weeks ended 25 February 2012 or the 52 weeks ended 26 February 2011 as defined in section 434 of the Companies Act 2006. The Annual Report and Group Financial Statements for the 52 weeks ended 26 February 2011 were approved by the Board of Directors on 6 May 2011 and have been filed with the Registrar of Companies. The report of the auditors on those consolidated financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The Annual Report and Group Financial Statements for 2012 will be filed with the Registrar in due course.

Adoption of new International Financial Reporting Standards

The Group has adopted the following new and amended standards and interpretations as of 27 February 2011:

- IAS 24 (Amended) 'Related Party Disclosures';
- IFRIC 14 (Amended) 'Prepayments of a minimum funding requirement'; and
- IFRIC 19 'Extinguishing financial liabilities with Equity Instruments'.

The Group has also adopted all amendments published in the improvements to IFRS project issued in May 2010. The adoption of the above standards, interpretations and amendments has not had any significant impact on the amounts reported in the Group Financial Statements, but may impact the accounting for future transactions and arrangements.

Discontinued operations

During the year, the Board approved a plan to dispose of its operations in Japan which is consistent with the Group's long-term strategic priority to drive growth and improve returns by focussing on its larger businesses in the region. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the net results for the year are presented within discontinued operations in the Group Income Statement (for which the comparatives have been reclassified) and the assets and liabilities of the business are presented separately in the Group Balance Sheet. See Note 4 for further details.

Cash and cash equivalents

During the year, the Group identified certain assets held by Tesco Bank that had a maturity profile of less than three months that would be more appropriately classified as cash and cash equivalents in accordance with IAS 7 'Statement of Cash Flows'. The assets identified comprised loans and advances to banks, certificates of deposit (included within other investments) and other receivables. The amounts relating to these balances have accordingly been reclassified in the Group Balance Sheet and the Group Cash Flow Statement as cash and cash equivalents. The impact of these reclassifications, with no change to net assets, is to:

- increase cash and cash equivalents by £558m and £283m at 26 February 2011 and 27 February 2010 respectively;
- decrease other investments by £170m and £165m at 26 February 2011 and 27 February 2010 respectively, such that other investments were £698m at 27 February 2010;
- decrease loans and advances to banks by £404m and £144m at 26 February 2011 and 27 February 2010 respectively, such that loans and advances to banks were £nil at 27 February 2010;
- increase trade and other receivables by £16m and £26m at 26 February 2011 and 27 February 2010 respectively, such that trade and other receivables were £1,914m at 27 February 2010; and
- increase cash flows from operating activities by £270m and increase net cash used in investing activities by £5m for the 52 weeks ended 26 February 2011.

NOTE 1 Basis of preparation (continued)

Use of non-GAAP profit measures - *Underlying profit before tax*

The Directors believe that underlying profit and underlying diluted earnings per share measures provide additional useful information for shareholders on underlying trends and performance. These measures are used for performance analysis. Underlying profit is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to, IFRS measurements of profit. The adjustments made to reported profit before tax are:

- IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements. Under IAS 32 and IAS 39 the Group applies hedge accounting to its various hedge relationships when allowed under IAS 39 and when practical to do so. Sometimes the Group is unable to apply hedge accounting to the arrangements, but continues to enter into these arrangements as they provide certainty or active management of the exchange rates and interest rates applicable to the Group. The Group believes that these arrangements remain effective and economically and commercially viable hedges despite the inability to apply hedge accounting. Where hedge accounting is not applied to certain hedging arrangements, the reported results reflect the movement in fair value of related derivatives due to changes in foreign exchange and interest rates. In addition, at each year end, any gain or loss accruing on open contracts is recognised in the Group Income Statement for the year, regardless of the expected outcome of the hedging contract on termination. This may mean that the Group Income Statement charge is highly volatile, whilst the resulting cash flows may not be as volatile. The underlying profit measure removes this volatility to help better identify the underlying performance of the Group.
- IAS 19 'Employee Benefits' – non-cash Income Statement charge for pensions. Under IAS 19, the cost of providing pension benefits in the future is discounted to a present value at the corporate bond yield rates applicable on the last day of the previous financial year. Corporate bond yields rates vary over time which in turn creates volatility in the Group Income Statement and Group Balance Sheet. IAS 19 also increases the charge for young pension schemes, such as the Group's, by requiring the use of rates which do not take into account the future expected returns on the assets held in the pension scheme which will fund pension liabilities as they fall due. The sum of these two effects can make the IAS 19 charge disproportionately higher and more volatile than the cash contributions the Group is required to make in order to fund all future liabilities. Therefore, within underlying profit the Group has included the 'normal' cash contributions for pensions but excluded the volatile element of IAS 19 to represent what the Group believes to be a fairer measure of the cost of providing post-employment benefits.
- IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods. The amount charged to the Group Income Statement in respect of operating lease costs and incentives is expected to increase significantly as the Group expands its international business. The leases have been structured in a way to increase annual lease costs as the businesses expand. IAS 17 requires the total cost of a lease to be recognised on a straight-line basis over the term of the lease, irrespective of the actual timing of the cost. This adjustment impacts the Group's operating profit and rental income within the share of post-tax profits of joint ventures and associates.
- IFRS 3 (Revised) 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions. Under IFRS 3 intangible assets are separately identified and fair valued. The intangible assets are required to be amortised on a straight-line basis over their useful lives and as such is a non-cash charge that does not reflect the underlying performance of the business acquired. Similarly, the standard requires all acquisition costs to be expensed in the Group Income Statement. Due to their nature, these costs have been excluded from underlying profit as they do not reflect the underlying performance of the Group.
- IFRIC 13 'Customer Loyalty Programmes' – fair value of awards. This interpretation requires the fair value of customer loyalty awards to be measured as a separate component of a sales transaction. The underlying profit measure removes this fair value allocation to present underlying business performance, and to reflect the performance of the operating segments as measured by management.
- Restructuring and other one-off costs – these relate to certain costs associated with the Group's restructuring activities and certain one-off costs including costs relating to fair valuing the assets of a disposal group. These have been excluded from underlying profit as they do not reflect the underlying performance of the Group.

NOTE 2 Segmental analysis

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

During the year, the Group announced its decision to sell its operations in Japan (previously reported as part of the Asia segment). Accordingly, these operations have been treated as discontinued as described in more detail in notes 1 and 4. The segment results do not include any amounts for these discontinued operations, which are. The segment results for the 52 weeks ended 26 February 2011 have been represented for comparative purposes.

The CODM now considers the principal activities of the Group to be:

- Retailing and associated activities in:
 - the UK;
 - Asia – China, India, Malaysia, South Korea, Thailand;
 - Europe – Czech Republic, Hungary, Poland, Republic of Ireland, Slovakia, Turkey; and
 - the United States of America ("US")
- Retail banking and insurance services through Tesco Bank in the UK.

The CODM uses trading profit, as reviewed at monthly Executive Committee meetings, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the period under evaluation. Trading profit is a consistent measure within the Group.

Segment trading profit is an adjusted measure of operating profit and measures the performance of each segment before profits/losses arising on property-related items, the impact on leases of annual uplifts in rent and rent-free periods, intangible asset amortisation charges and costs arising from acquisitions, and goodwill impairment and restructuring and other one-off costs. The IAS 19 pension charge is replaced with the 'normal' cash contributions for pensions. An adjustment is also made for the fair value of customer loyalty awards.

Inter-segment revenue between the operating segments is not material.

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

52 weeks ended 25 February 2012								
Continuing operations	At constant exchange rates*				Tesco Bank £m	Total at constant exchange £m	Foreign exchange £m	Total at actual exchange £m
	UK £m	Asia £m	Europe £m	US £m				
Sales including VAT (excluding IFRIC 13)	47,355	11,615	11,380	660	1,044	72,054	(19)	72,035
Revenue (excluding IFRIC 13)	42,798	10,816	9,878	652	1,044	65,188	(22)	65,166
Effect of IFRIC 13	(550)	(35)	(39)	(2)	-	(626)	(1)	(627)
Revenue	42,248	10,781	9,839	650	1,044	64,562	(23)	64,539
Trading profit/(loss)	2,480	735	525	(158)	168	3,750	11	3,761
Trading margin***	5.8%	6.8%	5.3%	(24.2%)	16.1%	5.8%		5.8%
Continuing operations	At actual exchange rates**				Tesco Bank £m	Total at actual exchange £m		
	UK £m	Asia £m	Europe £m	US £m				
Sales including VAT (excluding IFRIC 13)	47,355	11,627	11,371	638	1,044	72,035		
Revenue (excluding IFRIC 13)	42,798	10,828	9,866	630	1,044	65,166		
Effect of IFRIC 13	(550)	(35)	(40)	(2)	-	(627)		
Revenue	42,248	10,793	9,826	628	1,044	64,539		
Trading profit/(loss)	2,480	737	529	(153)	168	3,761		
Trading margin***	5.8%	6.8%	5.4%	(24.3%)	16.1%	5.8%		

