TESCO

PRELIMINARY RESULTS 2012/13 – BUILDING A BETTER TESCO

52 weeks ended 23 February 2013 (unaudited) **On a continuing operations basis**	**2012/13**	**Growth** (Actual exchange rates)	**Growth** (Constant exchange rates)
Group sales (inc. VAT)*	**£72,363m**	**1.3%**	**2.5%**
Sales growth excluding petrol		1.8%	3.1%
Group trading profit	**£3,453m**	**(13.0)%**	**(12.3)%**
- UK	£2,272m	(8.3)%	(8.3)%
- Asia	£661m	(10.3)%	(9.8)%
- Europe	£329m	(37.8)%	(33.3)%
- Tesco Bank	£191m	(15.1)%	(15.1)%
Underlying profit before tax	**£3,549m**	**(14.5)%**	**(14.0)%**
Underlying diluted earnings per share	**35.97p**	**(14.0)%****	**n/a**
ROCE (adjusted for one-off items)	**12.7%**	**(200)bp**	**n/a**
Capex	**£3.0bn**	**down 19.0%**	**down 18.1%**
Statutory profit before tax includes the following one-off items:			
- UK property write-down		£(804)m	
- Goodwill impairment (Poland, Czech Republic, Turkey)		£(495)m	
- Increased provision for PPI (Tesco Bank) (incl. H1 £(30)m)		£(115)m	
Statutory profit before tax	**£1,960m**	**(51.5)%**	**n/a**
United States treated as discontinued, with restructuring and other one-off costs of £(1.0)bn			

CLEAR STRATEGY FOR THE MULTICHANNEL ERA

Philip Clarke, Chief Executive:

"The announcements made today are natural consequences of the strategic changes we first began over a year ago and which conclude today. With profound and rapid change in the way consumers live their lives, our objective is to be the best multichannel retailer for customers.

Our plan to 'Build a Better Tesco' is on track and I am pleased with the real progress in the UK. We have already made substantial improvements to our customers' shopping experience, which are starting to be reflected in a better performance.

We have set the business on the right track to deliver realistic, sustainable and attractive returns and long-term growth for shareholders. The consequences are non-cash write-offs relating to the United States, from which we today confirm our decision to exit, and for UK property investments which we will not pursue because of our fundamentally different approach to space.

We have also faced external challenges which have affected our performance, notably in Europe and Korea.

Our focus now is on disciplined and targeted investment in those markets with significant growth potential and the opportunity to deliver strong returns."

HIGHLIGHTS

- **£3.5bn trading profit – year-on-year performance largely reflects UK reinvestment**
- **Final dividend maintained at 10.13p, giving full-year dividend of 14.76p**
- **Good progress in the UK, delivering improved results – for customers and for Tesco**
- **Strong online performance: Group sales of over £3bn for the first time – up 13%**
- **Confirming exit from the United States – process well-advanced**
- **F+F brand clothing sales now exceed £1bn in UK alone, with +9% LFL sales growth**
- **Clear approach to future growth, capital expenditure, returns and cash, providing clarity for shareholders**

* Group sales (inc. VAT) exclude the accounting impact of IFRIC 13.
** Underlying diluted EPS growth calculated on a constant tax rate basis; (10.8)% at actual tax rates.

SUMMARY OF GROUP RESULTS[1]

Continuing operations[2]	Group TY £m	Group LY £m	Growth %	UK[3] TY £m	Asia TY £m	Europe TY £m	Tesco Bank TY £m
Sales (inc. VAT)[4]	**72,363**	**71,402**	**1.3%**	**48,216**	**12,317**	**10,809**	**1,021**
Growth %				1.8%	5.9%	(4.9)%	(2.2)%
UK LFL (exc. Petrol)				(0.3)%			
Revenue (exc. VAT)[5]	**64,826**	**63,916**	**1.4%**	**43,088**	**11,443**	**9,274**	**1,021**
Growth %				2.0%	6.0%	(5.6)%	(2.2)%
UK LFL – IFRIC 13 compliant basis (exc. Petrol)				(0.3)%			
Trading profit[6]	**3,453**	**3,969**	**(13.0)%**	**2,272**	**661**	**329**	**191**
Growth %				(8.3)%	(10.3)%	(37.8)%	(15.1)%
Trading profit margin[4]	5.28%	6.15%	(87)bp	5.21%	5.76%	3.53%	18.71%
Change (basis points)				(58)bp	(105)bp	(183)bp	(284)bp
Other underlying profit items:							
- Profits/losses arising on property-related items	370	397	(6.8)%				
- Share of post-tax profits of joint ventures and associates	46	80	(42.5)%				
- Net interest cost	(320)	(297)	(7.7)%				
Underlying profit before tax[7]	**3,549**	**4,149**	**(14.5)%**				
IAS adjustments	(33)	(43)	23.3%				
Restructuring and other one-off costs							
- Impairment of PPE and onerous lease provisions	(895)	-	n/m				
- Provision for customer redress	(115)	(57)	(101.8)%				
- Impairment of goodwill	(495)	-	n/m				
- Other restructuring and one-off items	(51)	(11)	(363.6)%				
Statutory profit before tax	**1,960**	**4,038**	**(51.5)%**				
Dividend per share (pence)	14.76	14.76	0.0%				

	Group TY	Group LY	Group YOY Change	UK TY	UK LY	Asia TY	Asia LY	Europe TY	Europe LY	Tesco Bank TY	Tesco Bank LY
Capital expenditure (£bn)	3.0	3.7	(0.7)	1.4	1.6	1.0	1.2	0.5	0.7	0.1	0.2
Gross space added (million sq.ft.)	6.2	9.7	(3.5)	1.5	2.6	3.3	4.5	1.4	2.7	n/a	n/a

	Group TY	Group LY	YOY Change
Net cashflow from operating activities (£bn)[8]	2.8	4.4	(1.6)
IFRS pensions liability post-tax (£bn)	1.8	1.4	0.4
Net debt (£bn)[9]	6.6	6.8	(0.2)

Notes:

1 The financial year represents the 52 weeks ended 23 February 2013 (prior financial year 52 weeks ended 25 February 2012). For the UK, the Republic of Ireland and the US, the results are for the 52 weeks ended 23 February 2013 (prior financial year 52 weeks ended 25 February 2012). For all other operations, the results are for the calendar year ended 28 February 2013 (prior financial year ended 29 February 2012). 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.

2 Continuing operations exclude the results from our operations in US and Japan which have been treated as discontinued.

3 The UK segment excludes Tesco Bank, which is reported separately in accordance with IFRS 8 'Operating Segments'.

4 Excludes the accounting impact of IFRIC 13 (Customer Loyalty Programmes). Trading margin is based on revenue excluding the accounting impact of IFRIC 13.

5 Includes the accounting impact of IFRIC 13 (Customer Loyalty Programmes).

6 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 17, 32 and 39, and the interest element of IAS 19.

7 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 Asia, Europe, Tesco Bank).

8 Including US and Japan as discontinued operations.

9 Including US as a discontinued operation in the year ended 23 February 2013, and US and Japan in the year ended 25 February 2012.

STRATEGIC UPDATE

It has been an important year for the Tesco Group, with challenges and opportunities in many of the markets we operate in. Some of these formed a core part of our plans for the year - such as our investment to get the UK business back on track; some became more prevalent throughout the course of the year – such as the severity of the impact of regulatory restrictions on opening hours in Korea, and the deteriorating economic conditions and the consequential impacts on consumers in Europe.

Despite these challenges, we have taken action throughout the year to better position the Group for the future. In the last twelve months, we have:

- Announced and made progress on our plans to 'Build a Better Tesco' in the UK
- Launched a strategic review of Fresh & Easy in the United States
- Taken a more measured approach to our growth in China
- Successfully completed our work to establish Tesco Bank on our own platforms
- Exited Japan

Today, we have announced further action in two areas:

First, based on our progress so far with our **strategic review of Fresh & Easy**, including the indications of interest received from third parties, we **have confirmed that the outcome of the review will be an exit from the United States**. As such, Fresh & Easy has been treated as a discontinued operation within these results. Whilst the process is ongoing, and as such the form and final financial impact of the exit is still to be determined, we have written down the assets of the business and booked a provision for ongoing liabilities. The total impact to profit after tax is £(1.2)bn, including £(169)m trading losses and £(1.0)bn non-cash items – predominantly the impairment of fixed assets and provisions for onerous leases. Further details can be found in Note 4 to the accounts, on page 27.

Second, following on from our announcement in April 2012 that we would be reducing the level of new space growth in the UK going forward, we have carried out an **in-depth review of our property pipeline**. We have reviewed all of the schemes included in the pipeline individually, assessing their viability and potential to deliver an appropriate level of return on capital employed if built out. As a result, we have identified more than 100 sites – the majority of which were bought between five and ten years ago, at a higher point in the property cycle – which we no longer plan to develop and have therefore written their values down. In addition to a number of other provisions, including for the impairment of schemes which still can deliver an attractive return, but one lower than originally anticipated, this has led to a **total one-off UK property write-down of £(804)m**.

