TESCO

PRELIMINARY RESULTS 2013/14

52 weeks ended 22 February 2014 (unaudited) **On a continuing operations basis**	**2013/14**	**Growth** (Actual exchange rates)	**Growth** (Constant exchange rates)
Group sales (inc. VAT)* Sales growth excluding petrol	**£70,894m**	**0.3%** 0.9%	**(0.2)%** 0.4%
Group trading profit - UK - Asia - Europe - Tesco Bank	**£3,315m** £2,191m £692m £238m £194m	**(6.0)%** (3.6)% (5.6)% (27.7)% 1.6%	**(6.7)%** (3.6)% (6.8)% (32.8)% 1.6%
Underlying profit before tax	**£3,054m**	**(6.9)%**	**(7.7)%**
Underlying diluted earnings per share	**32.05p**	**(7.3)%****	**n/a**
ROCE (pro-forma inc. China)***	**12.1%**	**(64)bp**	**n/a**
Capex	**£2.7bn**	**0.9%**	**0.6%**
Statutory profit before tax includes: - One-off items (inc. Europe asset impairment of £(734)m)	£(801)m		
Statutory profit before tax	**£2,259m**	**9.8%**	**n/a**
China treated as discontinued, including a charge of £(540)m relating to the write-down of goodwill			

FOCUSING ON THE MOST COMPELLING OFFER FOR CUSTOMERS

Philip Clarke, Chief Executive:

"We are transforming Tesco through a relentless focus on providing the most compelling offer for our customers. Our results today reflect the challenges we face in a trading environment which is changing more rapidly than ever before. We are determined to lead the industry in this period of change.

Having strengthened the foundations of our business in the UK, we are now accelerating our growth in new channels and investing in sharper prices, improved quality, stronger ranges and better service. Since setting out these plans just seven weeks ago, we have already made a substantial investment in price, launched Clubcard Fuel Save and re-launched our general merchandise ranges across the business. We are going faster with our work to transform our Extra stores to create more compelling destinations and will complete more than 50 in the first half alone.

During the year, we have maintained our focus on cash and capital discipline. We have significantly reduced our new investment in Europe, focusing the majority of our overseas capital on targeted, high-returning investments in Korea, Malaysia and Thailand. We have completed our exit from the U.S. and established partnerships with CRE in China and Tata in India which provide continued access to two of the world's most exciting markets, consistent with a sustainable level of future investment."

HIGHLIGHTS

- **£3.3bn trading profit – year-on-year decline reflects challenges in UK and Europe**
- **Final dividend maintained at 10.13p, giving full-year dividend of 14.76p (cover 2.1 times)******
- **UK sales exc. petrol up +0.8%, with lower net new space contribution as planned**
- **Strong UK growth in online grocery +11% and Express LFL +1.1%**
- **UK LFL inc. VAT, exc. petrol (1.3)% held back by work on the transformation of general merchandise and a weaker and increasingly competitive grocery market in the second half**
- **Nearly 300 UK stores refreshed this year - typical sales uplift +3% to +5%**
- **Ongoing multichannel focus - grocery home shopping launched in five countries**
- **Consistent approach to capital discipline, returns and cash**

* Group sales (inc. VAT) exclude the accounting impact of IFRIC 13.
** Underlying diluted EPS growth calculated on a constant tax rate basis; (5.0)% at actual tax rates.
*** From an accounting point of view, our existing business in China has to be treated as a discontinued operation, prior to the planned completion of our partnership with CRE. The pro-forma Group ROCE of 12.1% includes our Chinese business to provide a comparable figure to the previously disclosed 2012/13 figure. It is otherwise calculated on a continuing operations basis, excluding one-off charges. Excluding our Chinese business, Group ROCE for 2013/14 was 13.6%.
**** Dividend cover calculated on underlying diluted EPS on a constant tax rate basis.

SUMMARY OF GROUP RESULTS[1]

Continuing operations[2]	Group TY £m	Group LY £m	Group Growth %	UK[3] TY £m	Asia TY £m	Europe TY £m	Tesco Bank TY £m
Sales (inc. VAT)[4]	**70,894**	**70,712**	**0.3%**	**48,177**	**10,947**	**10,767**	**1,003**
Growth %				(0.1)%	2.7%	(0.4)%	(1.8)%
UK LFL (exc. Petrol)				(1.3)%			
Revenue (exc. VAT)[5]	**63,557**	**63,406**	**0.2%**	**43,057**	**10,276**	**9,221**	**1,003**
Growth %				(0.1)%	2.6%	(0.6)%	(1.8)%
UK LFL – IFRIC 13 compliant basis (exc. Petrol)				(1.4)%			
Trading profit[6]	**3,315**	**3,525**	**(6.0)%**	**2,191**	**692**	**238**	**194**
Growth %				(3.6)%	(5.6)%	(27.7)%	1.6%
Trading profit margin[4]	5.17%	5.51%	(34)bp	5.03%	6.71%	2.57%	19.34%
Change (basis points)				(18)bp	(59)bp	(96)bp	63bp
Other underlying profit items:							
- Share of post-tax profits of joint ventures and associates	54	64	(15.6)%				
- Net interest cost	(315)	(309)	(1.9)%				
Underlying profit before tax[7]	**3,054**	**3,280**	**(6.9)%**				
IAS adjustments	(174)	(148)	(17.6)%				
Restructuring and other one-off costs							
- Impairment of PPE and onerous lease provisions included within cost of sales	(734)	(161)	(355.9)%				
- Impairment of PPE and onerous lease provisions included within profits/losses arising on property-related items	98	(709)	113.8%				
- Impairment of goodwill	-	(495)	n/m				
- Provision for customer redress	(63)	(115)	45.2%				
- Other restructuring and one-off items	(102)	(14)	(628.6)%				
Other profits/losses arising on property-related items	180	419	(57.0)%				
Statutory profit before tax	**2,259**	**2,057**	**9.8%**				
Dividend per share (pence)	14.76	14.76	0.0%				

	Group TY	Group LY	Group YOY Change	UK TY	UK LY	Asia TY	Asia LY	Europe TY	Europe LY	Tesco Bank TY	Tesco Bank LY
Capital expenditure (£bn)	2.7	2.7	-	1.6	1.4	0.7	0.7	0.3	0.5	0.1	0.1
Gross space added (million sq.ft.)	4.0	5.2	(1.2)	1.5	1.5	2.1	2.3	0.4	1.4	n/a	n/a

	Group TY	Group LY	Group YOY Change
Net cashflow from operating activities (£bn)[8]:			
- Retail	3.5	2.9	0.6
- Tesco Bank	(0.3)	(0.1)	(0.2)
- Group	3.2	2.8	0.4
IFRS pensions liability post-tax (£bn)	2.6	1.8	0.8
Net debt (£bn)[8]	6.6	6.6	-

Notes:
1. The financial year represents the 52 weeks ended 22 February 2014 (prior financial year 52 weeks ended 23 February 2013). For the UK and the Republic of Ireland, the results are for the 52 weeks ended 22 February 2014 (prior financial year 52 weeks ended 23 February 2013). For all other operations, the results are for the financial year ended 28 February 2014 (prior financial year ended 28 February 2013). All growth rates are calculated at actual exchange rates unless otherwise stated. Statutory numbers include the accounting impact of IFRIC 13 (Customer Loyalty Programmes). All other numbers are shown excluding the accounting impact of IFRIC 13, consistent with internal management reporting. More information can be found in Note 1 to the preliminary consolidated financial information.
2. Continuing operations exclude the results from our operations in China, the US and Japan which have been treated as discontinued.
3. The UK segment excludes Tesco Bank, which is reported separately in accordance with IFRS 8 'Operating Segments'.
4. Excludes the accounting impact of IFRIC 13 (Customer Loyalty Programmes). Trading margin is based on revenue excluding the accounting impact of IFRIC 13.
5. Includes the accounting impact of IFRIC 13 (Customer Loyalty Programmes).
6. Trading profit excludes profits/losses arising on property-related items and makes the same additional adjustments as our underlying profit measure, except for the impact of non-cash elements of IAS 17 relating to Joint Ventures and Associates, IAS 32 and 39, and the interest element of IAS 19.
7. Underlying profit excludes the impact of non-cash elements of IAS 17, 19, 32, and 39 (principally the impact of annual uplifts in rents and rent-free periods, pension costs, and the marking to market of financial instruments); the amortisation charge on intangible assets arising on acquisition (Tesco Bank) and acquisition costs, the non-cash impact of IFRIC 13 (Customer Loyalty Programmes), and profits/losses arising on property-related items. It also excludes restructuring and other one-off costs.
8. Includes both continuing and discontinued operations.

STRATEGIC UPDATE

It is clear that the pace of change within our industry has accelerated and that uncertainties remain. Regardless of these uncertainties, our overarching priority is **delivering the most compelling offer for customers** and we are retaining the flexibility to act accordingly. By putting our customers at the heart of our business, we are determined to lead the industry in the new era of retail and in doing so, to create sustainable growth and strong returns.

Our performance in the year was not where we had planned it to be. In the UK, we faced a weaker and increasingly competitive market in the second half. These conditions and the accelerating shift to online retailing particularly affected the performance of our larger stores. Overseas, the difficult trading conditions in Europe and the profit impact of opening hours regulations in Korea persisted from the second half of 2012/13 into the first half of 2013/14. These trends in the international businesses eased in the second half, but the fourth quarter saw the onset of new challenges in Thailand with political unrest, in addition to a weak economy.

We have worked hard to strengthen the foundations of our business over the last two years and our three clear strategic priorities remain unchanged:

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

In a difficult and more competitive trading environment, we have **continued to invest in a strong UK business** in the second year of our 'Building a Better Tesco' plan. In February this year, we gave an update on the six parts of our plan and announced that we are accelerating our efforts to deliver the most compelling offer for customers. Since February we have made good progress and have already introduced a number of significant improvements:

- We have started to deliver on our commitment to lower, more stable prices by cutting prices on the lines that matter most to our customers. So far the price reductions have included milk, eggs, butter, peppers, onions, tomatoes, cucumbers, carrots, chicken and beef mince, with prices coming down by an average of 24% across all of the lines which have been cut.
- We launched Clubcard Fuel Save across the nation on 12th March. As expected, this initiative will take time to build but already the average saving for our customers is six pence per litre.
- Our new Spring/Summer general merchandise ranges are now in store, reaching a key milestone in the transformation of these categories.
- We have begun to accelerate our refresh programme focusing on our larger stores. More than 50 Extra stores will be refreshed in the first half of 2014/15.

