TESCO

22 April 2015

PRELIMINARY RESULTS 2014/15

- **£1.4bn Group trading profit, in line with expectations**
- **UK like-for-like sales volumes up for first time in over four years, driven by better availability, service and pricing; like-for-like sales performance improved to (1.0)% in Q4**
- **Significant reduction in UK trading profit, as previously announced**
- **Tough trading conditions overseas, especially in Korea; disappointing performance in Europe**
- **Transformation programme outlined in January progressing well; portfolio review ongoing**
- **£(7.0)bn one-off charges, predominantly non-cash; includes £(4.7)bn fixed asset impairment, reflecting challenging industry conditions and profit decline**
- **Pension deficit funding plan agreed with Trustee, comprising cash contributions of £270m per annum**
- **No final dividend, as previously announced**
- **Enhanced disclosure, including property valuation/ownership and commercial income**
- **Reiterating commitment to reinvest any savings or outperformance into further improvements for customers**

Dave Lewis – Chief Executive

"It has been a very difficult year for Tesco. The results we have published today reflect a deterioration in the market and, more significantly, an erosion of our competitiveness over recent years. We have faced into this reality, sought to draw a line under the past and begun to rebuild, and already we are beginning to see early encouraging signs from what we've done so far.

Over the last six months we have put customers back at the centre of everything we do. By focusing on the fundamentals of availability, service and targeted price reductions, we have seen a steady increase in footfall, transactions and, most significantly, volumes. More customers are buying more things at Tesco.

We are making deep changes to the way we organise and run our business, with a simpler, more agile office team, more colleagues serving customers and a new approach to the way we work with suppliers. I do not underestimate how difficult some of these changes have been for the team and I thank everyone for their professionalism and contribution at this time of great change.

The market is still challenging and we are not expecting any let up in the months ahead. When you add to this the fundamental changes we are making to our business and our offer, it is likely to lead to an increased level of volatility in short-term performance. Our clear priority – and the one that will deliver sustainable value for our shareholders – is to improve consistently for customers. The changes we have made and will continue to make put us in a stronger position to do this."

HEADLINE GROUP RESULTS

53 weeks ended 28 February 2015 (unaudited) **On a continuing operations basis**	**2014/15**	**52 week change** ** **(Actual exchange rates)**	**52 week change** ** **(Constant exchange rates)**	*53 week change (Actual exchange rates)*
Group sales (inc. VAT)* Sales growth excluding fuel	**£69,654m**	**(3.0)%** (3.2)%	**(1.3)%** (1.3)%	*(1.7)%* *(1.9)%*
Group trading profit***	**£1,390m**	**(58.2)%**	**(57.5)%**	*(58.1)%*
- UK	£467m	(78.8)%	(78.8)%	*(78.7)%*
- Asia	£565m	(18.4)%	(15.3)%	*(18.4)%*
- Europe	£164m	(31.9)%	(31.1)%	*(31.1)%*
- Tesco Bank	£194m	0.0%	0.0%	*0.0%*
Underlying profit before tax***	**£961m**	**(68.4)%**		*(68.5)%*
Underlying diluted earnings per share	**9.42p**	**(70.5)%**		*(70.6)%*
Statutory loss before tax includes:				
- Impairments (inc. £(4.7)bn property, £(0.6)bn China)	£(5,605)m			
- Stock related charges	£(570)m			
- Restructuring	£(416)m			
- Prior years commercial income adj.	£(208)m			
Statutory loss before tax	**£(6,376)m**	**n/a**		*n/a*
Diluted losses per share	**(70.24)p**	**n/a**		*n/a*
Capex	**£2.0bn**	**n/a**		*down 28.2%*
Net debt*****	**£(8.5)bn**	**n/a**		*n/a*

* Group sales (inc. VAT) exclude the accounting impact of IFRIC 13 (Customer Loyalty Programmes).
** 52 week growth rates exclude week 53 (the 7 days ended 28 February 2015) for the UK and Republic of Ireland.
*** Trading profit and underlying profit before tax are defined in Note 1 on page 16.
**** Net debt excludes the net debt of Tesco Bank.

UPDATE ON OUR PRIORITIES

Our performance in the first half of the year was not competitive enough in the face of challenging market and trading conditions. On 23 October 2014, we set out three key priorities. The progress we have made against these priorities includes:

1. **Regaining competitiveness in core UK business:**
    - 4,652 net additional customer-facing roles in stores since September
    - more space for the top 1,000 lines in each store, increasing availability, particularly in peak trading
    - improved pricing on hundreds of branded products in January, with further price cuts on essential products such as butter, bread and ham in March
    - a new commercial approach, with a planned review of each of our product ranges over an 18-month period, to simplify, further improve availability and set lower, more stable prices
    - met with over 100 suppliers, creating new business plans to drive volume growth through a more focused range and create cost efficiencies throughout the whole supply chain
    - restructuring of UK office and store management largely complete
    - majority of initial annual cost savings of £250m available for reinvestment in 2015/16; further £150m savings identified across the Group
    - on track to close Cheshunt and move head office to Welwyn Garden City in 2016
    - closure of 43 unprofitable stores completed earlier this month
    - Matt Davies takes up role as UK CEO on 11 May 2015, earlier than originally anticipated

2. **Protecting and strengthening the balance sheet:**
    - decision not to pay a final dividend for 2014/15
    - capital expenditure budget for 2015/16 confirmed as no more than £1bn
    - funding plan agreed with pension trustees to close actuarial deficit
    - consultation launched with colleagues to replace the defined benefit pension scheme with a defined contribution scheme
    - all three Blinkbox businesses (movies, music and books) and Tesco Broadband sold or closed
    - review of strategic options for dunnhumby business well-advanced; portfolio review ongoing
    - exited plans to build out 49 stores; significant reduction to our store building programme
    - thorough review of Group's property portfolio, with impairment charge of £(4.7)bn ensuring impact of challenging industry conditions and profit decline are reflected on balance sheet
    - asset swap completed in March with British Land to regain sole ownership of 21 superstores

3. **Rebuilding trust and transparency:**
    - progress towards re-establishing trust in our pricing policy
    - simpler performance measures launched – sharp reduction in the number of targets
    - new Code of Conduct launched in February, with comprehensive training for 30,000 colleagues; 'Protector Line' in place across all markets
    - increased focus on building longer-term, mutually beneficial partnerships with our suppliers; 'Supplier Helpline' launched last month
    - simplification of commercial income underway; new guidelines launched
    - improved stock routines in place and a comprehensive review of our property portfolio
    - increased disclosure, including additional detail on property valuation and ownership
    - new national charity partnership launched with Diabetes UK and the British Heart Foundation
    - extended 'Eat Happy Project' to work with The Scout Association and The Children's Food Trust

Outlook:

The market is still challenging and we don't expect this to change in the immediate future. Over the next 12 months we will continue to focus on our three priorities: regaining competitiveness in our UK business; protecting and strengthening the balance sheet; and rebuilding trust and transparency in the business and the brand.

We are already making good progress on our initiatives and on the basis of actions already undertaken they will deliver significant cost savings in 2015/16. The immediate priority for these and any other savings delivered is reinvestment in the customer offer in order to further restore UK competitiveness.

FINANCIAL RESULTS

Group Sales:

	UK*	Asia**	Europe***	Tesco Bank	Group
	TY	TY	TY	TY	TY
Sales (inc. VAT)******	**£48,231m**	**£10,501m**	**£9,898m**	**£1,024m**	**£69,654m**
52 Week change at actual rates %	(1.7)%	(4.1)%	(8.5)%	2.1%	(3.0)%
52 Week change at constant rates %	(1.7)%	(0.9)%	(0.6)%	2.1%	(1.3)%
LFL (exc. fuel)	**(3.6)%**	**(4.4)%**	**(0.8)%**	**n/a**	**(3.3)%**
Revenue (exc. VAT)******	**£43,573m**	**£9,884m**	**£8,515m**	**£1,024m**	**£62,996m**
52 Week change at actual rates %	(1.8)%	(4.1)%	(8.5)%	2.1%	(3.1)%
52 Week change at constant rates %	(1.8)%	(0.9)%	(0.7)%	2.1%	(1.4)%

* The UK segment excludes Tesco Bank, which is reported separately in accordance with IFRS 8 'Operating Segments'.
** Asia consists of Malaysia, South Korea and Thailand, and the results of our business in India, prior to the formation of our JV with Trent Hypermarkets Ltd.
*** Europe consists of Czech Republic, Hungary, Poland, Slovakia, Turkey and Republic of Ireland.
**** Sales (inc. VAT) and Revenue (exc. VAT) exclude the accounting impact of IFRIC 13.

On a 52 week basis, Group sales, including fuel, declined by (1.3)% at constant rates and by (3.0)% at actual rates. Further information on sales performance is included in Appendices 1 to 4 starting on page 37 of this statement.

The UK grocery market remains highly competitive with macro-economic deflationary pressure and significant price investment across the industry. For the year as a whole, UK like-for-like sales excluding fuel declined by (3.6)% but we saw an improving trend into the second half driven by investments across the offer. Customer transactions, having been in decline since the beginning of 2012, increased by 1.5% in the fourth quarter, with like-for-like sales performance improving to (1.0)%. Our online grocery business continued to grow ahead of the market, driven by an increase of nearly 20% in the number of orders year-on-year.

Market conditions were tough across the Asia region. In South Korea, DIDA regulations continued to have a significant impact due to a higher number of enforced Sunday closures and increased restrictions on morning trading hours. After the stabilisation of the political situation in Thailand, the recovery in consumer spending has been slower to materialise than initially anticipated. Trading performance in Malaysia has been impacted by protests against some Western-owned businesses and a challenging economic environment.

Overall, our trading results in Europe were behind our expectations. Whilst we saw some improvement in the fourth quarter, the like-for-like sales performance was mixed over the course of the year. We have seen strong competition from discount retailers and this held back our sales performance, particularly in Ireland which saw a like-for-like sales decline of (6.3)%. Whilst the majority of our markets have seen negative currency impacts, this has been particularly marked in Europe as the Euro fell to seven-year lows against Sterling by year-end.

Group Trading Profit:

	UK	Asia	Europe	Tesco Bank	Group
	TY	TY	TY	TY	TY
Trading profit	**£467m**	**£565m**	**£164m**	**£194m**	**£1,390m**
52 Week change at actual rates %	(78.8)%	(18.4)%	(31.9)%	0.0%	(58.2)%
52 Week change at constant rates %	(78.8)%	(15.3)%	(31.1)%	0.0%	(57.5)%
Trading profit margin	**1.07%**	**5.72%**	**1.93%**	**18.95%**	**2.21%**
52 Week change at actual rates (bp)	(394)bp	(100)bp	(66)bp	(40)bp	(294)bp
52 Week change at constant rates (bp)	(394)bp	(97)bp	(64)bp	(40)bp	(292)bp

Group trading profit was in line with expectations at £1,390m, and was impacted by a challenging year for the UK business.

In the UK, our profit performance mainly reflects the combination of the deterioration in like-for-like sales – which was at its most marked at the end of the first half – and the impact of previous initiatives. The fundamental change to the way we do business with our suppliers, with significantly less focus on commercial income, further impacted profitability. The investments we have made in service, availability and, selectively in price in the second half – which have resulted in an improving like-for-like sales performance – are also a contributing factor.

In Asia, trading profit was £565m, (15.3)% lower year-on-year at constant rates, principally due to the operational gearing effect from the impact of a negative like-for-like sales performance in all three markets.

In Europe, the profitability of our Central European businesses continued to be under pressure. This was compounded by a £(30)m charge relating to the write-off of a fuel debtor in Turkey. Recent legislative changes in Hungary, including mandated store closures on Sundays and, in particular, the introduction of a 'food supervision fee' from 1 January 2015, will have a material impact to ongoing market profitability.

Consultation started last month on a significant restructure of the leadership team for Czech Republic, Hungary, Poland and Slovakia to move from operating as individual country teams to one regional team. This restructure will create substantial buying and operational synergies and will support us to unlock more opportunities to invest in the customer offer.

One-off items:

	TY	LY*
PPE impairment and onerous lease charges	£(4,727)m	£(636)m
Goodwill and other impairments	£(878)m	-
Stock	£(570)m	-
Restructuring	£(416)m	-
Reversal of commercial income recognised in prior years:		
- Recognised in 13/14	£(53)m	-
- Recognised in years prior to 13/14	£(155)m	-
Other	£(223)m	£(165)m
Total one-off items	**£(7,022)m**	**£(801)m**

* Last year's number is before a £(540)m write-down of goodwill relating to discontinued operations

In total, we have recognised £(7.0)bn of one-off charges within these results. Of this amount, £(0.6)bn will result in a direct cash outflow, with the remaining amounts being non-cash adjustments to balance sheet carrying values.

Each year we review the carrying value of our stores to ensure that they are supported by their value in use or their fair value less the costs of disposal. Challenging industry conditions and the decline in profit over the last year have resulted in an impairment charge of £(3.8)bn against our trading stores. We have also written down the value of work-in-progress by £(925)m, primarily reflecting the decision we announced in January 2015 not to proceed with 49 sites in our property pipeline. Further detail can be found in Note 12 on page 30 of this statement.

After reviewing performance across our businesses, we have booked further goodwill and other impairments totalling £(878)m. These include an impairment of £(630)m relating to our investment with China Resources Enterprise Ltd (CRE), £(116)m relating to Dobbies and other UK businesses, and an impairment of £(82)m in our investment in joint ventures which principally relates to the strategic decision to slow the roll out of Harris+Hoole and Euphorium sites.

There is a one-off increase of £(570)m in stock-related charges, which follows the adoption of a forward-looking provisioning methodology. The charge also includes a £(168)m impact of a reduction in the level of in-store costs capitalised to inventories. Further detail can be found in Note 4 on page 24 of this statement.

In January, we described a restructuring of central overheads, simplification of store management structures and increased working-hour flexibility, in order to deliver ongoing savings in the region of £250m per year. The associated one-off cost of c.£(300)m has been recognised in full within these results. The remaining balance includes a further £(41)m relating to restructuring in the first half and a £(20)m one-off cost relating to the UK store closures announced in January this year.