The fundamental change in our approach to new space also has **implications for our sale and leaseback programme**. Two years ago, we reviewed the programme and announced a steady reduction in the level of divestments, in order to ensure that any property profits released were matched to the level of new profit created by development activities. Given that we have significantly reduced the amount of these activities going forward, we believe that it is appropriate to accelerate the scaling back of the sale and leaseback programme, such that it is unlikely to make a material contribution after the next few years.

Our reported underlying profit measure includes these property profits and therefore its growth over the next few years will be held back by this accelerated reduction. We will therefore adjust for this impact when using underlying earnings per share as the basis for our dividend policy.

OUR APPROACH TO GROWTH AND RETURNS

The actions we have taken over the last two years have removed a number of significant barriers to progress and underpin our more disciplined approach to capital allocation.

As we adapt to ensure we deliver on our objective to be the best multichannel retailer for our customers, we are realistic in our approach to growth and returns. We can therefore offer clarity to shareholders about how we intend to deliver an appropriate balance of growth and returns in the years ahead:

We are managing the business in order to:

- Generate positive free cash flow
- Ensure a disciplined allocation of capital within a range of 3.5% to 4% of sales
- Maintain a strong investment grade credit rating

We are therefore allocating our capital to achieve three clear priorities:

1. Continuing to invest in a strong UK business
2. Establishing multichannel leadership in all of our markets
3. Pursuing disciplined international growth

This means that, in the current economic environment, investors can expect us to deliver:

- Mid-single digit trading profit growth
- Return on capital employed within a range of 12% to 15%
- Dividend growth, broadly in line with underlying earnings*, with a target cover of more than 2 times

These are appropriate and realistic objectives for the business. As we deliver our objective of being the leading multichannel retailer, we are determined to do even better – for customers and for shareholders.

We will update on our progress in the context of these objectives as part of our future results announcements.

*We will adjust for the impact of reduced property profits from the scaling back of our sale and leaseback programme in this context.

GROUP RESULTS

Group sales, including VAT, increased by 1.3% to £72.4bn. At constant exchange rates, sales increased by 2.5% (including petrol) and 3.1% (excluding petrol).

Group trading profit was £3,453m, down (13.0)% on last year, reflecting our previously announced investment in the shopping trip for customers in the UK, in addition to the impact of regulatory restrictions on opening hours in Korea and the effects of deteriorating economic conditions, particularly in Central Europe. Group trading margin was 5.3%, down 87 basis points.

Underlying profit before tax declined by (14.5)% to £3,549m. **Group profit before tax** declined by (51.5)% to £1,960m, due to the impact of a number of significant one-off charges, including:

- UK property write-down of £(804)m, following an in-depth review of our forward pipeline
- Goodwill impairment of £(495)m, reflecting the impact of differing growth prospects in today's environment for the businesses we acquired in Poland, the Czech Republic and Turkey in the mid-1990s to early-2000s
- Increase of £(115)m in our provision for potential Payment Protection Insurance claims against Tesco Bank

Following our confirmation that **the strategic review of Fresh & Easy will result in an exit from the United States**, the results of our business there, in addition to those of our business in Japan, have been classified as **discontinued operations** in these results. Further details can be found in Note 4 to the accounts, on page 26 of this statement.

Net finance costs increased to £282m, from £235m last year, largely due to the revaluation of the liability relating to the purchase of the minority interest in our Korean business in July 2011, which reduced net finance costs by £35m in the 2011/12 financial year. Capitalised interest reduced by £17m to £123m.

Total **Group tax** has been charged at an effective rate (on profit before tax prior to the one-off charges mentioned above) of 18.6% (last year 21.6%), mainly reflecting a fall in the UK corporation tax rate. The effective rate of tax on statutory profit before tax after the one-off charges, is 29.3%.

Cash Flow and Balance Sheet. Cash generated from retail operating activities reduced to £2.9bn (2011/12: £3.8bn), with an overall increase in the level of working capital (before one-off items), in addition to the trading profit impact and a one-off pension contribution. The working capital increase was largely as a result of regulatory impacts in a number of markets and shorter order lead times for general merchandise reducing creditor days year-on-year. Despite this, net debt fell by £241m to £6.6bn, due to reduced capital expenditure and increased property proceeds.

We continued to see strong investor demand for our property during the year. Following the successful launch of the Tesco Lotus Retail Growth Freehold and Leasehold Property Fund (TLGF) with 17 malls in Thailand in March 2012, we injected a further five malls into the fund in November. In August, we completed the sale and leaseback of four stores in Korea and in February, a further transaction in the UK including four trading stores and three mixed-use sites. These contributed to proceeds of over £1.3bn and profits arising on property-related items of £370m.

Pensions. The Group's net pension deficit after tax has increased from £1,407m to £1,839m, due mainly to a reduction in real corporate bond yields leading to a fall of 0.3% in the discount rate used to measure our liabilities. This was partially offset by the one-off cash contribution of £180m we announced in April last year, together with higher than expected asset returns.

Group **capital expenditure** was £3.0bn, or 4.1% of sales, a reduction of £0.7bn versus last year. Capital expenditure fell year-on-year in every one of our reporting segments, with UK expenditure down 13% to £1.4bn, Asia down 17% to £1.0bn, Europe down 34% to £0.5bn and the Bank down 33% to £0.1bn.

Group **Return on Capital Employed** (ROCE) decreased during the year as expected, reflecting the combined impacts of our investment in the UK, the regulatory impact in Korea and the consequential impact of the deteriorating economic conditions in Central Europe. Prior to the impact of one-off charges, Group ROCE was 12.7%, compared to 14.7% last year (based on a continuing operations basis, and therefore excluding the United States).

DIVIDEND

The Board has approved a maintained final dividend of 10.13p per share, giving a full year dividend of 14.76p, demonstrating our confidence that the steps we have taken in 2012/13 will set the Group on track to resume growth in 2013/14 and beyond. The final dividend will be paid on 5 July 2013 to shareholders on the Register of Members at the close of business on 26 April 2013.

SEGMENTAL PERFORMANCE

UK

Our planned investment to 'Build a Better Tesco' has delivered an improved performance, despite trading conditions for the market as a whole remaining difficult throughout the year. Consumer confidence remained very low and customers continued to manage household budgets carefully in the face of high inflation. Despite this, our underlying performance significantly improved throughout the year, led by a much stronger performance in food – the main focus of our efforts to date.

	UK Results 2012/13	
	£m	% growth
UK sales	£48,216m	1.8%
UK revenue (exc. VAT, exc. impact of IFRIC 13)	£43,579m	1.8%
UK trading profit	£2,272m	(8.3)%
Trading margin (trading profit/revenue)	5.21%	(58)bp

Total UK sales increased by 1.8% to just over £48bn, with UK trading profit declining by (8.3)% to £2,272m as a result of the investment we announced last year. UK trading margin was 5.2% - in line with the guidance given at our Preliminary Results in April last year. We believe this level of margin is sustainable and appropriate for the foreseeable future.

	UK LFL Growth 2012/13				
	H1	Q3	Q4	**H2**	**FY**
LFL (inc.VAT, inc. petrol)	**(1.0)%**	(1.2)%	(0.8)%	**(1.0)%**	**(1.0)%**
LFL (inc VAT, exc. petrol)	**(0.6)%**	(0.7)%	0.5%	**(0.1)%**	**(0.3)%**
LFL (exc. VAT, exc. petrol)	**(0.7)%**	(0.6)%	0.5%	**(0.1)%**	**(0.4)%**
LFL (exc. VAT, exc. petrol) IFRIC 13*	**(0.2)%**	(0.1)%	(0.4)%	**(0.2)%**	**(0.3)%**

*Compliant with IFRIC 13 (Loyalty schemes) – the variance between like-for-like sales growth excluding both petrol and VAT, 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 2011.

Although like-for-like sales had been boosted by seasonal events in the first half, our performance improved during the second half, with our fourth quarter delivering the strongest level of like-for-like sales growth, excluding petrol and VAT, for three years. This was driven by a market-leading performance through the important Christmas & New Year period and was achieved despite a tougher comparative base as we lapped the exceptionally high levels of couponing activity undertaken in early 2012.

General merchandise has continued to weigh on UK performance throughout the year, with a slight decline in total sales and a decline in like-for-like sales of over 5% for the year as a whole. Clothing, however, has continued to deliver a strong performance, as customers have responded well to the better garment quality, ranging, and merchandising we have introduced. Sales from our F&F ranges of clothing alone now total more than £1bn, with like-for-like sales growth of over 9% for the year.

As planned, we opened a significantly smaller amount of net new space this year – at 1.4 million square feet, this was a (40)% reduction versus the prior year. This new space – which included 120 Express and 26 One Stop stores - performed well, contributing to total sales growth of 2.6% (excluding petrol and VAT) for the full year. We plan to open a similar amount of net new space in 2013/14, including a larger proportion focused on convenience.