* Constant exchange rates are the average actual periodic exchange rates for the previous financial year.

** Actual exchange rates are the average actual periodic exchange rates for that financial year.

*** Trading margin is based on revenue excluding the accounting impact of IFRIC 13.

NOTE 2 Segmental analysis (continued)

52 weeks ended 26 February 2011*

At actual exchange rates**

	UK £m	Asia £m	Europe £m	US £m	Tesco Bank £m	Total at actual exchange £m
Sales including VAT (excluding IFRIC 13)	44,571	10,524	10,558	502	919	67,074
Revenue (excluding IFRIC 13)	40,766	9,802	9,192	495	919	61,174
Effect of IFRIC 13	(649)	(37)	(33)	-	-	(719)
Revenue	40,117	9,765	9,159	495	919	60,455
Trading profit/(loss)	2,504	605	527	(186)	264	3,714
Trading margin***	6.1%	6.2%	5.7%	(37.6%)	28.7%	6.1%

Reconciliation of trading profit to profit before tax

	52 weeks ended 25 February 2012 £m	52 weeks ended 26 February 2011* £m
Trading profit	3,761	3,714
Adjustments:		
Profits/losses arising on property-related items	376	432
IAS 19 'Employee Benefits' – non-cash Income Statement charge for pensions	(35)	(95)
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	(48)	(64)
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	(22)	(42)
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	(17)	(8)
Restructuring and other one-off costs	(30)	(20)
Operating profit	3,985	3,917
Share of post-tax profit of joint ventures and associates	91	57
Finance income	176	150
Finance costs	(417)	(483)
Profit before tax	3,835	3,641
Taxation	(879)	(864)
Profit for the year from continuing operations	2,956	2,777

*See Note 1 Basis of Preparation for details of reclassifications.

** Actual exchange rates are the average actual periodic exchange rates for that financial year.

*** Trading margin is based on revenue excluding the accounting impact of IFRIC 13.

NOTE 3 Taxation

	52 weeks ended 25 February 2012 £m	52 weeks ended 26 February 2011 £m
Continuing operations		
UK	593	693
Overseas	286	171
	879	864

A number of changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. The Finance Act 2011 included legislation to reduce the main rate of corporation tax from 27% to 26% from 1 April 2011 and to 25% from 1 April 2012. The proposed reduction from 27% to 25% was substantively enacted at the balance sheet date. In the March 2012 UK Budget Statement it was announced that the rate would be reduced further from 25% to 24% from 1 April 2012 and proposals to reduce the rate by 1% per annum to 22% by 1 April 2014. These further changes had not been enacted at the balance sheet date and therefore, are not reflected in this preliminary consolidated financial information.

Note 4 Discontinued operations and non-current assets classified as held for sale

	25 February 2012 £m	26 February 2011 £m
Assets of the disposal group	65	-
Non-current assets classified as held for sale	445	431
Total assets of the disposal group and non-current assets classified as held for sale	510	431
Total liabilities of the disposal group	(69)	-
Total net assets classified as held for sale	441	431

Discontinued operations

The tables below show the results of the discontinued operations in relation to the Group's decision to sell its operations in Japan which are included in the Group Income Statement, Group Balance Sheet and Group Cash Flow Statement respectively.