The commercial income adjustment refers to the impact on prior years of the commercial income issues that we announced last September. At the time of the interim results, the impacts on prior years were estimated as resulting in the profit before tax for the year ended 22 February 2014 being overstated by £70m, and for the years prior to this being overstated by £75m – a combined total of £145m relating to prior years. Subsequent to October 2014, we continued to focus on this area and identified some further amounts, bringing the total one-off adjustment to £208m for our UK and Irish businesses.

'Other' one-off items of £(223)m include £(81)m loss on disposal and associated costs relating to Blinkbox, £(41)m backdated charge relating to the assessment of rates for ATM sites in Tesco stores, and £(27)m provision for customer redress within Tesco Bank. The two latter amounts were included as one-off items within our interim results.

Other property-related items:

Losses arising on other property-related items were £(60)m. There were no sale and leaseback transactions in the second half of the year and minimal profits from transactions in the first half were offset by property-related costs and provisions.

After these items, the **operating loss** for the Group was £(5,792)m. A reconciliation of trading profit to operating loss can be found in Note 3 on page 19 of this statement.

Joint ventures and associates:

	TY	LY
Share of post-tax (losses) / profits from JVs and associates	**£(13)m**	**£60m**
Deduct: IAS 17 Leasing charge	£(7)m	£(6)m
Underlying share of post-tax (losses) / profits from JVs and associates	**£(20)m**	**£54m**

The most significant year-on-year change in **joint ventures and associates** was the inclusion of our partnership with China Resources Enterprise Ltd (CRE) which was formed in May 2014 and which was loss-making for the period. UK property joint ventures also generated a lower level of profit.

Finance costs:

	TY	LY
Finance income	£90m	£132m
Finance costs	£(661)m	£(564)m
Net finance costs	**£(571)m**	**£(432)m**
Add back: IAS 32 and IAS 39 effect	£26m	£11m
Add back: Non cash element of IAS 19 Pensions charge	£136m	£106m
Underlying net finance costs	**£(409)m**	**£(315)m**

Underlying net finance costs increased to £(409)m from £(315)m last year. Capitalised interest reduced by £35m to £44m, in line with reduced levels of work-in-progress. The remaining increase in underlying net finance costs was due to set up costs relating to new credit facilities as well as a lower level of finance income. Further details can be found in Note 6 on page 26 of this statement.

Group statutory losses before tax were £(6,376)m.

Dividend. As announced in January, the Board has taken the decision not to pay a final dividend, with the full year dividend solely reflecting the interim dividend of 1.16p paid on 19 December 2014. Future dividends will be considered within the context of the performance of the Group, free cash flow generation and the level of indebtedness.

Group tax:

	TY	LY
Statutory (loss) / profit before tax	**£(6,376)m**	**£2,259m**
Effective tax rate	(10.3)%	15.4%
Tax on statutory profit before tax	£657m	£(347)m
Loss after tax for the period from discontinued operations	£(47)m	£(942)m
(Loss) / profit after tax	**£(5,766)m**	**£970m**

Underlying profit before tax	**£961m**	**£3,054m**
Effective tax rate	20.7%	15.4%
Tax on underlying profit before tax	£(199)m	£(469)m
Underlying profit after tax	**£762m**	**£2,585m**

The effective rate of tax for the Group was 20.7%, with a charge of £(199)m based on underlying profit. Last year's rate of 15.4% reflected the one-off effect of a lower UK corporate tax rate on deferred tax liabilities.

Diluted losses per share were (70.24)p. Further details on the calculation can be found in Note 10 on page 29 of this statement.

BALANCE SHEET AND CASH FLOW

Summary of total indebtedness:

	TY	LY
Net debt (excludes Tesco Bank)*	£(8,481)m	£(6,597)m
Discounted operating lease commitments	£(9,353)m	£(9,419)m
Pension deficit, IAS19 basis (post-tax)	£(3,885)m	£(2,559)m
Total indebtedness (including lease commitments and pension deficit)	**£(21,719)m**	**£(18,575)m**

* Includes both continuing and discontinued operations.

Total indebtedness increased by £(3.1)bn year-on-year to £(21.7)bn. Net debt was £(8.5)bn, an increase of £(1.9)bn on last year, due to lower profits and a working capital outflow (before one-off items) of £(0.7)bn. Further detail on net debt can be found in Note 15 on page 34 of this statement.

Discounted operating lease commitments were £(9.4)bn. The operating lease expense in the year was £1,486m, an increase of £72m on last year, mainly due to rental inflation, the impact of the 53rd week and the effect of sale and leaseback transactions completed during 2013/14 and in the first half. Following the year-end, in March 2015 we regained sole ownership of 21 superstores in a transaction with British Land. As a result of the transaction, which will result in lower lease commitments and a reduced exposure to inflation-indexed rent reviews, we will consolidate around £500m of debt.

Pensions. We have agreed a deficit funding plan with the Pension Trustee, comprising cash contributions of £270m per annum. This follows the completion of the triennial actuarial valuation last month, which determined the deficit at £(2.8)bn as at the valuation date of 31 March 2014. On an accounting basis, the Group's net pension deficit after tax increased from £(2.6)bn last year to £(3.9)bn at the year end. This was driven by a reduction of 80 basis points in real corporate bond yields, leading to a corresponding reduction in the discount rate used to measure our long term liabilities, and is despite a strong asset performance. Further detail on pensions can be found in Note 13 on page 32 of this statement.

Protecting and strengthening the balance sheet is a priority for the Group. We are taking a number of steps to improve our position: the portfolio review is well underway, we have reduced planned capital expenditure to £1bn this year, we have started consultation to close the defined benefit pension scheme and we made a decision not to pay a final dividend for 2014/15. We have a strong **funding and liquidity** position including £2.2bn of bilateral facilities and a £2.6bn revolving credit facility, and a robust debt maturity profile.

Summary retail cash flow:

	TY	LY
Cash generated from operations before changes in working capital*	**£715m**	**£4,327m**
(Increase)/decrease in working capital	**£1,145m**	**£280m**
Interest paid Corporation tax paid	£(609)m £(347)m	£(490)m £(612)m
Net cash generated from retail operating activities	**£904m**	**£3,505m**
Cash capital expenditure	£(2,244)m	£(2,774)m
Free cash flow	***£(1,340)m***	***£731m***
Other investing activities	£253m	£66m
Net cash used in financing activities and intra-Group funding & intercompany transactions	£239m	£160m
Net (decrease)/increase in cash and cash equivalents	**£(848)m**	**£957m**
Exclude cash movements in debt items Fair value and other non-cash movements	£(1,010)m £(26)m	£(374)m £(583)m
Movement in net debt	**£(1,884)m**	**-**

* Includes both continuing and discontinued operations.

The decrease in retail working capital was driven by one-off items. The outflow in working capital, before one-off items, was £(0.7)bn reflecting a new approach to our cash payment terms with suppliers, partially offset by an underlying improvement. Cash interest paid was higher than last year, reflecting higher underlying finance costs and timing differences, which resulted in additional interest instalments on two medium term notes compared to the prior year. Cash capital expenditure was down £0.5bn to £(2.2)bn in line with our commitment to reduce spend. Further detail on cash flow can be found in Note 3 on pages 22 and 23 of this statement.

Capital expenditure and space:

	Group			**UK**		**Asia**		**Europe**		**Tesco Bank**	
	TY	LY	YOY Change	TY	LY	TY	LY	TY	LY	TY	LY
Capital expenditure (£bn)	2.0	2.7	(0.7)	1.3	1.6	0.4	0.7	0.2	0.3	0.1	0.1
Gross space added (mn sq.ft.)*	1.6	4.0	(2.4)	0.7	1.5	0.6	1.9	0.3	0.6	n/a	n/a
Net space added (mn sq ft)*	(0.0)	3.3	(3.3)	0.5	1.3	(0.0)	1.9	(0.5)	0.1	n/a	n/a

* Excluding franchise stores and 'gross space added' excludes repurposing/extensions.

Group capital expenditure decreased by £0.7bn year-on-year to £2.0bn, with lower spend in each region. As we described in January, we are planning a significant reduction in Group capital expenditure for the current year to £1.0bn.

We opened 1.6m square feet of gross new space in the year, but this was offset by the closure of 1.1m sq. ft. of space, primarily in Turkey and Hungary and the repurposing of 0.6m sq. ft. of space, mainly in Asia. Since the year-end, we have completed the closure of the 43 stores in the UK announced in January 2015. This represents 0.6m sq. ft. of space and is expected to result in a sales impact of around (0.4)% for 2015/16.

We continue to grow our franchise store network. During the year, we opened 1m sq. ft. of space in our franchise stores, mostly in South Korea, and are planning to open a further 0.6m sq. ft. this year.

Detail of Group actual and forecast space is included in Appendix 6 starting on page 39 of this statement.

ENHANCED DISCLOSURE

As we set out in October 2014, we will progressively enhance the transparency of our disclosure. In today's release we have increased our disclosure relating to property, commercial income and net debt (Note 15 on page 34). We will also add further detail to our notes on joint ventures and associates and operating leases in our 2015 Annual Report and Financial Statements. For 2015/16 onwards we will move to operating profit as our headline performance measure, adjusted only for any large and distorting impacts, which will be fully disclosed.

Property:

At the year end, the estimated market value of fully-owned property across the Group was £22.9bn. This represents a reduction of £7.6bn year-on-year, driven mainly by a significant weakening of the UK retail property market and some weakening in our other markets. This valuation represents an estimated surplus of £2.7bn over the year-end net book value. The estimated market value excludes our share of property joint ventures. Including this share, the valuation would increase by £0.9bn, net of the debt in the joint ventures.

Last year's disclosed property valuation of £34.1bn included £1.2bn relating to our Chinese operations and £2.4bn from our share of joint venture property, with no deduction for associated debt.

In March, the British Land asset swap added a further £0.7bn to the estimated market value of our fully-owned property as we took ownership of 21 superstores. Including this increase, our Group freehold ownership percentage by value is now 55%.

Commercial income:

Commercial income represents part of our overall economic relationship with suppliers. Consistent with standard grocery market practice, we negotiate a very wide range of payments to and from our suppliers including fees, contributions, discounts, multiple offers and volume rebates. Whilst we have embarked on a fundamental review which will significantly simplify our approach, in total we currently use over 20 different categories of variation in payment terms. Many of these relate to adjustments to a cost price and can be considered (and are in practice) a part of the standard unit price variations that can be expected under normal, competitive market conditions. As such these amounts are recognised in the income statement as a deduction to the cost of goods sold.

A number of commercial income categories can be conditional on the satisfaction of certain actions or performance conditions by either Tesco or the supplier in question, including the achievement of agreed sales volume targets, the provision of certain benefits such as marketing materials or promotional product positioning, and costs incurred for unplanned variations in product specification. In most instances, the arrangements that set out these terms cover periods that are within or end at the same point as our financial year.

Where agreements are in place across a period end, judgement can be required to assess if the conditions will be met, and therefore to estimate the period end amounts payable and receivable. For example, where there are volume-related allowances spanning different account periods, the Group assesses the probability that targeted volumes will be achieved based on historical and forecast performance, recognising the appropriate amounts in the period end balance sheet and income statement.

Commercial income is reflected in a number of balance sheet categories – principally due to differences in timing between recognition of income, receipt of cash and sale of goods. In order to provide greater clarity on the accounting for commercial income – including those instances where judgement and estimates are used – we are increasing our disclosure to show the effects of commercial income on the following balance sheet accounts:

- **Inventories.** The carrying value of inventories is reduced by the value of commercial income which will be earned when the associated stock is sold.
- **Trade and other receivables.** Amounts that have been invoiced to suppliers but not yet received are included within trade and other receivables.
- **Accrued income.** Any amounts earned but not yet invoiced to suppliers are included in accrued income. The majority relates to amounts outstanding under large supplier agreements or

promotional allowances that run up to the period end. The balance primarily reflects amounts due under long-term agreements for volume rebates.

- **Trade payables.** Most agreements with suppliers enable income earned to be offset against amounts owed. These balances are included as a deduction within trade payables.
- **Accruals and deferred income.** Any amounts received in advance of income being earned are included in accruals and deferred income.

The impact of commercial income on each of these accounts for the years to 28 February 2015 and 22 February 2014 is shown below:

	TY		LY	
	Group	UK	Group	UK
Current Assets				
Inventories	£(93)m	£(67)m	£(82)m	£(52)m
Trade and other receivables				
- Other receivables	£97m	£54m	£89m	£22m
- Accrued income	£158m	£117m	£230m	£173m
Current Liabilities				
Trade and other payables				
- Trade payables	£347m	£173m	£547m	£368m
- Accruals and deferred income	£(53)m	£(53)m	-	-

TESCO BANK

	TY	LY	YOY Change
Revenue	£1,024m	£1,003m	2.1%
Trading Profit	£194m	£194m	0.0%
Lending to customers	£7,720m	£6,915m	11.6%
Customer deposits	£6,913m	£6,079m	13.7%
Net interest margin	4.2%	4.4%	(0.2)%
Underlying cost : income ratio	65.0%	64.0%	(1.0)%
Bad debt asset ratio	0.7%	1.0%	+0.3%
Risk asset ratio	18.8%	17.7%	+1.1%
Loan to deposit ratio	111.7%	113.8%	+2.1%

In highly competitive market conditions, Tesco Bank's revenue was up 2.1% to £1,024m driven by strong growth in lending to customers.

We have expanded our range of mortgage and loan products and, in June 2014, we launched our personal current account. Our core motor and home insurance business has seen 3% growth in accounts, having expanded our underwriting providers and implemented digital improvements to enhance the customer experience.

Trading profit was £194m, in line with the prior year, with strong underlying growth offset by our ongoing investment in personal current accounts.

An income statement for Tesco Bank is available in Appendix 7 on page 42 of this statement. Balance sheet and cash flow detail for Tesco Bank is available within Note 3 starting on page 20 of this statement. Tesco Bank's preliminary results are also published today and can be found at www.corporate.tescobank.com.

Contacts

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This document is available at www.tescoplc.com/prelims2015.

