TESCO

7 October 2015

INTERIM RESULTS 2015/16

Transformation on track

Broad-based improvement across the Group

- UK 1H like-for-like sales performance of (1.1)%, including further improvement in 2Q
- International 1H like-for-like sales growth of +1.0%; both Europe and Asia positive in 2Q
- UK focus on service, availability and price maintaining momentum in challenging market
  - Transactions up +1.5%; volumes up +1.4%
- £354m Group operating profit – investing for customers and rebuilding profitability in UK
- On track to deliver £400m annual cost savings from Group restructuring investment
- Significant progress made on balance sheet priority with sale of Homeplus in Korea and confirmation of move to defined contribution pension scheme in UK
- Portfolio reshaping concluded; dunnhumby retained; firm focus on generating cash from retained assets

Dave Lewis, Chief Executive:

"We have delivered an unprecedented level of change in our business over the last twelve months and it is working. The first half results show sustained improvement across a broad range of key indicators.

In the UK, we continue to improve all aspects of our offer for customers, resulting in volume growth which is allowing us to create a virtuous circle of investment.

Our transformation programme in Europe has accelerated growth and reduced operating expenses, and in Asia, we have gained market share in challenging economic conditions.

We have concluded our portfolio review with the sale of Homeplus, our business in Korea, enabling us to take a significant step forward on our priority of strengthening the balance sheet. Further progress will be driven by continuing to increase the level of cash generated from our retained assets."

HEADLINE GROUP RESULTS

26 weeks ended 29 August 2015 (unaudited) **On a continuing operations basis**	1H 2015/16	1H 2014/15	Change (Actual exchange rates)	Change (Constant exchange rates)
Group sales (exc. VAT, exc. Fuel)[1]	**£23,940m**	**£24,266m**	**(1.9)%**	**(0.3)%**
Group statutory operating profit	**£354m**	**£216m**	**63.9%**	**62.0%**
Includes exceptional items	-	£(563)m		
Group operating profit before exceptional items[2]	**£354m**	**£779m**	**(54.6)%**	**(55.1)%**
- UK & ROI	£166m	£543m[3]	(69.4)%	(70.0)%
- International	£102m	£137m	(25.5)%	(26.3)%
- Tesco Bank	£86m	£99m	(13.1)%	(13.1)%
Group statutory profit/(loss) before tax	**£74m**	**£(19)m**	**n/m**	
Group profit before tax before exceptional items and net pension finance costs	**£158m**	**£614m**	**(74.3)%**	
Diluted earnings/(losses) per share	**0.31p**	**(0.31)p**	**n/m**	
Diluted earnings per share before exceptional items and net pension finance costs	**1.13p**	**6.11p**	**(81.5)%**	
Capex	**£0.4bn**	**£0.9bn**	**down 61%**	
Net debt[4]	**£(8.6)bn**	**£(7.5)bn**	**(14.6)%**	

Notes
1. Group sales change shown on a comparable 26 week basis; statutory Group sales change was (1.3)% at actual exchange rates and 0.3% at constant exchange rates.
2. Exceptional items are excluded by virtue of their size and nature in order to better reflect management's view of the performance of the Group.
3. The elimination of intercompany transactions between continuing operations and the Korea discontinued operation, as required by IFRS 5 and IFRS 10, has resulted in a reduction to the prior period UK & ROI operating profit of £7m.
4. Net debt excludes the net debt of Tesco Bank but includes that of discontinued operations.

UPDATE ON OUR PRIORITIES

We have made good progress in the first half against the three key priorities we set out in October 2014. This includes:

1. Regaining competitiveness in core UK business:

- maintained investment in service, with increased proportion of customer-facing roles
- further reduced prices for customers, with more than 500 additional reductions on key product lines
- improved on-shelf availability to record levels across all measures
- improved systems and stock management underpinning three days' stock reduction year-on-year
- completed 21 customer-focused range reviews including nine full category resets
- average number of products per range reviewed reduced by 15%, with prices reduced on 10% of remaining range
- positive volume growth, supporting efforts to build long-term, sustainable and productive relationships with suppliers
- increased level of innovation, with hundreds of new products introduced as part of ongoing review
- total of 53 unprofitable stores now closed since start of year

2. Protecting and strengthening the balance sheet:

- reached agreement to sell our Homeplus business in Korea, which will deliver a pro-forma £4.2bn reduction in total indebtedness
- replacing UK defined benefit pension scheme with a defined contribution scheme from November this year, providing greater certainty on future cash requirements whilst providing sustainable benefits for colleagues
- portfolio reshaping concluded; dunnhumby retained following comprehensive strategic review
- generated £1.0bn cash from retail operations within the half, despite £(0.6)bn outflows relating to prior year exceptional items and our new approach to cash payment terms with suppliers
- reduced capital expenditure by 61% year-on-year; on track for less than £1bn for full year
- asset swap completed in March with British Land to regain sole ownership of 21 superstores, reducing lease commitments and reducing our exposure to inflation-indexed rent reviews
- continued active review of opportunities to release value from former development sites
- restructure of Central European overheads complete, improving potential for medium-term returns
- no interim dividend proposed

3. Rebuilding trust and transparency:

- 300,000 colleagues aligned behind one purpose:'Serving Britain's shoppers a little better every day'
- further increased emphasis on lower, more stable prices; redirected promotional and couponing investment into core pricing; reduced number of shelf-edge label changes by 21% vs last year
- progress made towards building longer-term, mutually beneficial supplier relationships; 3,300 suppliers joined Supplier Network; learning sessions completed with more than 800 suppliers
- extended Tesco Sustainable Dairy Group milk pricing model to British cheese suppliers, guaranteeing dairy farmers continue to be paid at a level above the cost of production
- strong improvement in Supplier Viewpoint measure of overall supplier satisfaction
- launched 'FareShare FoodCloud' pilot scheme, directing unsold food to charities
- strengthened Tesco Bank's offer for customers, with removal of monthly current account fees, monthly communication of foregone interest and becoming the first bank to achieve Defaqto 5* rating on all insurance products

Outlook:

The market remains challenging. In the second half we will continue to benefit from initiatives already undertaken to improve our competitive position and reduce our cost base, leaving our full year expectations unchanged. Our focus remains on doing the right thing for customers and we are prepared to invest further if we see additional opportunity or need to enhance the long-term competitive position of the business.

FINANCIAL RESULTS

As communicated in our first quarter trading statement, our reporting segments ('UK & ROI', 'International' and 'Tesco Bank') have been aligned to the way we now operate the business and report performance internally.

The results of our business in Korea have been classified as discontinued operations following the proposed sale of Homeplus which was announced on 7 September 2015 and approved by shareholders on 30 September 2015. Further detail can be found in Note 7 on page 22 of this statement.

Sales:

	UK & ROI	International[1]	Tesco Bank	Group
	TY	TY	TY	TY
Sales (exc. VAT, exc. Fuel)	**£18,394m**	**£5,068m**	**£478m**	**£23,940m**
Change at actual exchange rates %[2]	(1.2)%	(4.6)%	(0.8)%	(1.9)%
Change at constant exchange rates %[2]	(0.6)%	0.8%	(0.8)%	(0.3)%
LFL (exc. VAT, exc. Fuel)	**(1.3)%**	**1.0%**	**n/a**	**(0.8)%**
Revenue (exc. VAT, inc. Fuel)	**£21,581m**	**£5,168m**	**£478m**	**£27,227m**
Includes: Fuel	£3,187m	£100m	n/a	£3,287m

1. International consists of Central Europe (Czech Republic, Hungary, Poland and Slovakia), Malaysia, Thailand and Turkey.
2. Group sales change shown on a comparable 26 week basis; statutory Group sales change was (1.3)% at actual exchange rates and 0.3% at constant exchange rates.

Group sales declined by (0.3)% at constant rates and by (1.9)% at actual rates, reflecting the impact on translation to sterling of weakness across European currencies being only partially offset by a stronger Thai Baht. Further information on sales performance is included in Appendices 1 to 4 starting on page 34 of this statement.

Like-for-like sales in the UK and Republic of Ireland declined by (1.3)%, with an improving trajectory in performance from (2.0)% in the fourth quarter last year to (1.5)% in the first quarter and (1.0)% in the second quarter.

In the UK, customers are responding well to improvements in our core offer and we are seeing sustained year-on-year growth in transactions and volume. As a result, despite continued high levels of deflation driven by both our price investment and lower commodity prices, like-for-like sales performance in the UK improved again in the second quarter to (1.0)%.

The closure of a total of 53 unprofitable stores in the UK since the start of the year and the reduced level of new store openings led to a contribution from net new space of just 0.5%. After taking into account the like-for-like sales performance, this results in a decline in total UK sales of (0.6)%. The contribution from net new space in the second half is expected to be minimal.

In the Republic of Ireland, we have made a significant investment to ensure our customers receive the most competitive offer possible when shopping with Tesco. The response so far has been encouraging, with an improving trend in both sales and volume throughout the half and an increase in market share for the first time since 2013.

Total international like-for-like sales increased in the half for the first time in nearly three years. Like-for-like sales grew in all European markets as customers responded well to investments in the fresh food offer, with improving sales trends particularly evident in Poland and Slovakia. We delivered positive like-for-like sales growth in Thailand in the second quarter driven by both increased customer numbers and higher volumes, despite high levels of deflation and a difficult consumer environment.

Operating Profit before exceptional items:

	UK & ROI	International	Tesco Bank	Group
	TY	TY	TY	TY
Operating profit before exceptional items	**£166m**	**£102m**	**£86m**	**£354m**
Change at actual exchange rates %	(69.4)%	(25.5)%	(13.1)%	(54.6)%
Change at constant exchange rates %	(70.0)%	(26.3)%	(13.1)%	(55.1)%
Operating profit margin before exceptional items	**0.77%**	**1.97%**	**17.99%**	**1.30%**
Change at actual exchange rates (bp)	(169)bp	(62)bp	(255)bp	(150)bp
Change at constant exchange rates (bp)	(171)bp	(74)bp	(255)bp	(153)bp

As communicated at our Preliminary Results on 22 April 2015, for these and future results, we are moving to operating profit as our headline performance measure, adjusted only for any exceptional items.

In 2014/15, our Group performance was characterised by a significant reduction in operating profitability, to the extent that our UK business made a loss in the second half of the year. This reduction is reflected in the year-on-year profit decline shown for the first half.

In the current year, the changes we have made throughout every aspect of our operation in the UK have enabled us to start rebuilding profitability whilst at the same time investing in our customer offer. We have made permanent reductions to our cost base, fundamentally changed the way we do business with our suppliers and have started to generate positive operating leverage through increasing volumes. The progress we have made so far, combined with improved productivity as we continue our work to simplify our ranges, will enable us to fund further improvements for customers in the second half.

First half UK profit also includes charges in respect of the restructuring of dunnhumby's US relationship with The Kroger Co., in addition to income received following the settlement of proceedings against MasterCard in July 2015.

International profits declined by (26)% at constant rates to £102m, driven by the impact of investments in the customer offer and legislative changes in Hungary, including mandated store closures on Sundays and the introduction of a 'food supervision fee' from January this year. The European Commission is currently investigating the compatibility of this legislation with European Union law.

The restructure of the teams in Czech Republic, Hungary, Poland and Slovakia is now complete, moving from operating as individual country teams to one regional team. We see significant opportunity for synergies in buying, marketing and operations across the markets, which will enable us to fund further investment in the customer offer.

We are making good progress on our cost saving initiatives and are on track to deliver annual savings of c.£400m across the Group.