Last year we made a £1bn commitment to 'Build a Better Tesco' in the UK – a six-part plan focused on improving every aspect of our customers' shopping trips. The six parts of this plan are:

- **Service & Staff**
- **Stores & Formats**
- **Price & Value**
- **Range & Quality**
- **Brand & Marketing**
- **Clicks & Bricks**

We have made significant progress against all six parts of the plan and in doing so have identified numerous further opportunities to continue to improve our offer in the year ahead. Our new 'customer viewpoint' tracks customer perceptions of 12 aspects of the shopping trip in each of our stores on a regular and frequent basis, and customer perceptions in every one of these aspects have improved, underpinning our confidence that the underlying improvement we have seen in our trading performance is driven by the improvements we have made.

There have been many initiatives under each point of the plan, but improving the customer experience in store has been key. We have appointed 8,000 new colleagues, helping us to serve customers better and ensuring stores get the additional hours they need at the times they need them most. More than 250,000 colleagues in-store have received customer service training, with additional technical training for 36,000 of our colleagues, particularly focusing on fresh food departments.

We refreshed just over 300 of our existing stores – representing almost a quarter of our total selling space – with a variety of changes to improve the look and feel of the stores, while many more stores received specific department upgrades. This work will continue this year, with a focus on Express and Metro formats, particularly in and around London. By investing in the Harris + Hoole coffee chain, working with the Euphorium bakery brand in London and acquiring the Giraffe restaurant chain, we have made important steps towards turning our stores into compelling retail destinations for customers.

We have sent out over 32 million additional highly-personalised Clubcard mailings, rewarding our most loyal customers. Since the year-end, we have rolled out our automatic coupon-at-till Price Promise, following a successful trial in Northern Ireland. Price Promise compares the cost of a basket of goods – both branded and own-label – against an equivalent basket at J Sainsbury, Morrisons and Asda.

Under Range & Quality, the re-launch of Everyday Value in April last year has proved very popular with customers with like-for-like sales tracking at over 6%. In addition, over 3,500 of our core Tesco Brand own-label products have been re-launched or improved, and this year we plan to deliver all 8,000 of these lines and also re-launch Tesco Finest – already one of the UK's largest food brands in its own right. Using insights from dunnhumby, over 60% of our entire food range is now differentiated by socio-demographic groupings across all of our stores.

One major challenge in the final weeks of the year was the discovery in January of equine DNA in beef and other meat products throughout the UK industry. We responded immediately, leading the industry by withdrawing the four affected products, carrying out our own tests on potentially affected products and placing full-page notices to alert customers in the national press. Any performance impact appears to have been short-term and largely limited to those frozen meat categories where products were withdrawn and to chilled ready meals. We have seen customers choosing to substitute some of the directly-affected product groups with alternatives, such as fish and poultry.

Our 'Building a Better Tesco' plan was supported ahead of Christmas by the first fully integrated multichannel communications programme developed with our new agency. The results of the activity were significant, with a 7% improvement in our key advertising measures during the period. Customer feedback showed that we created standout and differentiation, putting a warmer and more engaging face to the brand that was welcomed by all.

Clicks & Bricks is at the heart of our strategy for the future of the business. Our online grocery business has had another strong year, with sales growing ahead of the market, by 12.8% to £2.3bn. Over 120,000 customers have already signed up for our Delivery Saver subscription service, accounting for almost 25% of our weekly online grocery sales. We already have over 150 Grocery Click & Collect locations, with plans to more than double that number in the year ahead. We opened our fifth dotcom only store in Crawley in January, and we will open an additional dotcom only store for the London area, in Erith, in the second half of the year.

Tesco Direct has significantly expanded its product offering, to nearly 300,000 products, up from 75,000 at the start of the year. Around two-thirds of Tesco Direct orders are collected in-store, and we have doubled the number of Click & Collect locations available to over 1,500 in the last twelve months.

Tesco Direct is a key part of our multichannel strategy going forward, but its path to profitability has progressed less quickly than anticipated. It is a clear priority for the year ahead – and the one which is receiving most of our focus in this area – to ensure that we have a profitable, scalable model before we look to accelerate growth.

ASIA & EUROPE

	International Results* 2012/13		
	Actual rates		Constant rates
	£m	% growth	% growth
International sales	£23,126m	0.6%	4.1%
International revenue (exc. VAT, exc. impact of IFRIC 13)	£20,798m	0.5%	3.9%
International trading profit	£990m	(21.8)%	(19.6)%
Trading margin (trading profit/revenue)	4.76%	(136)bp	(139)bp

*Exc. Japan & United States

Our international businesses have been impacted this year by external pressures - both economic and regulatory - as we highlighted at our Interim Results in October. In Asia, the introduction of new regulatory restrictions on opening hours in Korea has led to an impact broadly in line with our expectations. In our European markets, economic conditions continued to deteriorate through the second half, with consumers severely affected by a combination of government austerity measures, increased unemployment and higher inflation. Our performance, particularly in Central Europe, has suffered as a result.

	International LFL* Growth 2012/13				
	H1	Q3	Q4	**H2**	**FY**
Asia	**(1.4)%**	(1.2)%	(2.5)%	**(1.9)%**	**(1.7)%**
Europe	**(0.2)%**	(3.6)%	(4.5)%	**(4.3)%**	**(2.3)%**
Total International	**(0.8)%**	(2.4)%	(3.5)%	**(3.0)%**	**(2.0)%**

*Exc. petrol, exc. Japan & United States
Note: A full table of quarterly country LFL growth is provided in Appendix 2 on page 15.

We opened 4.3 million square feet of net new international selling space in 2012/13 - a reduction of 37% compared to the level opened in the prior year. A much greater proportion of this new space was focused on smaller format stores, and we now have over 1,930 convenience stores across our businesses outside the UK.

We successfully launched dotcom grocery operations in 13 further cities across the Czech Republic, Poland and Slovakia this year, building on the success of our operations in Ireland and South Korea. Just prior to the year-end we launched in Bangkok and since March we have also started operations in Budapest and Kuala Lumpur, meaning we now have dotcom grocery in eight of our 11 international markets. We plan to launch in China – initially in Shanghai – later this year. Our total international online sales grew by 46.5% to £281m, contributing to online sales for the Group as a whole of more than £3bn for the first time.

In line with our efforts to move to a more sustainable balance of growth and returns, we have adopted a new approach to capital allocation between our international markets. As such, we intend to commit a greater proportion of our capital investment to Korea, Thailand and Malaysia where we have strong positions and significant potential for further growth. In our European businesses, we will concentrate on holding our current market positions and improving returns. In our less mature markets – China, Turkey and India – we will focus our efforts on establishing and then pursuing a profitable approach to growth.

Asia

	Asia Results* 2012/13		
	Actual rates		Constant rates
	£m	% growth	% growth
Asia sales	£12,317m	5.9%	6.1%
Asia revenue (exc. VAT, exc. impact of IFRIC 13)	£11,479m	6.0%	6.2%
Asia trading profit	£661m	(10.3)%	(9.8)%
Trading margin (trading profit/revenue)	5.76%	(105)bp	(102)bp

*Exc. Japan

Total sales in Asia increased by 6.1% at constant rates, with a good overall performance, benefiting from a strong contribution from Thailand – held back by the impact of regulatory restrictions on opening hours in Korea. These restrictions led to a decline in trading profit for the region as a whole.

Thailand continues to be one of our strongest international businesses and we have made good progress throughout the year. Following on from the success of the first Asian hypermarket refit to our Extra format in our Rama IV store in Bangkok in 2011, we now have eight Extra stores trading, including our first 5K Extra. We took another step towards multichannel leadership in the market with the launch of online grocery home shopping in Bangkok in February and our convenience business continues to prove popular with Thai consumers – we now have over 1,115 Express stores trading, with plans for a further 340 in the year ahead.

The impact of the regulations restricting shopping hours in Korea was broadly in line with our guidance of £(100)m, with significant levels of Sunday store closures throughout the second half and considerable uncertainty in the market impacting operations even when stores were able to open. Following the passing of legislation in January this year, the situation seems more certain, with more consistent store closures expected on alternate Sundays. With the extension of 24-hour trading restrictions to between midnight and 10.00am and increased credit card interchange fees, we expect a maximum incremental impact of £40m in 2013/14, as we face the full year effect of the regulations.

As we described at the start of the year, we have adopted a more cautious stance in China. We still see an excess amount of new space being opened in the market – ahead of customer demand – and we have moderated our pace of development accordingly. We opened just 12 new stores this year and closed five underperforming stores as part of our increased focus on our three strongest regions. China remains a strategically important market for Tesco.

This year we plan to open 2.8m square feet of net new selling area in Asia overall, in addition to continued roll-out of our grocery dotcom operations.

Europe

	Europe Results 2012/13		
	Actual rates		Constant rates
	£m	% growth	% growth
Europe sales	£10,809m	(4.9)%	2.1%
Europe revenue (exc. VAT, exc. impact of IFRIC 13)	£9,319m	(5.5)%	1.4%
Europe trading profit	£329m	(37.8)%	(33.3)%
Trading margin (trading profit/revenue)	3.53%	(183)bp	(183)bp

Economic conditions across our European markets have deteriorated throughout the year, with consumers facing the combined challenges of austerity measures, increasing unemployment and high levels of inflation. This is reflected in a disappointing performance in the region, with a decline in overall sales and a reduction in profitability. General merchandise sales have been particularly affected, and are a contributor to declining like-for-like sales across the region.