A meeting for investors and analysts will be held today at 9.00am at London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. Access will be by invitation only. For those unable to attend, there will be a live webcast available on our website at www.tescoplc.com/prelims2015. This will include all Q&A and will also be available for playback after the event. All presentation materials, including a transcript, will be made available on our plc website.

An interview with Dave Lewis, Chief Executive, and Alan Stewart, Chief Financial Officer, discussing the Preliminary Results is available now to download in video, audio and transcript form at www.tescoplc.com/prelims2015.

Change in reporting date

We will provide a Q1 update to the market on the same date as our Annual General Meeting, on 26 June 2015.

TESCO PLC
GROUP INCOME STATEMENT
53 weeks ended 28 February 2015

	Notes	2015 £m	2014 £m
Continuing operations			
Revenue	3	**62,284**	**63,557**
Cost of sales		(64,396)	(59,547)
Gross (loss) / profit		**(2,112)**	**4,010**
Administrative expenses		(2,695)	(1,657)
(Losses)/profits arising on property-related items		(985)	278
Operating (loss) / profit	3	**(5,792)**	**2,631**
Share of post-tax (losses)/profits of joint ventures and associates		(13)	60
Finance income	6	90	132
Finance costs	6	(661)	(564)
(Loss) / profit before tax		**(6,376)**	**2,259**
Taxation	7	657	(347)
(Loss) / profit for the year from continuing operations		**(5,719)**	**1,912**
Discontinued operations			
Loss for the year from discontinued operations	8	(47)	(942)
(Loss) / profit for the year		**(5,766)**	**970**
Attributable to:			
Owners of the parent		(5,741)	974
Non-controlling interests		(25)	(4)
		(5,766)	**970**
(Losses) / earnings per share from continuing and discontinued operations			
Basic	10	(70.82)p	12.07p
Diluted	10	(70.82)p	12.06p
(Losses) / earnings per share from continuing operations			
Basic	10	(70.24)p	23.75p
Diluted	10	(70.24)p	23.72p
Dividend per share (including proposed final dividend for prior year)	9	1.16p	14.76p

Non-GAAP measure: underlying profit before tax		**£m**	**£m**
Underlying profit before tax from continuing operations	4	**961**	**3,054**
Underlying diluted earnings per share from continuing operations	10	9.42p	32.05p

The notes on pages 16 to 36 form part of this preliminary consolidated financial information.

TESCO PLC
GROUP STATEMENT OF COMPREHENSIVE INCOME/(LOSS)
53 weeks ended 28 February 2015

	Note	2015 £m	2014 £m
Items that will not be reclassified to income statement			
Remeasurements on defined benefit pension schemes	13	(1,473)	(713)
Tax on items that will not be reclassified		291	67
		(1,182)	(646)
Items that may subsequently be reclassified to income statement			
Change in fair value of available-for-sale financial assets and investments		(8)	(4)
Currency translation differences:			
- Retranslation of net assets		5	(1,102)
- Movements in foreign exchange reserve and net investment hedging on subsidiary disposed, reclassified and reported in the Group Income Statement		(17)	-
Gains/(losses) on cash flow hedges:			
- Net fair value losses		(2)	(235)
- Reclassified and reported in the Group Income Statement		102	61
Tax on items that may be reclassified		(7)	97
		73	(1,183)
Total other comprehensive loss for the year		**(1,109)**	**(1,829)**
(Loss)/profit for the year		(5,766)	970
Total comprehensive loss for the year		**(6,875)**	**(859)**
Attributable to:			
Owners of the parent		(6,850)	(848)
Non-controlling interests		(25)	(11)
Total comprehensive loss for the year		**(6,875)**	**(859)**
Total comprehensive loss attributable to owners of the parent arises from:			
Continuing operations		(6,794)	138
Discontinued operations		(56)	(986)
		(6,850)	**(848)**

The notes on pages 16 to 36 form part of this preliminary consolidated financial information.

TESCO PLC
GROUP BALANCE SHEET
As at 28 February 2015

	Notes	28 February 2015 £m	22 February 2014 £m
Non-current assets			
Goodwill and other intangible assets	11	3,771	3,795
Property, plant and equipment	12	20,440	24,490
Investment property		164	227
Investments in joint ventures and associates		940	286
Other investments		975	1,015
Loans and advances to customers		3,906	3,210
Derivative financial instruments		1,546	1,496
Deferred tax assets		514	73
		32,256	**34,592**
Current assets			
Inventories		2,957	3,576
Trade and other receivables		2,121	2,190
Loans and advances to customers		3,814	3,705
Derivative financial instruments		153	80
Current tax assets		16	12
Short-term investments		593	1,016
Cash and cash equivalents		2,165	2,506
		11,819	**13,085**
Assets of the disposal groups and non-current assets classified as held for sale	8	139	2,487
		11,958	**15,572**
Current liabilities			
Trade and other payables		(9,922)	(10,595)
Financial liabilities:			
- Borrowings		(2,008)	(1,910)
- Derivative financial instruments and other liabilities		(89)	(99)
- Customer deposits and deposits from banks		(7,020)	(6,858)
Current tax liabilities		(95)	(494)
Provisions		(671)	(250)
		(19,805)	**(20,206)**
Liabilities of the disposal groups classified as held for sale	8	(5)	(1,193)
Net current liabilities		**(7,852)**	**(5,827)**
Non-current liabilities			
Financial liabilities:			
- Borrowings		(10,651)	(9,303)
- Derivative financial instruments and other liabilities		(946)	(770)
Post-employment benefit obligations	13	(4,842)	(3,193)
Deferred tax liabilities		(199)	(594)
Provisions		(695)	(183)
		(17,333)	**(14,043)**
Net assets		**7,071**	**14,722**
Equity			
Share capital		406	405
Share premium		5,094	5,080
All other reserves		(414)	(498)
Retained earnings		1,985	9,728
Equity attributable to owners of the parent		**7,071**	**14,715**
Non-controlling interests		-	7
Total equity		**7,071**	**14,722**

The notes on pages 16 to 36 form part of this preliminary consolidated financial information.

TESCO PLC
GROUP STATEMENT OF CHANGES IN EQUITY
53 weeks ended 28 February 2015

	Share capital	Share premium	All 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 22 February 2014	**405**	**5,080**	**(498)**	**9,728**	**14,715**	**7**	**14,722**
Total comprehensive income / (loss)	**-**	**-**	**81**	**(6,931)**	**(6,850)**	**(25)**	**(6,875)**
Transactions with owners							
Purchase of treasury shares	-	-	(15)	-	**(15)**	-	**(15)**
Share-based payments	-	-	18	102	**120**	-	**120**
Issue of shares	1	14	-	-	**15**	-	**15**
Dividends	-	-	-	(914)	**(914)**	-	**(914)**
Changes in non-controlling interests	-	-	-	-	**-**	18	**18**
Tax on items charged to equity	-	-	-	-	**-**	-	**-**
Total transactions with owners	**1**	**14**	**3**	**(812)**	**(794)**	**18**	**(776)**
At 28 February 2015	**406**	**5,094**	**(414)**	**1,985**	**7,071**	**-**	**7,071**

	Share capital	Share premium	All 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 23 February 2013	**403**	**5,020**	**685**	**10,535**	**16,643**	**18**	**16,661**
Total comprehensive income / (loss)	**-**	**-**	**(1,172)**	**324**	**(848)**	**(11)**	**(859)**
Transactions with owners							
Purchase of treasury shares	-	-	(12)	-	**(12)**	-	**(12)**
Share-based payments	-	-	1	58	**59**	-	**59**
Issue of shares	2	60	-	-	**62**	-	**62**
Dividends	-	-	-	(1,189)	**(1,189)**	-	**(1,189)**
Tax on items charged to equity	-	-	-	-	**-**	-	**-**
Total transactions with owners	**2**	**60**	**(11)**	**(1,131)**	**(1,080)**	**-**	**(1,080)**
At 22 February 2014	**405**	**5,080**	**(498)**	**9,728**	**14,715**	**7**	**14,722**

The notes on pages 16 to 36 form part of this preliminary consolidated financial information.

TESCO PLC
GROUP CASH FLOW STATEMENT
53 weeks ended 28 February 2015

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Cash generated from operations	14	1,467	4,316
Interest paid		(613)	(496)
Corporation tax paid		(370)	(635)
Net cash generated from operating activities		**484**	**3,185**
Cash flows from investing activities			
Acquisition/disposal of subsidiaries, net of cash acquired/disposed		(243)	(13)
Proceeds from sale of property, plant and equipment, investment property, intangible assets and non-current assets classified as held for sale		244	570
Purchase of property, plant and equipment, investment property and non-current assets classified as held for sale		(1,989)	(2,489)
Purchase of intangible assets		(329)	(392)
Net decrease in loans to joint ventures and associates		21	61
Investments in joint ventures and associates		(382)	(12)
Net proceeds from sale of/(investments in) short-term investments		423	(494)
Net proceeds from sale of/(investments in) other investments		48	(268)
Dividends received from joint ventures and associates		88	62
Interest received		104	121
Net cash used in investing activities		**(2,015)**	**(2,854)**
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		15	62
Increase in borrowings		4,883	3,104
Repayment of borrowings		(3,185)	(1,912)
Repayments of obligations under finance leases		(3)	(9)
Rights issue to non-controlling interests		18	-
Dividends paid to equity owners	9	(914)	(1,189)
Net cash from financing activities		**814**	**56**
Net (decrease)/increase in cash and cash equivalents		**(717)**	**387**
Cash and cash equivalents at beginning of the year		2,813	2,531
Effect of foreign exchange rate changes		78	(105)
Cash and cash equivalents including cash held in disposal groups at the end of the year		**2,174**	**2,813**
Cash held in disposal groups	8	(9)	(307)
Cash and cash equivalents at the end of the year		**2,165**	**2,506**

The notes on pages 16 to 36 form part of this preliminary consolidated financial information.

The reconciliation of net cash flow to movement in net debt is included within Note 15.

The unaudited preliminary consolidated financial information for the 53 weeks ended 28 February 2015 was approved by the Directors on 21 April 2015.

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 Conduct Authority, the principles of International Financial Reporting Standards ('IFRS') and the IFRS Interpretation Committee ('IFRIC') interpretations as adopted by the European Union. The accounting policies applied are consistent with those described in the Annual Report and Group Financial Statements 2014, apart from those arising from the adoption of new or amended IFRS detailed below, which will be described in more detail in the Annual Report and Group Financial Statements 2015. The unaudited preliminary 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 53 weeks ended 28 February 2015 or the 52 weeks ended 22 February 2014 as defined in section 434 of the Companies Act 2006. The Annual Report and Group Financial Statements for the 52 weeks ended 22 February 2014 were approved by the Board of Directors on 2 May 2014 and have been filed with the Registrar of Companies. The report of the auditors on those Group 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 2015 will be filed with the Registrar in due course.

Adoption of new or amended International Financial Reporting Standards
The Group adopted the following new or amended standards as of 23 February 2014:

- IFRS 10 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. It also provides additional guidance to assist in the determination of control where this is difficult to assess. The application of IFRS 10 has not had a material impact on the Group.

- IFRS 11 'Joint Arrangements' gives a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are now only two types of joint arrangements: joint operations and joint ventures. The application of IFRS 11 has not had a material impact on the Group.

- IFRS 12 'Disclosures of Interests in Other Entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The application of IFRS 12 has not had a material impact on the Group.

- All other new or amended standards effective in the year have not had a material impact on the unaudited preliminary consolidated financial information of the Group.

Discontinued operations
In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the net results of the Chinese and US operations for the 13 weeks ended 28 May 2014 and the 53 weeks ended 28 February 2015, respectively, are presented within discontinued operations in the Group Income Statement. The assets and liabilities of these operations are presented separately in the Group Balance Sheet. See Note 8 for further details.

On 28 May 2014 the Group completed its formation of a new venture with China Resources Enterprise, Limited ('CRE'). The new venture is classified as an associate within continuing operations.

Use of non-GAAP measures – *Net debt*
Net debt excludes the net debt of Tesco Bank but includes that of the discontinued operations. Net debt comprises bank and other borrowings, finance lease payables, net derivative financial instruments, joint venture loans and other receivables and net interest receivables/payables, offset by cash and cash equivalents and short-term investments.

Use of non-GAAP measures – *Free cash flow*
Free cash flow is net cash generated from/(used in) operating activities less capital expenditure on property, plant and equipment, investment property and intangible assets.

Use of non-GAAP measures – *Underlying net interest*
Underlying net interest, as included in underlying profit, excludes net pension finance costs and IAS 39 'Financial Instruments' – fair value remeasurements.

Use of non-GAAP measures - *Underlying profit*

The Directors believe that underlying profit before tax and underlying diluted earnings per share measures provide additional useful information for shareholders on underlying trends and performance. These measures are used for internal 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 profits 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 period end, any gain or loss accruing on open contracts is recognised in the Group Income Statement for the period, 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 Group 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. Some operating 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 items. These relate to certain items associated with the Group's restructuring activities and certain one-off items including items 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.
- Profits/(losses) arising on property-related items. These relate to the Group's property activities including gains and losses on disposal of property assets, development property built for resale and property joint ventures; costs resulting from changes in the Group's store portfolio and distribution network, including pre-opening and post closure costs; and income/(charges) associated with impairment of non-trading property and related onerous contracts. These have been excluded from underlying profit as they do not reflect the underlying performance of the Group.

Use of non-GAAP measures – *Trading profit*

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 items. 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.

NOTE 2 Commercial income recognised in previous periods

On 22 September 2014 the Group announced that the previous guidance given on 29 August 2014 regarding profit for the six months to 23 August 2014 was overstated principally due to the accelerated recognition of commercial income and delayed accrual of costs. The internal investigation into the appropriate recognition included a review of whether the impact of accelerated recognition should be attributed to prior years.

At the time of the interim results, the impacts on prior years were estimated as resulting in the profit before tax for the year ended 22 February 2014 being overstated by £70m and for the years prior to that being overstated by a total of £75m.

Following further investigations, these estimates have been revised to a total overstatement to profit before tax of £53m for the year ended 22 February 2014, and a total overstatement of £155m for the years prior to that.