Exceptional items:

	TY	LY
Impairment of PPE and onerous lease provisions	-	£(136)m
Inventory valuations and provisions	-	£(63)m
Reversal of commercial income recognised in previous years[1]	-	£(187)m
Other restructuring and exceptional items	-	£(177)m
Total exceptional items	**-**	**£(563)m**

1. Last year's number has been revised to reflect the first half impact of the updated commercial income adjustment recognised within our full year results in April 2015. This has no effect on either statutory or full year numbers.

Exceptional items are excluded from our headline performance measures by virtue of their size and nature, in order to better reflect management's view of the performance of the Group. There are no exceptional items affecting Group operating profit in the first half.

Joint ventures and associates:

	TY	LY
Share of post-tax profits from JVs and associates	**£13m**	**£19m**

Our share of post-tax profits from joint ventures and associates was £13m, a decline of £(6)m year-on-year due to increased losses in our partnership with China Resources (Holdings) Company Ltd.

Finance income and finance costs:

	TY	LY
Interest receivable and similar income	£10m	£42m
IAS 32 and 39 'Financial instruments'	£34m	-
Finance income	**£44m**	**£42m**

Interest receivable and similar income reduced by £(32)m year-on-year due to reduced income from index-linked and foreign exchange swaps. This was offset by £34m favourable impact from the mark-to-market of financial instruments as required by IAS 32 and 39 (compared to a negative impact of £12m, included in finance costs last year).

	TY	LY
Interest payable	£(259)m	£(239)m
Capitalised interest	£6m	£25m
IAS 32 and 39 'Financial instruments'	-	£(12)m
IAS 19 net pension finance costs	£(84)m	£(70)m
Finance costs	**£(337)m**	**£(296)m**

Finance costs rose by £(41)m, primarily due to an increase in interest payable and a reduction in capitalised interest. The increase in interest payable was driven by additional finance charges including the costs of committed credit facilities and the unwinding of the discount on onerous lease provisions. These charges offset an overall reduction in interest payable on bonds and medium term notes. More details can be found in Note 5 on page 21 of this statement. Finance costs also include net pension finance costs of £84m (1H 2014/15: £70m) as calculated in accordance with IAS 19. These finance costs are impacted by corporate bond yields which can fluctuate significantly over time.

Group tax:

	TY	LY
Tax on profit before exceptional items	£(52)m	£(105)m
Tax on profit/(loss)	£(52)m	£(6)m

The effective rate of tax for the full year is expected to be around 30%, which includes the anticipated effect on deferred tax of further reductions in the main rate of UK corporation tax that were proposed in the July 2015 UK Budget statement. The effective rate of tax in the half has been impacted by the relative scale of permanent disallowable items to our overall level of profit.

BALANCE SHEET AND CASH FLOW

Summary of total indebtedness:

	TY	Feb 15
Net debt (excludes Tesco Bank)	£(8,588)m	£(8,481)m
Discounted operating lease commitments	£(9,091)m	£(9,353)m
Pension deficit, IAS 19 basis (post-tax)	£(4,201)m	£(3,885)m
Total indebtedness (including lease commitments and pension deficit)	**£(21,880)m**	**£(21,719)m**
Pro-forma effect of Homeplus disposal[1]	£4,225m	
Total indebtedness, adjusting for pro-forma effect of Homeplus disposal[1]	**£(17,655)m**	

1. The proposed sale of Homeplus was announced on 7 September 2015, after the half-year end, and was approved by shareholders on 30 September 2015. The pro-forma effect shown above is illustrative, to show the scale of the reduction in indebtedness that will occur following completion, as if the sale had occurred on 28 February 2015.

Total indebtedness has remained at a similar level to the year end despite a reduction in discounted operating lease commitments, due to an increase in the IAS 19 defined pension deficit and a small increase in net debt.

The increase of £(0.1)bn in net debt includes the consolidation of £(0.5)bn debt relating to our transaction with British Land in March, which allowed us to regain sole ownership of 21 superstores. This transaction reduced lease commitments and reduced our exposure to inflation-indexed rent reviews in future.

On an IAS 19 basis, the Group's net pension deficit after tax increased from £(3.9)bn at the year end to £(4.2)bn, driven mainly by asset returns which have been impacted by volatile equity markets in recent months. In accordance with the £270m annual deficit funding plan agreed with the Trustee, a cash contribution of £92m (£75m post-tax) was made into the scheme in the reporting period. Following consultation with colleagues, we have confirmed that the UK defined benefit pension scheme will be closed and replaced from November 2015 with a defined contribution scheme.

The completion of the sale of Homeplus, our business in Korea is expected to lead to a pro-forma reduction of £4.2bn in total indebtedness, comprising net cash proceeds of £3.4bn and c.£0.8bn associated reduction in capitalised lease and other commitments. Further reductions in indebtedness will be driven by continuing to increase the level of cash generated from our retained assets.

Summary retail cash flow[1]:

	TY	LY
Cash flow from operations excluding working capital	**£1,199m**	**£1,255m**
(Increase)/decrease in working capital		
- cash impact from prior year exceptional items	£(401)m	-
- cash impact of new approach to supplier payments	£(231)m	-
- underlying decrease in working capital	£438m	£255m
Cash generated from operations	**£1,005m**	**£1,510m**
Interest paid	£(173)m	£(269)m
Corporation tax paid	£(53)m	£(244)m
Net cash generated from retail operating activities	**£779m**	**£997m**
Cash capital expenditure	£(498)m	£(1,131)m
Memo: Free cash flow	***£281m***	***£(134)m***
Other investing activities	£507m	£(1,341)m
Net cash (used in)/from financing activities and intra-Group funding and intercompany transactions	£(560)m	£1,415m
Net increase/(decrease) in cash and cash equivalents	**£228m**	**£(60)m**
Exclude cash movements in debt items	£448m	£(1,005)m
Fair value and other non-cash movements	£(783)m	£171m
Movement in net debt	**£(107)m**	**£(894)m**

1. Includes both continuing and discontinued operations.

Excluding working capital, cash flow from both continuing and discontinued retail operations was £1.2bn. Reported working capital includes payments against exceptional restructuring and onerous lease provisions totalling £(0.4)bn and the remaining £(0.2)bn outflow relating to the new approach to cash payments to suppliers which we outlined in April. Prior to these items, working capital improved by £0.4bn including a reduction in inventory levels and lower trade receivables. Overall, we generated £1.0bn retail cash from operations within the half.

Retail interest paid was £(96)m lower than last year principally due to a timing difference in the payment of instalments on a medium term note. In addition, two other medium term notes with coupons of 5% and 5.125% matured in the prior year and were refinanced at lower rates. Cash capital expenditure reduced to £498m, consistent with a full year spend of no more than £1bn.

The cash flow in other retail investing activities principally relates to investments in and proceeds from short-term investments. The prior year comparative also includes a total investment of £342m in the China and India joint ventures.

Capital expenditure and space:

	Group			UK & ROI		International		Tesco Bank	
	TY	LY	YOY Change	TY	LY	TY	LY	TY	LY
Capital expenditure (£bn)	0.4	0.9	(0.6)	0.3	0.7	0.1	0.2	0.0	0.0
Gross space added (mn sq ft)[1]	0.3	0.8	(0.5)	0.0	0.3	0.2	0.4	n/a	n/a
Net space added (mn sq ft)[1]	(1.0)	0.5	(1.5)	(0.9)	0.2	(0.1)	0.3	n/a	n/a

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

Capital expenditure fell by 61% to £0.4bn as we reduced gross space additions by 0.5m sq ft year-on-year. The majority of our significantly reduced opening programme was focused on Thailand where we opened 0.2 million square feet, including four hypermarkets.

Overall, net space in the Group fell by (1.0)m square feet as we closed unprofitable space, primarily in the UK. Further detail on Group space can be found in Appendix 6 starting on page 36 of this statement.

TESCO BANK

	TY	LY	YOY Change
Revenue	£478m	£482m	(0.8)%
Operating profit before exceptional items	£86m	£99m	(13.1)%
Lending to customers	£8,297m	£7,528m	10.2%
Customer deposits	£6,581m	£6,632m	(0.8)%
Net interest margin	4.2%	4.4%	(0.2)%
Risk asset ratio	19.1%	17.1%	2.0%

Operating profit before exceptional items at Tesco Bank decreased by (13.1)% to £86m mainly due to an initial reduction in interchange income following MasterCard's agreement with the Competition and Markets Authority for a phased introduction of new, lower fee levels. This agreement is ahead of the introduction of European Commission caps which will lead to a further reduction from December.

We have made further progress in our efforts to differentiate Tesco Bank's offer for customers. In July, we became the first UK bank to show foregone interest on our customers' monthly statements. This allows customers to see if they could have earned more interest by transferring deposits from their current account to an Instant Access Savings account.

In addition, we introduced a 95% loan-to-value mortgage and smaller loan sizes in the half and these contributed to an overall increase of 10.2% in customer lending. The balance sheet remains strong and well-positioned to support future lending growth from both a liquidity and capital perspective.

Our strong portfolio of insurance products was recognised in August when we became the first bank to have a Defaqto 5* rating across all categories. In a very competitive market, the insurance business was able to broadly maintain the number of in-force policies. The profitability of both Home and Motor products has benefited from further enhancements to our underwriting approach.

An income statement for Tesco Bank can be found in Appendix 7 on page 39 of this statement. Balance sheet and cash flow detail for Tesco Bank can be found within Note 2 starting on page 16 of this statement. Tesco Bank's Interim results are also published today and are available at www.corporate.tescobank.com.

Contacts

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This document is available at www.tescoplc.com/interims2015.

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/interims2015. 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 Interim Results is available now to download in video, audio and transcript form at www.tescoplc.com/interims2015.

ADDITIONAL DISCLOSURES

Risks and Uncertainties

As with any business, risk assessment and the implementation of mitigating actions and controls are critical to successfully achieving the Group's strategy. The Tesco Board has overall responsibility for risk management and internal controls within the context of achieving the Group's objectives. The principal risks and uncertainties faced by the Group remain those set out in our 2015 Annual Report and Financial Statements. The Group also faces risks and uncertainties as a result of the SFO and other investigations, and the litigation risk associated with the matters under investigation as described in Note 16 of this release (Contingent Liabilities) and in our 2015 Annual Report and Financial Statements.

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge this interim consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The Directors of Tesco PLC are listed in the Tesco PLC 2015 Annual Report and Financial Statements. A list of current directors is maintained on the Tesco PLC website at: www.tescoplc.com.