The Czech Republic has been one of the worst-affected markets by the economic crisis and has now experienced four consecutive quarters of declining GDP. Food inflation is at a four-year high – partly due to increases in the applicable rate of VAT which were introduced at the start of 2012 – and consumer confidence has stayed at very low levels. The market has also seen increased competitive tension, with our desire to maintain a compelling offer for our customers impacting margins.

Our sales growth in Poland has been impacted by a sharp decline in the rate of growth in consumer spending, which worsened through the year with an overall reduction in the fourth quarter. Consumer confidence remains near historic low levels. In Ireland, after a period of relative calm following its early exposure to the crisis, customers are facing a further round of austerity measures which has further impacted spending.

Some of our businesses however have proved more resilient than others. In Hungary and Slovakia, for example, whilst consumers are still under pressure, inflation has started to trend down recently and like-for-like sales growth is much less impacted than in other markets. Our business in Hungary has also faced an additional crisis tax on sales for the last three years, which has held back our total profitability in that market. Following a change in legislation in January this year, this tax will no longer be applied, from the start of our 13/14 financial year. Whilst we expect some of the benefit to be offset by increases in other taxes, we expect this change to lead to a year-on-year improvement in profit of c.£30m.

In Turkey, we have faced particularly intense competition, in a year in which we have retrenched from our strategy of pursuing large store expansion to the east of the country. Like many other businesses, we have experienced intense cost-price inflation and the impact of this has been exacerbated by a number of one-off, historic issues. The resulting losses have contributed to our shortfall versus expectations for European performance.

We opened 1.4 million square feet of net new space during the year, lower than our original plan of 1.8 million square feet. More than half of the reduced level of new space was devoted to smaller format stores. Our programme for next year is significantly smaller again, comprising 0.4 million square feet across the region. We are also continuing to repurpose some of our existing space in a number of our largest stores, with recent successful examples including Karlovy Vary in the Czech Republic.

TESCO BANK

	Tesco Bank Results 2012/13	
	£m	% growth
Tesco Bank revenue (exc. VAT, exc. impact of IFRIC 13)	£1,021m	(2.2)%
Tesco Bank trading profit	£191m	(15.1)%
Tesco Bank trading margin	18.71%	(284)bp

It has been a significant year for Tesco Bank as we have sought to establish ourselves as a natural choice for the provision of financial services and products for Tesco customers.

The final stage of the migration from RBS was completed in May with the successful transfer of 2.8m credit card customers onto the Bank's own, newly-built platforms. This is a significant point in the Bank's development, having built robust and scalable system infrastructure within a three and a half year period. Whilst this was just a few months longer than the original schedule, we also scaled back the marketing of our existing products to ensure we had sufficient capacity to complete the final stages of transition smoothly for our existing customers, holding back our overall performance as a result.

Following this period of restricted marketing activity, we have seen good growth in banking products, with much of this generated in the second half. Customer deposits were up 11% to £6.0bn and customer lending increased strongly to £5.6bn, with credit card balances up 14% and loans up 17%. We now have over 6.6 million customer accounts – up 3% on last year. Despite weaker consumer spending in the market as a whole, transaction volumes in the ATM estate and spend on credit cards continued to grow at 3% and 2% respectively.

We launched our first range of mortgage products in August, with significant interest from customers and the industry as a whole. Our new product launches continued in the second half, with ISAs and Junior ISAs in November.

A challenging insurance market has seen strong downward price pressure in motor insurance and uncertainty created by a number of regulatory changes, including the introduction of gender neutral pricing in December. Working with Tesco Underwriting Ltd., our joint venture with Ageas Insurance Ltd., we have taken a disciplined approach to pricing and underwriting activity during this period, which has resulted in a reduction in the overall number of Tesco insurance policies sold. We have focused our efforts on ensuring we can deliver the best prices for Clubcard customers and, in the second half, extended the panel of insurers we work with to include Aviva Plc.

We have continued to see strong evidence of the additional loyalty demonstrated by Tesco customers who have a number of banking and insurance products with Tesco Bank. Clubcard points with a value of over £100m were given to customers as a 'thank you' for using the Bank's products within the year.

In September, the Bank reached agreement with Direct Line Group ("DLG") on the terms of the final settlement of the legacy insurance distribution arrangement. This resulted in a final commission settlement and the repayment of £259m of capital previously provided to DLG by the Bank. The return of capital has allowed the Bank to pay £105m dividend back to the Tesco Group in the second half and provides capital to support the future growth of the Bank's ongoing activities. As a result of the agreement, the Bank will no longer recognise any income in relation to this legacy arrangement. This income amounted to £22m in 2012/13, down from £63m in 2011/12).

During the second half of the year, in line with others in the banking industry, we started our full-scale proactive customer contact programme for customers who were sold payment protection insurance in the period prior to 2007. As a result of this activity and the contact received directly from customers relating to PPI, the Bank has made a further increase of £85m to the provision in the second half, taking the total charge for the year to £115m and the cumulative charge to £222m.

As reported at the half year, following settlement of a dispute with a former business partner, the Bank recognised a one-off receipt of £30m in the year.

The Bank ends the year with strong capital ratios (Risk Asset Ratio of c.19%) and strong levels of liquidity (£1.9bn of high quality liquid assets). An income statement, balance sheet and cash flow statement for Tesco Bank is available in the investor section of our corporate website – (www.tescoplc.com/prelims2013).

Tesco and Society

With over 520,000 colleagues and over 6,700 stores in 12 markets, we are one of the world's largest retailers. We care about using this capability to make a significant contribution to the most pressing challenges facing society.

This year we have been taking a detailed look at our approach to corporate responsibility. We have worked to understand where we can have the biggest impact. We have identified three areas that matter to us, our colleagues, our customers and society: providing opportunities for young people, helping our customers and colleagues to lead healthier lives, and reducing food waste globally.

We are also building on the essential work we already do as a responsible corporate citizen. Whether we are reducing our impact on the environment, being a great employer, supporting local communities or trading responsibly, doing the right thing matters for the success and growth of our business.

We will explain these ambitions and our plans in more detail in our Tesco and Society Report which will be published in May.

Supplementary Information

The following supplementary information can be found within our analyst pack, which is available via the internet at www.tescoplc.com/prelims2013:

- 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.tescoplc.com/prelims2013.

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.tescoplc.com/prelims2013.

An interview with Philip Clarke, Chief Executive, discussing the Preliminary Results is available now to download in video, audio and transcript form at www.tescoplc.com/prelims2013.

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 controls within the context of achieving the Group's objectives. The principal risks and uncertainties faced by the Group include:

- Business and financial strategies
- Competition and consolidation
- Reputational risk
- Performance risk in the business
- Property
- Economic, political and regulatory risks
- Product safety
- IT systems and infrastructure
- People
- Group Treasury and Tesco Bank risks
- Pension risks
- Fraud, compliance and internal controls
- Business continuity and crisis management

Greater detail on these risks and uncertainties will be set out in our 2013 Annual Report, the publication of which will be announced in due course.

Appendix 1 – Segmental Sales Growth Rates*

		Total Sales Growth 2012/13 – Actual Rates**						
		Q1	Q2	**H1**	Q3	Q4	**H2**	**FY**
Inc. Petrol	Group	2.1%	0.9%	**1.2%**	0.9%	1.5%	**1.5%**	**1.3%**
	International	2.4%	(2.0)%	**(0.7)%**	(0.4)%	2.3%	**1.8%**	**0.6%**
	Asia	9.0%	4.3%	**5.4%**	5.1%	5.5%	**6.4%**	**5.9%**
	Europe	(3.9)%	(8.3)%	**(6.8)%**	(6.1)%	(1.3)%	**(3.1)%**	**(4.9)%**
	UK	2.1%	2.3%	**2.2%**	1.7%	1.2%	**1.4%**	**1.8%**
	Tesco Bank	(3.7)%	0.4%	**(1.5)%**	(1.6)%	(4.1)%	**(2.9)%**	**(2.2)%**
Exc. Petrol	Group	2.1%	1.4%	**1.4%**	1.3%	2.5%	**2.2%**	**1.8%**
	International	2.5%	(1.8)%	**(0.6)%**	(0.3)%	2.5%	**2.0%**	**0.7%**
	Asia	9.0%	4.3%	**5.4%**	5.1%	5.5%	**6.4%**	**5.9%**
	Europe	(4.0)%	(8.3)%	**(6.9)%**	(6.2)%	(1.0)%	**(3.0)%**	**(4.9)%**
	UK	2.0%	3.4%	**2.7%**	2.3%	2.7%	**2.5%**	**2.6%**
	Tesco Bank	(3.7)%	0.4%	**(1.5)%**	(1.6)%	(4.1)%	**(2.9)%**	**(2.2)%**