Income Statement	52 weeks ended 25 February 2012 £m	52 weeks ended 26 February 2011 £m
Revenue	436	476
Cost of sales	(539)	(541)
Administrative expenses	(23)	(36)
Loss arising on property related items	(1)	(5)
Finance costs	(1)	-
Loss before tax on discontinued operations	(128)	(106)
Taxation	(14)	-
Loss for the year from discontinued operations	(142)	(106)

Loss per share impact from discontinued operations

Basic	(1.77)p	(1.33)p
Diluted	(1.76)p	(1.31)p

	52 weeks ended 25 February 2012 £m	52 weeks ended 26 February 2011 £m
Non-GAAP measure: underlying loss before tax		
Loss before tax on discontinued operations	(128)	(106)
Adjustments for:		
Restructuring and other one-off costs		
- Restructuring costs	23	9
- Store impairment cost relating to fair value of assets of the disposal group	57	-
- Intangible asset impairment cost relating to fair value of assets of the disposal group	20	-
	100	9
IAS 36 'Impairments of Assets' – impairment of goodwill arising on acquisitions	-	55
Underlying loss before tax on discontinued operations	(28)	(42)

NOTE 4 Discontinued operations and non-current assets classified as held for sale (continued)

Balance Sheet	25 February 2012
	£m
Assets of the disposal group	
Inventories	16
Trade and other receivables	43
Cash and cash equivalents	6
Total assets of the disposal group	65
Liabilities of the disposal group	
Trade and other payables	(68)
Borrowings	(1)
Total liabilities of the disposal group	(69)
Total net liabilities of the disposal group	(4)

Commitments

Future minimum rentals payable under non-cancellable operating leases associated with operations in Japan amount to £113m.

Cash Flow Statement	52 weeks ended	52 weeks ended
	25 February 2012	26 February 2011
	£m	£m
Net cash flows from operating activities	(43)	(50)
Net cash flows from investing activities	(4)	(27)
Net cash flows from financing activities	46	73
Net cash flows from discontinued operations	(1)	(4)

NOTE 5 Dividends

	52 weeks ended		52 weeks ended	
	25 February 2012		26 February 2011	
	Pence/ share	£m	Pence/ share	£m
Amounts recognised as distributions to owners in the year:				
Final dividend for the prior financial year	10.09	811	9.16	730
Interim dividend for the current financial year	4.63	369	4.37	351
	14.72	1,180	13.53	1,081
Proposed final dividend for the current financial year	10.13	815	10.09	812

The proposed final dividend was approved by the Board on 17 April 2012, but has not been included as a liability as at 25 February 2012, in accordance with IAS 10 'Events after the balance sheet date'.

NOTE 6 Earnings per share and diluted earnings per share

Basic earnings per share amounts are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year adjusted for the effects of potentially dilutive options.

The dilutive effect is calculated on the full exercise of all potentially dilutive ordinary share options granted by the Group, including performance-based options which the Group considers to have been earned.

	52 weeks ended 25 February 2012			52 weeks ended 26 February 2011		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
Profit/(loss) (£m)						
- Continuing operations	2,948	-	2,948	2,761	-	2,761
- Discontinued operations	(142)	-	(142)	(106)	-	(106)
Weighted average number of shares (millions)	8,021	24	8,045	8,020	41	8,061
Earnings per share (pence)						
- Continuing operations	36.75	(0.11)	36.64	34.43	(0.18)	34.25
- Discontinued operations	(1.77)	0.01	(1.76)	(1.33)	0.02	(1.31)
Total	34.98	(0.10)	34.88	33.10	(0.16)	32.94

There have been no transactions involving ordinary shares between the reporting date and the date of approval of this preliminary unaudited consolidated financial information which would significantly change the earnings per share calculations shown above.

NOTE 6 Earnings per share and diluted earnings per share (continued)

Reconciliation of non-GAAP underlying diluted earnings per share

	52 weeks ended 25 February 2012		52 weeks ended 26 February 2011*	
	£m	pence/ share	£m	pence/ share
Profit from continuing operations (Diluted)				
Profit from continuing operations	2,948	36.64	2,761	34.25
Adjustments for:				
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements	(44)	(0.54)	(19)	(0.24)
IAS 19 'Employee Benefits' – non-cash Income Statement charge for pensions	17	0.21	113	1.40
IAS17 'Leases' – impact of annual uplifts in rent and rent-free periods	38	0.47	48	0.60
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	22	0.27	42	0.52
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	17	0.21	8	0.10
Restructuring and other one-off costs	30	0.37	20	0.25
Tax effect of adjustments at the effective rate of tax** (2012: 22.9%; 2011: 23.7%)	(18)	(0.22)	(50)	(0.62)
Underlying earnings from continuing operations	3,010	37.41	2,923	36.26

*See Note 1 Basis of Preparation for details of reclassifications.