By order of the Board

Directors
John Allan* - Chairman
Dave Lewis - Chief Executive
Alan Stewart - Chief Financial Officer
Mark Armour*
Richard Cousins* - Senior Non-executive Director
Byron Grote*
Mikael Ohlsson*
Deanna Oppenheimer*
*Non-executive Directors

Company Secretary
Paul Moore

6 October 2015

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

TESCO PLC
GROUP INCOME STATEMENT
26 weeks ended 29 August 2015

	Notes	2015 Before exceptional items £m	2015 Exceptional items (Note 3) £m	2015 Total £m	2014 Before exceptional items £m	2014 Exceptional items (Note 3) £m	2014 Total £m
Continuing operations							
Revenue	2	**27,227**	**-**	**27,227**	**27,866**	**-**	**27,866**
Cost of sales		(25,951)	-	(25,951)	(26,243)	(544)	(26,787)
Gross profit		**1,276**	**-**	**1,276**	**1,623**	**(544)**	**1,079**
Administrative expenses		(931)	-	(931)	(857)	(19)	(876)
Profits arising on property-related items		9	-	9	13	-	13
Operating profit	2	**354**	**-**	**354**	**779**	**(563)**	**216**
Share of post-tax profits of joint ventures and associates		13	-	13	19	-	19
Finance income	5	44	-	44	42	-	42
Finance costs	5	(337)	-	(337)	(296)	-	(296)
Profit / (loss) before tax		**74**	**-**	**74**	**544**	**(563)**	**(19)**
Taxation	6	(52)	-	(52)	(105)	99	(6)
Profit / (loss) for the period from continuing operations		**22**	**-**	**22**	**439**	**(464)**	**(25)**
Discontinued operations							
Profit/(loss) for the period from discontinued operations	7	29	(419)	(390)	84	(53)	31
Profit / (loss) for the period		**51**	**(419)**	**(368)**	**523**	**(517)**	**6**
Attributable to:							
Owners of the parent		54	(419)	(365)	523	(517)	6
Non-controlling interests		(3)	-	(3)	-	-	-
		51	**(419)**	**(368)**	**523**	**(517)**	**6**
Earnings / (losses) per share from continuing and discontinued operations							
Basic	9			(4.49)p			0.07p
Diluted	9			(4.47)p			0.07p
Earnings / (losses) per share from continuing operations							
Basic	9			0.31p			(0.31)p
Diluted	9			0.31p			(0.31)p
Interim dividend per share	8			-			1.16p

Non-GAAP measures	2015 £m	2014 £m
Profit before tax before exceptional items	74	544
Add: Net pension finance costs	84	70
Profit before tax before exceptional items and net pension finance costs	**158**	**614**
Diluted earnings per share from continuing operations before exceptional items and net pension finance costs	**1.13p**	**6.11p**

The notes on pages 14 to 30 form part of this condensed consolidated financial information.

TESCO PLC
GROUP STATEMENT OF COMPREHENSIVE INCOME (LOSS)
26 weeks ended 29 August 2015

	Note	2015 £m	2014 £m
Items that will not be reclassified to income statement			
Remeasurements on defined benefit pension schemes	13	(308)	(886)
Tax on items that will not be reclassified		66	170
		(242)	(716)
Items that may subsequently be reclassified to income statement			
Change in fair value of available-for-sale financial assets and investments		-	(2)
Currency translation differences:			
- Retranslation of net assets		(434)	115
- 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)/gains		(4)	46
- Reclassified and reported in the Group Income Statement		(59)	69
Tax on items that may be reclassified		27	(28)
		(470)	183
Total other comprehensive loss for the period		**(712)**	**(533)**
(Loss)/profit for the period		(368)	6
Total comprehensive loss for the period		**(1,080)**	**(527)**
Attributable to:			
Owners of the parent		(1,075)	(528)
Non-controlling interests		(5)	1
Total comprehensive loss for the period		**(1,080)**	**(527)**
Total comprehensive loss attributable to owners of the parent arises from:			
Continuing operations		(478)	(764)
Discontinued operations		(597)	236
		(1,075)	**(528)**

The notes on pages 14 to 30 form part of this condensed consolidated financial information.

TESCO PLC
GROUP BALANCE SHEET
As at 29 August 2015

	Notes	29 August 2015 £m	28 February 2015 £m	23 August 2014 £m
Non-current assets				
Goodwill and other intangible assets	10	3,122	3,771	3,998
Property, plant and equipment	11	16,421	20,440	24,519
Investment property		77	164	203
Investments in joint ventures and associates		852	940	1,648
Other investments		879	975	1,089
Loans and advances to customers		4,376	3,906	3,678
Derivative financial instruments		1,252	1,546	1,626
Deferred tax assets		671	514	70
		27,650	**32,256**	**36,831**
Current assets				
Inventories		2,620	2,957	3,599
Trade and other receivables		1,605	2,121	2,302
Loans and advances to customers		3,917	3,814	3,844
Derivative financial instruments		79	153	59
Current tax assets		16	16	6
Short-term investments		300	593	1,984
Cash and cash equivalents		2,186	2,165	2,917
		10,723	**11,819**	**14,711**
Assets of the disposal groups and non-current assets classified as held for sale	7	5,154	139	266
		15,877	**11,958**	**14,977**
Current liabilities				
Trade and other payables		(8,483)	(9,922)	(11,174)
Financial liabilities:				
- Borrowings		(1,219)	(2,008)	(2,974)
- Derivative financial instruments and other liabilities		(70)	(89)	(124)
- Customer deposits and deposits from banks		(7,026)	(7,020)	(6,996)
Current tax liabilities		(181)	(95)	(371)
Provisions		(324)	(671)	(188)
		(17,303)	**(19,805)**	**(21,827)**
Liabilities of the disposal groups classified as held for sale	7	(1,528)	(5)	(10)
Net current liabilities		**(2,954)**	**(7,852)**	**(6,860)**
Non-current liabilities				
Financial liabilities:				
- Borrowings		(11,385)	(10,651)	(10,906)
- Derivative financial instruments and other liabilities		(905)	(946)	(794)
Post-employment benefit obligations	13	(5,196)	(4,842)	(4,195)
Deferred tax liabilities		(472)	(199)	(433)
Provisions		(580)	(695)	(177)
		(18,538)	**(17,333)**	**(16,505)**
Net assets		**6,158**	**7,071**	**13,466**
Equity				
Share capital		406	406	406
Share premium		5,095	5,094	5,094
All other reserves		(878)	(414)	(311)
Retained earnings		1,540	1,985	8,254
Equity attributable to owners of the parent		**6,163**	**7,071**	**13,443**
Non-controlling interests		(5)	-	23
Total equity		**6,158**	**7,071**	**13,466**

The notes on pages 14 to 30 form part of this condensed consolidated financial information.

TESCO PLC
GROUP STATEMENT OF CHANGES IN EQUITY
26 weeks ended 29 August 2015

	Equity attributable to owners of the parent						
	Share capital	Share premium	All other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 28 February 2015	**406**	**5,094**	**(414)**	**1,985**	**7,071**	**-**	**7,071**
Loss for the period	-	-	-	(365)	**(365)**	(3)	**(368)**
Other comprehensive loss	-	-	(468)	(242)	**(710)**	(2)	**(712)**
Total comprehensive loss	**-**	**-**	**(468)**	**(607)**	**(1,075)**	**(5)**	**(1,080)**
Transactions with owners							
Purchase of treasury shares	-	-	(4)	-	**(4)**	-	**(4)**
Share-based payments	-	-	8	162	**170**	-	**170**
Issue of shares	-	1	-	-	**1**	-	**1**
Dividends	-	-	-	-	**-**	-	**-**
Tax on items charged to equity	-	-	-	-	**-**	-	**-**
Total transactions with owners	**-**	**1**	**4**	**162**	**167**	**-**	**167**
At 29 August 2015	**406**	**5,095**	**(878)**	**1,540**	**6,163**	**(5)**	**6,158**

	Equity attributable to owners of the parent						
	Share capital	Share premium	All other reserves	Retained earnings	Total	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**
Profit for the period	-	-	-	6	**6**	-	**6**
Other comprehensive income/(loss)	-	-	184	(718)	**(534)**	1	**(533)**
Total comprehensive income/(loss)	**-**	**-**	**184**	**(712)**	**(528)**	**1**	**(527)**
Transactions with owners							
Purchase of treasury shares	-	-	(14)	-	**(14)**	-	**(14)**
Share-based payments	-	-	17	57	**74**	-	**74**
Issue of shares	1	14	-	-	**15**	-	**15**
Dividends	-	-	-	(819)	**(819)**	-	**(819)**
Changes in non-controlling interests	-	-	-	-	**-**	15	**15**
Tax on items charged to equity	-	-	-	-	**-**	-	**-**
Total transactions with owners	**1**	**14**	**3**	**(762)**	**(744)**	**15**	**(729)**
At 23 August 2014	**406**	**5,094**	**(311)**	**8,254**	**13,443**	**23**	**13,466**

The notes on pages 14 to 30 form part of this condensed consolidated financial information.

TESCO PLC
GROUP CASH FLOW STATEMENT
26 weeks ended 29 August 2015

	2015 £m	2014 £m
Cash flows from operating activities		
Operating profit of continuing operations	**354**	**216**
Operating profit of discontinued operation	69	118
Depreciation and amortisation	724	739
Loss arising on sale of property, plant and equipment and intangible assets	4	-
Profit arising on sale of joint ventures and associates	(6)	-
Net reversal of impairment of other investments	(7)	-
Impairment of loans/investments in joint ventures and associates	2	-
Net impairment charge of property, plant and equipment and intangible assets	38	199
Adjustment for non-cash element of pensions charge	104	56
Additional contribution into pension scheme	(93)	-
Share-based payments	166	60
Tesco Bank non-cash items included in operating profit	22	40
Decrease in inventories	107	13
(Increase)/decrease in development stock	(6)	54
Decrease/(increase) in trade and other receivables	50	(42)
Increase in trade and other payables	36	324
Decrease in provisions	(381)	(94)
Tesco Bank increase in loans and advances to customers	(605)	(641)
Tesco Bank increase in trade and other receivables	(128)	(31)
Tesco Bank decrease in customer and bank deposits, trade and other payables	131	218
Tesco Bank (decrease)/increase in provisions	(11)	8
Increase in working capital	(807)	(191)
Cash generated from operations	**570**	**1,237**
Interest paid	(175)	(271)
Corporation tax paid	(48)	(244)
Net cash generated from operating activities	**347**	**722**
Cash flows from investing activities		
Purchase of property, plant and equipment, investment property and non-current assets classified as held for sale	(433)	(1,026)
Purchase of intangible assets	(80)	(147)
Acquisition/disposal of subsidiaries, net of cash acquired/disposed	(23)	(238)
Proceeds from sale of joint ventures and associates	129	-
Proceeds from sale of property, plant and equipment, investment property, intangible assets and non-current assets classified as held for sale	147	93
Net decrease in loans to joint ventures and associates	3	33
Investments in joint ventures and associates	(77)	(365)
Net proceeds from sale of/(investments in) short-term investments	293	(968)
Net proceeds from sale of/(investments in) other investments	110	(69)
Dividends received from joint ventures and associates	18	30
Interest received	1	48
Net cash generated from / (used in) investing activities	**88**	**(2,609)**
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	1	15
Increase in borrowings	418	4,326
Repayment of borrowings	(869)	(1,538)
Net cash flows from derivative financial instruments	186	17
Repayments of obligations under finance leases	(7)	(1)
Rights issue to non-controlling interests	-	15
Dividends paid to equity owners	-	(819)
Net cash (used in) / generated from financing activities	**(271)**	**2,015**
Net increase in cash and cash equivalents	**164**	**128**
Cash and cash equivalents at beginning of the period	2,174	2,813
Effect of foreign exchange rate changes	(31)	(13)
Cash and cash equivalents including cash held in disposal groups at the end of the period	**2,307**	**2,928**
Cash held in disposal groups	(121)	(11)
Cash and cash equivalents at the end of the period	**2,186**	**2,917**

The notes on pages 14 to 30 form part of this condensed consolidated financial information.

The unaudited interim consolidated financial information for the 26 weeks ended 29 August 2015 was approved by the Directors on 6 October 2015.

NOTE 1 Basis of preparation

This interim consolidated financial information for the 26 weeks ended 29 August 2015 has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority, and with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. The accounting policies applied are consistent with those described in the Annual Report and Group Financial Statements 2015. There are no new or amended standards effective in the period which have had a material impact on the interim consolidated financial information. The financial period represents the 26 weeks ended 29 August 2015 (prior period 26 weeks ended 23 August 2014, prior financial year 53 weeks ended 28 February 2015).

The information for the current period and prior financial year does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The Directors consider that the Group has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the interim consolidated financial information.

Discontinued operations
In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the net results of the Korean, US and Chinese operations are presented within discontinued operations in the Group Income Statement (for which the comparatives have been restated) and the assets and liabilities of these operations are presented separately in the Group Balance Sheet. Refer to Note 7 for further details.