		Total Sales Growth 2012/13 – Constant Rates**						
		Q1	Q2	**H1**	Q3	Q4	**H2**	**FY**
Inc. Petrol	Group	3.7%	3.1%	**3.1%**	2.3%	1.0%	**1.9%**	**2.5%**
	International	7.5%	4.8%	**5.2%**	3.9%	0.9%	**3.1%**	**4.1%**
	Asia	9.1%	5.4%	**6.0%**	6.8%	3.7%	**6.2%**	**6.1%**
	Europe	6.0%	4.3%	**4.4%**	1.1%	(2.2)%	**(0.2)%**	**2.1%**
	UK	2.1%	2.3%	**2.2%**	1.7%	1.2%	**1.4%**	**1.8%**
	Tesco Bank	(3.7)%	0.4%	**(1.5)%**	(1.6)%	(4.1)%	**(2.9)%**	**(2.2)%**
Exc. Petrol	Group	3.8%	3.9%	**3.5%**	2.9%	2.0%	**2.7%**	**3.1%**
	International	7.5%	4.9%	**5.2%**	4.0%	1.1%	**3.2%**	**4.2%**
	Asia	9.1%	5.4%	**6.0%**	6.8%	3.7%	**6.2%**	**6.1%**
	Europe	6.0%	4.3%	**4.4%**	1.1%	(2.0)%	**(0.1)%**	**2.2%**
	UK	2.0%	3.4%	**2.7%**	2.3%	2.7%	**2.5%**	**2.6%**
	Tesco Bank	(3.7)%	0.4%	**(1.5)%**	(1.6)%	(4.1)%	**(2.9)%**	**(2.2)%**

*Growth rates shown on a continuing operations basis.
** Quarterly growth rates based on comparable days for the current year and the previous year comparison. Half 1 growth rates based on comparable days for the current year and the previous year comparison for the UK and the Republic of Ireland. All other countries are for 179 days ended 26 August 2012 compared to 181 days ended 28 August 2011. Half 2 growth rates are based on comparable days for the current year and the previous year comparison for the UK and the Republic of Ireland. All other countries are for 186 days ended 28 February 2013 compared to 185 days ended 29 February 2012.

		Like-For-Like Sales Growth 2012/13*						
		Q1	Q2	**H1**	Q3	Q4	**H2**	**FY**
Inc. Petrol	Group	(0.6)%	(1.2)%	**(0.9)%**	(1.6)%	(1.7)%	**(1.7)%**	**(1.3)%**
	International	0.4%	(1.9)%	**(0.8)%**	(2.3)%	(3.6)%	**(3.1)%**	**(1.9)%**
	Asia	0.4%	(3.0)%	**(1.4)%**	(1.2)%	(2.5)%	**(1.9)%**	**(1.7)%**
	Europe	0.5%	(0.8)%	**(0.1)%**	(3.4)%	(4.7)%	**(4.3)%**	**(2.2)%**
	UK	(1.1)%	(0.8)%	**(1.0)%**	(1.2)%	(0.8)%	**(1.0)%**	**(1.0)%**
	Tesco Bank	N/A	N/A	**N/A**	N/A	N/A	**N/A**	**N/A**
Exc. Petrol	Group	(0.8)%	(0.6)%	**(0.7)%**	(1.3)%	(1.0)%	**(1.2)%**	**(0.9)%**
	International	0.4%	(1.9)%	**(0.8)%**	(2.4)%	(3.5)%	**(3.0)%**	**(2.0)%**
	Asia	0.4%	(3.0)%	**(1.4)%**	(1.2)%	(2.5)%	**(1.9)%**	**(1.7)%**
	Europe	0.4%	(0.8)%	**(0.2)%**	(3.6)%	(4.5)%	**(4.3)%**	**(2.3)%**
	UK	(1.4)%	0.2%	**(0.6)%**	(0.7)%	0.5%	**(0.1)%**	**(0.3)%**
	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*

	2012/13 Like-For-Like Growth						
	Q1	Q2	**H1**	Q3	Q4	**H2**	**FY**
UK	**(1.4)%**	**0.2%**	**(0.6)%**	**(0.7)%**	**0.5%**	**(0.1)%**	**(0.3)%**
Asia	**0.4%**	**(3.0)%**	**(1.4)%**	**(1.2)%**	**(2.5)%**	**(1.9)%**	**(1.7)%**
China	0.6%	(1.0)%	**(0.3)%**	(1.5)%	(2.0)%	**(1.7)%**	**(1.1)%**
Malaysia	(1.7)%	0.9%	**(0.2)%**	1.7%	0.6%	**1.1%**	**0.5%**
South Korea	(1.1)%	(6.6)%	**(4.0)%**	(5.1)%	(7.9)%	**(6.6)%**	**(5.3)%**
Thailand	2.5%	0.9%	**1.7%**	4.4%	4.5%	**4.4%**	**3.1%**
Europe	**0.4%**	**(0.8)%**	**(0.2)%**	**(3.6)%**	**(4.5)%**	**(4.3)%**	**(2.3)%**
Czech Republic	(4.5)%	(7.0)%	**(5.8)%**	(9.2)%	(7.1)%	**(8.2)%**	**(7.0)%**
Hungary	0.1%	(0.8)%	**(0.4)%**	0.6%	(2.2)%	**(1.0)%**	**(0.7)%**
Poland	3.3%	1.0%	**2.2%**	(6.6)%	(8.3)%	**(8.0)%**	**(3.0)%**
Slovakia	3.4%	2.6%	**3.0%**	(2.1)%	(0.8)%	**(1.5)%**	**0.6%**
Turkey	(2.7)%	(1.6)%	**(2.1)%**	(7.0)%	(10.0)%	**(8.8)%**	**(5.4)%**
Republic of Ireland	0.4%	0.2%	**0.3%**	(0.3)%	(1.4)%	**(0.9)%**	**(0.3)%**

	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)%**

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

Disclaimer
This document may contain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and trading margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is based on information available to Tesco as of the date of the statement. All written or oral forward-looking statements attributable to Tesco are qualified by this caution. Tesco does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Tesco's expectations.

TESCO PLC
GROUP INCOME STATEMENT
52 weeks ended 23 February 2013

	Notes	2013 £m	2012 £m	Change %
Continuing operations				
Revenue	2	**64,826**	**63,916**	***1.4%***
Cost of sales		(60,737)	(58,519)	
Gross profit		**4,089**	**5,397**	***(24.2)%***
Administrative expenses		(1,562)	(1,612)	
Profits/losses arising on property-related items		(339)	397	
Operating profit	2	**2,188**	**4,182**	***(47.7)%***
Share of post-tax profits of joint ventures and associates		54	91	
Finance income		177	176	
Finance costs		(459)	(411)	
Profit before tax		**1,960**	**4,038**	***(51.5)%***
Taxation	3	(574)	(874)	
Profit for the year from continuing operations		**1,386**	**3,164**	***(56.2)%***
Discontinued operations				
Loss for the year from discontinued operations	4	(1,266)	(350)	
Profit for the year		**120**	**2,814**	***(95.7)%***
Attributable to:				
Owners of the parent		124	2,806	
Non-controlling interests		(4)	8	
		120	**2,814**	***(95.7)%***
Earnings per share from continuing and discontinued operations				
Basic	6	1.54p	34.98p	*(95.6)%*
Diluted	6	1.54p	34.88p	*(95.6)%*
Earnings per share from continuing operations				
Basic	6	17.30p	39.35p	*(56.0)%*
Diluted	6	17.30p	39.23p	*(55.9)%*
Dividend per share (including proposed final dividend)	5	14.76	14.76p	*0.0%*

Non-GAAP measure: underlying profit before tax	**1**			
Profit before tax from continuing operations		1,960	4,038	*(51.5)%*
Adjustments for:				
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements		14	(44)	
IAS 19 'Employee Benefits' – non-cash Income Statement charge for pensions	9	(56)	17	
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods		28	31	
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions		19	22	
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards		28	17	
Restructuring and other one-off costs				
Impairment of PPE and onerous lease provisions	2	895	-	
Impairment of goodwill	7	495	-	
Provision for customer redress		115	57	
Other restructuring and one-off items		51	11	
Underlying profit before tax from continuing operations		**3,549**	**4,149**	*(14.5)%*
Underlying diluted earnings per share from continuing operations	6	35.97p	40.31p	*(10.8)%*

The notes on pages 22 to 36 form part of this preliminary consolidated financial information.

TESCO PLC
GROUP STATEMENT OF COMPREHENSIVE INCOME
52 weeks ended 23 February 2013

	Notes	2013 £m	2012 £m
Profit for the year		**120**	**2,814**
Other comprehensive income:			
Change in fair value of available-for-sale financial assets and investments		(11)	13
Currency translation differences		420	(22)
Reclassification adjustment for movements in foreign exchange reserve and net investment hedging on subsidiary disposed		20	-
Actuarial losses on defined benefit pension schemes	9	(735)	(498)
Gains on cash flow hedges:			
- Net fair value gains		84	241
- Reclassified and reported in the Group Income Statement		(63)	(142)
Tax relating to components of other comprehensive income		104	73
Total comprehensive income for the year		**(61)**	**2,479**
Attributable to:			
Owners of the parent		(57)	2,466
Non-controlling interests		(4)	13
Total comprehensive income for the year		**(61)**	**2,479**
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations		1,209	2,816
Discontinued operations		(1,266)	(350)
		(57)	**2,466**

The notes on pages 22 to 36 form part of this preliminary consolidated financial information.

