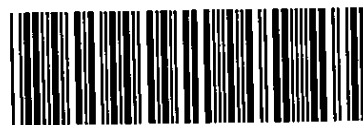


TESCO STORES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013

Registered Number: 519500

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TESCO STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013

The Directors present their Report and the audited financial statements of Tesco Stores Limited (the "Company") for the 52 week period ended 23 February 2013 (Prior 52 weeks ended 25 February 2012)

Business review and principal activities

The principal activity of the Company is operation of food stores and associated activities with 2,475 (2012 2,335) stores throughout England, Scotland, Wales and Northern Ireland

The 'Building a Better Tesco' plan has been in place throughout the year and is on track. Included within this is a six-point UK plan which was implemented in the last financial year. The elements of this plan include service & staff, stores & formats, price & value, range & quality, brand & marketing and clicks & bricks. Significant investment has been made in the business in the period which has been focused on serving customers better and on improving product ranges with an emphasis on fresh food. A review of our property pipeline was conducted in the context of our fundamentally different approach to new space, which led to a significant property write-down. The performance of the business relative to the market has improved and our margins have stabilised, as planned.

Results and dividends

The results for the period show a profit on ordinary activities before taxation of £921m (2012 £2,126m) and turnover (excluding VAT) of £42,662m (2012 £41,981m)

An interim dividend of £4,500m (2012 £1,800m) has been paid in respect of the 52 weeks ended 23 February 2013

The Directors do not recommend payment of a final dividend for the 52 weeks ended 23 February 2013 (2012 £nil)

The Company paid preference dividends amounting to £16m (2012 £16m)

Profit after taxation for the 52 weeks ended 23 February 2013 amounted to £664m (2012 £1,630m)

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks

The UK Key Risk Register has been in place throughout the year and is regularly considered by the UK operating board. The most significant risks facing the UK business include Performance risk in the business, competition risk, reputational risk and internal controls. Further discussion of these risks and uncertainties together with the controls and mitigating factors, in the context of the Tesco PLC group (the "Group") as a whole, is provided on pages 38 to 41 of the Group's Annual Report which does not form part of this report.

Financial risk management

The main financial risks faced by the Company relate to the availability of funds to meet business needs and fluctuations in interest and foreign exchange rates. The management of these risks is set out below. Financial risk management for the Group, which includes the Company, is discussed on page 42 of the Tesco PLC Group Annual Report for the 52 weeks ending 23 February 2013 which does not form part of this report.

Funding and liquidity

The company's operations are funded by a combination of retained profits, disposal of property assets, bank borrowings and leases. The objective is to ensure continuity of funding.

Interest rate risk management

Our objective is to limit the impact to our profit and loss from rising interest rates. Forward rate agreements, interest rate swaps, caps and floors may be used to achieve the desired mix of fixed and floating rate debt.

TESCO STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

Foreign currency risk management

Our principal objective is to reduce the effect of exchange rate volatility on the Profit and Loss Account. Currency exposures that could significantly impact the Profit and Loss Account may be managed using forward purchases or sales of foreign currencies and purchased currency options.

Credit risk

The objective is to reduce the risk of loss arising from default by parties to financial transactions. The Company holds positions with an approved list of counterparties of good credit quality and these counterparties and their credit ratings are routinely monitored.

Charitable and political contributions

Sponsorship and cash donations to charities (excluding cause-related marketing) amounted to £10.3m for the period (2012: £10.2m). Total contributions to community projects including direct donations, cause-related marketing, gifts-in-kind, staff time and management costs amounted to £31.7m (2012: £29.7m). There were no political donations for the period (2012: none).

Future outlook

The Company's future developments form a part of the Group's long-term strategy for the UK core business, which is discussed on pages 3 to 15 of the Group's Annual Report for the 52 weeks ended 23 February 2013, which does not form part of this Report.

Post balance sheet events

No post balance sheet events have taken place.

Key performance indicators (KPI's)

We operate a balanced scorecard approach to managing the business that is known internally as our 'Steering Wheel'. This unites resources and in particular focuses the efforts of our staff around our customers, people, operations, finance and the community. Its prime focus is as a management tool for the Company so there is appropriate balance between the different areas of focus in managing the business.

It therefore enables the business to be operated and monitored on a balanced basis with due regard to the needs of all stakeholders.