On the basis that these figures are not material in the prior years, a prior year restatement has not been made with the amounts instead being corrected in the current year. The impact of this has been separately identified in the reconciliation of profit before tax to underlying profit in Note 4 as the correction does not reflect current year performance.

NOTE 3 Segmental reporting

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.

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

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

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 financial year under evaluation. Trading profit is a consistent measure within the Group.

The Group's Chinese operations up to 28 May 2014 (previously reported as part of the Asia segment) and US operations have been treated as discontinued as described in more detail in Notes 1 and 8. The segment results do not include any amounts for these discontinued operations.

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:

53 weeks ended 28 February 2015 **At constant exchange rates***	**UK** **£m**	**Asia** **£m**	**Europe** **£m**	**Tesco Bank** **£m**	**Total at constant exchange** **£m**	**Foreign exchange** **£m**	**Total at actual exchange** **£m**
Continuing operations							
Sales including VAT (excluding IFRIC 13)	48,237	10,850	10,750	1,024	70,861	(1,207)	69,654
Revenue (excluding IFRIC 13)	43,579	10,217	9,245	1,024	64,065	(1,069)	62,996
Effect of IFRIC 13	(640)	(33)	(42)	-	(715)	3	(712)
Revenue	42,939	10,184	9,203	1,024	63,350	(1,066)	62,284
Trading profit	466	586	166	194	1,412	(22)	1,390
Trading margin**	1.1%	5.7%	1.8%	18.9%	2.2%		2.2%

* Constant exchange rates are the average actual periodic exchange rates for the previous financial year.
** Trading margin is based on revenue excluding the accounting impact of IFRIC 13.

NOTE 3 Segmental reporting (continued)

53 weeks ended 28 February 2015 At actual exchange rates*	UK £m	Asia £m	Europe £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations					
Sales including VAT (excluding IFRIC 13)	48,231	10,501	9,898	1,024	69,654
Revenue (excluding IFRIC 13)	43,573	9,884	8,515	1,024	62,996
Effect of IFRIC 13	(640)	(33)	(39)	-	(712)
Revenue	42,933	9,851	8,476	1,024	62,284
Trading profit	467	565	164	194	1,390
Trading margin**	1.1%	5.7%	1.9%	18.9%	2.2%

52 weeks ended 22 February 2014 At actual exchange rates*	UK £m	Asia £m	Europe £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations					
Sales including VAT (excluding IFRIC 13)	48,177	10,947	10,767	1,003	70,894
Revenue (excluding IFRIC 13)	43,570	10,309	9,267	1,003	64,149
Effect of IFRIC 13	(513)	(33)	(46)	-	(592)
Revenue	43,057	10,276	9,221	1,003	63,557
Trading profit	2,191	692	238	194	3,315
Trading margin**	5.0%	6.7%	2.6%	19.3%	5.2%

Reconciliation of trading profit to operating (loss) / profit

	Notes	2015 £m	2014 £m
Trading profit		**1,390**	**3,315**
Adjustments:			
IAS 19 'Employee Benefits' – non-cash Group Income Statement charge for pensions	1	(68)	(11)
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	1	(19)	(28)
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	1	(13)	(14)
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	1	-	(10)
Total restructuring and other one-off items	4	(6,814)	(801)
Reversal of commercial income recognised in previous years:			
- Recognised in 13/14	2	(53)	-
- Recognised in years prior to 13/14	2	(155)	-
Other (losses)/profits arising on property-related items	1	(60)	180
Operating (loss) / profit		**(5,792)**	**2,631**

* 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 Segmental reporting (continued)

The following tables showing segment assets and liabilities exclude those balances that make up net debt (cash and cash equivalents, short-term investments, joint venture loans and other receivables, bank and other borrowings, finance lease payables, derivative financial instruments and net debt of the disposal group). Net debt balances have been included within the unallocated segment to reflect how the Group manages these balances. Intercompany transactions have been eliminated other than intercompany transactions with Tesco Bank in net debt.

At 28 February 2015	UK £m	Asia £m	Europe £m	Tesco Bank £m	Other/ unallocated £m	Total £m
Goodwill and other intangible assets	1,636	835	77	1,223	-	**3,771**
Property, plant and equipment and investment property	10,683	6,148	3,687	86	-	**20,604**
Investments in joint ventures and associates	89	771	-	80	-	**940**
Other investments	-	-	-	827	148	**975**
Loans and advances to customers – non-current	-	-	-	3,906	-	**3,906**
Deferred tax asset	421	38	55	-	-	**514**
Non-current assets*	**12,829**	**7,792**	**3,819**	**6,122**	**148**	**30,710**
Inventories and trade and other receivables**	2,696	1,131	808	235	-	**4,870**
Trade and other payables	(6,733)	(1,979)	(965)	(245)	-	**(9,922)**
Loans and advances to customers - current	-	-	-	3,814	-	**3,814**
Customer deposits and deposits from banks	-	-	-	(7,020)	-	**(7,020)**
Total provisions	(1,044)	(143)	(89)	(90)	-	**(1,366)**
Deferred tax liability	-	(148)	(10)	(41)	-	**(199)**
Net current tax	(91)	4	3	5	-	**(79)**
Post-employment benefits	(4,604)	(65)	(173)	-	-	**(4,842)**
Assets held for sale and of the disposal groups***	61	51	18	-	-	**130**
Liabilities of the disposal groups***	-	-	-	-	(5)	**(5)**
Net debt****	-	-	-	(539)	(8,481)	**(9,020)**
Net assets	**3,114**	**6,643**	**3,411**	**2,241**	**(8,338)**	**7,071**

At 22 February 2014	UK £m	Asia £m	Europe £m	Tesco Bank £m	Other/ unallocated £m	Total £m
Goodwill and other intangible assets	1,662	786	94	1,253	-	**3,795**
Property, plant and equipment and investment property	13,696	5,904	5,024	93	-	**24,717**
Investments in joint ventures and associates	122	87	-	77	-	**286**
Other investments	-	40	-	850	125	**1,015**
Loans and advances to customers – non-current	-	-	-	3,210	-	**3,210**
Deferred tax asset	-	25	48	-	-	**73**
Non-current assets*	**15,480**	**6,842**	**5,166**	**5,483**	**125**	**33,096**
Inventories and trade and other receivables**	3,002	1,204	1,132	174	-	**5,512**
Trade and other payables	(6,995)	(2,140)	(1,224)	(236)	-	**(10,595)**
Loans and advances to customers - current	-	-	-	3,705	-	**3,705**
Customer deposits and deposits from banks	-	-	-	(6,858)	-	**(6,858)**
Total provisions	(223)	(78)	(28)	(104)	-	**(433)**
Deferred tax liability	(373)	(158)	(39)	(24)	-	**(594)**
Net current tax	(393)	(89)	-	-	-	**(482)**
Post-employment benefits	(3,053)	(52)	(88)	-	-	**(3,193)**
Assets held for sale and of the disposal groups***	196	131	-	-	1,990	**2,317**
Liabilities of the disposal groups***	-	-	-	-	(1,184)	**(1,184)**
Net debt****	-	-	-	28	(6,597)	**(6,569)**
Net assets	**7,641**	**5,660**	**4,919**	**2,168**	**(5,666)**	**14,722**

* Excludes derivative financial instrument non-current assets of £1,546m (2014: £1,496m).
** Excludes loans to joint ventures of £207m (2014: £252m) and interest and other receivables of £1m (2014: £2m).
*** Excludes net debt of the disposal groups of £9m (2014: £161m).
**** Refer to Note 15.

NOTE 3 Segmental reporting (continued)

Other segment information 53 weeks ended 28 February 2015	**UK £m**	**Asia £m**	**Europe £m**	**Tesco Bank £m**	**Total continuing operations £m**
Capital expenditure (including acquisitions through business combinations):					
- Property, plant and equipment	1,071	378	179	14	**1,642**
- Investment property	-	-	-	-	**-**
- Goodwill and other intangible assets	350	19	21	45	**435**
Depreciation:					
- Property, plant and equipment	(693)	(347)	(235)	(18)	**(1,293)**
- Investment property	-	(1)	-	-	**(1)**
Amortisation of intangible assets	(150)	(16)	(23)	(68)	**(257)**
Impairment of intangible assets	(45)	-	(4)	(4)	**(53)**
Impairment of goodwill	(116)	-	-	-	**(116)**
Impairment of property, plant and equipment and investment property	(3,071)	(293)	(949)	-	**(4,313)**
Reversal of prior year impairment losses	132	36	28	-	**196**

Other segment information 52 weeks ended 22 February 2014	**UK £m**	**Asia £m**	**Europe £m**	**Tesco Bank £m**	**Total continuing operations £m**
Capital expenditure (including acquisitions through business combinations):					
- Property, plant and equipment	1,370	737	253	16	**2,376**
- Investment property	-	-	-	-	**-**
- Goodwill and other intangible assets	303	22	28	86	**439**
Depreciation:					
- Property, plant and equipment	(642)	(320)	(307)	(17)	**(1,286)**
- Investment property	-	(10)	(9)	-	**(19)**
Amortisation of intangible assets	(122)	(15)	(24)	(66)	**(227)**
Impairment of intangible assets	-	-	-	-	**-**
Impairment of goodwill	-	-	-	-	**-**
Impairment of property, plant and equipment and investment property	(87)	(39)	(761)	-	**(887)**
Reversal of prior year impairment losses	135	8	11	-	**154**

NOTE 3 Segmental reporting (continued)

The following tables provide further analysis of the Group Cash Flow Statement, including a split of cash flows between Retail and Bank as well as continuing operations and discontinued operations.

	Retail		Bank		Total Group	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Operating (loss)/profit of continuing operations	**(5,973)**	**2,489**	**181**	**142**	**(5,792)**	**2,631**
Operating loss of discontinued operations	(10)	(925)	-	-	(10)	(925)
Depreciation and amortisation	1,466	1,483	86	84	1,552	1,567
Losses/(profits) arising on one-off property-related items	805	(98)	-	-	805	(98)
Losses/(profits) arising on other property-related items	44	(134)	-	-	44	(134)
Losses arising on property-related items from discontinued operations	5	162	-	-	5	162
Losses/(profits) arising on sale of non property-related items	39	(1)	7	-	46	(1)
Loss arising on sale of subsidiaries and other investments	41	1	-	-	41	1
Impairment of goodwill	116	540	-	-	116	540
Impairment of other investments	-	42	-	-	-	42
Impairment of investments in/loans to joint ventures and associates	712	-	-	-	712	-
Net charge of property, plant and equipment and intangible assets not included in property-related items	3,316	715	4	-	3,320	715
Adjustment for non-cash element of pensions charge	68	11	-	-	68	11
Additional contribution into pension scheme	(13)	(4)	-	-	(13)	(4)
Share-based payments	99	46	6	1	105	47
Tesco Bank non-cash items included in profit before tax	-	-	58	76	58	76
Cash flow from operations excluding working capital	**715**	**4,327**	**342**	**303**	**1,057**	**4,630**
Decrease/(increase) in working capital	1,145	280	(735)	(594)	410	(314)
Cash generated from/(used in) operations	**1,860**	**4,607**	**(393)**	**(291)**	**1,467**	**4,316**
Interest paid	(609)	(490)	(4)	(6)	(613)	(496)
Corporation tax paid	(347)	(612)	(23)	(23)	(370)	(635)
Net cash generated from/(used in) operating activities	**904**	**3,505**	**(420)**	**(320)**	**484**	**3,185**
Purchase of property, plant and equipment, investment property and non-current assets classified as held for sale	(1,977)	(2,473)	(12)	(16)	(1,989)	(2,489)
Purchase of intangible assets	(267)	(301)	(62)	(91)	(329)	(392)
Non-GAAP measure: Free cash flow	**(1,340)**	**731**	**(494)**	**(427)**	**(1,834)**	**304**
Acquisition/disposal of subsidiaries, net of cash acquired/disposed	(243)	(13)	-	-	(243)	(13)
Proceeds from sale of property, plant and equipment, investment property, intangible assets and non-current assets classified as held for sale	244	570	-	-	244	570
Net decrease in loans to joint ventures and associates	21	54	-	7	21	61
Investments in joint ventures and associates	(382)	(12)	-	-	(382)	(12)
Net proceeds from sale of/(investments in) short-term investments	423	(494)	-	-	423	(494)
Net proceeds from sale of/(investments in) other investments	5	(207)	43	(61)	48	(268)
Dividends received from joint ventures and associates	81	47	7	15	88	62
Interest received	104	121	-	-	104	121
Net cash used in investing activities	**(1,991)**	**(2,708)**	**(24)**	**(146)**	**(2,015)**	**(2,854)**
Proceeds from issue of share capital	15	62	-	-	15	62
Increase in borrowings	4,385	3,104	498	-	4,883	3,104
Repayment of borrowings	(3,185)	(1,912)	-	-	(3,185)	(1,912)
Repayment of obligations under finance leases	(3)	(9)	-	-	(3)	(9)
Rights issue to non-controlling interests	18	-	-	-	18	-
Dividends paid to equity owners	(914)	(1,189)	-	-	(914)	(1,189)
Net cash from finance activities	**316**	**56**	**498**	**-**	**814**	**56**
Intra-Group funding and intercompany transactions	**(77)**	**104**	**77**	**(104)**	**-**	**-**
Net (decrease)/increase in cash and cash equivalents	**(848)**	**957**	**131**	**(570)**	**(717)**	**387**
Cash and cash equivalents at the beginning of the year	2,328	1,476	485	1,055	2,813	2,531
Effect of foreign exchange rate changes	78	(105)	-	-	78	(105)
Cash and cash equivalents at the end of the year	**1,558**	**2,328**	**616**	**485**	**2,174**	**2,813**
Cash held in disposal groups	(9)	(307)	-	-	(9)	(307)
Cash and cash equivalents not held in disposal groups	**1,549**	**2,021**	**616**	**485**	**2,165**	**2,506**

NOTE 3 Segmental reporting (continued)