Use of non-GAAP measures
The Directors have adopted new measures of performance, namely revenue exc. fuel, operating profit before exceptional items, and profit before tax before exceptional items and net pension finance costs. These measures replace the previous measures of sales including VAT (excluding IFRIC 13), trading profit and underlying profit.

The Directors believe that these non-GAAP measures provide additional useful information to shareholders on the underlying trends, performance and position of the Group. These measures are used for performance analysis. The non-GAAP measures are not defined by IFRS and therefore may not be directly comparable with other companies' non-GAAP measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements. The tax impact on non-GAAP measures is included within the Group Income Statement.

Revenue exc. fuel
This is the headline measure of revenue for the Group. It excludes the impact of sales, predominantly fuel sales, made at petrol filling stations, due to the volatilities associated with movements in fuel prices.

Operating profit before exceptional items
This is the headline measure of the Group's performance, and is based on operating profit before the impact of exceptional items.

Exceptional items
Exceptional items relate to certain costs or incomes that derive from events or transactions that fall within the normal activities of the Group but which, individually or, if of a similar type, in aggregate, are excluded from the Group's non-GAAP performance measures by virtue of their size and nature in order to better reflect management's view of the performance of the Group.

Profit before tax before exceptional items and net pension finance costs
This measure excludes exceptional items and the net finance costs of the defined benefit pension deficit as the costs are impacted by corporate bond yields which can fluctuate significantly.

NOTE 2 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 Group Chief Executive Officer, with support from the Executive Committee, as the function primarily responsible for the allocation of resources to segments and assessment of performance of the segments.

In line with changes in management reporting and management structure reporting to the CODM, the Group has reassessed its reportable segments and determined:

- that the retailing and associated activities in the Republic of Ireland, previously disclosed as part of the Europe segment, be combined in a UK and Republic of Ireland segment going forward; and
- that the retailing and associated activities in other countries, previously segregated between the Europe and the Asia segments, be combined in an International segment.

The principal activities of the Group are therefore presented in the following segments:

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

This presentation reflects how the Group's operating performance is reviewed internally by management. Segmental information for the 26 weeks ended 23 August 2014 has been restated accordingly.

In addition, the retailing and associated activities in the Republic of Korea ('Korea') have been classified as discontinued operations in the current period; their performance in this period and comparative periods is therefore part of discontinued operations as presented in Note 7.

The CODM uses operating profit before exceptional items, as reviewed at monthly Executive Committee meetings, as the key measure of the segments' results as it better reflects the segments' underlying performance for the financial period under evaluation. Operating profit before exceptional items is a consistent measure within the Group as defined within Note 1. Refer to Note 3 for exceptional items.

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:

26 weeks ended 29 August 2015 At constant exchange rates**	**UK & ROI £m**	**International £m**	**Tesco Bank £m**	**Total at constant exchange £m**	**Foreign exchange £m**	**Total at actual exchange £m**
Continuing operations						
Revenue exc. fuel	18,509	5,351	478	24,338	(398)	23,940
Revenue	21,700	5,464	478	27,642	(415)	27,227
Operating profit before exceptional items	163	101	86	350	4	354
Exceptional items	-	-	-	-	-	-
Operating profit	163	101	86	350	4	354
Operating margin***	0.8%	1.8%	18.0%	1.3%	-	1.3%

26 weeks ended 29 August 2015 At actual exchange rates****	**UK & ROI £m**	**International £m**	**Tesco Bank £m**	**Total at actual exchange £m**
Continuing operations				
Revenue exc. fuel	18,394	5,068	478	23,940
Revenue	21,581	5,168	478	27,227
Operating profit before exceptional items	166	102	86	354
Exceptional items	-	-	-	-
Operating profit	166	102	86	354
Operating margin***	0.8%	2.0%	18.0%	1.3%

* The Group's performance below operating profit is not allocated to segments. Operating profit is reconciled to profit before tax at a Group level as presented on the Group Income Statement. This reconciliation reflects the Group's share of post-tax profits of joint ventures and associates, finance income and finance costs.
** Constant exchange rates are the average actual periodic exchange rates for the previous financial period.
*** Operating margin is based on operating profit before exceptional items and on revenue.
**** Actual exchange rates are the average actual periodic exchange rates for that financial period.

NOTE 2 Segmental reporting (continued)

26 weeks ended 23 August 2014 At actual exchange rates*	UK & ROI £m	International £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations				
Revenue exc. fuel	18,620	5,164	482	24,266
Revenue**	22,093	5,291	482	27,866
Operating profit before exceptional items	543	137	99	779
Exceptional items	(508)	(28)	(27)	(563)
Operating profit	35	109	72	216
Operating margin***	2.5%	2.6%	20.5%	2.8%

* Actual exchange rates are the average actual periodic exchange rates for that financial period.
** Includes a reclassification of £39m from Tesco Bank to the UK & ROI segment, relating to revenue recognition on Clubcard vouchers. There is no impact on segmental operating profit before exceptional items or operating profit.
*** Operating margin is based on operating profit before exceptional items and on revenue.

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.

29 August 2015	UK & ROI £m	International £m	Tesco Bank £m	Other/ unallocated £m	Total £m
Goodwill and other intangible assets	1,633	297	1,192	-	**3,122**
Property, plant and equipment and investment property	11,681	4,738	79	-	**16,498**
Investments in joint ventures and associates	15	759	78	-	**852**
Other investments	-	-	738	141	**879**
Loans and advances to customers – non-current	-	-	4,376	-	**4,376**
Deferred tax assets	585	86	-	-	**671**
Non-current assets*	**13,914**	**5,880**	**6,463**	**141**	**26,398**
Inventories and trade and other receivables**	2,689	1,025	362	-	**4,076**
Trade and other payables	(6,499)	(1,615)	(369)	-	**(8,483)**
Loans and advances to customers – current	-	-	3,917	-	**3,917**
Customer deposits and deposits from banks	-	-	(7,026)	-	**(7,026)**
Total provisions	(739)	(86)	(79)	-	**(904)**
Deferred tax liability	(408)	(26)	(38)	-	**(472)**
Net current tax	(137)	(6)	(22)	-	**(165)**
Post-employment benefits	(5,179)	(17)	-	-	**(5,196)**
Assets held for sale and assets of the disposal groups***	182	10	-	4,841	**5,033**
Liabilities of the disposal groups***	-	-	-	(1,528)	**(1,528)**
Net debt****	-	-	(904)	(8,588)	**(9,492)**
Net assets	**3,823**	**5,165**	**2,304**	**(5,134)**	**6,158**

* Excludes derivative financial instrument non-current assets of £1,252m.
** Excludes loans to joint ventures and interest and other receivables of £149m.
*** Excludes net debt of the disposal groups of £121m.
**** Refer to Note 14.

NOTE 2 Segmental reporting (continued)

28 February 2015	UK & ROI £m	International £m	Tesco Bank £m	Other/ unallocated £m	Total £m
Goodwill and other intangible assets	1,648	900	1,223	-	**3,771**
Property, plant and equipment and investment property	11,604	8,914	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 assets	433	81	-	-	**514**
Non-current assets*	**13,774**	**10,666**	**6,122**	**148**	**30,710**
Inventories and trade and other receivables**	2,814	1,821	235	-	**4,870**
Trade and other payables	(6,931)	(2,746)	(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	(1,071)	(205)	(90)	-	**(1,366)**
Deferred tax liability	-	(158)	(41)	-	**(199)**
Net current tax	(89)	5	5	-	**(79)**
Post-employment benefits	(4,773)	(69)	-	-	**(4,842)**
Assets held for sale and of the disposal groups***	61	69	-	-	**130**
Liabilities of the disposal groups***	-	-	-	(5)	**(5)**
Net debt****	-	-	(539)	(8,481)	**(9,020)**
Net assets	**3,785**	**9,383**	**2,241**	**(8,338)**	**7,071**

* Excludes derivative financial instrument non-current assets of £1,546m.
** Excludes loans to joint ventures and interest and other receivables of £208m.
*** Excludes net debt of the disposal groups of £9m.
**** Refer to Note 14.

23 August 2014	UK & ROI £m	International £m	Tesco Bank £m	Other/ unallocated £m	Total £m
Goodwill and other intangible assets	1,864	899	1,235	-	**3,998**
Property, plant and equipment and investment property	14,983	9,648	91	-	**24,722**
Investments in joint ventures and associates	135	1,431	82	-	**1,648**
Other investments	-	-	952	137	**1,089**
Loans and advances to customers – non-current	-	-	3,678	-	**3,678**
Deferred tax assets	-	70	-	-	**70**
Non-current assets*	**16,982**	**12,048**	**6,038**	**137**	**35,205**
Inventories and trade and other receivables**	3,131	2,302	206	-	**5,639**
Trade and other payables	(7,750)	(3,120)	(304)	-	**(11,174)**
Loans and advances to customers – current	-	-	3,844	-	**3,844**
Customer deposits and deposits from banks	-	-	(6,996)	-	**(6,996)**
Total provisions	(152)	(101)	(112)	-	**(365)**
Deferred tax liability	(203)	(206)	(24)	-	**(433)**
Net current tax	(317)	(32)	(16)	-	**(365)**
Post-employment benefits	(4,141)	(54)	-	-	**(4,195)**
Assets held for sale and of the disposal groups***	194	61	-	-	**255**
Liabilities of the disposal groups***	-	-	-	(10)	**(10)**
Net debt****	-	-	(448)	(7,491)	**(7,939)**
Net assets	**7,744**	**10,898**	**2,188**	**(7,364)**	**13,466**

* Excludes derivative financial instrument non-current assets of £1,626m.
** Excludes loans to joint ventures and interest and other receivables of £262m.
*** Excludes net debt of the disposal groups of £11m.
**** Refer to Note 14.

NOTE 2 Segmental reporting (continued)

Other segment information 26 weeks ended 29 August 2015	UK & ROI £m	International £m	Tesco Bank £m	Total continuing operations £m	Discontinued operations** £m	Total £m
Capital expenditure (including acquisitions through business combinations):						
- Property, plant and equipment*	691	83	2	**776**	55	**831**
- Goodwill and other intangible assets	83	5	11	**99**	3	**102**
Depreciation of property, plant and equipment	(351)	(159)	(7)	**(517)**	(81)	**(598)**
Amortisation of intangible assets	(71)	(12)	(38)	**(121)**	(5)	**(126)**
Impairment of intangible assets	(18)	-	-	**(18)**	-	**(18)**
Impairment of property, plant and equipment and investment property	(22)	(17)	-	**(39)**	(1)	**(40)**
Reversal of prior period impairment charge of property, plant and equipment and investment property	19	1	-	**20**	-	**20**

Other segment information 26 weeks ended 23 August 2014	UK & ROI £m	International £m	Tesco Bank £m	Total continuing operations £m	Discontinued operations** £m	Total £m
Capital expenditure (including acquisitions through business combinations):						
- Property, plant and equipment*	648	149	8	**805**	79	**884**
- Goodwill and other intangible assets	185	10	22	**217**	-	**217**
Depreciation of property, plant and equipment	(350)	(175)	(9)	**(534)**	(84)	**(618)**
Amortisation of intangible assets	(73)	(13)	(31)	**(117)**	(4)	**(121)**
Impairment of intangible assets	-	-	(4)	**(4)**	-	**(4)**
Impairment of property, plant and equipment and investment property	(250)	(18)	-	**(268)**	(5)	**(273)**
Reversal of prior period impairment charge of property, plant and equipment and investment property	72	2	-	**74**	4	**78**

* Includes £490m (2014: £nil) of property, plant and equipment acquired through business combinations.