These initiatives build on the work already done to strengthen the foundations, with sharper prices, improved quality, stronger ranges and better service. We have significant plans for 2014/15 which will make our offer for customers even more compelling and drive loyalty.

A critical part of delivering the most compelling offer for customers is **establishing multichannel leadership**. The pace of change in customer behaviour means that this has never been more relevant and our determination has never been greater. In the year we launched grocery home shopping in five countries, opened 579 convenience stores across our markets and sold more than 500,000 Hudls, our first tablet. The completion of Tesco Bank's product range with the launch of current accounts in the first half will be a key development for our customers.

We have increased our capital discipline throughout the year, in line with our strategic priority of **pursuing disciplined international growth**. Whilst we continue to allocate capital to the markets where we see the most potential for growth – notably Korea, Malaysia and Thailand – we have committed that Group-wide capex will be no more than £2.5bn per year for at least the next three financial years. In Europe, we have further reduced the level of capex. We will continue to limit capex in this region and focus our efforts on improving our offer for customers in existing stores.

This year has seen us make progress in a number of areas which provide clear evidence of our focus on capital discipline.

First, we concluded our strategic review in the United States with the sale of the substantive part of the Fresh & Easy operating business to Yucaipa.

Second, we announced a partnership with China Resources Enterprise Ltd. (CRE), which will, subject to the usual regulatory approvals, give Tesco a 20% ownership stake in the largest food retail business in China.

Third, we have announced a joint venture with the Tata Group in India to operate and develop the Star Bazaar and Star Daily store formats.

Reflecting the rapidly changing trading environment and the strategic decisions we have made, we have also announced today a number of one-off charges totalling £(801)m, principally relating to asset impairments in Europe. In light of the decline in profits of these businesses we have revised our long-term budgets, resulting in an impairment of £(734)m to the carrying value of our European assets.

As at the half year, and pending the completion of our partnership with CRE, our Chinese business is classified as a discontinued operation. These results include a £(540)m goodwill impairment, prudently reflecting the lower end of a range of independent valuations of the proposed combination. Further details can be found in Note 4, on page 26 of this statement.

The **financial framework** we laid out last April continues to inform our decisions. Our recent guidance to allocate no more than £2.5bn of capex for each of the next three years moves us to the bottom of our guiderail for capex of 4% down to 3.5% of sales. This in turn helps to underpin the strength of our balance sheet and our focus on cash and capital discipline.

OUTLOOK

We expect the challenging consumer environment, competitive intensity, and the rapid pace of change in retailing to continue in 2014/15. As outlined at our investor event in February 2014, we are committed to delivering the most compelling offer for customers across all of our channels. In doing this we are focusing on increasing loyalty and improving sales which will lead to sustainable profits and returns over the medium term, consistent with our financial guiderails.

GROUP RESULTS

Group sales, including VAT, increased by 0.3% to £70.9bn. At constant exchange rates, sales declined by (0.2)% (including petrol) and increased by 0.4% (excluding petrol).

Group trading profit was £3,315m, down (6.0)% on last year, impacted by a weakening UK grocery market in the second half of the year and challenging trading conditions overseas, in part driven by regulatory and political issues. Group trading margin was 5.17%, down (34) basis points.

Underlying profit before tax declined by (6.9)% to £3,054m. **Group profit before tax** was £2,259m, after one-off charges totalling £(801)m, including £(734)m for the impairment of European assets. Despite these charges and a lower contribution from profits/losses on property-related items, Group profit before tax increased by 9.8%, primarily reflecting higher one-off charges last year. Note 2 on page 25 shows the one-off charges included in our statutory profit.

Net finance costs increased slightly to £(315)m, from £(309)m last year. Capitalised interest reduced by £(44)m to £79m.

Total **Group tax** has been charged at an effective rate (on profit before tax prior to the one-off charges mentioned above) of 15.36% (last year 17.44%). This reflects the one-off effect of a lower UK corporate tax rate on deferred tax liabilities.

Cash Flow and Balance Sheet. Cash generated from retail operating activities increased by £0.6bn to £3.5bn (2012/13: £2.9bn), helped by an improved working capital performance. Net debt was flat year-on-year at £6.6bn.

As expected, the contribution from property-related items was greater in the second half. The full year profit of £180m is down significantly year-on-year, consistent with our expectations for a more rapid reduction of our sale and leaseback programme.

Pensions. The Group's net pension deficit after tax has increased from £1.8bn to £2.6bn, mainly due to a reduction in real corporate bond yields with a subsequent fall in the discount rate used to measure our liabilities.

Group **capital expenditure** was £2.7bn, or 3.9% of sales, a similar level to the prior year on a continuing operations basis. Our capex on new stores fell in Europe and the UK, with a small year-on-year increase in Asia, in line with our disciplined international growth priorities. Our UK capex of £1.6bn included an increase in technology-related spend.

Including the net assets and underlying losses of our existing Chinese business, the pro-forma Group **Return on Capital Employed** (ROCE) was 12.1%. This compares to 12.7% last year with the year-on-year change reflecting the Group's lower trading profit. On a continuing operations basis, prior to the impact of one-off charges, Group ROCE was 13.6%, compared to 14.5% last year.

DIVIDEND

The Board has approved a maintained final dividend of 10.13p per share, giving a full year dividend of 14.76p. The final dividend will be paid on 4 July 2014 to shareholders on the Register of Members at the close of business on 2 May 2014.

SEGMENTAL PERFORMANCE

UK

Whilst our performance in the UK was held back by the difficult and more competitive trading environment, our work to 'Build a Better Tesco' has strengthened the foundations of the business. There is much more to do and we are accelerating our investment to deliver the most compelling offer for customers.

	UK Results 2013/14	
	£m	% growth
UK sales	£48,177m	(0.1)%
UK revenue (exc. VAT, exc. impact of IFRIC 13)	£43,570m	0.0%
UK trading profit	£2,191m	(3.6)%
Trading margin (trading profit/revenue)	5.03%	(18)bp

Total UK sales declined by (0.1)% to just over £48bn. UK trading profit declined by (3.6)% to £2,191m with a lower trading margin of 5.03%, down 18 basis points.

In line with our reduction in new space, the contribution from net new space fell from 2.9% in 2012/13 to 2.1% in 2013/14. With 0.9m* square feet of net new space planned in 2014/15, we expect the contribution from new space to reduce further.

Our transformation work within general merchandise weighed on our like-for-like sales performance across the year as we continue to move away from low margin products such as consumer electronics and migrate to more profitable categories. Our new Spring/Summer general merchandise ranges, anchored around Home, Cook & Dine, Stationery and Party, started to arrive in-store in March.

	UK LFL Growth 2013/14				
	H1	Q3	Q4	**H2**	**FY**
LFL (inc. VAT, inc. petrol)	**(0.9)%**	(3.2)%	(3.0)%	**(3.1)%**	**(2.0)%**
LFL (inc. VAT, exc. petrol)	**(0.5)%**	(1.4)%	(2.9)%	**(2.2)%**	**(1.3)%**
LFL (exc. VAT, exc. petrol)	**(0.5)%**	(1.5)%	(3.0)%	**(2.3)%**	**(1.4)%**
LFL (exc. VAT, exc. petrol) IFRIC 13**	**(0.4)%**	(1.6)%	(3.3)%	**(2.5)%**	**(1.4)%**

**Compliant with IFRIC 13 (customer loyalty programmes)

The grocery market saw further weakness in the period after Christmas, and in February industry food inflation reached its lowest rate since July 2012. These factors contributed to a decline in our sales performance in the fourth quarter, with like-for-like sales excluding VAT and petrol down (3.0)%. Like-for-like sales excluding VAT and petrol for the year were down (1.4)%.

We have continued to invest across the six elements of our 'Building a Better Tesco' plan to improve customers' shopping experience.

Service & Staff

We have provided 'Making Moments Matter' training to more than 250,000 colleagues, encouraging our teams to deliver better customer service every time. We have also worked with colleagues to reschedule over 300,000 hours this year, putting the right number of hours in the right departments in store, based on when customers need them most. Together with our productivity programmes, these initiatives have freed more time for colleagues to serve customers.

Whilst this has driven improvements in customer perceptions of service, there is more to do, and we will now focus on service points in store, our fresh food, and our grocery home shopping. Our fishmongers have already benefited from new training to learn about the supply chain, and how to help customers prepare and cook fish at home. In 2014/15 we will extend this type of training to our butchers and fresh produce teams.

* Total UK, includes One Stop (inc. franchising) and Dobbies.

Stores & Formats
This year we completed around 300 refreshes, updating our stores to make them more contemporary, improving the shopping environment and making them more compelling for customers. Our approach is based on a detailed understanding of customers' different shopping missions, helping us to tailor the offer, range and layout of each store. As we said at the half year, the typical refresh store has a sales uplift of between 3% and 5%.

This work is critical, especially for our larger stores which have come under pressure as a result of weaker market conditions, high fuel prices, strong growth in convenience and an accelerating shift to online. In February, we announced plans to accelerate our store refresh programme to 650 stores in 2014/15. The immediate focus is our Extra format with 110 planned for the year ahead.

We have been testing the ingredients for our large destination stores. We introduced our 'Next Generation' F&F departments to 104 of our stores this year, with around 140 planned for the year ahead. We will also expand our casual dining offer by opening over 100 Giraffe, Decks and Harris+Hoole outlets next year.

As well as remodelling our stores, we have also trialled an overall reduction of our selling space in two Extra stores this year. We repurposed a total of 41,000 square feet across both stores and introduced new tenants. In Newport we reallocated general merchandise space, introducing discount-department store 'Original Factory Shop' and children's soft-play centre 'Funky Monkeys'. At Stockton, we introduced an 'Xercise4Less' gym on the mezzanine, and a 'Funky Monkeys'. We are pleased with these two stores and plan to complete another five similar projects within our Extra format in 2014/15.

We have also trialled a grocery home shopping hub concept in Mansfield Extra, using the capacity of one of our larger stores to fulfil a greater proportion of grocery home shopping orders, including picking some lines directly from our store warehouse. We have plans for a further three similar trials in 2014/15.

We opened 128 Express stores this year and refreshed almost 200, as we work towards being the best, most relevant convenience retailer in town. We plan to open a further 150 Express stores next year and refresh another 450.