The development, performance and position of the UK operations of the Group, which includes the Company, is discussed on pages 16 to 23 of the Group's Annual Report which does not form part of this report.

Research and development

The Company undertakes research and development into products, information technology and systems to enhance the shopping trip for customers. The cost of the research and development activity is expensed to the profit and loss when incurred because it does not meet the requirements for capitalisation.

TESCO STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

Supplier payment policy

The Company pays its suppliers directly

The Company's ultimate parent company, Tesco PLC is a signatory to the Prompt Payment Code in the UK. More information about the Code can be found at www.promptpaymentcode.org.uk. Payment terms and conditions are agreed with suppliers in advance and the Group pays its creditors in accordance with those terms. Payment terms vary according to the type of product and territory in which the suppliers operate.

Trade creditor days of the Company for the 52 weeks ended 23 February 2013 were 30 days (2012: 32 days), based on the ratio of Company trade creditors at the end of the period to the amounts invoiced during the period by trade creditors.

Employees

The Company depends on the skills and commitment of its employees in order to achieve its objectives.

Ongoing training programmes seek to ensure that employees understand the Company's customer service objectives and strive to achieve them.

The Company's selection, training, development and promotion policies ensure equal opportunities for all employees regardless of factors such as gender, marital status, race, age, sexual preference and orientation, colour, creed, ethnic origin, religion or belief, or disability. All decisions are based on merit.

Internal communications are designed to ensure that employees are well informed about the business.

Employees are encouraged to become involved in the financial performance of the Company through a variety of schemes, principally the Tesco employee profit-sharing scheme (Shares in Success), the savings-related share option scheme (Save As You Earn) and the partnership share plan (Buy As You Earn).

The Company had 277,681 employees on average during the 52 weeks ended 23 February 2013 (2012: 264,887).

Directors and their interests

The following Directors served during the period and up to the date of signing the financial statements:

R Brasher (resigned - 15 March 2012)

C Bush (appointed - 14 October 2013)

P Clarke

G Fryett

A Higginson (resigned - 29 February 2012)

M Iddon (appointed - 22 November 2012, resigned - 19 June 2013)

T Mason (resigned - 06 December 2012)

L McIlwee

A Morris (appointed - 08 February 2013)

L Neville-Rolfe (resigned - 02 January 2013)

Save as set out below, none of the Directors had any disclosable interests in the Company during this period.

R Brasher, P Clarke, A Higginson, T Mason, L McIlwee and L Neville-Rolfe are also Directors, or former Directors, of Tesco PLC, the Company's ultimate parent company, and as such their disclosable interests in Tesco PLC are all declared in the financial statements of that company.

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the Tesco PLC Directors listed above and the Tesco PLC company secretary (who is also company secretary of the Company) in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial period.

TESCO STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

Interests in land

The Directors are of the opinion that the open market value of the Company's land and buildings is in excess of the net book value of £9,073m (2012 £8,749m) included in the financial statements. The market value of the land and properties is not disclosed as it can fluctuate with the market volatility and is market sensitive.

Cautionary statement regarding forward-looking information

Where this review contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this Report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. A number of important factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement.

Branches

The Company has a branch in the Isle of Man.

TESCO STORES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

The Companies Act 2006 requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the Companies Act 2006, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

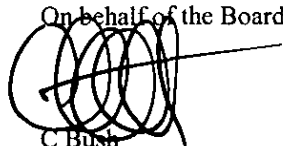
Each Director who is a Director of the Company at the date of approval of this Annual Report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The independent auditors of the Company, PricewaterhouseCoopers LLP, are proposed for reappointment.

On behalf of the Board



C. Bush
Director

Tesco Stores Limited

Registered Number 519500

Registered Office Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL

15 November 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TESCO STORES LIMITED

We have audited the financial statements of Tesco Stores Limited for the 52 weeks ended 23 February 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 23 February 2013 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



David Beer (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

18/11/2013

TESCO STORES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013

	Notes	52 weeks to 23 February 2013 £'m	52 weeks to 25 February 2012 £'m
Turnover		42,662	41,981
Cost of sales		(39,040)	(38,085)
Gross profit		3,622	3,896
Administrative expenses		(2,067)	(1,851)
Other operating income		191	175
Operating profit	3	1,746	2,220
Income from shares in group undertakings		1	1
Losses arising on property-related items	4	(737)	(40)
Interest receivable and similar income	6	113	94
Interest payable and similar charges	7	(202)	(149)
Profit on ordinary activities before taxation		921	2,126
Tax on profit on ordinary activities	8	(257)	(496)
Profit for the financial period	19	664	1,630