TESCO PLC
GROUP BALANCE SHEET
As at 23 February 2013

	Notes	23 February 2013 £m	25 February 2012 £m
Non-current assets			
Goodwill and other intangible assets	7	4,362	4,618
Property, plant and equipment	8	24,870	25,710
Investment property		2,001	1,991
Investments in joint ventures and associates		494	423
Other investments		818	1,526
Loans and advances to customers		2,465	1,901
Derivative financial instruments		1,965	1,726
Deferred tax assets		58	23
		37,033	**37,918**
Current assets			
Inventories		3,744	3,598
Trade and other receivables		2,525	2,657
Loans and advances to customers		3,094	2,502
Derivative financial instruments		58	41
Current tax assets		10	7
Short-term investments		522	1,243
Cash and cash equivalents		2,512	2,305
		12,465	**12,353**
Assets of the disposal group and non-current assets classified as held for sale	4	631	510
		13,096	**12,863**
Current liabilities			
Trade and other payables		(11,094)	(11,234)
Financial liabilities			
- Borrowings		(766)	(1,838)
- Derivative financial instruments and other liabilities		(121)	(128)
- Customer deposits and deposits from banks		(6,015)	(5,465)
Current tax liabilities		(519)	(416)
Provisions		(188)	(99)
		(18,703)	**(19,180)**
Liabilities of the disposal group classified as held for sale	4	(282)	(69)
Net current liabilities		**(5,889)**	**(6,386)**
Non-current liabilities			
Financial liabilities			
- Borrowings		(10,068)	(9,911)
- Derivative financial instruments and other liabilities		(759)	(688)
Post-employment benefit obligations	9	(2,378)	(1,872)
Deferred tax liabilities		(1,006)	(1,160)
Provisions		(272)	(100)
		(14,483)	**(13,731)**
Net assets		**16,661**	**17,801**
Equity			
Share capital		403	402
Share premium		5,020	4,964
All other reserves		685	245
Retained earnings		10,535	12,164
Equity attributable to owners of the parent		16,643	17,775
Non-controlling interests		18	26
Total equity		**16,661**	**17,801**

The notes on pages 22 to 36 form part of this preliminary consolidated financial information.

TESCO PLC

GROUP STATEMENT OF CHANGES IN EQUITY

52 weeks ended 23 February 2013

	Share capital £m	Share premium £m	All other reserves £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 25 February 2012	**402**	**4,964**	**245**	**12,164**	**17,775**	**26**	**17,801**
Total comprehensive income	**-**	**-**	**431**	**(488)**	**(57)**	**(4)**	**(61)**
Transactions with owners							
Purchase of treasury shares	-	-	-	-	**-**	-	**-**
Shares purchased for cancellation	-	-	-	-	**-**	-	**-**
Share-based payments	-	-	9	44	**53**	-	**53**
Issue of shares	1	56	-	-	**57**	-	**57**
Purchase of non-controlling interests	-	-	-	4	**4**	(4)	**-**
Future purchase of non-controlling interests	-	-	-	-	**-**	-	**-**
Dividends paid to non-controlling interests	-	-	-	-	**-**	-	**-**
Dividends authorised in the year	-	-	-	(1,184)	**(1,184)**	-	**(1,184)**
Tax on items charged to equity	-	-	-	(5)	**(5)**	-	**(5)**
Transactions with owners	**1**	**56**	**9**	**(1,141)**	**(1,075)**	**(4)**	**(1,079)**
At 23 February 2013	**403**	**5,020**	**685**	**10,535**	**16,643**	**18**	**16,661**

	Share capital £m	Share premium £m	All other reserves £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 26 February 2011	**402**	**4,896**	**66**	**11,171**	**16,535**	**88**	**16,623**
Total comprehensive income	**-**	**-**	**53**	**2,413**	**2,466**	**13**	**2,479**
Transactions with owners							
Purchase of treasury shares	-	-	(13)	-	**(13)**	-	**(13)**
Shares purchased for cancellation	(3)	-	3	(290)	**(290)**	-	**(290)**
Share-based payments	2	-	136	(13)	**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**	**126**	**(1,420)**	**(1,226)**	**(75)**	**(1,301)**
At 25 February 2012	**402**	**4,964**	**245**	**12,164**	**17,775**	**26**	**17,801**

The notes on pages 22 to 36 form part of this preliminary consolidated financial information.

TESCO PLC
GROUP CASH FLOW STATEMENT
52 weeks ended 23 February 2013

	Notes	2013 £m	2012 £m
Cash flows from operating activities			
Cash generated from operations	10	3,873	5,688
Interest paid		(457)	(531)
Corporation tax paid		(579)	(749)
Net cash generated from operating activities		**2,837**	**4,408**
Cash flows from investing activities			
Acquisition/disposal of subsidiaries, net of cash acquired/disposed		(72)	(65)
Proceeds from sale of joint ventures and associates		68	-
Proceeds from sale of property, plant and equipment, investment property and non-current assets classified as held for sale		1,351	1,141
Purchase of property, plant and equipment, investment property and non-current assets classified as held for sale		(2,619)	(3,374)
Purchase of intangible assets		(368)	(334)
Net (increase)/decrease in loans to joint ventures		(43)	122
Investments in joint ventures and associates		(158)	(49)
Net proceeds from sale of/(investments in) short-term and other investments		1,427	(767)
Dividends received from joint ventures and associates		51	40
Interest received		85	103
Net cash used in investing activities		**(278)**	**(3,183)**
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		57	69
Increase in borrowings		1,820	2,905
Repayment of borrowings		(3,022)	(2,720)
Repayments of obligations under finance leases		(32)	(45)
Purchase of non-controlling interests		(4)	(89)
Dividends paid to equity owners	5	(1,184)	(1,180)
Dividends paid to non-controlling interests		-	(3)
Own shares purchased		-	(303)
Net cash used in financing activities		**(2,365)**	**(1,366)**
Net increase / (decrease) in cash and cash equivalents		**194**	**(141)**
Cash and cash equivalents at beginning of the year		2,311	2,428
Effect of foreign exchange rate changes		26	24
Cash and cash equivalents including cash held in disposal group at the end of year		**2,531**	**2,311**
Cash held in disposal group	4	(19)	(6)
Cash and cash equivalents at the end of year		**2,512**	**2,305**

The notes on pages 22 to 36 form part of this preliminary consolidated financial information.

Reconciliation of net cash flow to movement in net debt
52 weeks ended 23 February 2013

	Notes	2013 £m	2012 £m
Net increase/(decrease) in cash and cash equivalents		194	(141)
Elimination of net (increase)/decrease in Tesco Bank cash and cash equivalents		(475)	126
Investment in Tesco Bank		(45)	(112)
Debt acquired on acquisition		(1)	(98)
Net cash outflow to repay Retail debt and lease financing		1,589	262
Dividend received from Tesco Bank		105	100
(Decrease)/increase in Retail short-term investments		(721)	221
Increase/(decrease) in Retail joint venture loan receivables		36	(122)
Other non-cash movements		(430)	(330)
Elimination of other Tesco Bank non-cash movements		(11)	46
Decrease/(increase) in net debt for the year		241	(48)
Opening net debt		(6,838)	(6,790)
Closing net debt	11	**(6,597)**	**(6,838)**

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 22 to 36 form part of this preliminary consolidated financial information.

The unaudited preliminary consolidated financial information for the 52 weeks ended 23 February 2013 was approved by the Directors on 16 April 2013.

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, the principles of International Financial Reporting Standards ("IFRS") and the IFRS Interpretation Committee (IFRIC) interpretations as endorsed by the European Union. The accounting policies applied are consistent with those described in the Annual Report and Group Financial Statements 2012, apart from those arising from the adoption of amended IFRS detailed below, which will be described in more detail in the Annual Report and Group Financial Statements 2013. The consolidated financial information has been prepared on a going concern basis. 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 23 February 2013 or the 52 weeks ended 25 February 2012 as defined in section 434 of the Companies Act 2006. The Annual Report and Group Financial Statements for the 52 weeks ended 25 February 2012 were approved by the Board of Directors on 4 May 2012 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 2013 will be filed with the Registrar in due course.

Adoption of amended International Financial Reporting Standards

The Group has adopted the following amended standards as of 26 February 2012.

- IFRS 7 (amended) 'Financial instruments: Disclosures', on transfer of financial Assets
- IAS 12 (amended) 'Income taxes', on deferred tax
- The adoption of the above 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 the US which is consistent with the Group's long-term strategic priority to drive growth and improve returns.

The exit of the Japan operations successfully completed on 1 January 2013.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the net results for the year for both these businesses are presented within Discontinued operations in the Group Income Statement (for which the comparatives have been reclassified) and the assets and liabilities of the businesses are presented separately in the Group Balance Sheet. See note 4 for further details.