** The effective tax rate of 22.9% (2011: 23.7%) excludes certain permanent differences on which tax relief is not available.

Underlying diluted earnings per share reconciliation

	52 weeks ended 25 February 2012		52 weeks ended 26 February 2011*	
	%	£m	%	£m
Underlying profit before tax from continuing operations		3,915		3,853
Effective tax rate**	22.9	(897)	23.7	(914)
Non-controlling interests		(8)		(16)
Total		3,010		2,923
Underlying diluted earnings per share (pence)		37.41		36.26

*See Note 1 Basis of Preparation for details of reclassifications.

** The effective tax rate of 22.9% (2011: 23.7%) excludes certain permanent differences on which tax relief is not available.

NOTE 7 Cash and cash equivalents

	25 February 2012 £m	26 February 2011* £m
Cash at bank and in hand	1,995	1,769
Short-term deposits	182	85
Certificates of deposit	35	170
Loans and advances to banks	93	404
Cash and cash equivalents	2,305	2,428

*See Note 1 Basis of Preparation for details of reclassifications.

NOTE 8 Post-employment benefits

Pensions

The Group operates a variety of post-employment benefit arrangements covering funded defined contribution and both funded and unfunded defined benefit schemes. The most significant of these are funded defined benefit pension schemes for the Group's employees in the UK, the Republic of Ireland and South Korea.

Principal assumptions

The valuations used for IAS 19 have been based on the most recent completed actuarial valuations as at 31 March 2008 and updated by Tower Watson Limited to take account of the requirements of IAS 19 in order to assess the liabilities of the schemes as at 25 February 2012. The major assumptions, on a weighted average basis, used by the actuaries were as detailed below.

	25 February 2012	26 February 2011
	%	%
Discount rate	5.2	5.9
Price inflation	3.1	3.5
Rate of increase in salaries	3.2	3.6
Rate of increase in pensions in payment*	2.9	3.3
Rate of increase in deferred pensions*	2.1	2.8
Rate of increase in career average benefits	3.1	3.5

*In excess of any Guaranteed Minimum Pension (GMP) element.

The mortality assumptions used are based on tables that have been updated in line with medium cohort projections with a minimum improvement of 1% per annum from 31 March 2008 to 25 February 2012. In addition, the allowance for future mortality improvements incorporates medium cohort projections with a minimum improvement of 1% per annum.

The following table illustrates the expectation of life of an average member retiring at age 65 at the reporting date and a member reaching age 65 at the reporting date +25 years.

		At 25 February 2012 in years	At 26 February 2011 in years
Retiring at Reporting date at age 65	Male	21.8	21.7
	Female	23.6	23.5
Retiring at Reporting date +25 years at age 65	Male	24.2	24.1
	Female	26.1	26.0

Movement in the deficit during the year

The movement in the deficit during the year was as follows:

	25 February 2012	26 February 2011
	£m	£m
Deficit in schemes at the beginning of the year	(1,356)	(1,840)
Current service cost	(495)	(499)
Past service income/(cost)	3	(29)
Other finance income/(cost)	18	(18)
Contributions by employer	457	433
Foreign currency translation differences	(1)	2
Actuarial (loss)/gain	(498)	595
Deficit in schemes at the end of the year	(1,872)	(1,356)

The triennial actuarial assessment as at 31 March 2011 has started and the results will be finalised by June 2012. The Group is currently in consultation with employees and trustees regarding proposed changes to the scheme. In addition the company paid an additional contribution of £180m on 30 March 2012, ahead of the completion of the valuation.