	Continuing operations		Discontinued operations		Retail	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Operating (loss) / profit	**(5,973)**	**2,489**	**(10)**	**(925)**	**(5,983)**	**1,564**
Depreciation and amortisation	1,466	1,448	-	35	1,466	1,483
Losses/(profits) arising on one-off property-related items	805	(98)	-	150	805	52
Losses/(profits) arising on other property-related items	44	(134)	5	12	49	(122)
Losses/(profits) arising on sale of non property-related items	37	(1)	2	-	39	(1)
Loss arising on sale of subsidiaries and other investments	41	1	-	-	41	1
Impairment of goodwill	116	-	-	540	116	540
Impairment of other investments	-	42	-	-	-	42
Impairment of investments in/loans to joint ventures and associates	712	-	-	-	712	-
Net charge of impairment of property, plant and equipment and intangible assets not included in property-related items	3,316	708	-	7	3,316	715
Adjustment for non-cash element of pensions charge	68	11	-	-	68	11
Additional contribution into pension scheme	(13)	(4)	-	-	(13)	(4)
Share-based payments	104	41	(5)	5	99	46
Cash flow from / (used in) operations excluding working capital	**723**	**4,503**	**(8)**	**(176)**	**715**	**4,327**
Decrease/(increase) in working capital	1,322	243	(177)	37	1,145	280
Cash generated from / (used in) operations	**2,045**	**4,746**	**(185)**	**(139)**	**1,860**	**4,607**
Interest paid	(605)	(475)	(4)	(15)	(609)	(490)
Corporation tax paid	(343)	(594)	(4)	(18)	(347)	(612)
Net cash generated from / (used in) operating activities	**1,097**	**3,677**	**(193)**	**(172)**	**904**	**3,505**
Purchase of property, plant and equipment, investment property and non-current assets classified as held for sale	(1,941)	(2,207)	(36)	(266)	(1,977)	(2,473)
Purchase of intangible assets	(266)	(293)	(1)	(8)	(267)	(301)
Non-GAAP measure: Free cash flow	**(1,110)**	**1,177**	**(230)**	**(446)**	**(1,340)**	**731**

NOTE 4 Non-GAAP measure: underlying profit before tax

	Notes	2015 £m	2014 £m
(Loss) / profit before tax from continuing operations		**(6,376)**	**2,259**
Adjustments for:			
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements	1	26	11
IAS 19 'Employee Benefits' – non-cash Group Income Statement charge for pensions	1,13	204	117
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	1	12	22
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	1	13	14
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	1	-	10
Restructuring and other one-off items:			
- Impairment of PPE and onerous lease provisions included within cost of sales	12	3,802	734
- Impairment/(impairment release) of PPE and onerous lease provisions included within (losses)/profits arising on property-related items	12	925	(98)
- Impairment of goodwill	11	116	-
- Impairment of intangible fixed assets[(a)]		50	-
- Impairment of investment in China associate[(b)]		630	-
- Impairment of investments in and loans to joint ventures and associates[(c)]		82	-
- Inventory valuations and provisions[(d)]		570	-
- Provision for customer redress		27	63
- ATM rates charge[(e)]		41	-
- Loss on disposal/closure of non-core businesses[(f)]		81	-
- Restructuring costs including trading store redundancies[(g)]		416	-
- Other restructuring and one-off items		74	102
Total restructuring and other one-off items		6,814	801
Reversal of commercial income recognised in previous years:			
- Recognised in 13/14	2	53	-
- Recognised in years prior to 13/14	2	155	-
Other losses/(profits) arising on property-related items		60	(180)
Underlying profit before tax from continuing operations		**961**	**3,054**

a) As a result of changes to simplify the UK business, a number of IT projects have been cancelled, resulting in an impairment of intangible fixed assets. This charge has been recognised in cost of sales.

b) Increasing competition from Chinese e-commerce businesses as well as the financial impact of a longer-than-expected integration of operations is expected to affect short-to-medium-term profitability of the associate, resulting in an impairment charge in the year recognised in administrative expenses.

c) Investments in and loans to the Harris + Hoole and Euphorium businesses have been impaired as a result of the strategic decision to slow the roll-out of these brands recognised in administrative expenses.

d) This includes a £402m charge relating to increased inventories provisioning due to changes to range and stockholding, including general merchandise transformation, and the adoption of a forward looking provisioning methodology. An additional £107m charge relates to changes in the estimate of in-store payroll overheads which are directly attributable to inventories, arising due to the change in focus of our in-store activities. The Group has also changed its accounting policy to exclude certain in-store overheads from directly attributable costs in order to reflect more reliable and relevant information. If the policy change were applied retrospectively, it would have reduced the 2013/14 inventories balance by £59m, of which £10m would have impacted the prior year income statement. As these amounts are not material, the prior year comparatives have not been restated and the cumulative policy adjustment of £61m has been reflected in the current year.

e) During the year, the Group received a notification from the Valuation Office that it had moved to a separate assessment of rates for ATM sites in Tesco stores. This resulted in a backdated charge of £41m. The charge in respect of the current year is included in underlying profit in cost of sales.

f) This includes the loss on disposal of Blinkbox Movies and Music, and redundancy cost, asset impairments and other costs associated with the closure of non-core businesses including Blinkbox Books and Tesco Broadband. Of this loss, £74m has been recognised in cost of sales and £7m in administrative expenses.

g) Restructuring costs include redundancy and compensation costs related to changes in store colleague working arrangements in the UK, Europe and Asia, redundancy costs relating to Head Office restructures across the Group, and the redundancy cost of store closures in the UK. £266m has been recognised in costs of sales and £150m in administrative expenses.

NOTE 5 Income and expenses

Continuing operations	2015 £m	2014 £m
(Loss)/profit before tax is stated after charging/(crediting) the following:		
Rental income, of which £40m (2014: £34m) relates to investment properties	(512)	(512)
Direct operating expenses arising on rental earning investment properties	19	5
Costs of inventories recognised as an expense	46,541	46,832
Stock losses and provisions	1,759	1,316
Depreciation and amortisation charged	1,552	1,532
Operating lease expenses, of which £111m (2014: £102m) relates to hire of plant and machinery	1,486	1,414
Net impairment charge on property, plant and equipment and investment property	4,118	733
Impairment of goodwill and other intangible assets	169	-
Impairment of investment in and loans to joint ventures and associates	712	-

Commercial income

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

Commercial income is recognised when earned by the Group, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract. The income is recognised as a credit within cost of sales. Where the income earned relates to inventories which are held by the Group at period ends, the income is included within the cost of those inventories, and recognised in cost of sales upon sale of those inventories.

Accounting for the amount and timing of recognition of commercial income may require the exercise of judgement. The key estimates and judgements made in the recognition of commercial income are as follows:

- Volume-related allowances relate to amounts receivable by the Group for achieving agreed purchase or sales targets within a set period. Where volume related allowances span different accounting periods, the amount of income recognised in each period is estimated based on the probability that the Group will meet contractual target volumes based on historical and forecast performance.
- Promotional, marketing and other allowances include amounts receivable by the Group to support the promotion, marketing and advertising of specific items including promotional pricing discounts, in-store displays, margin protection and cost reimbursements. There is limited judgement or estimation involved in recognising income for these allowances. The Group assesses its performance against the obligations conditional on earning the income, with the income recognised either over time as the obligations are met, or recognised at the point when all obligations are met, dependent on the contractual requirements.

Amounts due relating to commercial income are recognised within other receivables, except in cases where the Group currently has a legally enforceable right of set-off and intends to offset amounts due from suppliers against amounts owed to those suppliers, in which case only the net amount receivable or payable is recognised. Accrued commercial income is recognised within accrued income when commercial income earned has not been invoiced at the balance sheet date.

Within inventories, £93m (2014: £82m) relates to commercial income. These commercial income amounts will be recognised in cost of sales upon sale of those inventories.

Included in trade and other receivables is £97m (2014: £89m) due from suppliers for commercial income which has been invoiced but for which there is no legal right or intention to offset against payables, and £158m (2014: £230m) due from suppliers in relation to commercial income which has been recognised but not yet invoiced.

Netted against trade and other payables is £347m (2014: £547m) amounts receivable from suppliers in relation to commercial income that has been invoiced, for which there is a current legal right and intention to offset against amounts payable at the balance sheet date. Also included in trade and other payables is £53m (2014: £nil) of deferred income, representing amounts received in relation to commercial income that had not been earned at the year end.

NOTE 5 Income and expenses (continued)

Whilst the commercial income balances disclosed above are based on our contracts with suppliers, they only represent part of the overall economic relationship with the suppliers. Accordingly, these balances should be viewed together with other balances related to the purchase of goods in order to understand the overall economic impact to the Group.

NOTE 6 Finance income and costs

Continuing operations	2015 £m	2014 £m
Finance income		
Interest receivable and similar income	90	132
Total finance income	**90**	**132**
Finance costs		
GBP MTNs	(191)	(223)
EUR MTNs	(155)	(130)
USD Bonds	(85)	(91)
Other MTNs	(2)	(4)
Finance charges payable under finance leases and hire purchase contracts	(9)	(10)
Other interest payable	(101)	(68)
Capitalised interest	44	79
Net pension finance costs (Note 13)*	(136)	(106)
IAS 32 and 39 'Financial Instruments' – fair value remeasurements*	(26)	(11)
Total finance costs	**(661)**	**(564)**

* Underlying net interest costs of £(409)m (2014: £(315)m), as included in underlying profit, excludes net pension finance costs of £(136)m (2014: £(106)m) and IAS 32 and 39 'Financial Instruments' – fair value remeasurements of £(26)m (2014: £(11)m).

NOTE 7 Taxation

Continuing operations	2015 £m	2014 £m
UK	671	(248)
Overseas	(14)	(99)
Taxation credit / (charge)	**657**	**(347)**

The Finance Act 2013 included legislation to reduce the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. These rate reductions are therefore included in this preliminary consolidated financial information.

NOTE 8 Discontinued operations and non-current assets classified as held for sale

	28 February 2015 £m	22 February 2014 £m
Assets of the disposal groups	9	2,160
Non-current assets classified as held for sale	130	327
Total assets of the disposal groups and non-current assets classified as held for sale	139	2,487
Total liabilities of the disposal groups	(5)	(1,193)
Total net assets classified as held for sale	**134**	**1,294**

The non-current assets classified as held for sale consist mainly of properties in the UK and Korea due to be sold within one year.

Discontinued operations

On 28 May 2014 the Group completed its formation of a new venture with CRE. The new venture is classified as an associate within continuing operations. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the Chinese operations for the period up to 28 May 2014 have been classified as a disposal group. The US operations, representing the remaining costs of the orderly restructuring process, continue to be classified as a disposal group.

NOTE 8 Discontinued operations and non-current assets classified as held for sale (continued)

The tables below show the results of the discontinued operations which are included in the Group Income Statement, Group Balance Sheet and Group Cash Flow Statement respectively.

Income Statement **53 weeks ended 28 February 2015**	**£m**
China*	
Revenue	281
Expenses	(315)
Loss before tax of discontinued operations	(34)
Taxation	(1)
Loss after tax of discontinued operations in China	**(35)**
Loss after tax of disposal of Chinese operations	(28)
Total loss after tax of discontinued operations in China	**(63)**
Profit after tax of discontinued operations in the US	16
Total loss after tax of discontinued operations	**(47)**

* The results of China are for the 13 weeks ended 28 May 2014, at which point the operations were contributed into a new venture with CRE.

Loss per share impact from discontinued operations	
Basic	(0.58)p
Diluted	(0.58)p

The Group exchanged its Chinese retail and property interests plus cash of £334m (£257m paid during the year, with £77m due in May 2015) for a 20% interest in the new venture. The loss after tax on disposal of the Group's Chinese operations is made up as follows:

	£m
Value of new investment	1,261
Cash paid and deferred payments	(334)
Net book value of assets contributed	(835)
Costs to sell and other provisions	(67)
Taxation	(53)
Loss after tax of disposal of Chinese operations	**(28)**

The loss in the year that resulted from remeasuring the retained investment on disposal was £10m.

Costs to sell and other provisions have decreased by £21m since the Group's interim results as a result of updates in estimates since that time.

Income Statement **52 weeks ended 22 February 2014**	**US** **£m**	**China** **£m**	**Total** **£m**
Revenue	496	1,489	1,985
Expenses	(762)	(2,163)	(2,925)
Loss before tax of discontinued operations	(266)	(674)	(940)
Taxation	6	(8)	(2)
Loss after tax of discontinued operations	**(260)**	**(682)**	**(942)**

Loss per share impact from discontinued operations	
Basic	(11.68)p
Diluted	(11.66)p

Non-GAAP measure: underlying profit/(loss) before tax*	**US** **£m**	**China** **£m**	**Total** **£m**
Underlying profit/(loss) before tax of discontinued operations for the 53 weeks ended 28 February 2015	11	(25)	(14)
Underlying loss before tax of discontinued operations for the 52 weeks ended 22 February 2014	(95)	(97)	(192)

* Fair value remeasurements have been excluded when arriving at underlying profit/(loss) before tax.

NOTE 8 Discontinued operations and non-current assets classified as held for sale (continued)

The Group's Chinese operations had been disposed of as at 28 February 2015. The assets and liabilities of the US represent the remaining costs of the orderly restructuring process.

Balance Sheet	**28 February 2015**	**22 February 2014**		
	US	**US**	**China**	**Total**
	£m	**£m**	**£m**	**£m**
Assets of the disposal groups				
Goodwill and other intangible assets	-	-	100	100
Property, plant and equipment	-	30	1,145	1,175
Investments in joint ventures and associates	-	-	162	162
Inventories	-	-	138	138
Trade and other receivables	-	-	278	278
Cash and cash equivalents	9	48	259	307
Total assets of the disposal groups	**9**	**78**	**2,082**	**2,160**
Liabilities of the disposal groups				
Trade and other payables	(5)	(33)	(864)	(897)
Borrowings	-	-	(283)	(283)
Other current liabilities	-	(13)	-	(13)
Total liabilities of the disposal groups	**(5)**	**(46)**	**(1,147)**	**(1,193)**
Total net assets of the disposal groups	**4**	**32**	**935**	**967**

Cash Flow Statement	**Total China & US**	**Total China & US**
	2015	**2014**
	£m	**£m**
Net cash flows from operating activities	(193)	(172)
Net cash flows from investing activities	(4)	(291)
Net cash flows from financing activities	66	152
Net cash flows from discontinued operations	**(131)**	**(311)**
Intra-Group funding and intercompany transactions	(16)	363
Net cash flows from discontinued operations, net of intercompany	**(147)**	**52**
Net cash flows from disposal of subsidiary	(148)	-
Net cash flows from discontinued operations, net of intercompany and disposal of subsidiary	**(295)**	**52**

NOTE 9 Dividends

	2015		**2014**	
	Pence / share	**£m**	**Pence / share**	**£m**
Amounts recognised as distributions to owners in the financial year:				
Prior financial year final dividend	10.13	819	10.13	815
Current financial year interim dividend	1.16	95	4.63	374
Dividends paid to equity owners in the financial year	**11.29**	**914**	**14.76**	**1,189**

As announced by the Company on 8 January 2015, the Board of Directors have decided not to pay a final dividend in respect of the financial year ended 28 February 2015.