Price & Value
With household budgets still under pressure we know that customers are increasingly looking to us to offer the best possible value. Our Price Promise has now been in place for over a year and provides instant reassurance to our customers that on fresh foods, on own-label and on branded products, they will not lose out at Tesco.

Every customer perception measure on price has improved over the last 12 months, but we need to do more. Pricing in the industry is still too volatile and as the industry leader we can help to change this.

We want to help customers navigate what can sometimes feel like a confusing landscape of price cuts, price promotions and special offers. At our investor event in February we described how the promotions we offer will be more focused, more competitive, and more relevant for customers.

We also made a commitment to lower, more stable prices on the products that really matter, with an initial investment of at least £200m. We have already lowered prices by an average of 24% on a range of products including milk, eggs, butter and key salad, vegetable and fresh meat lines, and we are determined to do even more over the months ahead.

Brand & Marketing
Clubcard remains an important part of our brand and has enabled us to deliver more value to our customers with almost 60 million highly-personalised mailings sent out this year. The launch of 'Clubcard Fuel Save' last month enables customers to accumulate savings off fuel by scanning their Clubcard when they shop in store or for groceries online. Every purchase made, big or small, qualifies towards savings which can be redeemed automatically at the pump. We are currently trialling a Digital Coupons app in Plymouth, another step towards creating a Digital Clubcard as part of our multichannel offer.

Strengthening our brand is also about finding more ways to connect with customers and communities. Our new social network 'The Orchard' invites customers and colleagues to enjoy relevant, valuable offers on Tesco products and services. Since launching at the end of November it already has 60,000 members sharing their opinions and ideas with friends, family and Tesco through social media.

Our 'Eat Happy Project' is helping us to engage with local communities and is part of our long-term commitment to help children connect with food, understand where it comes from and make healthy choices. The first initiative – Farm to Fork trails – launched in January and so far 39,000 primary school children have taken part in tours of farms, fisheries and factories. We are inviting every primary school in the UK to take part, with the aim of reaching over a million pupils and their teachers over the next year.

Range & Quality

This year we have made marked improvements to the quality of our own-brand products. Following the re-launch of *finest** in October, we have recently completed our work to improve 8,000 products in our core Tesco range. In January we re-launched Healthy Living, with three quarters of its products new or improved and, as a result, increasing overall customer satisfaction.

This year we have also focused on provenance, shortening the supply chain, and ensuring greater control over our food products. We have developed a world-class traceability and DNA testing system and tested over 5,300 products since January 2013. All our own-brand fresh chicken, eggs, milk and butter are now 100% British, and 100% of our beef across fresh, frozen and ready meals is British and Irish. To help build better relationships with farmers we are in the process of offering them two-year contracts – we are the first major retailer to offer two-year direct contracts for beef and lamb farmers right back to the farm gate, and more than 300 have signed up already. This follows the success of our Tesco Sustainable Dairy Group which is now in its seventh year. Earlier this month we increased the price we pay our milk farmers, reflecting our continued commitment to offer them a fair price.

Having made significant improvements to our meat, fish and poultry ranges, improving quality and increasing the level of innovation, we are now focusing our efforts on fresh produce. We have already re-launched our bagged salads and prepared fruits and vegetables, improving quality, packaging and in-store merchandising. We are now sourcing around 65% of our produce centrally for the Group, which enables us to have even greater visibility of our supply chain, delivering a step-change in the customer offer. We are working more closely with dedicated suppliers, ensuring we can guarantee freshness, taste and value every time. In 2014/15 we are also planning to bring a new look and feel to our produce departments and empower our colleagues to deliver great service and advice to our customers through 'Produce Academies'.

Clicks & Bricks

Our grocery home shopping business continues to grow strongly. We now have over 200,000 delivery saver subscribers and over 260 Click & Collect locations – including our first trials at six London tube stations. We are planning to launch around 50 non-store collection points in 2014/15, as well as adding the service to another 100 stores. We continue to build capability through the automation of 'goods to person' at our new Erith facility. This enables us to pick products almost three times faster than in our stores – an improvement on our Crawley and Enfield dotcom-only stores. Our new home shopping vans will be multi-category enabling us to fulfil general merchandise orders and will feature collapsible racking to carry larger items from our new general merchandise range. We will also focus on providing helpful, friendly and personalised customer service at the doorstep, with the roll-out of new training to all customer delivery assistants in 2014/15.

We have also committed to sharper prices this year for our grocery home shopping service, including market-leading delivery pricing and free Grocery Click & Collect. We will continue to focus on our most loyal customers, with a no-risk guarantee and added-value services on our Delivery Saver subscriptions.

The strong top-line growth of online general merchandise and the actions we have taken, such as tightening our stocked range, have reduced the level of financial losses in this business. We now have over 1,750 Click & Collect locations and plan to increase this number significantly. Our product offer on Tesco Direct has grown to over half a million lines, supported by 50 market place 'Sellers at Tesco'. Clothing online continues to perform strongly, with sales growth of nearly 60% in 2013/14.

This year we launched the Hudl, our very own tablet. It was recently named winner of the 'ReThink Retail Technology Initiative of the Year' and we plan to launch a second device later this year. Blinkbox services continue to grow and we launched Blinkbox books last month with hundreds of thousands of books now available to download.

ASIA

	Asia Results* 2013/14		
	Actual rates		Constant rates
	£m	% growth	% growth
Asia sales	£10,947m	2.7%	1.4%
Asia revenue (exc. VAT, exc. impact of IFRIC 13)	£10,309m	2.6%	1.4%
Asia trading profit	£692m	(5.6)%	(6.8)%
Trading margin (trading profit/revenue)	6.71%	(59)bp	(59)bp

*Exc. China, with our subsidiary there now treated as a discontinued operation following our agreement to partner with CRE.

Total sales in Asia increased by 1.4% at constant rates and by 2.7% at actual rates, held back by external pressures in both Korea and Thailand. The difficult trading conditions also led to a year-on-year decline in trading profit.

Our business in Korea continues to generate high returns despite the impact on sales from the regulatory restrictions on opening hours. Whilst we annualised the first closures in the second half, the changing patterns of the opening restrictions have continued to impact our stores on a year-on-year basis. As expected, and following an incremental £40m impact in the first half, the effect of the restrictions on our profitability eased in the second half. Our work to refresh seven of our largest stores, including our stores in Dongsuwon and Yuseong, has delivered encouraging results. We also continued to grow our convenience portfolio, with the opening of 71 '365 plus' franchise stores.

In Thailand, like-for-like sales growth remained under pressure reflecting the impact of recessionary conditions on consumers, heightened recently by the political unrest. We implemented a strong plan to improve our offer and address the issues we identified in our 'Clubpack' wholesale offer earlier this year. We have focused on improving availability and winning in Bangkok, opening a new composite distribution centre in Khon Kaen and completing seven refresh projects, including our Laksi and Lumlukka stores. Thailand is one of our largest international markets and we have continued to build a strong multichannel business, growing our grocery home shopping service and convenience store offer. Today we have almost 1,400 convenience stores in Thailand.

In Malaysia, our performance has been more resilient. Consumer confidence has fallen as inflationary pressures impact disposable incomes but we have improved our market share year-on-year. We opened two new stores during the year and grew our grocery home shopping business in its first year of operation.

We opened 2.1m square feet of net new space in Asia this year mainly in Thailand and Korea. As indicated in February, going forward the majority of our capital expenditure on new stores will be on high-returning investments in Korea, Malaysia and Thailand. We plan to open 1.2m square feet in these markets in 2014/15, whilst continuing to grow our convenience and grocery home shopping operations.

In the year we announced an exciting partnership with China Resources Enterprise Ltd. (CRE). The partnership will give Tesco a 20% ownership stake in the largest food retail business in China. In addition to contributing our existing Chinese business, we will make a cash contribution of c.£185m to the joint venture and c.£80m to CRE. We will then make a further payment of c.£80m to CRE on the anniversary of the completion. The joint venture, which will be self-funding going forward, will secure significant cost and operational synergies, and will move us more quickly to profitability in China.

As in the first half, the results of our existing business in China have been treated as a discontinued operation. They include a goodwill impairment of £(540)m, prudently reflecting the lower end of a range of independent valuations of the proposed combination carried out in the second half of the year for accounting purposes. These valuations were, as required by the relevant accounting standards, produced on a standalone existing basis for each business. As such, they take no account of the strategic value and significant synergies available.

Last month we announced that we have entered into an agreement with Trent Limited, part of the Tata Group, to form a 50:50 joint venture with Trent Hypermarket Limited (THL) developing our presence in the Indian market. We are investing around £85m into the joint venture recognising the exciting opportunity that the Indian market, and working with Tata, presents.

EUROPE

	Europe Results 2013/14		
	Actual rates		Constant rates
	£m	% growth	% growth
Europe sales	£10,767m	(0.4)%	(2.0)%
Europe revenue (exc. VAT, exc. impact of IFRIC 13)	£9,267m	(0.6)%	(2.2)%
Europe trading profit	£238m	(27.7)%	(32.8)%
Trading margin (trading profit/revenue)	2.57%	(96)bp	(111)bp

In Europe, total sales declined by (2.0)% at constant rates and by (0.4)% at actual rates, including petrol. Conditions have remained challenging, particularly for large stores and this, combined with our decision to invest in a more compelling offer for customers across the region, is reflected in the significant reduction in trading profit for the full year. Our plans in the region have led to improvements in the second half in both our like-for-like sales and profit performance.

Reflecting the year-on-year decline in the profits of our European businesses, we have revised our long-term budgets. These revisions have resulted in the asset impairment of £(734)m to the carrying value of these businesses shown in today's results.

In Ireland, consumers remain under pressure, reflected in our weaker second-half sales growth. The launch of Price Promise in October helped improve trust in prices with customer perceptions reaching a four-year high. We have also worked hard to emphasise the breadth of our offer and points of differentiation despite intense vouchering activity in the market.

We have taken a common approach to trade through the challenging conditions across our Central European region. We have tailored our plans to provide a more compelling fresh food offer, focusing on seasonal events and leveraging our sourcing scale and supply chain capability. We have also used our strengths in Clubcard and F&F to drive further improvements in our offer for customers. Through the year we have seen these plans deliver a better sales performance across the region giving us confidence that we are doing the right thing for customers.