NOTE 9 Reconciliation of profit before tax to net cash generated from operations

	52 weeks ended 25 February 2012 £m	52 weeks ended 26 February 2011* £m
Profit before tax	3,835	3,641
Net finance costs	241	333
Share of post-tax profits of joint ventures and associates	(91)	(57)
Operating profit	3,985	3,917
Operating loss of discontinued operations	(127)	(106)
Depreciation and amortisation	1,498	1,420
Profits/losses arising on property-related items from continuing operations	(376)	(432)
Profits/losses arising on property-related items from discontinued operations	1	5
Loss arising on sale of non property-related items	4	3
Profit arising on sale of other investments	(5)	-
Impairment of goodwill	-	55
Net charge/(reversal) of impairment of property, plant and equipment and intangible assets	75	(13)
Adjustment for non-cash element of pension charges	35	95
Share-based payments	125	220
Tesco Bank non-cash items included in profit before tax	166	(83)
Increase in inventories	(461)	(467)
Increase in trade and other receivables	(139)	(152)
Increase in trade and other payables and provisions	679	976
Tesco Bank decrease/(increase) in loans and advances to customers	150	(519)
Tesco Bank increase in trade and other receivables	(278)	(86)
Tesco Bank increase in customer and bank deposits and trade and other payables	356	780
Decrease in working capital	307	532
Cash generated from operations	5,688	5,613

*See Note 1 Basis of Preparation for details of reclassifications.

NOTE 10 Analysis of changes in net debt

	At 26 February 2011** £m	Tesco Bank at 26 February 2011* £m	Cash flow £m	Business combinations	Other non-cash movements £m	Net debt of disposal group £m	Elimination of Tesco Bank £m	At 25 February 2012** £m
Cash and cash equivalents	1,722	706	(148)	7	24	(6)	(580)	1,725
Short-term investments	1,022	-	221	-	-	-	-	1,243
Joint venture loan and other receivables	493	34	(142)	-	8	-	(34)	359
Bank and other borrowings	(10,282)	(595)	353	(98)	(962)	1	576	(11,007)
Finance lease payables	(198)	-	45	-	(13)	-	-	(166)
Net derivative financial instruments	453	(21)	(94)	-	613	-	52	1,003
Net debt of the disposal group	-	-	-	-	-	5	-	5
	(6,790)	124	235	(91)	(330)	-	14	(6,838)

*See Note 1 Basis of Preparation for details of reclassifications.

**These amounts relate to the net debt excluding Tesco Bank but including the disposal group.

NOTE 11 Business combinations

Business combinations

During the year, the Group completed five business combination transactions as follows:

- (i) 18 March 2011 Acquired 100% of the ordinary share capital relating to the 77 stores of Mills Group in the UK for a cash consideration of £10m;
- (ii) 1 April 2011 Acquired 100% of the ordinary share capital relating to the 87 franchised "kiosks" and 47 stores branded as Zabka and Koruna in the Czech Republic for a cash consideration of £36m;
- (iii) 18 April 2011 Acquired 80.25% of the ordinary share capital of Blinkbox Entertainment Limited in the UK for a cash consideration of £3m;
- (iv) 8 June 2011 Acquired 100% of the ordinary share capital of BzzAgent Inc and BzzAgent Limited for a cash consideration of £9m and deferred contingent consideration of £15m; and
- (v) 18 August 2011 Acquired the remaining 50% of the ordinary share capital of its joint venture Multi Veste Czech Republic 9, s.r.o not already owned by the Group for a total consideration of £24m, split equally between cash and equity.

The table below sets out the provisional fair values to the Group in respect of these acquisitions.

	Provisional fair values on acquisition £m
Non-current assets	107
Current assets	25
Cash	5
Current liabilities	(41)
Non-current liabilities	(98)
Net liabilities acquired	(2)
Non-controlling interests	(1)
Goodwill arising on acquisition	100
	97
Consideration:	
Cash	70
Non-cash	27
Total consideration	97

The goodwill represents synergies within the operating models and the economies of scale expected from incorporating the operations of acquired entities within the Group.

Purchase of non-controlling interest

On 1 July 2011, the Group completed the acquisition of the remaining 6% of the ordinary share capital of Homeplus Co., Limited for a cash consideration of £73m.

NOTE 12 Events after the reporting period

On 5 March 2012, Ek-Chai Distribution System Co., Ltd. (Tesco Lotus), announced the final offering price of the Initial Public Offering (IPO) of Tesco Lotus Retail Growth Freehold and Leasehold Property (TLGF). Tesco Lotus will retain a 25% ownership stake in TLGF. The units commenced trading on the Stock Exchange of Thailand on 19 March 2012.