NOTE 10 Earnings/(losses) per share and diluted earnings per share

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

Diluted earnings/(losses) per share amounts are calculated by dividing the profit/(loss) attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial 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.

Given the loss for the 53 weeks ended 28 February 2015, the Group has recognised a basic loss per share rather than a basic earnings per share. The dilutive effects have not been considered in calculating the diluted loss per share as this would reduce the loss per share. For the 53 weeks ended 28 February 2015 there were 12 million potentially dilutive share options. As the Group has recognised an underlying profit the dilutive effects have been considered in calculating the underlying earnings per share.

			2015			2014
	Basic	**Potentially dilutive share options**	**Diluted**	**Basic**	**Potentially dilutive share options**	**Diluted**
(Loss)/profit (£m)						
- Continuing operations	(5,694)	-	(5,694)	1,916	-	1,916
- Discontinued operations	(47)	-	(47)	(942)	-	(942)
Weighted average number of shares (millions)	8,107	-	8,107	8,068	10	8,078
(Losses)/earnings per share (pence)						
- Continuing operations	(70.24)	-	(70.24)	23.75	(0.03)	23.72
- Discontinued operations	(0.58)	-	(0.58)	(11.68)	0.02	(11.66)
Total	**(70.82)**	**-**	**(70.82)**	**12.07**	**(0.01)**	**12.06**

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

Reconciliation of non-GAAP underlying diluted earnings per share

		2015		2014
	£m	**Pence/ share**	**£m**	**Pence/ share**
(Loss)/profit from continuing operations (diluted)	**(5,694)**	**(70.24)**	**1,916**	**23.72**
Adjustments for:				
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements	26	0.32	11	0.14
IAS 19 'Employee Benefits' – non-cash Group Income Statement charge for pensions	204	2.52	117	1.45
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	12	0.15	22	0.27
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	13	0.16	14	0.17
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	-	-	10	0.12
Total restructuring and other one-off items*	6,814	84.06	801	9.92
Reversal of commercial income recognised in previous years:				
- Recognised in 13/14	53	0.65	-	-
- Recognised in years prior to 13/14	155	1.91	-	-
Other profits/(losses) arising on property-related items	60	0.74	(180)	(2.23)
Allocation of adjustments to non-controlling interests	(22)	(0.27)	-	-
Tax effect of adjustments at the effective rate of tax**	(856)	(10.56)	(122)	(1.51)
Dilutive effect	-	(0.02)		
Underlying earnings from continuing operations* **	**765**	**9.42**	**2,589**	**32.05**

* Refer to Note 4.
** The effective rate of tax on the total tax charge on all adjustments was 11.7% (2014: 15.4%). The effective rate of tax on underlying earnings was 20.7% (2014: 15.4%) which excludes certain permanent differences on which tax relief is not available.
*** Under IAS 33 'Earnings per Share', potentially dilutive share options are treated as dilutive only when their conversion would decrease earnings per share. All adjustments above have been based on 8,107 million (2014: 8,078 million) shares, with the (0.02) pence per share dilutive impact of the 12 million current year potentially dilutive share options factored in only when calculating the final underlying diluted earnings per share from continuing operations.

NOTE 11 Goodwill and other intangible assets

Goodwill and other intangible assets comprise £2,288m (2014: £2,286m) goodwill and £1,483m (2014: £1,509m) 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 indicators that goodwill may be impaired. The impairment review methodology is unchanged from that described in the 2014 Annual Report and Group Financial Statements.

The pre-tax discount rates used to calculate value in use range from 9% to 12% (2014: 7% to 11%). On a post-tax basis, the discount rates range from 7% to 10% (2014: 6% to 8%). The Group's cash flow projections are extrapolated beyond five years based on estimated long-term average growth rates of 2% to 3% (2014: 2% to 3%).

The challenging economic climate and significant shifts in the retail industry structure has resulted in revised forecast cash flows and updated discount rates. A resulting impairment charge has been recognised of £116m (2014: £nil) related to Dobbies (£83m) and other UK businesses (£33m). Dobbies and the other UK businesses are within the UK segment. This charge has been recognised in the cost of sales line in the Group Income Statement.

A final regulation has been published by the European Commission, imposing a cap on interchange fees on credit and debit cards. This change to existing interchange fees, which is expected to come into force during the first half of 2015, along with the forecast impact of mitigating management actions, has been considered as part of goodwill impairment testing for the Tesco Bank CGU. No reduction in the asset recognised has been required following completion of this review.

The components of goodwill are as follows:

	2015 £m	2014 £m
Malaysia	74	74
South Korea	502	475
Tesco Bank	802	802
Thailand	159	145
UK	722	761
Other	29	29
	2,288	**2,286**

There were goodwill additions of £98m and disposals of £23m recognised in the UK, with the remaining movements related to foreign exchange and impairment as described above.

NOTE 12 Property, plant and equipment

Impairment of property, plant and equipment

The Group has determined that for the purposes of impairment testing, each store is a cash-generating unit. Cash-generating units are tested for impairment if there are indicators of impairment at the balance sheet date. Recoverable amounts for cash-generating units are based on the higher of value in use or fair value less costs of disposal. The Group engaged external independent qualified valuers, where appropriate, to determine the fair value of the Group's property.

Fair values are determined with regard to the market rent for the stores or for alternative uses with investment yields appropriate to reflect the physical characteristics of the property and location. In some cases, fair values include residual valuations where stores may be viable for redevelopment.

The pre-tax discount rates used to calculate value in use range from 8% to 19% (2014: 6% to 14%) depending on the specific conditions in which each store operates. On a post-tax basis, the discount rates range from 7% to 15% (2014: 6% to 12%). The forecast cash flows are extrapolated beyond five years based on estimated long-term growth rates of 2% to 5% (2014: 2% to 5%).

NOTE 12 Property, plant and equipment (continued)

An impairment charge of £4,292m (2014: £866m) has been recognised following a challenging economic climate and significant shifts in the retail industry structure, resulting in a revision of forecast cash flows and property fair values. This charge relates to properties in the UK of £3,052m (2014: £87m), Europe of £947m (2014: £740m) and Asia of £293m (2014: £39m). Of this charge, £3,291m (2014: £707m) related to trading stores has been classified as 'Impairment of PPE and onerous lease provisions included within cost of sales' and £874m (2014: £nil) related to construction in progress and closed stores has been classified as 'Impairment of PPE and onerous lease provisions included within (losses)/profits arising on property-related items' within non-GAAP measures in the Group Income Statement. The remaining £127m charge (2014: £159m) has not been treated as one-off within non-GAAP measures.

An impairment reversal of £176m (2014: £154m) was recognised relating to properties in the UK of £133m (2014: £136m), Europe of £28m (2014: £10m) and Asia of £15m (2014: £8m). Of this reversal, £25m (2014: £nil) has been classified as 'Impairment of PPE and onerous lease provisions included within cost of sales' and £97m (2014: £98m) has been classified as 'Impairment of PPE and onerous lease provisions included within (losses)/profits arising on property-related items'.

In addition, based on the factors set out above, the Group has recognised a net onerous contract provision charge in the year of £669m (2014: £18m charge) relating to contracts in the UK of £561m (2014: £(15)m release), Europe of £62m (2014: £27m charge) and Asia of £46m (2014: £6m charge). These provisions comprise obligations for future rents payable net of rents receivable on onerous leases including on vacant property and unprofitable stores and other onerous contracts relating to property. Of this charge, £536m (2014: £27m) has been classified as 'Impairment of PPE and onerous lease provisions included within cost of sales' and £120m (2014: £nil) has been classified as 'Impairment of PPE and onerous lease provisions included within (losses)/profits arising on property-related items' within non-GAAP measures in the Group Income Statement.

Furthermore, there has been a £21m impairment charge for investment property which has been classified as 'Impairment of PPE and onerous lease provisions included within (losses)/profits arising on property-related items'.

	28 February 2015			22 February 2014		
	Land and buildings £m	**Other[(a)] £m**	**Total £m**	**Land and buildings £m**	**Other[(a)] £m**	**Total £m**
Cost						
Opening balance	25,734	10,851	36,585	24,817	10,826	35,643
Foreign currency translation	(314)	(106)	(420)	(1,131)	(470)	(1,601)
Additions	799	840	1,639	1,492	955	2,447
Acquisitions through business combinations	-	3	3	9	6	15
Reclassification	(591)	152	(439)	1,875	27	1,902
Classified as held for sale	30	(18)	12	(115)	-	(115)
Disposals	(360)	(229)	(589)	(239)	(133)	(372)
Transfer to disposal group classified as held for sale	-	-	-	(974)	(360)	(1,334)
Closing balance	**25,298**	**11,493**	**36,791**	**25,734**	**10,851**	**36,585**
Accumulated depreciation and impairment losses						
Opening balance	4,985	7,110	12,095	3,961	6,812	10,773
Foreign currency translation	(186)	(96)	(282)	(220)	(267)	(487)
Charge for the year	446	847	1,293	466	846	1,312
Impairment losses	3,029	1,263	4,292	814	52	866
Reversal of impairment losses	(169)	(7)	(176)	(152)	(2)	(154)
Reclassification	(358)	-	(358)	282	1	283
Classified as held for sale	(86)	(16)	(102)	2	1	3
Disposals	(232)	(179)	(411)	(139)	(117)	(256)
Transfer to disposal group classified as held for sale	-	-	-	(29)	(216)	(245)
Closing balance	**7,429**	**8,922**	**16,351**	**4,985**	**7,110**	**12,095**
Net carrying value	**17,869**	**2,571**	**20,440**	**20,749**	**3,741**	**24,490**

(a) Other assets consist of plant, equipment, fixtures and fittings and motor vehicles.

In the current year the Group reclassified property, plant and equipment with a net book value of £81m to development stock.

In the prior year, it was concluded that the level of services provided to tenants of some malls operated by the Group were no longer considered insignificant and as a result a number of malls with a net book value of £1,623m were reclassified from investment property to property, plant and equipment.

NOTE 13 Post-employment benefits

Pensions

The Group operates a variety of post-employment benefit arrangements covering both funded and unfunded defined benefit schemes and funded defined contribution schemes. The most significant of these are funded defined benefit pension schemes for the Group's employees in the UK, the Republic of Ireland, Thailand and South Korea. Of these schemes, the UK represents 95% of the defined benefit deficit (2014: 95%).

The principal plan within the Group is the Tesco PLC Pension Scheme (the 'Scheme'), which is a funded defined benefit pension scheme in the UK, the assets of which are held as a segregated fund and administered by the Trustee.

Following the year end, the Group has entered consultation on the closure of the UK defined benefit pension scheme to new entrants and future accrual. This has had no impact on the results for the year ended 28 February 2015.

At 31 March 2014, the deficit valuation arising from the triennial actuarial assessment was £2.8bn. A plan to pay £270m a year has been agreed with the Trustee, to fund the UK deficit and to meet the expenses of the scheme.

Principal assumptions

The major assumptions, on a weighted average basis, used by the actuaries were as follows:

	28 February 2015	**22 February 2014**
	%	**%**
Discount rate	3.7	4.7
Price inflation	3.1	3.3
Rate of increase in deferred pensions*	2.1	2.3
Rate of increase in salaries	3.2	3.4
Rate of increase in pensions in payment:		
- Benefits accrued before 1 June 2012	2.9	3.1
- Benefits accrued after 1 June 2012	2.1	2.3
Rate of increase in career average benefits:		
- Benefits accrued before 1 June 2012	3.1	3.3
- Benefits accrued after 1 June 2012	2.1	2.3

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

The main financial assumption is the real discount rate (i.e., the excess of the discount rate over the rate of price inflation). If this assumption increased/decreased by 0.1%, the UK defined benefit obligation would decrease/ increase by approximately £340m.

Movement in the deficit of Group defined benefit pension schemes during the year

	2015	**2014**
	£m	**£m**
Deficit in schemes at the beginning of the year	**(3,193)**	**(2,378)**
Current service cost	(631)	(542)
Net pension finance cost	(136)	(106)
Contributions by employer	563	531
Additional contribution by employer	13	4
Foreign currency translation	15	11
Actuarial loss	(1,473)	(713)
Deficit in schemes at the end of the year	**(4,842)**	**(3,193)**
Deferred tax asset**	957	634
Deficit in schemes at the end of the year, net of deferred tax	**(3,885)**	**(2,559)**

** The deferred tax asset in relation to the retirement benefit obligation has been partly offset with group deferred tax liabilities in the balance sheet.