In Poland, our actions have continued to drive improved trading, resulting in positive like-for-like sales growth in the fourth quarter. Small stores have performed particularly well with very strong like-for-like sales towards the end of the year.

We are making the most of our existing assets in Europe by reallocating and repurposing space in some of our largest stores, dedicating more space to fresh food, clothing and an improved general merchandise offer. Our store in Budaors, Hungary is one of our best examples, with c.50,000 square feet – around a third of the original store space – repurposed to include H&M and Sports Direct in the development.

Our business in Turkey has been affected by strong competition and our relative exposure to large store formats. We have focused the business on its heartland around Izmir and have seen a gradual improvement in like-for-like sales over the year. We have also closed nine loss-making stores, helping to stabilise trading losses. Despite these actions, Turkey remains a focus.

We have significantly reduced new store openings in Europe with just 119,000 square feet of net new space opened this year. As announced in February, we will make little investment in new stores in the region. Any future investment will be focused on less capital intensive opportunities in convenience and grocery home shopping. With the launch of grocery home shopping in Turkey in February, we now offer the service in all of our international markets, with the exception of India.

TESCO BANK

	Tesco Bank Results 2013/14	
	£m	% growth
Tesco Bank revenue (exc. VAT, exc. impact of IFRIC 13)	£1,003m	(1.8)%
Tesco Bank trading profit	£194m	1.6%
Tesco Bank trading margin	19.34%	63bp

Tesco Bank's trading profit was up year-on-year at £194m. Excluding income from the legacy insurance distribution agreement and fair value release, trading profit grew by 19%. The Bank has continued to attract new customers and passed through another important milestone in the year, with over seven million customer accounts now active.

We have seen good growth in our core banking products with customer accounts for credit cards, loans, mortgages and savings up 14%. In its first full year of trading our mortgage product has made good progress with balances reaching £0.7bn. We remain on track to launch current accounts in the first half, completing the Bank's product suite. We expect the growth in underlying trading profit in 2014/15 to be broadly offset by the investment in current accounts.

This year Tesco Bank customers received around £120m of Clubcard points and we expect the current account launch to further enhance customer loyalty.

Despite challenging market conditions for our insurance business, we have seen a good customer response to new initiatives. In particular, we have seen strong growth in Home Insurance following its re-launch. New polices also grew strongly in the second half of the year driven by our products being available to more customers through price comparison websites and by new products such as Tesco Bank Box Insurance.

Within one-off items, the Bank has made a further increase to the provision for PPI of £(20)m and a provision of £(43)m for customer redress.

The Bank ends the year with strong liquidity and capital ratios. An income statement, balance sheet and cash flow statement for Tesco Bank is available in the investor section of our corporate website – www.tescoplc.com/prelims2014. Tesco Bank's preliminary results are also published today and can be found at www.corporate.tescobank.com.

Tesco and Society

Our value 'we use our scale for good' is about using our skills and capabilities as a leading global retailer to tackle the issues that matter most to our customers, to our colleagues and to our communities. We have three big ambitions: creating new opportunities for millions of young people, improving health and through this helping to tackle the global obesity crisis, and leading a reduction in global food waste.

These three ambitions, together with our essential responsibilities as a good corporate citizen – trading responsibly, reducing our impact on the environment, being a great employer and supporting local communities – will make us a better, more sustainable business.

The issues we are tackling are complex in nature and making significant progress will not happen overnight. This year we have been gathering the best possible insights to set our long-term strategy and focus on where we can make the biggest difference. We have researched the challenges facing young people, and we have piloted our 'Healthy Little Differences Tracker' to monitor the nutritional profile of shopping trips. We have analysed the food waste that we produce through our own operations and identified hotspots across the value chain from farm to fork. We are using this insight to guide our activity.

We will share more details on our work in our second Tesco and Society Report which will be published in May and you can find out more about our ongoing activities at www.tescoplc.com/society/news.

Supplementary Information

The following supplementary information can be found within our analyst pack, which is available at www.tescoplc.com/prelims2014:

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

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This document is available at www.tescoplc.com/prelims2014.

A meeting for investors and analysts will be held today at 9.00am at Deutsche Bank, 1 Great Winchester Street, EC2N 2DB. Access will be by invitation only. Presentations from the meeting will be available at www.tescoplc.com/prelims2014.

An interview with Philip Clarke, Chief Executive, discussing the Preliminary Results is available now to download in video, audio and transcript form at www.tescoplc.com/prelims2014.

Additional Disclosures

Risks and Uncertainties

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

- Business and financial strategies
- Competition and consolidation
- Reputational risk
- Performance risk
- Property
- Economic, political and regulatory risks
- Product safety and ethical trading
- Technology
- People
- Treasury, finance and Tesco Bank risks
- Pension risks
- Fraud, compliance and control
- Business continuity and crisis management

Greater detail on these risks and uncertainties will be set out in our 2014 Annual Report, the publication of which will be announced in due course.

Appendix 1 – Segmental Sales Growth Rates*

		Total Sales Growth 2013/14 – Actual Rates**						
		Q1	Q2	**H1**	Q3	Q4	**H2**	**FY**
Inc. Petrol	Group	1.7%	2.6%	**2.0%**	(0.8)%	(2.3)%	**(1.4)%**	**0.3%**
	International	5.4%	4.5%	**4.4%**	0.0%	(4.6)%	**(1.9)%**	**1.1%**
	Asia	11.5%	5.7%	**7.7%**	1.1%	(6.1)%	**(2.0)%**	**2.7%**
	Europe	(0.3)%	3.3%	**1.2%**	(1.0)%	(3.2)%	**(1.9)%**	**(0.4)%**
	UK	0.1%	2.0%	**1.1%**	(1.2)%	(1.2)%	**(1.2)%**	**(0.1)%**
	Tesco Bank	(2.3)%	(3.8)%	**(3.1)%**	0.9%	(1.6)%	**(0.4)%**	**(1.8)%**
Exc. Petrol	Group	2.6%	3.0%	**2.6%**	0.6%	(2.3)%	**(0.7)%**	**0.9%**
	International	5.8%	4.5%	**4.5%**	0.1%	(4.7)%	**(1.9)%**	**1.2%**
	Asia	11.5%	5.7%	**7.7%**	1.1%	(6.1)%	**(2.0)%**	**2.7%**
	Europe	0.1%	3.3%	**1.3%**	(1.0)%	(3.3)%	**(1.9)%**	**(0.3)%**
	UK	1.0%	2.3%	**1.7%**	0.9%	(1.0)%	**(0.1)%**	**0.8%**
	Tesco Bank	(2.3)%	(3.8)%	**(3.1)%**	0.9%	(1.6)%	**(0.4)%**	**(1.8)%**

		Total Sales Growth 2013/14 – Constant Rates**						
		Q1	Q2	**H1**	Q3	Q4	**H2**	**FY**
Inc. Petrol	Group	0.0%	1.3%	**0.5%**	(1.2)%	(0.9)%	**(0.9)%**	**(0.2)%**
	International	(0.1)%	0.1%	**(0.6)%**	(1.2)%	(0.1)%	**(0.1)%**	**(0.3)%**
	Asia	3.2%	2.5%	**2.0%**	0.5%	(0.5)%	**0.7%**	**1.4%**
	Europe	(3.4)%	(2.3)%	**(3.1)%**	(2.9)%	0.4%	**(0.9)%**	**(2.0)%**
	UK	0.1%	2.0%	**1.1%**	(1.2)%	(1.2)%	**(1.2)%**	**(0.1)%**
	Tesco Bank	(2.3)%	(3.8)%	**(3.1)%**	0.9%	(1.6)%	**(0.4)%**	**(1.8)%**
Exc. Petrol	Group	0.7%	1.5%	**0.9%**	0.2%	(0.7)%	**(0.1)%**	**0.4%**
	International	0.1%	0.2%	**(0.4)%**	(1.2)%	(0.2)%	**(0.1)%**	**(0.3)%**
	Asia	3.2%	2.5%	**2.0%**	0.5%	(0.5)%	**0.7%**	**1.4%**
	Europe	(3.0)%	(2.3)%	**(3.0)%**	(2.9)%	0.2%	**(0.9)%**	**(1.9)%**
	UK	1.0%	2.3%	**1.7%**	0.9%	(1.0)%	**(0.1)%**	**0.8%**
	Tesco Bank	(2.3)%	(3.8)%	**(3.1)%**	0.9%	(1.6)%	**(0.4)%**	**(1.8)%**

* Growth rates shown on a continuing operations basis.

** Quarterly growth rates based on comparable days for the current year and the previous year comparison. Half 1 growth rates based on comparable days for the current year and the previous year comparison for the UK and the Republic of Ireland. All other countries are for 178 days ended 25 August 2013 compared to 179 days ended 26 August 2012. Half 2 growth rates are based on comparable days for the current year and the previous year comparison for the UK and the Republic of Ireland. All other countries are for 187 days ended 28 February 2014 compared to 186 days ended 28 February 2013.