Use of non-GAAP profit measure - *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 completed the exit of Japan operations (previously reported as part of the Asia segment). The Group made its decision to sell Fresh and Easy in the US on 12 February 2013 (previously reported in the US 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. The segment results for the 52 weeks ended 25 February 2012 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; and
    - Europe – Czech Republic, Hungary, Poland, Republic of Ireland, Slovakia, Turkey.
- 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 23 February 2013

Continuing operations	UK	Asia	Europe	Tesco Bank	Total at constant exchange	Foreign exchange	Total at actual exchange
	At constant exchange rates*						
	£m	£m	£m	£m	£m	£m	£m
Sales including VAT (excluding IFRIC 13)	48,216	12,334	11,609	1,021	73,180	(817)	72,363
Revenue (excluding IFRIC 13)	43,579	11,498	10,005	1,021	66,103	(705)	65,398
Effect of IFRIC 13	(491)	(36)	(48)	-	(575)	3	(572)
Revenue	43,088	11,462	9,957	1,021	65,528	(702)	64,826
Trading profit	2,272	665	353	191	3,481	(28)	3,453
Trading margin***	5.2%	5.8%	3.5%	18.7%	5.3%	-	5.3%

	UK	Asia	Europe	Tesco Bank	Total at actual exchange
	At actual exchange rates**				
	£m	£m	£m	£m	£m
Sales including VAT (excluding IFRIC 13)	48,216	12,317	10,809	1,021	72,363
Revenue (excluding IFRIC 13)	43,579	11,479	9,319	1,021	65,398
Effect of IFRIC 13	(491)	(36)	(45)	-	(572)
Revenue	43,088	11,443	9,274	1,021	64,826
Trading profit	2,272	661	329	191	3,453
Trading margin***	5.2%	5.8%	3.5%	18.7%	5.3%

* 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 25 February 2012				
	At actual exchange rates*				
	UK	Asia	Europe	Tesco Bank	Total at actual exchange
	£m	£m	£m	£m	£m
Sales including VAT (excluding IFRIC 13)	47,360	11,627	11,371	1,044	71,402
Revenue (excluding IFRIC 13)	42,803	10,828	9,866	1,044	64,541
Effect of IFRIC 13	(550)	(35)	(40)	-	(625)
Revenue	42,253	10,793	9,826	1,044	63,916
Trading profit	2,478	737	529	225	3,969
Trading margin**	5.8%	6.8%	5.4%	21.6%	6.1%

Reconciliation of trading profit to profit before tax

	52 weeks ended 23 February 2013 £m	52 weeks ended 25 February 2012 £m
Trading profit	**3,453**	**3,969**
Adjustments:		
Profits/losses arising on property-related items:		
- Included in underlying profit	370	397
- Excluded from underlying profit	(709)	-
IAS 19 'Employee Benefits' – non-cash Income Statement charge for pensions	4	(35)
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	(36)	(42)
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	(19)	(22)
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	(28)	(17)
Other restructuring and one-off costs	(847)	(68)
Operating profit	**2,188**	**4,182**
Share of post-tax profit of joint ventures and associates	54	91
Finance income	177	176
Finance costs	(459)	(411)
Profit before tax	**1,960**	**4,038**
Taxation	(574)	(874)
Profit for the year from continuing operations	**1,386**	**3,164**

* 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.

Profits/losses arising on property-related items excluded from underlying profit amounting to £709m represent impairments to work in progress sites including land. In addition, included in the £847m Other restructuring and one-off costs there are provisions for onerous contracts and impairment of trading sites totalling £186m which is recorded in cost of sales in the income statement.

NOTE 3 Taxation

Continuing operations	**52 weeks ended 23 February 2013 £m**	**52 weeks ended 25 February 2012 £m**
UK	347	593
Overseas	227	281
	574	**874**

A number of changes to the UK Corporation tax system were announced in the March 2012, December 2012 and March 2013 UK Budget Statements. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012 and was substantively enacted at the balance sheet date. In the December 2012 Budget Statement it was announced that the rate would be reduced further from 23% to 21% from 1 April 2014 and in the March 2013 Budget Statement it was announced that the rate would be reduced to 20% from 1 April 2015. 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

	23 February 2013 £m	**25 February 2012 £m**
Assets of the disposal group*	307	65
Non-current assets classified as held for sale	324	445
Total assets of the disposal group and non-current assets classified as held for sale	631	510
Total liabilities of the disposal group *	(282)	(69)
Total net assets classified as held for sale	**349**	**441**

* The year ending 23 February 2013 represents the US, while the year ending 25 February 2012 represents Japan.

Discontinued operations

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

Income Statement

	52 weeks ended 23 February 2013 £m	**52 weeks ended 25 February 2012 £m**
US		
Revenue	697	623
Cost of sales	(1,567)	(759)
Administrative expenses	(50)	(40)
Loss arising on property related items	(286)	(21)
Finance costs	(4)	(6)
Loss before tax of discontinued operations in the US	(1,210)	(203)
Taxation	(5)	(5)
Loss after tax of discontinued operations in the US	**(1,215)**	**(208)**
Loss after tax of discontinued operations in Japan*	(51)	(142)
Total loss after tax of discontinued operations	**(1,266)**	**(350)**
Loss per share impact from discontinued operations		
Basic	(15.76)p	(4.37)p
Diluted	(15.76)p	(4.35)p

*The results of Japan are for the 44 weeks ended 1 January 2013, when there was an exit from the operations

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

Non-GAAP measure: underlying loss before tax	52 weeks ended 23 February 2013 £m	52 weeks ended 25 February 2012 £m
US		
Loss before tax of discontinued operations in the US	(1,210)	(203)
Adjustments for:		
Restructuring and other one-off costs		
- Impairment of PPE and onerous lease provisions	812	9
- Impairment of goodwill	80	-
- Other restructuring and one off costs	113	10
	1,005	19
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free	5	7
Underlying loss before tax on discontinued operations in the US	**(200)**	**(177)**
Japan*		
Loss before tax on discontinued operations in Japan	(51)	(128)
Restructuring and other one-off costs	(5)	100
Loss on disposal	35	-
Underlying loss before tax on discontinued operations in Japan	**(21)**	**(28)**

*The results of Japan are for the 44 weeks ended 1 January 2013, when there was an exit from the operations

As the Group's operations in Japan were disposed of during the year, assets and liabilities of the disposal group at 23 February 2013 comprise only those of the US.

Balance Sheet	US 23 February 2013 £m
Assets of the disposal group	
Property, plant and equipment	241
Inventories	32
Trade and other receivables	15
Cash and cash equivalents	19
Total assets of the disposal group	**307**
Liabilities of the disposal group	
Trade and other payables	(192)
Borrowings	(7)
Other current liabilities	(83)
Total liabilities of the disposal group	**(282)**
Total net assets of the disposal group	**25**

Commitments
Future minimum rentals payable under non-cancellable operating leases associated with operations in the US at 23 February 2013 amount to £684m.

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

At 25 February 2012, the Group's US operations had not yet been classified as held for sale. Assets and liabilities of the disposal group at this date comprise only those of Japan.

Balance Sheet	**Japan 25 February 2012**
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 at 25 February 2012 amounted to £113m.

Cash Flow Statement	**Total US and Japan**	
	52 weeks ended 23 February 2013 £m	**52 weeks ended 25 February 2012 £m**
Net cash flows from operating activities	(143)	(169)
Net cash flows from investing activities	75	101
Net cash flows from financing activities	70	63
Net cash flows from discontinued operations	**2**	**(5)**

NOTE 5 Dividends

	52 weeks ended 23 February 2013		**52 weeks ended 25 February 2012**	
	Pence / share	**£m**	**Pence / share**	**£m**
Amounts recognised as distributions to owners in the financial year:				
Prior financial year final dividend	10.13	813	10.09	811
Current financial year interim dividend	4.63	371	4.63	369
Dividends paid to equity owners in the financial year	**14.76**	**1,184**	**14.72**	**1,180**
Current financial year proposed final dividend	**10.13**	**815**	**10.13**	**815**

The proposed final dividend was approved by the Board on 16 April 2013, but has not been included as a liability as at 23 February 2013, 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 23 February 2013			52 weeks ended 25 February 2012	
	Basic	**Potentially dilutive share options**	**Diluted**	**Basic**	**Potentially dilutive share options**	**Diluted**
Profit / (loss) (£m)						
- Continuing operations	1,390	-	1,390	3,156	-	3,156
- Discontinued operations	(1,266)	-	(1,266)	(350)	-	(350)
Weighted average number of shares (millions)	8,033	4	8,037	8,021	24	8,045
Earnings per share (pence)						
- Continuing operations	17.30	-	17.30	39.35	(0.12)	39.23
- Discontinued operations	(15.76)	-	(15.76)	(4.37)	0.02	(4.35)
Total	**1.54**	**-**	**1.54**	**34.98**	**(0.10)**	**34.88**

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 23 February 2013		52 weeks ended 25 February 2012	
	£m	pence / share	£m	pence / share
Profit from continuing operations (Diluted)				
Profit from continuing operations	1,390	17.30	3,156	39.23
Adjustments for:				
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements	14	0.17	(44)	(0.55)
IAS 19 'Employee Benefits' – non-cash Income Statement charge for pensions	(56)	(0.70)	17	0.21
IAS17 'Leases' – impact of annual uplifts in rent and rent-free periods	28	0.35	31	0.39
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	19	0.24	22	0.27
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	28	0.35	17	0.21
Restructuring and other one-off costs	1,556	19.36	68	0.85
Tax effect of adjustments at the effective rate of tax* (2013: 18.6%; 2012: 21.6%)	(88)	(1.10)	(24)	(0.30)
Underlying earnings from continuing operations	**2,891**	**35.97**	**3,243**	**40.31**

* The effective tax rate of 18.6% (2012: 21.6%) excludes certain permanent differences on which tax relief is not available.