NOTE 14 Reconciliation of (loss)/profit before tax to net cash generated from operations

	2015 £m	2014 £m
(Loss)/profit before tax	(6,376)	2,259
Net finance costs	571	432
Share of post-tax losses/(profits) of joint ventures and associates	13	(60)
Operating (loss)/profit of continuing operations	(5,792)	2,631
Operating loss of discontinued operations	(10)	(925)
Depreciation and amortisation	1,552	1,567
Losses/(profits) arising on one-off property-related items from continuing operations	805	(98)
Losses/(profits) arising on other property-related items from continuing operations	44	(134)
Losses/(profits) arising on property-related items from discontinued operations	5	162
Loss/(profit) arising on sale of non property-related items	46	(1)
Loss arising on sale of subsidiaries and other investments	41	1
Impairment of goodwill	116	540
Impairment of other investments	-	42
Impairment of investments in/loans to joint ventures and associates	712	-
Net charge of impairment of property, plant and equipment and intangible assets not included in property-related items	3,320	715
Adjustment for non-cash element of pension charges	68	11
Additional contribution into pension scheme	(13)	(4)
Share-based payments	105	47
Tesco Bank non-cash items included in profit before tax	58	76
Decrease/(increase) in inventories	577	(115)
Decrease/(increase) in development stock	59	(8)
Decrease/(increase) in trade and other receivables	32	(33)
(Decrease)/increase in trade and other payables	(449)	509
Increase/(decrease) in provisions	926	(73)
Tesco Bank increase in loans and advances to customers	(846)	(1,432)
Tesco Bank increase in trade and other receivables	(60)	(31)
Tesco Bank increase in customer and bank deposits and trade and other payables	186	867
Tesco Bank (decrease)/increase in provisions	(15)	2
Decrease/(increase) in working capital	410	(314)
Cash generated from operations	**1,467**	**4,316**

Profits/losses arising on property-related items from continuing operations shown above excludes movements in respect of provisions for onerous contracts of £136m (2014: continuing operations: £(46)m; discontinued operations: £(37)m). These are included in '(Losses)/profits arising on property-related items' as per the Group Income Statement.

Impact of one-off items on working capital movements

The decrease/(increase) in working capital shown above includes an £1,805m decrease (2014: £109m decrease) due to the impact of one-off items in the year. This decrease is made up of a £569m (2014: £60m) decrease in inventories due to inventory valuations and provisions, a £964m increase (2014: £7m decrease) in provisions due to onerous lease provisions and restructuring provisions, and a £272m (2014: £56m) decrease in working capital amounts for trade and other receivables and trade and other payables, with the 2015 decrease principally due to the £208m corrections of commercial income.

NOTE 15 Analysis of changes in net debt

	At 22 February 2014	Cash flow	Fair value and foreign exchange movements	Interest (charge) / income	Other non-cash movements	Non-cash movements – China disposal	Reclassification of movement in net debt of disposal group	At 28 February 2015
	£m	£m	£m	£m	£m	£m	£m	£m
Total Group								
Cash and cash equivalents	2,506	(717)	78	-	-	-	298	2,165
Short-term investments	1,016	(423)	-	-	-	-	-	593
Joint venture loans	252	(40)	(5)	-	2	(133)	131	207
Interest and other receivables	2	(14)	-	16	(8)	-	5	1
Bank and other borrowings	(10,817)	(1,704)	147	(34)	(55)	385	(280)	(12,358)
Interest payables	(275)	613	-	(506)	7	3	(2)	(160)
Finance lease payables	(121)	3	2	-	(25)	-	-	(141)
Net derivative financial instruments	618	6	(36)	22	-	-	-	610
Net derivative interest	89	(90)	-	55	-	-	-	54
Net debt of the disposal groups	161	-	-	-	-	-	(152)	9
Total Group	(6,569)	(2,366)	186	(447)	(79)	255	-	(9,020)
Tesco Bank								
Cash and cash equivalents	485	131	-	-	-	-	-	616
Joint venture loans	34	-	-	-	-	-	-	34
Bank and other borrowings	(485)	(643)	(5)	-	-	-	-	(1,133)
Interest payables	(1)	4	-	(4)	-	-	-	(1)
Net derivative financial instruments	(5)	-	(50)	-	-	-	-	(55)
Tesco Bank	28	(508)	(55)	(4)	-	-	-	(539)
Retail								
Cash and cash equivalents	2,021	(848)	78	-	-	-	298	1,549
Short-term investments	1,016	(423)	-	-	-	-	-	593
Joint venture loans	218	(40)	(5)	-	2	(133)	131	173
Interest and other receivables	2	(14)	-	16	(8)	-	5	1
Bank and other borrowings	(10,332)	(1,061)	152	(34)	(55)	385	(280)	(11,225)
Interest payables	(274)	609	-	(502)	7	3	(2)	(159)
Finance lease payables	(121)	3	2	-	(25)	-	-	(141)
Net derivative financial instruments	623	6	14	22	-	-	-	665
Net derivative interest	89	(90)	-	55	-	-	-	54
Net debt of the disposal groups	161	-	-	-	-	-	(152)	9
Net debt	**(6,597)**	**(1,858)**	**241**	**(443)**	**(79)**	**255**	**-**	**(8,481)**

Net debt excludes the net debt of Tesco Bank but includes that of discontinued operations. Balances and movements in respect of the total Group and Tesco Bank are presented to allow reconciliation between the Group Balance Sheet and the Group Cash Flow Statement.

NOTE 15 Analysis of changes in net debt (continued)

Reconciliation of net cash flow to movement in net debt	**2015 £m**	**2014 £m**
Net (decrease)/increase in cash and cash equivalents	(717)	387
Elimination of Tesco Bank movement in cash and cash equivalents	(131)	570
Retail cash movement in other net debt items		
- Net (decrease)/increase in short-term investments	(423)	494
- Net decrease in joint venture loans	(40)	(54)
- Net increase in borrowings and lease financing	(1,052)	(1,183)
- Net interest paid on components of net debt	505	369
Change in net debt resulting from cash flow	(1,858)	583
Retail net interest charge on components of net debt	(443)	(392)
Retail fair value and foreign exchange movements	241	(51)
Debt disposed of on disposal of China operations	255	-
Retail other non-cash movements	(79)	(140)
Increase in net debt for the year	(1,884)	-
Opening net debt	**(6,597)**	**(6,597)**
Closing net debt	**(8,481)**	**(6,597)**

NOTE 16 Contingent liabilities

There are a number of contingent liabilities that arise in the normal course of business which if realised are not expected to result in a material liability to the Group. The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated.

On 22nd September 2014, the Group announced that it had identified an overstatement of its expected profit for the first half of the year, as contained in guidance it had issued in August. The Serious Fraud Office ('SFO') commenced an investigation into accounting practices at the Group on 29th October 2014. It is not possible to predict the timescale or outcome of the SFO investigation, but the SFO could decide to prosecute individuals and the Group, and there is the possibility of fines, or other consequences. The Group is cooperating with the SFO.

Class actions have been filed in the United States District Court for the Southern District of New York against the Group, its former Chairman, two former directors and the former managing director of its UK business for alleged violations of US federal securities laws. The Court has appointed the lead plaintiff to take forward the claim on behalf of all investors and has ordered them to file their claim by the end of April 2015. The Group then intends to file a motion to dismiss the complaint. All of the plaintiffs dealt through the American Depository Receipts ('ADR') programme which represents approximately 2% of the Group's issued share capital.

In addition, law firms in the UK have announced the intention of forming claimant groups to commence litigation against the Group for matters arising out of or in connection with its overstatement, and purport to have secured third party funding for such litigation. No such litigation has yet been formally threatened or commenced.

All such matters are periodically assessed with the assistance of external professional advisers, where appropriate, to determine the likelihood of the Group incurring a liability and to evaluate the extent to which a reliable estimate of any liability can be made. However, the likely outcome on the Group of the SFO investigation and any litigation relating to the above issues that either has been or may potentially be brought against the Group is subject to a number of significant uncertainties. These cannot currently be determined, although they could have a material and adverse impact on the Group's financial condition and/or results. Accordingly, no provision has been made in respect of these matters.

NOTE 17 Business combinations

On 2 April 2014 the Group, through its subsidiary dunnhumby Ltd, acquired Sociomantic Labs ('Sociomantic'), a Berlin-based global leader in digital advertising solutions, for £124m which includes £38m of deferred cash consideration. Sociomantic operates in 14 countries worldwide, with clients in retail, financial services and travel services.

NOTE 18 Events after the reporting period

On 20 March 2015 the Group regained sole ownership of 21 stores which were previously held in a joint venture with British Land Co PLC ('British Land'). The Group received British Land's share of the 21 stores and cash of £96m. In exchange, British Land took sole ownership of three shopping centres, three retail parks and three standalone stores which were held in two joint ventures between the two companies as at 28 February 2015. The Group will continue to lease the stores at these sites at market rents which are not subject to RPI-indexed increases.

Appendix 1 – Total Sales Performance at Actual Rates (52 week year)*

	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	H1 2014/15	H2 2014/15	FY 2014/15
Including Fuel:							
UK	**(2.0)%**	**(3.2)%**	**(1.7)%**	**0.2%**	**(2.6)%**	**(0.8)%**	**(1.7)%**
Asia	(8.9)%	(6.4)%	(2.5)%	1.4%	(8.4)%	0.3%	(4.1)%
Europe	(7.1)%	(10.5)%	(8.7)%	(7.5)%	(9.3)%	(7.6)%	(8.5)%
International	**(8.0)%**	**(8.4)%**	**(5.6)%**	**(3.0)%**	**(8.8)%**	**(3.6)%**	**(6.2)%**
Tesco Bank	**3.6%**	**5.8%**	**2.7%**	**(3.5)%**	**4.6%**	**(0.4)%**	**2.1%**
Group	**(3.7)%**	**(4.7)%**	**(2.8)%**	**(0.9)%**	**(4.4)%**	**(1.7)%**	**(3.0)%**
Excluding Fuel:							
UK	**(1.7)%**	**(3.3)%**	**(2.6)%**	**0.6%**	**(2.5)%**	**(1.0)%**	**(1.8)%**
Asia	(8.9)%	(6.4)%	(2.5)%	1.4%	(8.4)%	0.3%	(4.1)%
Europe	(6.9)%	(10.3)%	(8.6)%	(6.7)%	(9.1)%	(7.2)%	(8.1)%
International	**(8.0)%**	**(8.3)%**	**(5.5)%**	**(2.6)%**	**(8.7)%**	**(3.3)%**	**(6.0)%**
Tesco Bank	**3.6%**	**5.8%**	**2.7%**	**(3.5)%**	**4.6%**	**(0.4)%**	**2.1%**
Group	**(3.8)%**	**(4.9)%**	**(3.5)%**	**(0.6)%**	**(4.5)%**	**(1.8)%**	**(3.2)%**

Appendix 2 – Total Sales Performance at Constant Rates (52 week year)*

	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	H1 2014/15	H2 2014/15	FY 2014/15
Including Fuel:							
UK	**(2.0)%**	**(3.2)%**	**(1.7)%**	**0.2%**	**(2.6)%**	**(0.8)%**	**(1.7)%**
Asia	1.5%	(0.9)%	(1.7)%	(2.4)%	(0.5)%	(1.3)%	(0.9)%
Europe	(0.7)%	(1.9)%	(0.6)%	0.6%	(1.8)%	0.7%	(0.6)%
International	**0.5%**	**(1.4)%**	**(1.1)%**	**(0.9)%**	**(1.1)%**	**(0.3)%**	**(0.7)%**
Tesco Bank	**3.6%**	**5.8%**	**2.7%**	**(3.5)%**	**4.6%**	**(0.4)%**	**2.1%**
Group	**(1.2)%**	**(2.5)%**	**(1.5)%**	**(0.2)%**	**(2.0)%**	**(0.6)%**	**(1.3)%**
Excluding Fuel:							
UK	**(1.7)%**	**(3.3)%**	**(2.6)%**	**0.6%**	**(2.5)%**	**(1.0)%**	**(1.8)%**
Asia	1.5%	(0.9)%	(1.7)%	(2.4)%	(0.5)%	(1.3)%	(0.9)%
Europe	(0.6)%	(1.6)%	(0.3)%	1.4%	(1.6)%	1.2%	(0.2)%
International	**0.5%**	**(1.2)%**	**(1.0)%**	**(0.5)%**	**(1.0)%**	**(0.1)%**	**(0.6)%**
Tesco Bank	**3.6%**	**5.8%**	**2.7%**	**(3.5)%**	**4.6%**	**(0.4)%**	**2.1%**
Group	**(0.9)%**	**(2.5)%**	**(2.0)%**	**0.1%**	**(1.9)%**	**(0.7)%**	**(1.3)%**

* Growth rates are 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 177 days ended 24 August 2014 compared to 178 days ended 25 August 2013. 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 188 days ended 28 February 2015 compared to 187 days ended 28 February 2014. Growth rates shown are on an exc. week 53 basis for the UK and Republic of Ireland and exclude the 7 days ended 28 February 2015.

Appendix 3 – Like-for-Like Sales Performance (inc. VAT, exc. Fuel)*

	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	H1 2014/15	H2 2014/15	FY 2014/15
UK	**(3.7)%**	**(5.4)%**	**(4.2)%**	**(1.0)%**	**(4.6)%**	**(2.6)%**	**(3.6)%**
inc. VAT, inc. fuel	*(3.8)%*	*(5.0)%*	*(3.2)%*	*(1.3)%*	*(4.4)%*	*(2.2)%*	*(3.3)%*
exc. VAT, exc. fuel	*(3.8)%*	*(5.5)%*	*(4.4)%*	*(1.2)%*	*(4.6)%*	*(2.8)%*	*(3.7)%*
exc. VAT, exc. fuel, IFRIC 13 compliant	*(4.0)%*	*(5.5)%*	*(5.1)%*	*(1.7)%*	*(4.8)%*	*(3.4)%*	*(4.1)%*
Asia	**(3.2)%**	**(4.9)%**	**(5.0)%**	**(4.7)%**	**(4.1)%**	**(4.8)%**	**(4.4)%**
Malaysia	(2.3)%	(6.8)%	(8.7)%	(3.6)%	(4.7)%	(6.0)%	(5.3)%
South Korea	(2.8)%	(4.7)%	(4.0)%	(4.4)%	(3.8)%	(4.2)%	(4.0)%
Thailand	(5.3)%	(4.7)%	(4.5)%	(3.3)%	(5.0)%	(3.8)%	(4.4)%
Europe	**(1.0)%**	**(2.5)%**	**(1.2)%**	**1.0%**	**(1.8)%**	**0.0%**	**(0.8)%**
Czech Republic	1.6%	1.3%	2.9%	6.5%	1.5%	4.9%	3.2%
Hungary**	2.7%	(0.6)%	1.4%	4.7%	1.0%	3.2%	2.1%
Poland	0.5%	(2.4)%	(2.5)%	(1.2)%	(1.0)%	(1.8)%	(1.4)%
Slovakia	(5.8)%	(4.6)%	(2.1)%	0.6%	(5.2)%	(0.6)%	(2.8)%
Turkey	3.4%	3.6%	6.7%	13.8%	3.5%	10.9%	7.0%
Republic of Ireland	(5.5)%	(7.3)%	(6.2)%	(6.3)%	(6.4)%	(6.3)%	(6.3)%
International	**(2.2)%**	**(3.7)%**	**(3.1)%**	**(1.9)%**	**(3.0)%**	**(2.4)%**	**(2.7)%**
Group	**(3.2)%**	**(4.8)%**	**(3.8)%**	**(1.3)%**	**(4.0)%**	**(2.5)%**	**(3.3)%**

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

** Following the introduction of legislation preventing large retailers from selling tobacco in mid-July 2013, Hungary like-for-like growth is shown on an exc. tobacco basis. Including tobacco sales, in 2014/15, Q1 was 0.0%, Q2 was (2.0)%, H1 was (1.1)% and FY was 1.1%.