		Like-For-Like Sales Growth 2013/14*						
		Q1	Q2	**H1**	Q3	Q4	**H2**	**FY**
Inc. Petrol	Group	(2.5)%	(1.3)%	**(1.9)%**	(3.6)%	(3.0)%	**(3.3)%**	**(2.6)%**
	International	(4.8)%	(3.9)%	**(4.3)%**	(4.6)%	(3.0)%	**(3.8)%**	**(4.0)%**
	Asia	(3.5)%	(3.6)%	**(3.7)%**	(5.1)%	(5.6)%	**(5.4)%**	**(4.5)%**
	Europe	(5.9)%	(4.2)%	**(5.0)%**	(4.0)%	(0.3)%	**(2.1)%**	**(3.5)%**
	UK	(1.6)%	(0.2)%	**(0.9)%**	(3.2)%	(3.0)%	**(3.1)%**	**(2.0)%**
	Tesco Bank	N/A	N/A	**N/A**	N/A	N/A	**N/A**	**N/A**
Exc. Petrol	Group	(2.1)%	(1.4)%	**(1.8)%**	(2.5)%	(3.0)%	**(2.8)%**	**(2.3)%**
	International	(4.5)%	(3.9)%	**(4.3)%**	(4.6)%	(3.2)%	**(3.8)%**	**(4.0)%**
	Asia	(3.5)%	(3.6)%	**(3.7)%**	(5.1)%	(5.6)%	**(5.4)%**	**(4.5)%**
	Europe	(5.5)%	(4.3)%	**(4.9)%**	(4.0)%	(0.6)%	**(2.2)%**	**(3.5)%**
	UK	(0.9)%	0.0%	**(0.5)%**	(1.4)%	(2.9)%	**(2.2)%**	**(1.3)%**
	Tesco Bank	N/A	N/A	**N/A**	N/A	N/A	**N/A**	**N/A**

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

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

	2013/14 Like-For-Like Growth						
	Q1	Q2	**H1**	Q3	Q4	**H2**	**FY**
UK	**(0.9)%**	**0.0%**	**(0.5)%**	**(1.4)%**	**(2.9)%**	**(2.2)%**	**(1.3)%**
Asia	**(3.5)%**	**(3.6)%**	**(3.7)%**	**(5.1)%**	**(5.6)%**	**(5.4)%**	**(4.5)%**
Malaysia	1.3%	(1.9)%	**(0.4)%**	(1.1)%	1.2%	**0.1%**	**(0.2)%**
South Korea	(5.1)%	(2.4)%	**(3.7)%**	(4.8)%	(4.9)%	**(4.8)%**	**(4.3)%**
Thailand	(3.0)%	(6.3)%	**(4.7)%**	(6.9)%	(9.1)%	**(8.1)%**	**(6.5)%**
Europe	**(5.5)%**	**(4.3)%**	**(4.9)%**	**(4.0)%**	**(0.6)%**	**(2.2)%**	**(3.5)%**
Czech Republic	(9.0)%	(5.0)%	**(6.9)%**	(4.9)%	0.6%	**(2.0)%**	**(4.4)%**
Hungary^	0.1%	(0.4)%	**(0.1)%**	(1.3)%	3.4%	**1.2%**	**0.5%**
Poland	(8.2)%	(4.5)%	**(6.4)%**	(0.7)%	1.9%	**0.6%**	**(2.8)%**
Slovakia	(4.1)%	(4.4)%	**(4.3)%**	(5.7)%	(3.0)%	**(4.3)%**	**(4.3)%**
Turkey	(15.5)%	(10.7)%	**(12.8)%**	(3.5)%	1.7%	**(0.9)%**	**(7.0)%**
Republic of Ireland	(3.0)%	(4.4)%	**(3.7)%**	(8.1)%	(6.4)%	**(7.2)%**	**(5.5)%**

	2012/13 Like-For-Like Growth						
	Q1	Q2	**H1**	Q3	Q4	**H2**	**FY**
UK	**(1.4)%**	**0.2%**	**(0.6)%**	**(0.7)%**	**0.5%**	**(0.1)%**	**(0.3)%**
Asia	**0.3%**	**(3.3)%**	**(1.6)%**	**(1.2)%**	**(2.6)%**	**(1.9)%**	**(1.8)%**
Malaysia	(1.7)%	0.9%	**(0.2)%**	1.7%	0.6%	**1.1%**	**0.5%**
South Korea	(1.1)%	(6.6)%	**(4.0)%**	(5.1)%	(7.9)%	**(6.6)%**	**(5.3)%**
Thailand	2.5%	0.9%	**1.7%**	4.4%	4.5%	**4.4%**	**3.1%**
Europe	**0.4%**	**(0.8)%**	**(0.2)%**	**(3.6)%**	**(4.5)%**	**(4.3)%**	**(2.3)%**
Czech Republic	(4.5)%	(7.0)%	**(5.8)%**	(9.2)%	(7.1)%	**(8.2)%**	**(7.0)%**
Hungary	0.1%	(0.8)%	**(0.4)%**	0.6%	(2.2)%	**(1.0)%**	**(0.7)%**
Poland	3.3%	1.0%	**2.2%**	(6.6)%	(8.3)%	**(8.0)%**	**(3.0)%**
Slovakia	3.4%	2.6%	**3.0%**	(2.1)%	(0.8)%	**(1.5)%**	**0.6%**
Turkey	(2.7)%	(1.6)%	**(2.1)%**	(7.0)%	(10.0)%	**(8.8)%**	**(5.4)%**
Republic of Ireland	0.4%	0.2%	**0.3%**	(0.3)%	(1.4)%	**(0.9)%**	**(0.3)%**

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

^ Following the introduction of legislation preventing large retailers from selling tobacco in mid-July 2013, Hungary like-for-like growth for 2013/14 is shown on an exc. tobacco basis. Including tobacco sales, Q1 was 0.2%, Q2 was (1.6)%, H1 was (0.8)%, Q3 was (3.8)%, Q4 was 1.1%, H2 was (1.3)% and FY was (1.0)%.

Disclaimer

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

TESCO PLC
GROUP INCOME STATEMENT
52 weeks ended 22 February 2014

	Notes	2014 £m	2013 (restated*) £m	Change %
Continuing operations				
Revenue	2	**63,557**	**63,406**	**0.2**
Cost of sales		(59,547)	(59,252)	
Gross profit		**4,010**	**4,154**	**(3.5)**
Administrative expenses		(1,657)	(1,482)	
Profits/losses arising on property-related items		278	(290)	
Operating profit	2	**2,631**	**2,382**	**10.5**
Share of post-tax profits of joint ventures and associates		60	72	
Finance income		132	120	
Finance costs		(564)	(517)	
Profit before tax		**2,259**	**2,057**	**9.8**
Taxation	3	(347)	(529)	
Profit for the year from continuing operations		**1,912**	**1,528**	**25.1**
Discontinued operations				
Loss for the year from discontinued operations	4	(942)	(1,504)	
Profit for the year		**970**	**24**	
Attributable to:				
Owners of the parent		974	28	
Non-controlling interests		(4)	(4)	
		970	**24**	
Earnings per share from continuing and discontinued operations				
Basic	6	12.07p	0.35p	
Diluted	6	12.06p	0.35p	
Earnings per share from continuing operations				
Basic	6	23.75p	19.07p	
Diluted	6	23.72p	19.06p	
Dividend per share (including proposed final dividend)	5	14.76p	14.76p	

Non-GAAP measure: underlying profit before tax	1	**£m**	**£m**	
Profit before tax from continuing operations		2,259	2,057	9.8
Adjustments for:				
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements		11	15	
IAS 19 'Employee Benefits' – non-cash Income Statement charge for pensions	9	117	69	
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods		22	17	
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions		14	19	
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards		10	28	
Restructuring and other one-off costs				
- Impairment of PPE and onerous lease provisions included within cost of sales		734	161	
- Impairment of PPE and onerous lease provisions included within profits/losses arising on property-related items		(98)	709	
- Impairment of goodwill		-	495	
- Provision for customer redress		63	115	
- Other restructuring and one-off items		102	14	
Other profits/losses arising on property-related items		(180)	(419)	
Underlying profit before tax from continuing operations		**3,054**	**3,280**	**(6.9)**
Underlying diluted earnings per share from continuing operations	6	32.05p	33.74p	(5.0)

* Restated for amendments to IAS 19 as explained in Note 1.

The notes on pages 22 to 35 form part of this preliminary consolidated financial information.

TESCO PLC
GROUP STATEMENT OF COMPREHENSIVE INCOME
52 weeks ended 22 February 2014

	Note	2014 £m	2013 (restated*) £m
Items that will not be reclassified to income statement			
Remeasurements on defined benefit pension schemes	9	(713)	(610)
Tax on items that will not be reclassified		67	99
		(646)	(511)
Items that may subsequently be reclassified to income statement			
Change in fair value of available-for-sale financial assets and investments		(4)	(11)
Currency translation differences		(1,102)	420
Reclassification adjustment for movements in foreign exchange reserve and net investment hedging on subsidiary disposed		-	20
(Losses)/gains on cash flow hedges:			
- Net fair value (losses)/gains		(235)	84
- Reclassified and reported in the Group Income Statement		61	(63)
Tax on items that may be reclassified		97	(24)
		(1,183)	426
Total other comprehensive loss for the year		**(1,829)**	**(85)**
Profit for the year		970	24
Total comprehensive loss for the year		**(859)**	**(61)**
Attributable to:			
Owners of the parent		(848)	(57)
Non-controlling interests		(11)	(4)
Total comprehensive loss for the year		**(859)**	**(61)**

Total comprehensive loss attributable to equity shareholders arises from:		
Continuing operations	138	1,421
Discontinued operations	(986)	(1,478)
	(848)	**(57)**

* Restated for amendments to IAS 19 as explained in Note 1.

The notes on pages 22 to 35 form part of this preliminary consolidated financial information.

TESCO PLC
GROUP BALANCE SHEET
As at 22 February 2014

	Notes	22 February 2014 £m	23 February 2013 £m
Non-current assets			
Goodwill and other intangible assets	7	3,795	4,362
Property, plant and equipment	8	24,490	24,870
Investment property		227	2,001
Investments in joint ventures and associates		286	494
Other investments		1,015	818
Loans and advances to customers		3,210	2,465
Derivative financial instruments		1,496	1,965
Deferred tax assets		73	58
		34,592	**37,033**
Current assets			
Inventories		3,576	3,744
Trade and other receivables		2,190	2,525
Loans and advances to customers		3,705	3,094
Derivative financial instruments		80	58
Current tax assets		12	10
Short-term investments		1,016	522
Cash and cash equivalents		2,506	2,512
		13,085	**12,465**
Assets of the disposal group and non-current assets classified as held for sale	4	2,487	631
		15,572	**13,096**
Current liabilities			
Trade and other payables		(10,595)	(11,094)
Financial liabilities			
- Borrowings		(1,910)	(766)
- Derivative financial instruments and other liabilities		(99)	(121)
- Customer deposits and deposits from banks		(6,858)	(6,015)
Current tax liabilities		(494)	(519)
Provisions		(250)	(188)
		(20,206)	**(18,703)**
Liabilities of the disposal group classified as held for sale	4	(1,193)	(282)
Net current liabilities		**(5,827)**	**(5,889)**
Non-current liabilities			
Financial liabilities			
- Borrowings		(9,303)	(10,068)
- Derivative financial instruments and other liabilities		(770)	(759)
Post-employment benefit obligations	9	(3,193)	(2,378)
Deferred tax liabilities		(594)	(1,006)
Provisions		(183)	(272)
		(14,043)	**(14,483)**
Net assets		**14,722**	**16,661**
Equity			
Share capital		405	403
Share premium		5,080	5,020
All other reserves		(498)	685
Retained earnings		9,728	10,535
Equity attributable to owners of the parent		14,715	16,643
Non-controlling interests		7	18
Total equity		**14,722**	**16,661**

The notes on pages 22 to 35 form part of this preliminary consolidated financial information.