** Korea is included within discontinued operations for comparative purposes.

NOTE 2 Segmental reporting (continued)

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

	Retail		Tesco Bank		Total Group	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Operating profit of continuing operations	**268**	**145**	**86**	**71**	**354**	**216**
Operating profit of discontinued operations	69	118	-	-	69	118
Depreciation and amortisation	679	699	45	40	724	739
ATM commission	(20)	(16)	20	16	-	-
Loss/(profit) arising on sale of property, plant and equipment and intangible assets	5	-	(1)	-	4	-
Profit arising on sale of joint ventures and associates	(6)	-	-	-	(6)	-
Net reversal of impairment of other investments	(7)	-	-	-	(7)	-
Impairment of loans/investments in joint ventures and associates	2	-	-	-	2	-
Net impairment charge of property, plant and equipment and intangible assets	38	195	-	4	38	199
Adjustment for non-cash element of pensions charge	104	56	-	-	104	56
Additional contribution into pension scheme	(93)	-	-	-	(93)	-
Share-based payments	160	58	6	2	166	60
Tesco Bank non-cash items included in operating profit	-	-	22	40	22	40
Cash flow from operations excluding working capital	**1,199**	**1,255**	**178**	**173**	**1,377**	**1,428**
(Increase)/decrease in working capital	(194)	255	(613)	(446)	(807)	(191)
Cash generated from / (used in) operations	**1,005**	**1,510**	**(435)**	**(273)**	**570**	**1,237**
Interest paid	(173)	(269)	(2)	(2)	(175)	(271)
Corporation tax (paid)/received	(53)	(244)	5	-	(48)	(244)
Net cash generated from / (used in) operating activities	**779**	**997**	**(432)**	**(275)**	**347**	**722**
Purchase of property, plant and equipment, investment property and non-current assets classified as held for sale	(427)	(1,021)	(6)	(5)	(433)	(1,026)
Purchase of intangible assets	(71)	(110)	(9)	(37)	(80)	(147)
Non-GAAP measure: Free cash flow	**281**	**(134)**	**(447)**	**(317)**	**(166)**	**(451)**
Acquisition/disposal of subsidiaries, net of cash acquired/disposed	(23)	(238)	-	-	(23)	(238)
Proceeds from sale of property, plant and equipment, investment property, intangible assets and non-current assets classified as held for sale	147	93	-	-	147	93
Proceeds from sale of joint ventures and associates	129	-	-	-	129	-
Net decrease in loans to joint ventures and associates	3	33	-	-	3	33
Investments in joint ventures and associates	(77)	(365)	-	-	(77)	(365)
Net proceeds from sale of/(investments in) short-term investments	293	(968)	-	-	293	(968)
Net proceeds from sale of/(investments in) other investments	16	26	94	(95)	110	(69)
Dividends received from joint ventures and associates	18	30	-	-	18	30
Interest received	1	48	-	-	1	48
Net cash generated from / (used in) investing activities	**9**	**(2,472)**	**79**	**(137)**	**88**	**(2,609)**
Proceeds from issue of ordinary share capital	1	15	-	-	1	15
Increase in borrowings	118	3,828	300	498	418	4,326
Repayment of borrowings	(869)	(1,538)	-	-	(869)	(1,538)
Net cash flows from derivative financial instruments	186	17	-	-	186	17
Repayment of obligations under finance leases	(7)	(1)	-	-	(7)	(1)
Rights issue to non-controlling interests	-	15	-	-	-	15
Dividends paid to equity owners	-	(819)	-	-	-	(819)
Net cash (used in) / generated from financing activities	**(571)**	**1,517**	**300**	**498**	**(271)**	**2,015**
Intra-Group funding and intercompany transactions	**11**	**(102)**	**(11)**	**102**	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	**228**	**(60)**	**(64)**	**188**	**164**	**128**
Cash and cash equivalents at the beginning of the period	1,558	2,328	616	485	2,174	2,813
Effect of foreign exchange rate changes	(31)	(13)	-	-	(31)	(13)
Cash and cash equivalents including cash held in disposal groups at the end of the period	**1,755**	**2,255**	**552**	**673**	**2,307**	**2,928**
Cash held in disposal groups	(121)	(11)	-	-	(121)	(11)
Cash and cash equivalents at the end of the period	**1,634**	**2,244**	**552**	**673**	**2,186**	**2,917**

The (increase)/decrease in retail working capital shown above includes a £(278)m increase (2014: £nil) due to the utilisation of restructuring provisions and a £(123)m increase (2014: £(37)m increase) due to the utilisation of onerous lease provisions.

NOTE 2 Segmental reporting (continued)

	Continuing operations		Discontinued operations		Retail	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Operating profit	**248**	**129**	**69**	**118**	**317**	**247**
Depreciation and amortisation	593	611	86	88	679	699
Loss/(profit) arising on sale of property, plant and equipment and intangible assets	5	(9)	-	9	5	-
Profits arising on sale of joint ventures and associates	(6)	-	-	-	(6)	-
Net reversal of impairment of other investments	(7)	-	-	-	(7)	-
Impairment of loans/investments in joint ventures and associates	2	-	-	-	2	-
Net impairment charge of property, plant and equipment and intangible assets	37	194	1	1	38	195
Adjustment for non-cash element of pensions charge	104	56	-	-	104	56
Additional contribution into pension scheme	(93)	-	-	-	(93)	-
Share-based payments	158	62	2	(4)	160	58
Cash flow from operations excluding working capital	**1,041**	**1,043**	**158**	**212**	**1,199**	**1,255**
(Increase)/decrease in working capital	(252)	453	58	(198)	(194)	255
Cash generated from operations	**789**	**1,496**	**216**	**14**	**1,005**	**1,510**
Interest paid	(157)	(242)	(16)	(27)	(173)	(269)
Corporation tax paid	(44)	(177)	(9)	(67)	(53)	(244)
Net cash generated from/(used in) operating activities	**588**	**1,077**	**191**	**(80)**	**779**	**997**
Purchase of property, plant and equipment, investment property and non-current assets classified as held for sale	(393)	(917)	(34)	(104)	(427)	(1,021)
Purchase of intangible assets	(68)	(106)	(3)	(4)	(71)	(110)
Non-GAAP measure: Free cash flow	**127**	**54**	**154**	**(188)**	**281**	**(134)**

NOTE 3 Exceptional items

26 weeks ended 29 August 2015

Loss for the period included the following exceptional items:

Exceptional items included in profits/(losses) for the period from discontinued operations	£m
Deferred tax and costs to sell – Korea	**419**

As a result of the Group's decision to sell the Korean business, a deferred tax charge of £408m and costs to sell of £11m have been recognised in the current period. These items have been classified as exceptional items as explained in Note 7.

26 weeks ended 23 August 2014

Loss for the period included the following exceptional items:

Exceptional items included in cost of sales	£m
Impairment of PPE and onerous lease provisions	136
Inventory valuations and provisions	63
Reversal of commercial income recognised in previous years*	187
Provision for customer redress	27
ATM rates charge	41
Other restructuring and exceptional items	90
	544

* The £145m correction of commercial income estimated for the 26 weeks ended 23 August 2014 has been updated to £187m. This £42m increase is the half year impact of the updated commercial income adjustment already reported in the 2015 Annual Report and Group Financial Statements. This results in a £42m increase in operating profit before exceptional items for the comparative 26 weeks ended 23 August 2014, but has no impact on either statutory numbers or full year.

Exceptional items included in administrative expenses	£m
Other restructuring and exceptional items	**19**

Exceptional items included in profits/(losses) for the period from discontinued operations	£m
Other restructuring and exceptional items – Korea (net of £2m tax credit)	4
Loss on disposal of Chinese operations (net of £53m tax charge)	49
	53

NOTE 4 Income and expenses

Continuing operations	2015 £m	2014 £m
Profit before tax is stated after charging/(crediting) the following:		
Rental income, of which £20m (2014: £19m) relates to investment properties	(166)	(163)
Direct operating expenses arising on rental earning investment properties	11	5
Costs of inventories recognised as an expense	20,019	20,505
Stock losses and provisions	548	720
Depreciation and amortisation	638	651
Operating lease expenses, of which £52m (2014: £52m) relates to hire of plant and machinery	566	622
Net impairment charge on property, plant and equipment and investment property	19	194
Impairment of goodwill and other intangible assets	18	4
Impairment of investment in and loans to joint ventures and associates	2	-

NOTE 5 Finance income and costs

Continuing operations	2015 £m	2014 £m
Finance income		
Interest receivable and similar income	10	42
IAS 32 and 39 'Financial Instruments' – fair value remeasurements	34	-
Total finance income	**44**	**42**
Finance costs		
GBP MTNs	(86)	(94)
EUR MTNs	(61)	(72)
USD Bonds	(43)	(42)
Other MTNs	-	(2)
Finance charges payable under finance leases and hire purchase contracts	(5)	(5)
Other interest payable	(64)	(24)
Capitalised interest	6	25
IAS 32 and 39 'Financial Instruments' – fair value remeasurements	-	(12)
Total finance costs before net pension finance costs	**(253)**	**(226)**
Net pension finance costs	(84)	(70)
Total finance costs	**(337)**	**(296)**

NOTE 6 Taxation

Continuing operations	2015 £m	2014 £m
UK	(31)	23
Overseas	(21)	(29)
Taxation charge	**(52)**	**(6)**

The tax charge in the Group Income Statement is based on management's best estimate of the full year effective tax rate based on expected full year profits to 27 February 2016.

Reductions to the main rate of UK corporation tax were proposed in the July 2015 UK Budget statement to reduce the rate from 20% to 19% by 1 April 2017 and to 18% by 1 April 2020. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in this interim consolidated financial information.

NOTE 7 Discontinued operations and non-current assets classified as held for sale

Assets and liabilities of the disposal groups and non-current assets classified as held for sale

	29 August 2015 £m	28 February 2015 £m	23 August 2014 £m
Assets of the disposal group – Korea	4,955	-	-
Assets of the disposal groups – other	7	9	11
Non-current assets classified as held for sale	192	130	255
Total assets of the disposal groups and non-current assets classified as held for sale	5,154	139	266
Total liabilities of the disposal group – Korea	(1,524)	-	-
Total liabilities of the disposal groups – other	(4)	(5)	(10)
Total net assets classified as held for sale	**3,626**	**134**	**256**

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

Discontinued operations

In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the assets and liabilities related to Homeplus Co. Limited, Homeplus Tesco Co. Limited and related subsidiaries (collectively referred to as 'Korea') have been classified as a disposal group held for sale at the period end. The Group subsequently entered into a conditional agreement to sell Korea to a group of investors led by MBK Partners and including Canada Pension Plan Investment Board, Public Sector Pension Investment Board and Temasek Holdings (Private) Limited. The Group's shareholders approved the sale on 30 September 2015 and completion is expected in October 2015.

The £3,839 million estimated fair value less costs to sell exceeds the carrying value of Korea net assets, and accordingly no impairment losses have been recognised on reclassification as a disposal group.

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. The Group's Chinese operations had been disposed as at 23 August 2014. The balances of the US represent the remaining costs of the orderly restructuring process.

Income Statement for discontinued operations 26 weeks ended 29 August 2015	**2015**			**2014**
	Total*	**Korea**	**China & US*** **	**Total**
	£m	**£m**	**£m**	**£m**
Revenue	2,635	2,607	281	2,888
Expenses**	(2,564)	(2,470)	(300)	(2,770)
Profit / (loss) before tax before exceptional items	**71**	**137**	**(19)**	**118**
Taxation	(42)	(33)	(1)	(34)
Profit / (loss) after tax before exceptional items	**29**	**104**	**(20)**	**84**
Loss after tax of disposal of Chinese operations	-	-	(49)	(49)
Deferred tax charge on Korean operations	(408)	-	-	-
Costs to sell and other items on Korean operations	(11)	(4)	-	(4)
Total (loss) / profit after tax	**(390)**	**100**	**(69)**	**31**

* These figures represent the performance of Korea for the current period.