There are no recognised gains or losses other than those shown in the Profit and Loss Account above

There are no material differences between the profit on ordinary activities before taxation and the profit for the period stated above and their historical cost equivalents

All operations are continuing for the financial period

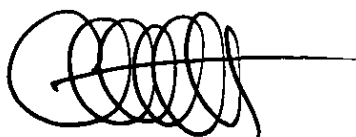
The notes on pages 10 to 31 form part of these financial statements

TESCO STORES LIMITED

BALANCE SHEET AS AT 23 FEBRUARY 2013

	Notes	23 February 2013 £'m	25 February 2012 £'m
Fixed assets			
Intangible assets	9	142	154
Tangible assets	10	10,825	10,836
Investments	11	468	495
		11,435	11,485
Current assets			
Stocks	12	1,745	1,698
Debtors amounts falling due within one year	13	17,247	15,270
Cash at bank and in hand		692	679
		19,684	17,647
Creditors amounts falling due within one year	14	(27,081)	(21,394)
Provisions for liabilities	16	(53)	(2)
Net current liabilities		(7,450)	(3,749)
Total assets less current liabilities		3,985	7,736
Creditors amounts falling due after more than one year	15	(264)	(264)
Provisions for liabilities	16	(466)	(424)
Net assets		3,255	7,048
Capital and reserves			
Called up share capital	18	1,320	1,320
Profit and Loss account	19	1,935	5,728
Total shareholders' funds	20	3,255	7,048

The financial statements on pages 8 to 31 were approved by the Board of Directors on 15 November 2013 and were signed on its behalf by



C Bush
Director
Tesco Stores Limited
Registered Number 519500

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements are prepared on the going concern basis, in accordance with applicable United Kingdom accounting standards, under the historical cost convention and in accordance with the Companies Act 2006. The Company's principal accounting policies have been applied consistently during the period except for the amendment set out below.

In accordance with FRS 2 "Accounting for Subsidiary Undertakings" and Section 400 of the Companies Act 2006, Group financial statements have not been prepared because the Company is a wholly owned subsidiary of Tesco PLC, incorporated in England and Wales.

Cash flow statement

The Company is a wholly owned subsidiary of Tesco PLC and is included in the consolidated financial statements of Tesco PLC which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 "Cash Flow Statements".

Tangible fixed assets and capitalised interest

Tangible fixed assets are carried at historic purchase cost less accumulated depreciation. They include amounts in respect of interest paid on funds specifically related to the financing of assets and other costs incurred in bringing the asset to its working condition for its intended use. Interest is capitalised on a gross basis.

Financial liabilities

Financial liabilities are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Profit and Loss Account over the period of the borrowings using the effective interest method. Preference shares which are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in the Profit and Loss Account as an interest expense.

Finance costs

Finance costs directly attributable to the acquisition or construction of qualifying assets are capitalised. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use and from which future economic benefits are expected to arise. All other borrowing costs are recognised in the Profit and Loss Account on an accruals basis.

Clubcard and loyalty initiatives

The cost of Clubcard is treated as a cost of sale, with an accrual equal to the estimated fair value of the points issued recognised when the original transaction occurs. On redemption, the cost of redemption is offset against the accrual.

The fair value of the points awarded is determined with reference to the cost of redemption and considers factors such as redemption via Clubcard deals versus money off in-store redemption rate.

Tesco for schools and Clubs vouchers are issued for redemption by participating schools/clubs. The cost of the redemption (i.e. meeting the obligation attached to the vouchers) is treated as a cost rather than as a reduction from sales.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

1. ACCOUNTING POLICIES (continued)

Fixed asset investments

Fixed asset investments in subsidiaries, associates and joint ventures are stated at cost plus incidental expenses less where appropriate provisions for impairment

Depreciation

Depreciation is provided to write off costs or valuation of tangible fixed assets less their residuals on a straight-line basis over the anticipated useful economic lives of the assets

The following depreciation rates were applied for the Company and are consistent with the prior period