TESCO PLC
GROUP STATEMENT OF CHANGES IN EQUITY
52 weeks ended 22 February 2014

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

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

The notes on pages 22 to 35 form part of this preliminary consolidated financial information.

TESCO PLC
GROUP CASH FLOW STATEMENT
52 weeks ended 22 February 2014

	Notes	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated from operations	10	4,316	3,873
Interest paid		(496)	(457)
Corporation tax paid		(635)	(579)
Net cash generated from operating activities		**3,185**	**2,837**
Cash flows from investing activities			
Acquisition/disposal of subsidiaries, net of cash acquired/disposed		(13)	(72)
Proceeds from sale of joint ventures and associates		-	68
Proceeds from sale of property, plant and equipment, investment property and non-current assets classified as held for sale		568	1,351
Purchase of property, plant and equipment, investment property and non-current assets classified as held for sale		(2,489)	(2,619)
Proceeds from sale of intangible assets		2	-
Purchase of intangible assets		(392)	(368)
Net decrease/(increase) in loans to joint ventures		61	(43)
Investments in joint ventures and associates		(12)	(158)
Net (investments in)/proceeds from sale of short-term investments		(494)	721
Net (investments in)/proceeds from sale of other investments		(268)	706
Dividends received from joint ventures and associates		62	51
Interest received		121	85
Net cash used in investing activities		**(2,854)**	**(278)**
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		62	57
Increase in borrowings		3,104	1,820
Repayment of borrowings		(1,912)	(3,022)
Repayments of obligations under finance leases		(9)	(32)
Purchase of non-controlling interests		-	(4)
Dividends paid to equity owners	5	(1,189)	(1,184)
Net cash used in financing activities		**56**	**(2,365)**
Net increase in cash and cash equivalents		**387**	**194**
Cash and cash equivalents at beginning of the year		2,531	2,311
Effect of foreign exchange rate changes		(105)	26
Cash and cash equivalents including cash held in disposal group at the end of year		**2,813**	**2,531**
Cash held in disposal group	4	(307)	(19)
Cash and cash equivalents at the end of year		**2,506**	**2,512**

The notes on pages 22 to 35 form part of this preliminary consolidated financial information.

Reconciliation of net cash flow to movement in net debt

52 weeks ended 22 February 2014

	Note	2014 £m	2013 £m
Net increase in cash and cash equivalents		387	194
Elimination of net decrease/(increase) in Tesco Bank cash and cash equivalents		570	(475)
Investment in Tesco Bank		-	(45)
Debt acquired on acquisition		-	(1)
Net cash (inflow)/outflow from Retail debt and lease financing		(914)	1,589
Dividend received from Tesco Bank		100	105
Increase/(decrease) in Retail short-term investments		494	(721)
(Decrease)/increase in Retail joint venture loan receivables		(54)	36
Other non-cash movements		(412)	(430)
Elimination of other Tesco Bank non-cash movements		(171)	(11)
Decrease in net debt for the year		-	241
Opening net debt		(6,597)	(6,838)
Closing net debt	11	**(6,597)**	**(6,597)**

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

The notes on pages 22 to 35 form part of this preliminary consolidated financial information.

The unaudited preliminary consolidated financial information for the 52 weeks ended 22 February 2014 was approved by the Directors on 15 April 2014.

NOTE 1 Basis of preparation

This unaudited preliminary consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority, the principles of International Financial Reporting Standards ('IFRS') and the IFRS Interpretation Committee ('IFRIC') interpretations as adopted by the European Union. The accounting policies applied are consistent with those described in the Annual Report and Group Financial Statements 2013, apart from those arising from the adoption of amended IFRS detailed below, which will be described in more detail in the Annual Report and Group Financial Statements 2014. The consolidated financial information has been prepared on a going concern basis. The auditors have confirmed that they are not aware of any matter that may give rise to a modification to their audit report.

This unaudited preliminary consolidated financial information does not constitute statutory consolidated financial statements for the 52 weeks ended 22 February 2014 or the 52 weeks ended 23 February 2013 as defined in section 434 of the Companies Act 2006. The Annual Report and Group Financial Statements for the 52 weeks ended 23 February 2013 were approved by the Board of Directors on 1 May 2013 and have been filed with the Registrar of Companies. The report of the auditors on those consolidated financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The Annual Report and Group Financial Statements for 2014 will be filed with the Registrar in due course.

Adoption of new or amended International Financial Reporting Standards
The Group adopted the following amended standards as of 24 February 2013:

- IAS 1 (Amended) 'Financial statement presentation' changes the grouping of items presented in the Group's Statement of Comprehensive Income so that items which may be reclassified to income statement in the future are presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

- IAS 19 'Employee benefits (Revised 2011)' amends the accounting for employment benefits. The standard replaces the interest costs and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. The amendment has reduced profit for the year (net of deferred tax) by £86m for the year ended 22 February 2014 (year ended 23 February 2013: a reduction of £96m). The comparative financial information has been restated accordingly.

- IFRS 13 'Fair value measurement' establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

- Annual Improvements 2009 – 2011 which includes changes to IAS 1 'Financial Statement Presentation' and IAS 16 'Property, plant and equipment'.

Discontinued operations
During the period the Group entered into definitive agreements with China Resources Enterprise, Limited to combine respective Chinese retail operations. The definitive agreements allow for the exchange of the Group's Chinese retail and property interests plus cash of HK$4,325m for a 20% interest in the combined businesses.

On 27 November 2013 the Group completed a sale of the substantive part of its US operations to YFE Holdings, Inc. with the remaining assets of the US operation being disposed of as part of an orderly restructuring process. In addition, the exit of the Japanese operations was successfully completed on 1 January 2013.

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

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

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

- IAS 32 and IAS 39 'Financial Instruments' – fair value re-measurements. Under IAS 32 and IAS 39 the Group applies hedge accounting to its various hedge relationships when allowed under IAS 39 and when practical to do so. Sometimes the Group is unable to apply hedge accounting to the arrangements, but continues to enter into these arrangements as they provide certainty or active management of the exchange rates and interest rates applicable to the Group. The Group believes that these arrangements remain effective and economically and commercially viable hedges despite the inability to apply hedge accounting. Where hedge accounting is not applied to certain hedging arrangements, the reported results reflect the movement in fair value of related derivatives due to changes in foreign exchange and interest rates. In addition, at each period end, any gain or loss accruing on open contracts is recognised in the Group Income Statement for the period, regardless of the expected outcome of the hedging contract on termination. This may mean that the Group Income Statement charge is highly volatile, whilst the resulting cash flows may not be as volatile. The underlying profit measure removes this volatility to help better identify the underlying performance of the Group.

- IAS 19 'Employee Benefits' – non-cash Group Income Statement charge for pensions. Under IAS 19, the cost of providing pension benefits in the future is discounted to a present value at the corporate bond yield rates applicable on the last day of the previous financial year. Corporate bond yields rates vary over time which in turn creates volatility in the Group Income Statement and Group Balance Sheet. IAS 19 also increases the charge for young pension schemes, such as the Group's, by requiring the use of rates which do not take into account the future expected returns on the assets held in the pension scheme which will fund pension liabilities as they fall due. The sum of these two effects can make the IAS 19 charge disproportionately higher and more volatile than the cash contributions the Group is required to make in order to fund all future liabilities. Therefore, within underlying profit the Group has included the 'normal' cash contributions for pensions but excluded the volatile element of IAS 19 to represent what the Group believes to be a fairer measure of the cost of providing post-employment benefits.

- IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods. Some operating leases have been structured in a way to increase annual lease costs as the businesses expand. IAS 17 requires the total cost of a lease to be recognised on a straight-line basis over the term of the lease, irrespective of the actual timing of the cost. This adjustment impacts the Group's operating profit and rental income within the share of post-tax profits of joint ventures and associates.

- IFRS 3 (Revised) 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions. Under IFRS 3 intangible assets are separately identified and fair valued. The intangible assets are required to be amortised on a straight-line basis over their useful lives and as such is a non-cash charge that does not reflect the underlying performance of the business acquired. Similarly, the standard requires all acquisition costs to be expensed in the Group Income Statement. Due to their nature, these costs have been excluded from underlying profit as they do not reflect the underlying performance of the Group.

- IFRIC 13 'Customer Loyalty Programmes' – fair value of awards. This interpretation requires the fair value of customer loyalty awards to be measured as a separate component of a sales transaction. The underlying profit measure removes this fair value allocation to present underlying business performance, and to reflect the performance of the operating segments as measured by management.

- Restructuring and other one-off items. These relate to certain items associated with the Group's restructuring activities and certain one-off items including items relating to fair valuing the assets of a disposal group. These have been excluded from underlying profit as they do not reflect the underlying performance of the Group.

- Profits/losses from property-related items. These relate to the Group's property activities including gains and losses on disposal of property assets, development property built for resale and property joint ventures; costs resulting from changes in the Group's store portfolio and distribution network, including pre-opening and post closure costs; and income/(charges) associated with impairment of non-trading property and related onerous contracts. These have been excluded from underlying profit as they do not reflect the underlying performance of the Group.

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 Executive Committee as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group's Chinese (previously reported as part of the Asia segment) and US operations have been treated as discontinued as described in more detail in Notes 1 and 4. The segment results do not include any amounts for these discontinued operations.