Underlying diluted earnings per share reconciliation

	52 weeks ended 23 February 2013		52 weeks ended 25 February 2012	
	%	£m	%	£m
Underlying profit before tax from continuing operations		**3,549**		**4,149**
Effective tax rate*	*18.6*	(662)	*21.6*	(898)
Non-controlling interests		4		(8)
Total		2,891		3,243
Underlying diluted earnings per share (pence)		**35.97**		**40.31**

* The effective tax rate of 18.6% (2012: 21.6%) excludes certain permanent differences on which tax relief is not available.

NOTE 7 Goodwill and other intangible assets

Goodwill and other intangible assets comprise £2,954m (2012: £3,449m) goodwill and £1,408m (2012: £1,169) other intangible assets.

Impairment of goodwill

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that goodwill may be impaired. Impairment review methodology is unchanged from that described in the 2012 annual report.

The pre-tax discount rates used to calculate value in use range from 7% to 12%. On a post-tax basis, the discount rates range from 5% to 10%. The forecasts are extrapolated beyond five years based on estimated long-term average growth rates of 1% to 5%.

The components of goodwill are as follows:

	2013 **£m**	**2012** **£m**
China	649	622
Czech Republic	-	73
Malaysia	86	86
Poland	-	388
South Korea	514	479
Tesco Bank	802	802
Thailand	173	165
Turkey	-	46
UK	701	681
US	-	102
Other	29	5
	2,954	3,449

In line with strategy, following a period of difficult economic and trading conditions, an impairment charge of £495m (2012: £nil) was recognised in the Income Statement in the period in Poland (£373m), Czech Republic (£69m) and Turkey (£53m).

NOTE 8 Property, plant and equipment

	23 February 2013			25 February 2012		
	Land and buildings £m	Other [a] £m	Total £m	Land and buildings £m	Other[a] £m	Total £m
Cost						
Opening Balance	24,761	10,011	34,772	23,479	9,091	32,570
Foreign currency translation	428	173	601	(14)	(11)	(25)
Additions [a]	1,525	1,109	2,634	2,286	1,172	3,458
Acquisitions through business combinations	4	1	5	3	6	9
Reclassification	(104)	(28)	(132)	(63)	-	(63)
Classified as held for sale	(125)	(4)	(129)	(53)	(11)	(64)
Disposals	(734)	(116)	(850)	(843)	(198)	(1,041)
Transfer to disposal group classified as held for sale	(938)	(320)	(1,258)	(34)	(38)	(72)
Closing Balance	**24,817**	**10,826**	**35,643**	**24,761**	**10,011**	**34,772**
Accumulated amortisation and impairment losses						
Opening Balance	2,951	6,111	9,062	2,705	5,467	8,172
Foreign currency translation	64	98	162	(10)	(11)	(21)
Charge for the year	448	874	1,322	429	836	1,265
Impairment losses for the year	831	2	833	74	25	99
Reversal of impairment losses for the year	(5)	(1)	(6)	(36)	-	(36)
Reclassification	(6)	1	(5)	5	-	5
Classified as held for sale	(25)	(2)	(27)	(5)	(7)	(12)
Disposals	(182)	(98)	(280)	(177)	(161)	(338)
Transfer to disposal group classified as held for sale	(115)	(173)	(288)	(34)	(38)	(72)
Closing Balance	**3,961**	**6,812**	**10,773**	**2,951**	**6,111**	**9,062**

Net carrying value			
At 23 February 2013	20,856	4,014	24,870
At 25 February 2012	21,810	3,900	25,710

Construction in progress included above [b]			
At 23 February 2013	584	96	680
At 25 February 2012	1,246	44	1,290

(a) Other assets consist of plant, equipment, fixtures and fittings and motor vehicles.
(b) Construction in progress does not include land.

NOTE 9 Post-employment benefits

Pensions

The Group operates a variety of post-employment benefit arrangements covering funded defined contribution schemes and both funded and unfunded defined benefit schemes. The most significant of these are the 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 actuarial valuations 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 23 February 2013. The major assumptions, on a weighted average basis, used by the actuaries were as follows:

	23 February 2013 %	25 February 2012 %
Discount rate	5.1	5.2
Price inflation	3.3	3.1
Rate of increase in deferred pensions*	2.3	2.1
Rate of increase in salaries	3.4	3.2
Rate of increase in pensions in payment*		
Benefits accrued before 1 June 2012	3.1	2.9
Benefits accrued after 1 June 2012	2.3	-
Rate of increase in career average benefits		
Benefits accrued before 1 June 2012	3.3	3.1
Benefits accrued after 1 June 2012	2.3	-

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

The mortality assumptions used are based on tables that have been projected to 2009 with long cohort improvements. In addition, the allowance for future mortality improvements from 2009 is in line with medium cohort projections with a minimum annual 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 23 February 2013 in years	At 25 February 2012 in years
Retiring at Reporting date at age 65	Male	22.8	21.8
	Female	24.3	23.6
Retiring at Reporting date +25 years at age 65	Male	25.2	24.2
	Female	26.5	26.1

NOTE 9 Post-employment benefits (continued)

Movement in the deficit during the year

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

	23 February 2013 £m	25 February 2012 £m
Deficit in schemes at the beginning of the year	**(1,872)**	**(1,356)**
Current service cost	(482)	(495)
Past service gain	-	3
Other finance income	52	18
Contributions by employer	486	457
Additional contribution by employer**	180	-
Foreign currency translation	(7)	(1)
Actuarial loss	(735)	(498)
Deficit in schemes at the end of the year	**(2,378)**	**(1,872)**
Deferred tax asset***	539	465
Deficit in schemes at the end of the year net of deferred tax	**(1,839)**	**(1,407)**

**As part of the 2011 triennial valuation, the Company agreed with the Trustees to increase security and, on top of the normal contributions, made an additional contribution of £180m to the UK Pension Scheme on 30 March 2012.
***The deferred tax asset in relation to the retirement benefit obligation has been offset with group deferred tax liabilities in the balance sheet.

The Company expects to make cash contributions of approximately £525m to defined benefit schemes in the year ending 22 February 2014.

NOTE 10 Reconciliation of profit before tax to net cash generated from operations

	52 weeks ended 23 February 2013 £m	52 weeks ended 25 February 2012 £m
Profit before tax	1,960	4,038
Net finance costs	282	235
Share of post-tax profits of joint ventures and associates	(54)	(91)
Operating profit of continuing operations	2,188	4,182
Operating loss of discontinued operations	(1,257)	(324)
Depreciation and amortisation	1,590	1,498
Profits/losses arising on property-related items from continuing operations	210	(396)
Profits/losses arising on property-related items from discontinued operations	239	21
Loss arising on sale of non property-related items	-	4
Profit/(loss) arising on sale of subsidiaries and other investments	35	(5)
Impairment of goodwill	575	-
Net charge of impairment of property, plant and equipment and intangible assets not included in property-related items	629	75
Adjustment for non-cash element of pension charges	(4)	35
Additional contribution into pension scheme	(180)	-
Share-based payments	53	125
Tesco Bank non-cash items included in profit before tax	170	166
Increase in inventories	(54)	(420)
Increase in development stock	(40)	(41)
Increase in trade and other receivables	(104)	(139)
Increase in trade and other payables and provisions	197	679
Tesco Bank (increase)/decrease in loans and advances to customers	(1,220)	150
Tesco Bank decrease/(increase) in trade and other receivables	359	(278)
Tesco Bank increase in customer and bank deposits and trade and other payables	487	356
(Increase)/decrease in working capital	(375)	307
Cash generated from operations	**3,873**	**5,688**

NOTE 11 Analysis of changes in net debt

	At 25 February 2012* £m	Tesco Bank at 25 February 2012 £m	Cash Flow £m	Business combinations	Other non-cash movements £m	Net debt of disposal group £m	Elimination of Tesco Bank £m	At 23 February 2013* £m
Cash and cash equivalents	1,725	580	193	1	26	(13)	(1,055)	1,457
Short-term investments	1,243	-	(721)	-	-	-	-	522
Joint venture loan and other receivables	359	34	10	-	73	-	(42)	434
Bank and other borrowings	(11,007)	(576)	1,575	(1)	(694)	(1)	638	(10,066)
Finance lease payables	(166)	-	32	-	(1)	7	-	(128)
Net derivative financial instruments	1,003	(52)	24	-	166	-	31	1,172
Net debt of the disposal group	5	-	-	-	-	7	-	12
	(6,838)	**(14)**	**1,113**	**-**	**(430)**	**-**	**(428)**	**(6,597)**

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