- Freehold and leasehold buildings with greater than 40 years unexpired – at 2.5% of cost
- Leasehold properties with less than 40 years unexpired are depreciated by equal annual instalments over the unexpired period of the lease
- Plant, equipment, fixtures and fittings, motor vehicles, software and development costs – at rates varying from 10% to 33%
- Freehold land is not depreciated

Foreign currencies

Transactions in foreign currencies are translated into pounds sterling at the exchange rate on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into pounds sterling at the exchange rates prevailing at the Balance Sheet date. All foreign exchange differences are taken to the Profit and Loss Account for the period.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as a lessee

Assets held under finance leases are recognised as tangible fixed assets of the Company at their fair value or if lower at the present value of the minimum lease payments each determined at the inception of the lease. The corresponding liability is included in the Balance Sheet as a finance obligation. Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Profit and Loss Account.

Rentals payable under operating leases are charged to the Profit and Loss Account on a straight line basis over the term of the relevant lease.

Provisions

Provisions for onerous leases are recognised when the Company believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. The difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

Intangible assets

Goodwill arising on acquisitions is capitalised and amortised on a straight line basis over its useful economic life, up to a maximum of 20 years. No amortisation is charged in the period of acquisition, with a full period charge in the period of disposal.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

1. ACCOUNTING POLICIES (continued)

Impairment of fixed assets and goodwill

At each Balance Sheet date the Company reviews the carrying amounts of the fixed assets and goodwill to determine whether there is any need for impairment in accordance with FRS 11 "Impairment of Fixed Assets and Goodwill". Any impairment is recognised in the Profit and Loss Account in the period in which it occurs. The Company has determined each store as a separate cash-generating unit for impairment testing. Where there are indicators for impairment, the Company performs an impairment test. Recoverable amounts for cash-generating units are based on the higher of value in use and fair value less costs to sell. Value in use is calculated from cash flow projections for five years using data from the Company's latest internal forecasts. These calculations require the use of estimates.

Pensions

The Company participates in the Tesco PLC Pension Scheme, which is a multi-employer defined benefit scheme within the Tesco Group, but is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, as permitted by FRS 17 'Retirement Benefits', the Company has accounted for the scheme as if it were a defined contribution scheme, and the charge for the period is based upon the cash contributions payable. The pension scheme is valued every three years by a professionally qualified independent actuary and the rate of contributions payable is reviewed following this valuation.

Share based payments

Employees of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares, rights over shares (equity-settled transactions) or in exchange for cash.

The fair value of employee share option plans is calculated at the grant date using the Black-Scholes model. In accordance with FRS 20 "Share-based payments", the resulting cost is charged to the Profit and Loss Account over the vesting period with a corresponding adjustment to equity. The value of the charge is adjusted to reflect the expected and actual levels of vesting.

Options awarded to employees are for share capital of Tesco PLC. This is treated as a capital contribution to the reserves of the Company.

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Stocks in stores are calculated at retail prices and reduced by appropriate margins to take into account factors such as obsolescence, seasonality and damage using the weighted average cost basis.

Turnover

Turnover consists of sales through retail outlets and intercompany sales with Ireland. Turnover is reported net of returns, vouchers and value added taxes. Turnover is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Commission income is recorded based on the terms of the contracts.

Other operating income

Other operating income largely consists of income from third parties, lottery sales income and income from advertising and vending machine operations.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

1. ACCOUNTING POLICIES (continued)

Current taxation

The amount included in the Profit and Loss Account is based on the profit on ordinary activities before taxation and is calculated at current local tax rates, taking into account timing differences and the likelihood of realisation of deferred tax assets and liabilities

Group relief on taxation

The company will receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the Profit and Loss account

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date and which could give rise to an obligation to pay more or less taxation in the future. Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the Balance Sheet date.

2. SEGMENTAL REPORTING

The Company operates within one business segment being that of the operation of food superstores and associated activities with business principally transacted in the United Kingdom. Cost of sales includes distribution costs and store operating costs.