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

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

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

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

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

The segment results, which do not include any amounts for discontinued operations and the reconciliation of the segment measures to the respective statutory items included in the Group Income Statement are as follows:

52 weeks ended 22 February 2014 **At constant exchange rates***	**UK** **£m**	**Asia** **£m**	**Europe** **£m**	**Tesco Bank** **£m**	**Total at constant exchange** **£m**	**Foreign exchange** **£m**	**Total at actual exchange** **£m**
Continuing operations							
Sales including VAT (excluding IFRIC 13)	48,177	10,807	10,595	1,003	70,582	312	70,894
Revenue (excluding IFRIC 13)	43,570	10,181	9,117	1,003	63,871	278	64,149
Effect of IFRIC 13	(513)	(32)	(45)	-	(590)	(2)	(592)
Revenue	43,057	10,149	9,072	1,003	63,281	276	63,557
Trading profit	2,191	683	221	194	3,289	26	3,315
Trading margin***	5.0%	6.7%	2.4%	19.3%	5.1%	-	5.2%

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

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

NOTE 2 Segmental reporting (continued)

52 weeks ended 23 February 2013 At actual exchange rates*	UK £m	Asia £m	Europe £m	Tesco Bank £m	Total at actual exchange £m
Continuing operations					
Sales including VAT (excluding IFRIC 13)	48,219	10,663	10,809	1,021	70,712
Revenue (excluding IFRIC 13)	43,582	10,045	9,319	1,021	63,967
Effect of IFRIC 13	(491)	(25)	(45)	-	(561)
Revenue	43,091	10,020	9,274	1,021	63,406
Trading profit	2,272	733	329	191	3,525
Trading margin**	5.2%	7.3%	3.5%	18.7%	5.5%

Reconciliation of trading profit to profit for the year from continuing operations

	52 weeks ended 22 February 2014 £m	52 weeks ended 23 February 2013 (restated***) £m
Trading profit	**3,315**	**3,525**
Adjustments:		
IAS 19 'Employee Benefits' – non-cash Income Statement charge for pensions	(11)	4
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	(28)	(25)
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	(14)	(19)
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	(10)	(28)
Restructuring and other one-off items		
- Impairment of PPE and onerous lease provisions included within cost of sales	(734)	(161)
- Impairment of PPE and onerous lease provisions included within profits/losses arising on property-related items	98	(709)
- Impairment of goodwill	-	(495)
- Provision for customer redress	(63)	(115)
- Other restructuring and one-off items	(102)	(14)
Other profits/losses arising on property-related items	180	419
Operating profit	**2,631**	**2,382**
Share of post-tax profits of joint ventures and associates	60	72
Finance income	132	120
Finance costs	(564)	(517)
Profit before tax	**2,259**	**2,057**
Taxation	(347)	(529)
Profit for the year from continuing operations	**1,912**	**1,528**

* Actual exchange rates are the average actual periodic exchange rates for that financial year.
** Trading margin is based on revenue excluding the accounting impact of IFRIC 13.
*** Restated for amendments to IAS 19 as explained in Note 1.

NOTE 3 Taxation

	52 weeks ended 22 February 2014 £m	52 weeks ended 23 February 2013 (restated*) £m
UK	248	318
Overseas	99	211
	347	**529**

* Restated for amendments to IAS 19 as explained in Note 1.

The Finance Act 2012 included legislation to reduce the main rate of UK corporation tax from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013. In the December 2012 Budget Statement it was announced that the UK rate would be reduced from 23% to 21% from 1 April 2014 and in the March 2013 Budget Statement it was announced that the rate would be further reduced to 20% by 1 April 2015. These further rate reductions were substantively enacted by the balance sheet date at 22 February 2014 and are therefore included in these consolidated financial statements.

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

	22 February 2014 £m	23 February 2013 £m
Assets of the disposal groups	2,160	307
Non-current assets classified as held for sale	327	324
Total assets of the disposal groups and non-current assets classified as held for sale	2,487	631
Total liabilities of the disposal groups	(1,193)	(282)
Total net assets classified as held for sale	**1,294**	**349**

Discontinued operations

During the period the Group entered into definitive agreements with China Resources Enterprise, Limited ('CRE') to combine respective Chinese retail operations. The definitive agreements allow for the exchange of the Group's Chinese retail and property interests plus cash of HK$4,325m for a 20% interest in the combined businesses.

In the second half of the financial year independent valuations were completed, for accounting purposes, of both businesses separately to determine the fair value of the consideration for the disposal. As a result of these valuations, the Group Directors have concluded a charge of £540m is required to remeasure the assets and liabilities of the disposal group to fair value less costs to sell. The valuation was completed by considering a number of different commercial valuation methodologies rather than relying on any single method. The different methodologies included discounted cash flow, Enterprise Value / Revenue multiples and income approach for Tesco and CRE businesses as appropriate.

Accounting Standards required these valuations to be produced on a standalone existing basis for each business and consequently they do not incorporate the long term significant synergies and strategic value that the directors believe exist in the new, enlarged business.

On 27 November 2013 the Group completed a sale of the substantive part of its US operations to YFE Holdings, Inc. with the remaining assets of the US operation being disposed of as part of an orderly restructuring process. In addition, the exit of the Japanese operations was successfully completed on 1 January 2013.

The above operations have been classified as disposal groups in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

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. At 23 February 2013, the Group's Chinese operations had not yet been classified as held for sale. Assets and liabilities of the disposal group at this date comprise only those of the US.

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

Income Statement **52 weeks ended 22 February 2014**	**US** **£m**	**China** **£m**	**Total** **£m**
Revenue	496	1,489	1,985
Cost of sales	(532)	(2,060)	(2,592)
Administrative expenses	(104)	(89)	(193)
Loss arising on property-related items	(125)	-	(125)
Share of post-tax losses on joint ventures and associates	-	(17)	(17)
Finance costs	(1)	3	2
Loss before tax of discontinued operations	(266)	(674)	(940)
Taxation	6	(8)	(2)
Total loss after tax of discontinued operations	**(260)**	**(682)**	**(942)**

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

Non-GAAP measure: underlying loss before tax	**US** **£m**	**China** **£m**	**Total** **£m**
US & China			
Loss before tax on discontinued operations	(266)	(674)	(940)
Adjustments for:			
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements	-	(5)	(5)
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	6	14	20
Restructuring and other one-off costs*			
- Impairment of PPE and onerous lease provisions	118	-	118
- Impairment of goodwill	-	540	540
- Other restructuring and one-off costs	28	28	56
Other losses arising on property-related items	19	-	19
Underlying loss before tax of discontinued operations	**(95)**	**(97)**	**(192)**

* Comprises fair value remeasurements, less costs to sell.

Income Statement **52 weeks ended 23 February 2013**	**US** **£m**	**China** **£m**	**Total** **£m**
Revenue	697	1,420	2,117
Cost of sales	(1,567)	(1,485)	(3,052)
Administrative expenses	(50)	(80)	(130)
Loss arising on property-related items	(286)	(49)	(335)
Share of post-tax losses of joint ventures and associates	-	(18)	(18)
Finance costs	(4)	(10)	(14)
Loss before tax of discontinued operations	(1,210)	(222)	(1,432)
Taxation	(5)	(16)	(21)
Loss after tax of discontinued operations in the US & China	**(1,215)**	**(238)**	**(1,453)**
Loss after tax of discontinued operations in Japan**			**(51)**
Total loss after tax of discontinued operations			**(1,504)**

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

Loss per share impact from discontinued operations	
Basic	(18.72)p
Diluted	(18.71)p

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

Non-GAAP measure: underlying loss before tax	US £m	China £m	Total £m
US & China			
Loss before tax on discontinued operations	(1,210)	(222)	(1,432)
Adjustments for:			
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements	-	(1)	(1)
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	5	11	16
Restructuring and other one-off costs*			
- Impairment of PPE and onerous lease provisions	812	25	837
- Impairment of goodwill	80	-	80
- Other restructuring and one-off costs	113	37	150
Other losses arising on property-related items	28	49	77
Underlying loss before tax of discontinued operations in the US & China	**(172)**	**(101)**	**(273)**
Underlying loss before tax of discontinued operations in Japan**			**(21)**
Total underlying loss before tax of discontinued operations			**(294)**

* Comprises fair value remeasurements, less costs to sell.
** The results of Japan are for the 44 weeks ended 1 January 2013, when there was an exit from the operations.

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

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

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

Cash Flow Statement	**Total US & China** **52 weeks ended 22 February 2014** **£m**	**Total US, China & Japan** **52 weeks ended 23 February 2013** **£m**
Net cash flows from operating activities	(172)	(167)
Net cash flows from investing activities	(291)	(422)
Net cash flows from financing activities	152	(118)
Net cash flows from discontinued operations	**(311)**	**(707)**
Intra-Group funding and intercompany transactions	363	695
Net cash flows from discontinued operations, net of intercompany	**52**	**(12)**

NOTE 5 Dividends

	52 weeks ended 22 February 2014		**52 weeks ended 23 February 2013**	
	Pence/ share	**£m**	**Pence/ share**	**£m**
Amounts recognised as distributions to owners in the financial year:				
Prior financial year final dividend	10.13	815	10.13	813
Current financial year interim dividend	4.63	374	4.63	371
Dividends paid to equity owners in the financial year	**14.76**	**1,189**	**14.76**	**1,184**
Current financial year proposed final dividend	**10.13**	**819**	**10.13**	**815**

The proposed final dividend was approved by the Board of Directors on 15 April 2014 and is subject to the approval of shareholders at the Annual General Meeting. The proposed dividend has not been included as a liability as at 22 February 2014, in accordance with IAS 10 'Events after the reporting period'.

NOTE 6 Earnings per share and diluted earnings per share

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

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

		52 weeks ended 22 February 2014			52 weeks ended 23 February 2013 (restated*)	
	Basic	**Potentially dilutive share options**	**Diluted**	**Basic**	**Potentially dilutive share options**	**Diluted**
Profit/(loss) (£m)						
- Continuing operations	1,916	-	1,916	1,532	-	1,532
- Discontinued operations	(942)	-	(942)	(1,504)	-	(1,504)
Weighted average number of shares (millions)	8,068	10	8,078	8,033	4	8,037
Earnings per share (pence)						
- Continuing operations	23.75	(0.03)	23.72	19.07	(0.01)	19.06
- Discontinued operations	(11.68)	0.02	(11.66)	(18.72)	0.01	(18.71)
Total	**12.07**	**(0.01)**	**12.06**	**0.35**	**-**	**0.35**

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

Reconciliation of non-GAAP underlying diluted earnings per share

	52 weeks ended 22 February 2014		52 weeks ended 23 February 2013 (restated*)	
	£m	**pence/ share**	**£m**	**pence/ share**
Profit from continuing operations (Diluted)	**1,916**	**23.72**	**1,532**	**19.06**
Adjustments for:				
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements	11	0.14	15	0.19
IAS 19 'Employee Benefits' – non-cash Group Income Statement charge for pensions	117	1.45	69	0.86
IAS17 'Leases' – impact of annual uplifts in rent and rent-free periods	22	0.27	17	0.21
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	14	0.17	19	0.24
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	10	0.12	28	0.35
Restructuring and other one-off costs				
- Impairment of PPE and onerous lease provisions included within costs of sales	734	9.09	161	2.00
- Impairment of PPE and onerous lease provisions included within profits/losses arising on property-related items	(98)	(1.21)	709	8.82
- Impairment of goodwill	-	-	495	6.16
- Provision for customer redress	63	0.78	115	1.43
- Other restructuring and other one-off items	102	1.26	14	0.17
Other profits/losses arising on property-related items	(180)	(2.23)	(419)	(5.21)
Tax effect of adjustments at the effective rate of tax** (2014: 15.4%; 2013: 17.4%)	(122)	(1.51)	(43)	(0.54)
Underlying earnings from continuing operations	**2,589**	**32.05**	**2,712**	**33.74**

* Restated for amendments to IAS 19 as explained in Note 1.
** The effective tax rate of 15.4% (2013: 17.4%) excludes certain permanent differences on which tax relief is not available.