** Intercompany recharges and intercompany loan interest totalling £39m (2014: £48m) between continuing operations and the Korea discontinued operation have been eliminated. This elimination impacts the performance of continuing and discontinued operations, reducing the profit/(loss) before tax of continuing operations by £39m (2014: £48m), whilst increasing the profit/(loss) before tax of Korea discontinued operations by the same amounts.

*** 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 China Resource Enterprise Limited.

As a result of the Group's decision to sell Korea, £419m of charges have been recognised in the current period relating to a deferred tax charge of £408m and costs to sell of £11m. The deferred tax charge of £408m is based on the temporary difference between the tax base and carrying value of the Korea net assets, and will reverse on disposal of the business.

The tax payable on disposal will be an estimated transaction related tax of £326m, with a further provision for capital gains tax of £262m expected, being the Group's best estimate of potential capital gains tax payable, subject to agreement with the relevant tax authorities.

NOTE 7 Discontinued operations and non-current assets classified as held for sale (continued)

Earnings/(loss) per share impact from discontinued operations	2015	2014
Basic	(4.80)p	0.38p
Diluted	(4.78)p	0.38p

Balance Sheet	29 August 2015 Total £m
Assets of the disposal group - Korea	
Goodwill and other intangible assets	530
Property, plant and equipment	3,499
Investment property	30
Inventories	184
Trade and other receivables	597
Cash and cash equivalents	115
Total assets of the disposal group - Korea	**4,955**
Liabilities of the disposal group - Korea	
Trade and other payables	(1,148)
Other liabilities	(376)
Total liabilities of the disposal group - Korea	**(1,524)**
Total net assets of the disposal group - Korea*	**3,431**
Net assets of the US disposal group	3
Total net assets of the disposal groups	**3,434**

* Intercompany balances totalling £800m, comprising intercompany loans of £757m and working capital balances of £43m, between continuing operations and the Korea discontinued operation have been eliminated, resulting in an increase in the total net assets of Korea from £2,631m to £3,431m.

Cash Flow Statement	Total Korea & US 29 August 2015 £m	Total Korea, US & China 23 August 2014 £m
Net cash flows from operating activities	191	(80)
Net cash flows from investing activities	10	(205)
Net cash flows from financing activities	(100)	66
Net cash flows from discontinued operations	**101**	**(219)**
Intra-Group funding and intercompany transactions	(60)	(32)
Net cash flows from discontinued operations, net of intercompany	**41**	**(251)**

NOTE 8 Dividends

	2015		2014	
	Pence/share	£m	Pence/share	£m
Prior financial year final dividend recognised as distributions to owners in the financial period	-	-	10.13	819
Interim dividend for the current financial year	-	-	1.16	95

NOTE 9 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 period.

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 period 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. The Group has recognised a profit for the period from its continuing operations therefore the diluted earnings/(losses) per share includes this dilutive/antidilutive effect.

			2015			**2014**
	Basic	**Potentially dilutive share options**	**Diluted**	**Basic**	**Potentially dilutive share options**	**Diluted**
Profit/(loss)(£m)						
- Continuing operations	25	-	25	(25)	-	(25)
- Discontinued operations	(390)	-	(390)	31	-	31
Weighted average number of shares (millions)	8,122	45	8,167	8,103	1	8,104
Earnings/(losses) per share (pence)						
- Continuing operations	0.31	-	0.31	(0.31)	-	(0.31)
- Discontinued operations	(4.80)	0.02	(4.78)	0.38	-	0.38
Total	**(4.49)**	**0.02**	**(4.47)**	**0.07**	**-**	**0.07**

Diluted earnings per share from continuing operations before exceptional items and net pension finance costs is 1.13p (2014: 6.11p) which is derived from profit after tax from continuing operations before exceptional items and net pension finance costs attributable to the owners of the parent of £92m (2014: £495m) divided by the diluted weighted average number of shares of 8,167m (2014: 8,104m).

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

NOTE 10 Goodwill and other intangible assets

Goodwill and other intangible assets comprise £1,768m goodwill (28 February 2015: £2,288m, 23 August 2014: £2,411m) and £1,354m other intangible assets (28 February 2015: £1,483m, 23 August 2014: £1,587m).

The impairment review methodology for goodwill is unchanged from that described in the 2015 Annual Report and Group Financial Statements. There were no indicators of goodwill impairment in the period; the annual goodwill impairment review will occur in the second half of the year.

The components of goodwill are as follows:

	29 August 2015 £m	**28 February 2015 £m**	**23 August 2014 £m**
Malaysia	63	74	77
Korea	-	502	504
Tesco Bank	802	802	802
Thailand	143	159	149
UK	731	722	850
Other	29	29	29
	1,768	**2,288**	**2,411**

The goodwill in Korea has been reclassified to assets of the disposal groups and non-current assets classified as held for sale.

NOTE 11 Property, plant and equipment

	29 August 2015			28 February 2015			23 August 2014		
	Land and buildings £m	Other* £m	Total £m	Land and buildings £m	Other* £m	Total £m	Land and buildings £m	Other* £m	Total £m
Cost									
Opening balance	25,298	11,493	36,791	25,734	10,851	36,585	25,734	10,851	36,585
Foreign currency translation	(544)	(234)	(778)	(314)	(106)	(420)	93	34	127
Additions	128	213	341	799	840	1,639	473	411	884
Acquisitions through business combinations	477	13	490	-	3	3	-	-	-
Reclassification	(30)	(8)	(38)	(591)	152	(439)	(475)	144	(331)
Classified as held for sale	(379)	(19)	(398)	30	(18)	12	-	-	-
Disposals	(295)	(60)	(355)	(360)	(229)	(589)	(134)	(65)	(199)
Transfer to disposal group classified as held for sale	(3,584)	(1,202)	(4,786)	-	-	-	-	-	-
Closing balance	**21,071**	**10,196**	**31,267**	**25,298**	**11,493**	**36,791**	**25,691**	**11,375**	**37,066**
Accumulated depreciation and impairment losses									
Opening balance	7,429	8,922	16,351	4,985	7,110	12,095	4,985	7,110	12,095
Foreign currency translation	(120)	(147)	(267)	(186)	(96)	(282)	(16)	6	(10)
Charge for the period	214	384	598	446	847	1,293	214	404	618
Impairment losses	32	7	39	3,029	1,263	4,292	268	4	272
Reversal of impairment losses	(14)	(1)	(15)	(169)	(7)	(176)	(78)	-	(78)
Reclassification	(18)	(8)	(26)	(358)	-	(358)	(189)	-	(189)
Classified as held for sale	(279)	(16)	(295)	(86)	(16)	(102)	-	-	-
Disposals	(214)	(38)	(252)	(232)	(179)	(411)	(104)	(57)	(161)
Transfer to disposal group classified as held for sale	(479)	(808)	(1,287)	-	-	-	-	-	-
Closing balance	**6,551**	**8,295**	**14,846**	**7,429**	**8,922**	**16,351**	**5,080**	**7,467**	**12,547**
Net carrying value	**14,520**	**1,901**	**16,421**	**17,869**	**2,571**	**20,440**	**20,611**	**3,908**	**24,519**

* Other assets consist of plant, equipment, fixtures and fittings and motor vehicles.

Commitments for capital expenditure contracted for, but not incurred, at 29 August 2015 were £294m (28 February 2015: £103m, 23 August 2014: £206m), principally relating to store development. This excludes balances associated with the discontinued operations in Korea of £7m (28 February 2015: £79m, 23 August 2014: £38m).

The impairment review methodology for property, plant and equipment is unchanged from that described in the 2015 Annual Report and Group Financial Statements.

NOTE 12 Commercial income

Commercial income relates to volume-related allowances, promotional and marketing allowances and various other fees and discounts received in connection with the purchase of goods for resale from 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. Accounting for the amount and timing of recognition of commercial income may require the exercise of judgement, as detailed in the 2015 Annual Report and Group Financial Statements.

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. 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.

NOTE 12 Commercial income (continued)

Below are the commercial income balances included within inventories and trade and other receivables, or netted against trade payables. Amounts received in advance of income being earned are included in accruals and deferred income.

	29 August 2015 £m	28 February 2015 £m	23 August 2014 £m
Current assets			
Inventories	(71)	(93)	(78)
Trade and other receivables			
- Other receivables	83	97	59
- Accrued income	95	158	178
Current liabilities			
Trade and other payables			
- Trade payables	178	347	386
- Accruals and deferred income	(39)	(53)	(103)

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 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 Korea. Of these schemes, the UK represents 96% 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.

During the period, the Group reached a decision to close the Scheme to new entrants and future accrual from November 2015, and replace it with a new defined contribution scheme. As the Scheme remained open at 29 August 2015, the decision has had no impact on the results presented for the reporting period.

Principal assumptions

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

	29 August 2015 %	28 February 2015 %	23 August 2014 %
Discount rate	3.8	3.7	4.2
Price inflation	3.2	3.1	3.2
Rate of increase in deferred pensions*	2.2	2.1	2.2
Rate of increase in salaries	3.3	3.2	3.3
Rate of increase in pensions in payment:			
- Benefits accrued before 1 June 2012	3.0	2.9	3.0
- Benefits accrued after 1 June 2012	2.2	2.1	2.2
Rate of increase in career average benefits:			
- Benefits accrued before 1 June 2012	3.2	3.1	3.2
- Benefits accrued after 1 June 2012	2.2	2.1	2.2

* 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 £347m.

NOTE 13 Post-employment benefits (continued)

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

	29 August 2015 £m	28 February 2015 £m	23 August 2014 £m
Deficit in schemes at the beginning of the period	**(4,842)**	**(3,193)**	**(3,193)**
Current service cost	(386)	(631)	(310)
Net pension finance costs	(84)	(136)	(71)
Contributions by employer	373	563	254
Additional contribution by employer	1	13	11
Foreign currency translation	5	15	-
Remeasurements	(308)	(1,473)	(886)
Transfer to disposal group classified as held for sale	45	-	-
Deficit in schemes at the end of the period	**(5,196)**	**(4,842)**	**(4,195)**
Deferred tax asset	1,029	957	835
Deficit in schemes at the end of the period, net of deferred tax	**(4,167)**	**(3,885)**	**(3,360)**