3. OPERATING PROFIT

	52 weeks to 23 Feb 2013 £'m	52 weeks to 25 Feb 2012 £'m
Operating profit is stated after charging		
Wages and salaries	3,622	3,357
Social security costs	200	186
Other pension costs	465	258
Share based payment expense	66	107
Staff costs	4,353	3,908
Depreciation of tangible fixed assets (note 10)		
- owned assets	703	566
- leased assets	39	35
Amortisation of goodwill (note 9)	12	12
Operating lease charges		
- plant and machinery	50	43
- rents payable	736	650

The average number of UK employees (excluding directors) per week during the 52 weeks ended 23 February 2013 was 277,681 (2012 264,887) and the average number of full-time equivalents was 183,057 (2012 176,351)

The auditors' remuneration for the current period was £65,000 (2012 £65,000)

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

4. LOSSES ARISING ON PROPERTY-RELATED ITEMS

The net losses arising on property related items for the 52 weeks ended 23 February 2013 were £737m (2012 £40m)

5. DIRECTORS' EMOLUMENTS

	52 weeks to 23 Feb 2013 £'m	52 weeks to 25 Feb 2012 £'m
Aggregate emoluments	4	5

Retirement benefits are accruing for ten Directors who served during the period (2012 nine Directors) under a defined benefit scheme. During the 52 weeks ended 23 February 2013, all Directors received or accrued shares under a long-term incentive scheme. The number of Directors who exercised options during the 52 weeks to 23 February 2013 was nil (2012 nine).

The total value of contributions to a defined benefit scheme on behalf of all Directors of the Company during the 52 weeks ended 23 February 2013 was £565,720 (2012 £750,153). Compensation of £1m was paid to a Director for loss of office during the 52 weeks ended 23 February 2013 (2012 nil). No compensation for retirement was paid to Directors during the 52 weeks ended 23 February 2013 (2012 nil).

A. Highest paid Director

	52 weeks to 23 Feb 2013 £'m	52 weeks to 25 Feb 2012 £'m
Aggregate emoluments	1	1

Accrued pension per annum for the highest paid Director, as at 23 February 2013 was £600,000 (2012 £573,000), with a lump sum entitlement at that date of £10,738,000 (2012 £9,727,000). The highest paid Director made gains of £0 (2012 £0) on the exercise of share options granted as part of the Discretionary Share Option Plan. The highest paid Director was granted 0 (2012 0) share options during the 52 weeks ended 23 February 2013 as part of the executive share option scheme and Discretionary Share Option Plan and 1,100,058 (2012 963,975) shares were awarded as part of the Performance Share Plan, Executive Share Option Plan, Save As You Earn scheme and Shares in Success. The highest paid Director was also granted 0 (2012 0) options as part of the Group New Business Incentive Plan.

B. Share schemes

The Company operates share schemes for Directors of the Company. Awards are made in a combination of Tesco PLC ordinary shares of 5p each, and cash. The plans, as operated for the Directors in the 52 weeks ended 23 February 2013, are described below.

Performance Share Plan (Three Year Performance)

The Performance Share Plan (PSP) for Directors provides the opportunity to earn rewards for achieving superior long term performance. For the 52 weeks ended 23 February 2013 awards were made over Tesco PLC shares with a maximum opportunity of 275% of base salary. The award will vest, together with dividend equivalents, subject to achievement of the performance measures which are an achievement of a combination of Return on Capital Employed and Earnings Per share Growth targets for Tesco PLC over a three year performance period. Clawback applies to deferred shares to allow the Tesco PLC Remuneration Committee to scale back deferred share awards in the event that the results are materially misstated.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

5. DIRECTORS' EMOLUMENTS (continued)

Executive Incentive Scheme / Plan

Bonuses for Directors are made each year in line with market practice. For the 52 weeks ended 23 February 2013 awards were made with a maximum opportunity of 250% of salary, split equally between cash and shares, with a compulsory deferral for three years on the part paid in shares. Awards are made annually measured with 70% based on the achievement of underlying profit performance and 30% based on the achievement of key strategic objectives. The share equivalent of dividends, which would have been paid on the shares, are added to the award during the deferral period. Clawback applies to deferred shares to allow the Tesco PLC Remuneration Committee to scale back deferred share awards in the event that the results are materially misstated.

Certain Directors also have historic deferred bonus share awards under the short term bonus scheme referred to in Note 22b. These deferred shares vest three years after award and are not subject to further performance conditions.

Shares In Success

Shares in Tesco PLC are allocated to participants in the scheme up to HMRC approved limits (currently £3,000 per annum). The amount of profit allocated to the scheme is determined by the Board of Directors of Tesco PLC, taking account of Company performance.