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

Underlying diluted earnings per share reconciliation

	52 weeks ended 22 February 2014		52 weeks ended 23 February 2013	
	%	**£m**	**%**	**£m**
Underlying profit before tax from continuing operations		**3,054**		**3,280**
Effective tax rate*	*15.4*	(469)	*17.4*	(572)
Non-controlling interests		4		4
Total		2,589		2,712
Underlying diluted earnings per share (pence)		**32.05**		**33.74**

* The effective tax rate of 15.4% (2013: 17.4%) excludes certain permanent differences on which tax relief is not available.

NOTE 7 Goodwill and other intangible assets

Goodwill and other intangible assets comprise £2,286m (2013: £2,954m) goodwill and £1,509m (2013: £1,408m) other intangible assets.

Impairment of goodwill
Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that goodwill may be impaired. Impairment review methodology is unchanged from that described in the 2013 Annual Report and Group Financial Statements.

The pre-tax discount rates used to calculate value in use range from 7% to 11% (2013: 7% to 12%). On a post-tax basis, the discount rates range from 6% to 8% (2013: 5% to 10%). The forecasts are extrapolated beyond five years based on estimated long-term average growth rates of 2% to 3% (2013: 1% to 5%).

The components of goodwill are as follows:

	2014	**2013**
	£m	**£m**
China	-	649
Malaysia	74	86
South Korea	475	514
Tesco Bank	802	802
Thailand	145	173
UK	761	701
Other	29	29
	2,286	**2,954**

Goodwill related to China was reclassified to discontinued operations in the year.

NOTE 8 Property, plant and equipment

	22 February 2014			23 February 2013		
	Land and buildings £m	**Other[(a)] £m**	**Total £m**	**Land and buildings £m**	**Other[(a)] £m**	**Total £m**
Cost						
Opening Balance	24,817	10,826	35,643	24,761	10,011	34,772
Foreign currency translation	(1,131)	(470)	(1,601)	428	173	601
Additions	1,492	955	2,447	1,525	1,109	2,634
Acquisitions through business combinations	9	6	15	4	1	5
Reclassification	1,875	27	1,902	(104)	(28)	(132)
Classified as held for sale	(115)	-	(115)	(125)	(4)	(129)
Disposals	(239)	(133)	(372)	(734)	(116)	(850)
Transfer to disposal group classified as held for sale	(974)	(360)	(1,334)	(938)	(320)	(1,258)
Closing Balance	**25,734**	**10,851**	**36,585**	**24,817**	**10,826**	**35,643**
Accumulated amortisation and impairment losses						
Opening Balance	3,961	6,812	10,773	2,951	6,111	9,062
Foreign currency translation	(220)	(267)	(487)	64	98	162
Charge for the year	466	846	1,312	448	874	1,322
Impairment losses	814	52	866	831	2	833
Reversal of impairment losses	(152)	(2)	(154)	(5)	(1)	(6)
Reclassification	282	1	283	(6)	1	(5)
Classified as held for sale	2	1	3	(25)	(2)	(27)
Disposals	(139)	(117)	(256)	(182)	(98)	(280)
Transfer to disposal group classified as held for sale	(29)	(216)	(245)	(115)	(173)	(288)
Closing Balance	**4,985**	**7,110**	**12,095**	**3,961**	**6,812**	**10,773**
Net carrying value	**20,749**	**3,741**	**24,490**	**20,856**	**4,014**	**24,870**

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

The Group continually assesses the level of services provided to tenants of its managed investment properties in accordance with IAS 40. During the year, it was concluded that the level of services provided to tenants of some malls operated by the Group are no longer considered insignificant and as a result a number of malls with a net book value of £1,623m were reclassified from investment property to property, plant and equipment.

NOTE 9 Post-employment benefits

Pensions

The Group operates a variety of post-employment benefit arrangements covering funded defined contribution schemes and both funded and unfunded defined benefit schemes. The most significant of these are the funded defined benefit pension schemes for the Group's employees in the UK, which represents 95% of the defined benefit obligation (2013: 95%), the Republic of Ireland, Thailand and South Korea.

Principal assumptions

The valuations used for IAS 19 have been based on the most recent actuarial valuations and have been updated by Towers Watson Limited to take account of the requirements of IAS 19 in order to assess the liabilities of the schemes as at 22 February 2014. The major assumptions, on a weighted average basis, used by the actuaries were as detailed below.

	22 February 2014 %	23 February 2013 %
Discount rate	4.7	5.1
Price inflation*	3.3	3.3
Rate of increase in deferred pensions**	2.3	2.3
Rate of increase in salaries	3.4	3.4
Rate of increase in pensions in payment		
Benefits accrued before 1 June 2012	3.1	3.1
Benefits accrued after 1 June 2012	2.3	2.3
Rate of increase in career average benefits		
Benefits accrued before 1 June 2012	3.3	3.3
Benefits accrued after 1 June 2012	2.3	2.3

* Based on the Retail Prices Index. Benefits accrued from 1 June 2012 are based on the Consumer Prices Index.
** 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 £240m.

Movement in the deficit during the year

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

	22 February 2014 £m	23 February 2013 (restated***) £m
Deficit in schemes at the beginning of the year	**(2,378)**	**(1,872)**
Current service cost	(542)	(482)
Net pension finance cost	(106)	(73)
Contributions by employer	531	486
Additional contribution by employer****	4	180
Foreign currency translation	11	(7)
Actuarial loss	(713)	(610)
Deficit in schemes at the end of the year	**(3,193)**	**(2,378)**
Deferred tax asset*****	634	539
Deficit in schemes at the end of the year net of deferred tax	**(2,559)**	**(1,839)**

*** Restated – As per Note 1, the amended IAS 19 requires retrospective restatement of net pension finance cost, to be calculated by applying the discount rate to the net defined benefit liability. There is no movement in the pension deficit as asset outperformance is taken to actuarial gains/losses.
****As part of the 2011 triennial valuation, the Company agreed with the Trustees to increase security and, on top of the normal contributions, made an additional contribution of £180m to the UK Pension Scheme on 30 March 2012.
*****The deferred tax asset in relation to the retirement benefit obligation has been offset with group deferred tax liabilities in the balance sheet.

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

	52 weeks ended 22 February 2014 £m	52 weeks ended 23 February 2013 £m
Profit before tax	2,259	2,057
Net finance costs	432	397
Share of post-tax profits of joint ventures and associates	(60)	(72)
Operating profit of continuing operations	2,631	2,382
Operating loss of discontinued operations	(925)	(1,451)
Depreciation and amortisation	1,567	1,590
Profits/losses arising on one-off property-related items from continuing operations	(98)	580
Profits/losses arising on other property-related items from continuing operations	(134)	(419)
Profits/losses arising on property-related items from discontinued operations	162	288
Loss arising on sale of non property-related items	(1)	-
Profit arising on sale of subsidiaries and other investments	1	35
Impairment of goodwill	540	575
Impairment of other investments	42	-
Net charge of impairment of property, plant and equipment and intangible assets not included in property-related items	715	629
Adjustment for non-cash element of pension charges	11	(4)
Additional contribution into pension scheme	(4)	(180)
Share-based payments	47	53
Tesco Bank non-cash items included in profit before tax	76	54
Increase in inventories	(115)	(54)
Increase in development stock	(8)	(40)
Increase in trade and other receivables	(33)	(104)
Increase/(decrease) in trade and other payables	509	(112)
(Decrease)/increase in provisions	(73)	309
Tesco Bank increase in loans and advances to customers	(1,432)	(1,220)
Tesco Bank (increase)/decrease in trade and other receivables	(31)	359
Tesco Bank increase in customer and bank deposits and trade and other payables	867	579
Tesco Bank increase in provisions	2	24
Increase in working capital	(314)	(259)
Cash generated from operations	**4,316**	**3,873**

Included in (decrease)/increase in provisions are movements in respect of provisions for onerous contracts relating to continuing operations of £(46)m (2013: £129m) which are included in property-related items as per the Income Statement, and relating to discontinued operations of £(37)m (2013: £47m) which are included in property-related items as per Note 4.

NOTE 11 Analysis of changes in net debt

	At 23 February 2013 £m	Tesco Bank at 23 February 2013 £m	Cash flow £m	Business combinations £m	Other non-cash movements £m	Net debt of disposal group £m	Elimination of Tesco Bank £m	At 22 February 2014 £m
Cash and cash equivalents	1,457	1,055	378	9	(105)	(288)	(485)	2,021
Short-term investments	522	-	494	-	-	-	-	1,016
Joint venture loans and other receivables	434	42	(96)	-	10	(136)	(34)	220
Bank and other borrowings	(10,066)	(638)	(818)	-	148	282	486	(10,606)
Finance lease payables	(128)	-	9	-	5	(7)	-	(121)
Net derivative financial instruments	1,172	(31)	36	-	(470)	-	5	712
Net debt of the disposal group	12	-	-	-	-	149	-	161
Net Debt	**(6,597)**	**428**	**3**	**9**	**(412)**	**-**	**(28)**	**(6,597)**

Net debt excludes the net debt of Tesco Bank but includes that of the disposal group. Movements and balances related to Tesco Bank are included within this analysis and the Reconciliation of net cash flow to movement in net debt to allow reconciliation between the Group Balance Sheet and the Group Cash Flow Statement. These movements and balances relating to Tesco Bank are subsequently eliminated to arrive at closing net debt.

NOTE 12 Events after the reporting period

On 21 March 2014 the Group entered into an agreement with Trent Limited, part of the Tata Group, to form a 50:50 Joint Venture in Trent Hypermarket Limited ('THL') which operates the Star Bazaar retail business in India. The Group's investment is £85 million.

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