NOTE 14 Analysis of changes in net debt

	28 February 2015 £m	Cash flow £m	Fair value and foreign exchange movements £m	Interest (charge) / income £m	Other non-cash movements £m	Non-cash movements on acquisition of Tesco Aqua Limited Partnership £m	Reclassification of movement in net debt of disposal group £m	29 August 2015 £m
Total Group								
Cash and cash equivalents	2,165	164	(31)	-	-	-	(112)	2,186
Short-term investments	593	(293)	-	-	-	-	-	300
Joint venture loans	207	(3)	-	-	(27)	(29)	-	148
Interest and other receivables	1	(20)	-	20	-	-	-	1
Bank and other borrowings	(12,358)	451	132	(9)	-	(474)	-	(12,258)
Interest payables	(160)	175	-	(229)	-	(1)	-	(215)
Finance lease payables	(141)	7	8	-	(5)	-	-	(131)
Net derivative financial instruments	610	(186)	(79)	2	-	(57)	-	290
Net derivative interest	54	19	-	(7)	-	-	-	66
Net debt of the disposal groups	9	-	-	-	-	-	112	121
Total Group	(9,020)	314	30	(223)	(32)	(561)	-	(9,492)
Tesco Bank								
Cash and cash equivalents	616	(64)	-	-	-	-	-	552
Joint venture loans	34	-	-	-	-	-	-	34
Bank and other borrowings	(1,133)	(300)	(2)	-	-	-	-	(1,435)
Interest payables	(1)	2	-	(2)	-	-	-	(1)
Net derivative financial instruments	(55)	-	1	-	-	-	-	(54)
Tesco Bank	(539)	(362)	(1)	(2)	-	-	-	(904)
Retail								
Cash and cash equivalents	1,549	228	(31)	-	-	-	(112)	1,634
Short-term investments	593	(293)	-	-	-	-	-	300
Joint venture loans	173	(3)	-	-	(27)	(29)	-	114
Interest and other receivables	1	(20)	-	20	-	-	-	1
Bank and other borrowings	(11,225)	751	134	(9)	-	(474)	-	(10,823)
Interest payables	(159)	173	-	(227)	-	(1)	-	(214)
Finance lease payables	(141)	7	8	-	(5)	-	-	(131)
Net derivative financial instruments	665	(186)	(80)	2	-	(57)	-	344
Net derivative interest	54	19	-	(7)	-	-	-	66
Net debt of the disposal groups	9	-	-	-	-	-	112	121
Net debt	**(8,481)**	**676**	**31**	**(221)**	**(32)**	**(561)**	**-**	**(8,588)**

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 14 Analysis of changes in net debt (continued)

Reconciliation of net cash flow to movement in net debt	29 August 2015 £m	23 August 2014 £m
Net increase in cash and cash equivalents	164	128
Elimination of Tesco Bank movement in cash and cash equivalents	64	(188)
Retail cash movement in other net debt items		
- Net (decrease)/increase in short-term investments	(293)	968
- Net decrease in joint venture loans	(3)	(33)
- Net decrease/(increase) in borrowings and lease financing	758	(2,144)
- Net cashflows from derivative financial instruments	(186)	(17)
- Net interest paid on components of net debt	172	221
Change in net debt resulting from cash flow	676	(1,065)
Retail net interest charge on components of net debt	(221)	(198)
Retail fair value and foreign exchange movements	31	114
Debt disposed of on disposal of Chinese operations	-	255
Debt acquired on acquisition of Tesco Aqua Limited Partnership	(561)	-
Retail other non-cash movements	(32)	-
Increase in net debt for the period	(107)	(894)
Opening net debt	**(8,481)**	**(6,597)**
Closing net debt	**(8,588)**	**(7,491)**

NOTE 15 Financial instruments

The following table presents the Group's financial assets and liabilities that are measured at fair value at 29 August 2015, by level of fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (from prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (from unobservable inputs) (Level 3).

29 August 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Available-for-sale financial assets	739	-	113	852
Derivative financial instruments:				
- Interest rate swaps and similar instruments	-	25	-	25
- Cross currency swaps	-	549	-	549
- Index-linked swaps	-	680	-	680
- Forward foreign currency contracts	-	77	-	77
Total assets	**739**	**1,331**	**113**	**2,183**
Liabilities				
Derivative financial instruments:				
- Interest rate swaps and similar instruments	-	(330)	-	(330)
- Cross currency swaps	-	(151)	-	(151)
- Index-linked swaps	-	(443)	-	(443)
- Forward foreign currency contracts	-	(51)	-	(51)
Total liabilities	**-**	**(975)**	**-**	**(975)**
Total	**739**	**356**	**113**	**1,208**

28 February 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Available-for-sale financial assets	828	-	112	940
Derivative financial instruments:				
- Interest rate swaps and similar instruments	-	29	-	29
- Cross currency swaps	-	812	-	812
- Index-linked swaps	-	699	-	699
- Forward foreign currency contracts	-	159	-	159
Total assets	**828**	**1,699**	**112**	**2,639**

NOTE 15 Financial instruments (continued)

28 February 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Liabilities				
Derivative financial instruments:				
- Interest rate swaps and similar instruments	-	(285)	-	(285)
- Cross currency swaps	-	(182)	-	(182)
- Index-linked swaps	-	(474)	-	(474)
- Forward foreign currency contracts	-	(94)	-	(94)
Total liabilities	**-**	**(1,035)**	**-**	**(1,035)**
Total	**828**	**664**	**112**	**1,604**

23 August 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Available-for-sale financial assets	952	-	104	1,056
Derivative financial instruments:				
- Interest rate swaps and similar instruments	-	90	-	90
- Cross currency swaps	-	825	-	825
- Index-linked swaps	-	738	-	738
- Forward foreign currency contracts	-	33	-	33
Total assets	**952**	**1,686**	**104**	**2,742**
Liabilities				
Derivative financial instruments:				
- Interest rate swaps and similar instruments	-	(199)	-	(199)
- Cross currency swaps	-	(148)	-	(148)
- Index-linked swaps	-	(523)	-	(523)
- Forward foreign currency contracts	-	(47)	-	(47)
Total liabilities	**-**	**(917)**	**-**	**(917)**
Total	**952**	**769**	**104**	**1,825**

There were no transfers between Levels 1 and 2 during the period (52 weeks ended 28 February 2015: no transfers, 26 weeks ended 23 August 2014: no transfers) and no transfers into and out of Level 3 fair value measurements (52 weeks ended 28 February 2015: no transfers, 26 weeks ended 23 August 2014: no transfers).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Carrying amounts versus fair values

The carrying amounts of the following financial assets and financial liabilities are a reasonable approximation of their fair value: cash and cash equivalents, short-term and other investments, joint ventures and associates loan receivables, other receivables, derivative financial assets/liabilities, short-term borrowings at amortised cost and finance leases and deposits by banks – Tesco Bank.

The financial instruments where the carrying values and fair values are materially different are set out in the table below:

	29 August 2015		28 February 2015		23 August 2014	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Assets						
Loans and advances to customers – Tesco Bank	8,293	8,338	7,720	7,772	7,522	7,508
Liabilities						
Short-term borrowings:						
- Bonds in fair value hedge relationships	-	-	-	-	(496)	(492)
Long-term borrowings:						
- Amortised cost	(8,510)	(8,420)	(7,193)	(7,299)	(7,007)	(7,425)
- Bonds in fair value hedge relationships	(2,754)	(2,415)	(3,327)	(3,033)	(3,785)	(3,581)
Customer deposits – Tesco Bank	(6,580)	(6,566)	(6,914)	(6,873)	(6,628)	(6,589)

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 22 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 2014, relating to the recognition of commercial income and the deferral of costs. The Serious Fraud Office ('SFO') commenced an investigation into accounting practices at the Group on 29 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 and/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 lead plaintiff filed an amended claim on behalf of all investors on 6 May 2015. The Group filed a motion to dismiss the claim on 17 August 2015. All of the plaintiffs dealt through the American Depository Receipts programme which represents approximately 2% of the Group's issued share capital. Pending completion of the preliminary stages of this claim, the Group is not able to make any assessment of the likely outcome or quantum of this claim. 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 and the Group is consequently unable to make any assessment of the likely outcome or quantum.

Developments in respect of the UK Supreme Court's decision in the case of Plevin v Paragon (November 2014) are being followed closely by the Group. The case related to the sale of a single premium PPI policy which was held to be an 'unfair relationship' under s.104A of the Consumer Credit Act 1974 due to high, undisclosed commission. On 2 October 2015 the FCA announced that, as part of a consultation on the introduction of a deadline by which consumers would need to make PPI complaints, it would consult on proposed rules and guidance concerning the handling of PPI complaints in light of the Supreme Court's decision in the case and announced that such complaints would also be subject to the proposed deadline. The FCA intends to publish its consultation paper on the deadline for PPI complaints and on rules and guidance in light of the Plevin decision before the end of 2015. Given the current uncertainty, it is not possible to estimate reliably any potential impact and thus no provision arising from this case has been made.

NOTE 17 Business combinations

On 20 March 2015 the Group obtained sole control of the Tesco Aqua Limited Partnership, previously a joint venture with British Land Co PLC ('British Land'). The Group received British Land's share of the partnership and cash of £96m in exchange for British Land taking 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 consolidation of the Tesco Aqua Limited Partnership has increased PPE assets by £465m, being the fair value of 21 standalone stores included in the assets acquired, together with increasing Group liabilities by £474m third party debt and £57m derivative liabilities. No goodwill has been recognised relating to the business combination.

Independent review report to Tesco PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29 August 2015 which comprises the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29 August 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
6 October 2015

Registrar and shareholding enquiries
If you have any administrative enquiries about your holding of Tesco PLC shares (other than ADRs) please contact:
Equiniti Limited
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Tesco PLC website
The Directors are responsible for the maintenance and integrity of the financial information on our website. This information has been prepared under relevant accounting standards and legislation. Tesco information, including this press release is available on our website:
www.tescoplc.com.

Electronic communications
You can register for Shareview, a free online share information and dealing service operated by Equiniti. Once you have registered you can:

- check your shareholding
- access shareholder information
- elect to receive information electronically, getting quick access to these important documents and helping to save the environment by reducing the amount of paper used
- vote on the resolutions at the Annual General Meeting.

To register, log on to www.shareview.co.uk and click on 'register'. Your rights as a shareholder will not be affected in any way. If you have any questions about the service, please call 0871 384 2977.

Security reminder
Under the Companies Act 2006 we are obliged to hold the names and addresses of all shareholders on a register of members and give a copy of this list to the Registrar of Companies every year. The Registrar of Companies makes this list available to anyone who requests it and many companies use this information to market their services. We are aware that some of our shareholders have received unsolicited calls or correspondence from companies concerning investment matters. Tesco has no relationship with and does not endorse any of the services offered by these companies. Details of any facilities that we endorse are included in our communications. If you are concerned about any direct mailing or telephone calls purporting to be from Tesco, please contact us by writing to the Company Secretary, Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL or by calling us on 01992 632222.

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Financial Calendar	
	2016
Financial year-end	27 February
Preliminary results announced*	13 April

* Please note that this date is provisional and subject to change.