Appendix 4 – Sales Performance (inc. Fuel, exc. IFRIC 13)

	Sales Growth (inc. VAT)				Revenue (exc. VAT)			
	Constant Rates			Actual Rates				
	Like-for-like	Net new stores	Total	Total	Local currency (m)	£m	Average exchange rate	Closing exchange rate
Including Fuel:								
UK*	(3.3)%	1.6%	(1.7)%	(1.7)%	42,778	42,778	n/a	n/a
Malaysia	(5.3)%	2.4%	(2.9)%	(9.7)%	4,536	841	5.393	5.556
South Korea	(4.0)%	2.2%	(1.8)%	(1.6)%	9,253,377	5,383	1,719	1,693
Thailand	(4.4)%	5.8%	1.4%	(5.8)%	190,944	3,615	52.82	49.83
Czech Republic	2.2%	(1.0)%	1.2%	(9.5)%	40,808	1,175	34.73	37.83
Hungary**	2.1%	(0.8)%	1.3%	(8.3)%	569,644	1,461	389.9	417.6
Poland	(1.4)%	1.1%	(0.3)%	(6.4)%	11,162	2,114	5.280	5.720
Slovakia	(3.1)%	1.4%	(1.7)%	(7.7)%	1,318	1,047	1.259	1.377
Turkey	4.3%	1.0%	5.3%	(9.1)%	2,223	617	3.603	3.879
Republic of Ireland*	(6.4)%	1.4%	(5.0)%	(10.8)%	2,556	2,030	1.259	1.377

* Total growth rates shown are on an exc. week 53 basis for the UK and Republic of Ireland and exclude the 7 days ended 28 February 2015.

** Following the introduction of legislation preventing large retailers from selling tobacco in mid-July 2013, Hungary like-for-like growth is shown on an exc. tobacco basis.

Appendix 5 – UK Sales Area by Size of Store

Store Size sq ft	February 2015 No. of stores	February 2015 Million sq ft	February 2015 % of total sq ft	February 2014 No. of stores	February 2014 Million sq ft	February 2014 % of total sq ft
0-3,000	2,557	5.3	12.5%	2,378	5.0	10.2%
3,001-20,000	321	4.0	9.5%	322	4.1	10.5%
20,001-40,000	306	9.1	21.5%	305	9.1	23.4%
40,001-60,000	195	10.4	24.5%	193	10.2	23.5%
60,001-80,000	123	7.9	18.7%	121	7.7	19.3%
80,001-100,000	45	4.1	9.6%	45	4.1	10.6%
Over 100,000	14	1.6	3.7%	14	1.6	2.5%
Total*	**3,561**	**42.4**	**100.0%**	**3,378**	**41.8**	**100.0%**

* Including franchise stores.

Appendix 6 – Group Space Summary

Actual Group Space – store numbers

STORE NUMBERS	2013/14 year end	2014/15 year end	Net Gain	Openings H1	Openings H2	Closures / Disposals	Repurposing / Extensions[1]	*% of Group at year end[2]*
Extra	247	250	3	1	2	-	*4*	*3.2%*
Homeplus	12	11	(1)	-	-	(1)	-	*0.1%*
Superstore	482	487	5	2	6	(3)	-	*6.2%*
Metro	195	191	(4)	-	-	(4)	-	*2.5%*
Express	1,672	1,735	63	38	28	(3)	-	*22.2%*
Dotcom only	6	6	-	-	-	-	-	*0.1%*
Total Tesco[3]	**2,614**	**2,680**	**66**	**41**	**36**	**(11)**	***4***	***34.3%***
One Stop	722	770	48	26	28	(6)	-	*9.9%*
Dobbies	34	35	1	-	1	-	-	*0.4%*
Total UK[3]	**3,370**	**3,485**	**115**	**67**	**65**	**(17)**	***4***	***44.6%***
Malaysia	49	54	5	1	4	-	*7*	*0.7%*
South Korea	433	425	(8)	-	2	(11)	*8*	*5.4%*
Thailand	1,737	1,759	22	53	4	(35)	*4*	*22.5%*
Asia[3]	**2,219**	**2,238**	**19**	**54**	**10**	**(46)**	***19***	***28.6%***
Czech Republic	211	209	(2)	-	-	(2)	*1*	*2.7%*
Hungary	220	209	(11)	1	1	(13)	-	*2.7%*
Poland	455	449	(6)	4	3	(13)	*4*	*5.7%*
Slovakia	150	155	5	4	1	-	-	*2.0%*
Turkey	192	173	(19)	3	-	(22)	-	*2.2%*
Republic of Ireland	146	149	3	2	3	(2)	-	*1.9%*
Europe[3]	**1,374**	**1,344**	**(30)**	**14**	**8**	**(52)**	***5***	***17.2%***
International[3]	**3,593**	**3,582**	**(11)**	**68**	**18**	**(98)**	***24***	***45.8%***
Group[3]	**6,963**	**7,067**	**104**	**135**	**83**	**(115)**	***28***	***90.4%***
South Korea Franchise	198	543	345	178	193	(25)	*(1)*	*6.9%*
Czech Franchise	136	131	(5)	-	-	(5)	-	*1.7%*
One Stop (UK) Franchise	8	76	68	22	50	(4)	-	*1.0%*
Total Franchise	**342**	**750**	**408**	**200**	**243**	**(34)**	***(1)***	***9.6%***
Group[4]	**7,305**	**7,817**	**512**	**335**	**326**	**(149)**	***27***	***100.0%***

Actual Group Space – '000 sq ft

SPACE - '000 SQ FT	2013/14 year end	2014/15 year end	Net Gain	Openings H1	Openings H2	Closures / Disposals	Repurposing / Extensions	*% of Group at year end[2]*
Extra	17,610	17,763	153	74	125	-	(46)	*16.1%*
Homeplus	523	488	(35)	-	-	(35)	-	*0.4%*
Superstore	14,110	14,254	144	60	171	(87)	-	*12.9%*
Metro	2,191	2,150	(41)	-	-	(41)	-	*1.9%*
Express	3,883	4,030	147	91	64	(8)	-	*3.7%*
Dotcom only	716	716	-	-	-	-	-	*0.7%*
Total Tesco[3]	**39,033**	**39,401**	**368**	**225**	**360**	**(171)**	**(46)**	***35.7%***
One Stop	1,142	1,235	93	51	52	(10)	-	*1.1%*
Dobbies	1,638	1,648	10	-	10	-	-	*1.5%*
Total UK[3]	**41,813**	**42,284**	**471**	**276**	**422**	**(181)**	**(46)**	***38.3%***
Malaysia	4,029	4,025	(4)	43	121	-	(168)	*3.6%*
South Korea	13,583	13,447	(136)	-	70	(29)	(177)	*12.2%*
Thailand	15,585	15,712	127	215	132	(78)	(142)	*14.2%*
Asia[3]	**33,197**	**33,184**	**(13)**	**258**	**323**	**(107)**	**(487)**	***30.0%***
Czech Republic	5,704	5,653	(51)	-	-	(15)	(36)	*5.1%*
Hungary	7,288	7,026	(262)	3	2	(267)	-	*6.4%*
Poland	9,714	9,736	22	83	53	(76)	(38)	*8.8%*
Slovakia	3,900	3,928	28	22	6	-	-	*3.6%*
Turkey	3,984	3,663	(321)	67	-	(388)	-	*3.3%*
Republic of Ireland	3,477	3,560	83	72	44	(33)	-	*3.2%*
Europe[3]	**34,067**	**33,566**	**(501)**	**247**	**105**	**(779)**	**(74)**	***30.4%***
International[3]	**67,264**	**66,750**	**(514)**	**505**	**428**	**(886)**	**(561)**	***60.4%***
Group[3]	**109,077**	**109,034**	**(43)**	**781**	**850**	**(1,067)**	**(607)**	***98.7%***
South Korea Franchise	356	1,216	860	494	445	(78)	(1)	*1.1%*
Czech Franchise	129	122	(7)	-	-	(7)	-	*0.1%*
One Stop (UK) Franchise	10	102	92	29	68	(5)	-	*0.1%*
Total Franchise	**495**	**1,440**	**945**	**523**	**513**	**(90)**	**(1)**	***1.3%***
Group[4]	**109,572**	**110,474**	**902**	**1,304**	**1,363**	**(1,157)**	**(608)**	***100.0%***

Group Space Forecast to 27 February 2016 – '000 sq ft

SPACE – '000 SQ FT	2014/15 year end	2015/16 year end	Net Gain	Openings H1	Openings H2	Closures / Disposals	Repurposing / Extensions	*% of Group at year end[2]*
Extra	17,763	17,890	127	-	127	-	-	*16.2%*
Homeplus	488	297	(191)	-	-	(191)	-	*0.3%*
Superstore	14,254	14,067	(187)	16	-	(203)	-	*12.7%*
Metro	2,150	2,036	(114)	-	20	(134)	-	*1.8%*
Express	4,030	4,089	59	35	69	(45)	-	*3.7%*
Dotcom only	716	716	-	-	-	-	-	*0.6%*
Total Tesco[3]	**39,401**	**39,095**	**(306)**	**51**	**216**	**(573)**	**-**	***35.3%***
One Stop	1,235	1,298	63	43	28	(8)	-	*1.2%*
Dobbies	1,648	1,678	30	30	-	-	-	*1.5%*
Total UK[3]	**42,284**	**42,071**	**(213)**	**124**	**244**	**(581)**	**-**	***38.0%***
Malaysia	4,025	4,155	130	54	76	-	-	*3.8%*
South Korea	13,447	13,065	(382)	-	108	-	(490)	*11.8%*
Thailand	15,712	15,916	204	165	39	-	-	*14.4%*
Asia[3]	**33,184**	**33,136**	**(48)**	**219**	**223**	**-**	**(490)**	***30.0%***
Czech Republic	5,653	5,572	(81)	-	-	(81)	-	*5.0%*
Hungary	7,026	7,026	-	-	-	-	-	*6.3%*
Poland	9,736	9,612	(124)	-	-	(124)	-	*8.7%*
Slovakia	3,928	3,973	45	28	17	-	-	*3.6%*
Turkey	3,663	3,610	(53)	-	5	(58)	-	*3.3%*
Republic of Ireland	3,560	3,560	-	-	-	-	-	*3.2%*
Europe[3]	**33,566**	**33,353**	**(213)**	**28**	**22**	**(263)**	**-**	***30.1%***
International[3]	**66,750**	**66,489**	**(261)**	**247**	**245**	**(263)**	**(490)**	***60.1%***
Group[3]	**109,034**	**108,560**	**(474)**	**371**	**489**	**(844)**	**(490)**	***98.1%***
South Korea Franchise	1,216	1,642	426	181	245	-	-	*1.5%*
Czech Franchise	122	95	(27)	-	-	(27)	-	*0.1%*
One Stop (UK) Franchise	102	352	250	131	119	-	-	*0.3%*
Total Franchise	**1,440**	**2,089**	**649**	**312**	**364**	**(27)**	**-**	***1.9%***
Group[4]	**110,474**	**110,649**	**175**	**683**	**853**	**(871)**	**(490)**	***100.0%***

Notes:
1. Extensions/Repurposed stores are not included in the net gain for 'number of stores', since they are expansions/reductions in the space of existing stores. South Korea and South Korea Franchise totals include one store conversion that is therefore included in the net gain for 'number of stores'.
2. Based on Group including franchise stores.
3. Excluding franchise stores.
4. Including franchise stores.

Appendix 7 – Tesco Bank Income Statement

	2014/15[1] £m	2013/14[1] £m
Revenue		
Interest receivable and similar income	537	507
Fees and commissions receivable	487	496
	1,024	1,003
Direct Costs		
Interest payable	(153)	(149)
Fees and commissions payable	(29)	(29)
	(182)	(178)
Gross profit	**842**	**825**
Other expenses:		
Staff costs	(152)	(146)
Premises and equipment	(90)	(87)
Other administrative expenses	(272)	(266)
Depreciation and amortisation (excluding amortisation of intangibles arising on acquisition)	(81)	(71)
	(595)	(570)
Trading profit before provisions for bad and doubtful debts	**247**	**255**
Provisions for bad and doubtful debts	(53)	(61)
Trading profit	**194**	**194**
Deduct: Tesco Bank intangibles[2]	(5)	(12)
Restructuring and other one-off items[3]	(35)	(63)
Deduct: management charges	(1)	(1)
Deduct: IAS 17 Leasing charge	(1)	-
Operating profit	**152**	**118**
Net finance costs: movements on derivatives and hedge accounting	(19)	6
Net finance costs: interest	(4)	(6)
Share of profit of joint ventures and associates	5	2
Profit before tax	**134**	**120**

Notes:
1. These results are for the 12 months ended 28 February 2015 and the previous period comparison is made with the 12 months ended 28 February 2014.
2. Tesco Bank intangibles relate to the non-cash amortisation of intangible assets that were recognised on acquisition.
3. Restructuring and other one-off items in 2014/15 includes an increase in PPI provision of £27m and restructure costs of £8m.

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.