Appendix 1

Total Sales Performance at Actual Rates (Exc. VAT, Exc. Fuel)

	1H 2014/15	2H 2014/15	FY 2014/15	1Q 2015/16	2Q 2015/16	1H 2015/16
UK & ROI	**(3.2)%**	**(2.3)%**	**(2.8)%**	**(1.0)%**	**(1.4)%**	**(1.2)%**
UK	(2.7)%	(1.8)%	(2.3)%	(0.3)%	(0.9)%	(0.6)%
ROI	(10.3)%	(11.5)%	(10.9)%	(14.7)%	(12.2)%	(13.5)%
International	**(10.8)%**	**(3.4)%**	**(7.1)%**	**(3.9)%**	**(5.2)%**	**(4.6)%**
Europe	(8.7)%	(5.9)%	(7.3)%	(9.4)%	(8.3)%	(8.8)%
Asia	(13.6)%	0.3%	(6.9)%	3.5%	(0.7)%	1.5%
Tesco Bank	**6.1%**	**(1.2)%**	**2.4%**	**0.9%**	**(2.5)%**	**(0.8)%**
Group	**(4.8)%**	**(2.3)%**	**(3.5)%**	**(1.7)%**	**(2.3)%**	**(1.9)%**

Appendix 2

Total Sales Performance at Constant Rates (Exc. VAT, Exc. Fuel)

	1H 2014/15	2H 2014/15	FY 2014/15	1Q 2015/16	2Q 2015/16	1H 2015/16
UK & ROI	**(2.9)%**	**(2.0)%**	**(2.4)%**	**(0.4)%**	**(0.9)%**	**(0.6)%**
UK	(2.7)%	(1.8)%	(2.2)%	(0.3)%	(0.9)%	(0.6)%
ROI	(5.5)%	(4.8)%	(5.1)%	(2.7)%	(1.7)%	(2.2)%
International	**0.2%**	**1.4%**	**0.8%**	**(0.5)%**	**2.1%**	**0.8%**
Europe	(0.3)%	2.9%	1.3%	1.8%	3.3%	2.5%
Asia	0.9%	(0.8)%	0.1%	(3.5)%	0.3%	(1.7)%
Tesco Bank	**6.1%**	**(1.2)%**	**2.4%**	**0.9%**	**(2.5)%**	**(0.8)%**
Group	**(2.0)%**	**(1.2)%**	**(1.6)%**	**(0.4)%**	**(0.3)%**	**(0.3)%**

Appendix 3

Like-for-Like Sales Performance (Exc. VAT, Exc. Fuel)

	1H 2014/15	2H 2014/15	FY 2014/15	1Q 2015/16	2Q 2015/16	1H 2015/16
UK & ROI	**(4.8)%**	**(3.6)%**	**(4.2)%**	**(1.5)%**	**(1.0)%**	**(1.3)%**
UK	(4.8)%	(3.4)%	(4.1)%	(1.3)%	(1.0)%	(1.1)%
ROI	(6.3)%	(6.9)%	(6.6)%	(4.4)%	(2.9)%	(3.7)%
International	**(2.0)%**	**(1.1)%**	**(1.6)%**	**(0.2)%**	**2.3%**	**1.0%**
Europe	(0.3)%	1.9%	0.8%	2.2%	4.0%	3.2%
Asia	(4.3)%	(5.5)%	(5.0)%	(3.4)%	0.1%	(1.7)%
Group	**(4.2)%**	**(3.2)%**	**(3.6)%**	**(1.2)%**	**(0.3)%**	**(0.8)%**

Notes:
Growth rates are shown on a continuing operations basis. Quarterly growth rates are based on comparable days for the current year and the prior year. 1H 15/16 growth rates are based on a comparable 26 week basis; Statutory Group sales change was (1.3)% at actual rates and 0.3% at constant rates.
For the UK and Republic of Ireland, 1H 15/16 growth rates are based on the 182 days to 29 August 2015 for the current year compared to the 182 days to 30 August 2014 for the prior year.
For Tesco Bank, 1H 15/16 growth rates are based on the 184 days to 31 August 2015 for the current year compared with the 184 days to 31 August 2014 for the prior year.
For all other countries, 1H 15/16 growth rates are based on the 182 days to 30 August 2015 compared to the 182 days to 31 August 2014 for the prior year.

Appendix 4

Country Detail

	Revenue (Exc. VAT, Inc. Fuel) Local Currency (m)	£m	Average exchange rate	Closing exchange rate
UK	20,691	20,691	1.000	1.000
ROI	1,239	890	1.392	1.366
Czech Republic	20,808	548	37.97	36.97
Hungary	282,908	661	428.0	429.7
Poland	5,505	959	5.740	5.786
Slovakia	665	478	1.392	1.366
Turkey	1,077	261	4.126	4.497
Malaysia	2,205	383	5.756	6.454
Thailand	96,317	1,863	51.70	55.17
Memo:				
South Korea	4,534,835	2,635	1,721	1,804

Appendix 5

UK Sales Area by Size of Store

	August 2015			August 2014		
	No. of stores	Million sq ft	% of total sq ft	No. of stores	Million sq ft	% of total sq ft
0-3,000	2,474	5.1	12.3%	2,432	5.2	12.3%
3,001-20,000	289	3.5	8.4%	321	4.0	9.6%
20,001-40,000	283	8.3	20.0%	306	9.1	21.8%
40,001-60,000	202	10.1	24.4%	193	10.2	24.3%
60,001-80,000	127	8.9	21.4%	124	8.2	19.4%
80,001-100,000	50	4.6	11.1%	48	4.3	10.3%
Over 100,000	9	1.0	2.4%	9	1.0	2.3%
Total[1]	**3,434**	**41.4**	**100.0%**	**3,433**	**42.0**	**100.0%**

1. Excluding franchise stores.

Appendix 6

Actual Group Space – store numbers

	2014/15 year end	As at 29 Aug 2015	Net gain / Reduction[1]	Openings	Closures / Disposals	Repurposing / Extensions
Extra	250	250	-	-	-	-
Homeplus	11	-	(11)	-	(11)	-
Superstore	487	479	(8)	-	(8)	-
Metro	191	178	(13)	-	(13)	-
Express	1,735	1,713	(22)	5	(27)	-
Dotcom only	6	6	-	-	-	-
Total Tesco	2,680	2,626	(54)	5	(59)[2]	-
One Stop[3]	770	772	2	7	(5)	-
Dobbies	35	36	1	1	-	-
UK	3,485	3,434	(51)	13	(64)	-
ROI	149	149	-	-	-	-
UK & ROI	**3,634**	**3,583**	**(51)**	**13**	**(64)**	**-**
Czech Republic[3]	209	203	(6)	-	(6)	-
Hungary	209	209	-	-	-	*5*
Poland	449	442	(7)	-	(7)	-
Slovakia	155	158	3	3	-	-
Turkey	173	172	(1)	1	(2)[4]	-
Europe[3]	1,195	1,184	(11)	4	(15)	*5*
Malaysia	54	56	2	2	-	*1*
Thailand	1,759	1,782	23	31	(8)	*6*
Asia	1,813	1,838	25	33	(8)	*7*
International[3]	**3,008**	**3,022**	**14**	**37**	**(23)**	***12***
Group[3]	**6,642**	**6,605**	**(37)**	**50**	**(87)**	***12***
UK (One Stop)	*76*	*101*	*25*	*27*	*(2)*	-
Czech Republic	*131*	*108*	*(23)*	-	*(23)*	-
Franchise stores	*207*	*209*	*2*	*27*	*(25)*	-

Group store numbers above exclude the 1,075 stores in South Korea as at 29 August 2015, of which 651 are franchise stores.

Notes:
1. The net gain/reduction reflects the number of store openings less the number of store closures/disposals.
2. 59 store closures include five temporary Express store closures and three Express to One Stop conversions. Since the half year end, two further stores have closed.
3. Excludes franchise stores.
4. Since the half year end, one further store has closed in Turkey.

Actual Group Space – '000 sq ft

	2014/15 year end	As at 29 Aug 2015	Net gain / reduction	Openings	Closures / Disposals	Repurposing / Extensions
Extra	17,763	17,763	-	-	-	-
Homeplus	488	-	(488)	-	(488)	-
Superstore	14,254	14,031	(223)	-	(223)	-
Metro	2,150	2,008	(142)	-	(142)	-
Express	4,030	3,978	(52)	10	(62)	-
Dotcom only	716	716	-	-	-	-
Total Tesco	39,401	38,496	(905)	10	(915)	-
One Stop[1]	1,235	1,238	3	10	(7)	-
Dobbies	1,648	1,652	4	4	-	-
UK	42,284	41,386	(898)	24	(922)	-
ROI	3,560	3,560	-	-	-	-
UK & ROI	**45,844**	**44,946**	**(898)**	**24**	**(922)**	**-**
Czech Republic[1]	5,653	5,567	(86)	-	(86)	-
Hungary	7,026	6,933	(93)	-	-	(93)
Poland	9,736	9,700	(36)	-	(36)	-
Slovakia	3,928	3,949	21	21	-	-
Turkey	3,663	3,577	(86)	4	(90)	-
Europe[1]	30,006	29,726	(280)	25	(212)	(93)
Malaysia	4,025	4,081	56	55	-	1
Thailand	15,712	15,793	81	162	(11)	(70)
Asia	19,737	19,874	137	217	(11)	(69)
International[1]	**49,743**	**49,600**	**(143)**	**242**	**(223)**	**(162)**
Group[1]	**95,587**	**94,546**	**(1,041)**	**266**	**(1,145)**	**(162)**
UK (One Stop)	*102*	*140*	*38*	*40*	*(2)*	-
Czech Republic	*122*	*112*	*(10)*	-	*(10)*	-
Franchise	*224*	*252*	*28*	*40*	*(12)*	-

Group space numbers above exclude the 14,426k sq ft in South Korea as at 29 August 2015, of which 1,342k sq ft are franchise stores.

Note:
1. Excludes franchise stores.

Group Space Forecast to 27 February 2016 – '000 sq ft						
	As at 29 Aug 2015	**2015/16 year end**	**Net gain / reduction**	**Openings**	**Closures / Disposals**	**Repurposing / Extensions**
Extra	17,763	17,849	86	127	-	(41)
Superstore	14,031	14,016	(15)	16	(31)	-
Metro	2,008	1,998	(10)	15	(25)	-
Express	3,978	4,051	73	78	(5)	-
Dotcom only	716	716	-	-	-	-
Total Tesco	38,496	38,630	134	236	(61)	(41)
One Stop[1]	1,238	1,286	48	61	(13)	-
Dobbies	1,652	1,652	-	-	-	-
UK	41,386	41,568	182	297	(74)	(41)
ROI	3,560	3,560	-	-	-	-
UK & ROI	**44,946**	**45,128**	**182**	**297**	**(74)**	**(41)**
Czech Republic[1]	5,567	5,558	(9)	-	(9)	-
Hungary	6,933	6,933	-	-	-	-
Poland	9,700	9,692	(8)	-	(8)	-
Slovakia	3,949	3,969	20	20	-	-
Turkey	3,577	2,872	(705)	-	(705)	-
Europe[1]	29,726	29,024	(702)	20	(722)	-
Malaysia	4,081	4,156	75	75	-	-
Thailand	15,793	15,588	(205)	119	-	(324)
Asia	19,874	19,744	(130)	194	-	(324)
International[1]	**49,600**	**48,768**	**(832)**	**214**	**(722)**	**(324)**
Group[1]	**94,546**	**93,896**	**(650)**	**511**	**(796)**	**(365)**
UK (One Stop)	*140*	*251*	*111*	*111*	-	-
Czech Republic	*112*	*112*	-	-	-	-
Franchise	*252*	*363*	*111*	*111*	-	-

Note:
1. Excludes franchise stores.

Appendix 7 – Tesco Bank Income Statement

	2015/16[1] 1H £m	2014/15[1,2] 1H £m
Revenue		
Interest receivable and similar income	283	269
Fees and commissions receivable	195	213
	478	**482**
Direct Costs		
Interest payable	(81)	(74)
Fees and commissions payable	(1)	(10)
	(82)	**(84)**
Gross profit	**396**	**398**
Other expenses:		
Staff costs	(84)	(71)
Premises and equipment	(40)	(44)
Other administrative expenses	(108)	(110)
Depreciation and amortisation	(43)	(40)
Provisions for bad and doubtful debts	(35)	(34)
Operating profit before exceptional items	**86**	**99**
Restructuring and other exceptional items[3]	-	(27)
Operating profit	**86**	**72**
Net finance costs: movements on derivatives and hedge accounting	(7)	(10)
Net finance costs: interest	(2)	(2)
Share of profit of joint ventures and associates	2	3
Deduct: management charges	-	(1)
Profit before tax	**79**	**62**

Notes:
1. These results are for the 6 months ended 31 August 2015 and the previous period comparison is made with the 6 months ended 31 August 2014.
2. Issuance of Clubcard vouchers previously presented as an expense has been reclassified to revenue. There is no impact on operating profit before exceptional items or operating profit.
3. Restructuring and other exceptional items in 1H 2014/15 consists of an increase in PPI provision of £27m.