Buy As You Earn

All employees are eligible to participate in Buy As You Earn which is an HMRC approved share purchase scheme under which employees invest up to a limit of £110 on a four-weekly basis to buy shares at the market value in Tesco PLC.

Save As You Earn

All employees are eligible to participate in Save As You Earn which is an HMRC approved savings-related share option scheme under which employees save up to a limit of £250 on a four-weekly basis via a bank/building society with an option to buy shares in Tesco PLC at the end of a three-year or five-year period at a discount of up to 20% of the market value. There are no performance conditions attached to SAYE options.

Group New Business Incentive Plan

An option over 2.5 million shares was made to Sir T Leahy on 14 November 2007. Awards may be adjusted to take account of any dividends paid or that are payable in respect of the number of shares earned. Options will normally vest in four tranches: four, five, six and seven years after the date of grant and will be exercisable for up to two years from the vesting dates for nil consideration. The exercise of options will normally be conditional on the achievement of specified performance targets related to the return on capital employed over the seven-year plan. It is considered highly unlikely that the final performance test for the Group New Business Incentive Plan will be met and therefore it is expected that this award will lapse in full.

Discretionary Share Option Plan

Options over shares with a value of up to 200% of salary may be granted to senior Directors and with a value of up to 100% of salary to other Directors on an annual basis. Options are granted with an exercise price equal to the market value at the date of grant and any gain is dependent on an increasing share price between the date of grant and exercise. Vesting of the options is conditional on the achievement of earnings per share growth against RPI growth. No awards were granted to the Directors under the Discretionary Share Option Plan in 2012/13.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 23 Feb 2013	52 weeks to 25 Feb 2012
	£'m	£'m
Interest receivable on loans to group undertakings	59	49
Foreign exchange net gain	39	9
Interest receivable other	15	36
	113	94

7. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 23 Feb 2013	52 weeks to 25 Feb 2012
	£'m	£'m
Interest payable on overdrafts and bank loans	2	5
Interest payable on loans from group undertakings	271	224
Capitalised interest	(87)	(96)
Preference share dividend paid	16	16
Foreign exchange net loss	-	-
	202	149

During the period, a dividend was payable on "A" Preference shares of £16m at 6 08p per share (2012 £16m at 6 08p per share) and £0 4m at 7 18p per share (2012 £0 4m at 7 18p per share) on the "B" Preference shares

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Factors that have affected the tax charge

The standard rate of Corporation Tax in the UK was changed from 26% to 24% with effect from 1 April 2012. This gives an overall blended Corporation Tax rate for the company for the full year of 24.2 %

	52 weeks to 23 Feb 2013 £'m	52 weeks to 25 Feb 2012 £'m
Current tax:		
UK Corporation tax on profit for the financial period	395	551
Adjustments in respect of previous financial periods	(65)	(75)
Total current tax	330	476
Deferred tax		
Origination and reversal of timing differences	(45)	59
Change in tax rate	(31)	(32)
Adjustments in respect of previous financial periods	3	(7)
Total deferred tax	(73)	20
Tax on profit on ordinary activities	257	496

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The tax assessed for the period is higher (2012 lower) than the blended rate of corporation tax in the UK of 24.2% (2012 26.2%). The differences are explained below

	52 weeks to 23 Feb 2013 £'m	52 weeks to 25 Feb 2012 £'m
Profit on ordinary activities before tax	921	2,126
Profit on ordinary activities multiplied by blended rate in the UK 24.2% (2012 26.2%)	223	557
Effects of		
Expenses not deductible for tax purposes	51	57
Deductions on employee share schemes	7	(13)
Profit on property disposals not taxable or available for tax relief	121	26
Accelerated capital allowances and other timing differences	37	(42)
Other short term timing differences	1	(1)
Group relief received	(45)	(33)
Adjustments in respect of previous financial periods	(65)	(75)
Current tax charge for the financial period	330	476

Factors affecting current and future tax charges

The Finance Act 2012 included legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013. The reduction from 24% to 23% was substantively enacted at the balance sheet date and has therefore been reflected in these financial statements.

In addition to the changes in the rates of corporation tax disclosed above, reductions to the main rate of corporation tax of 2% (to 21%) from 1 April 2014 and a further 1% (to 20%) from 1 April 2015 have been enacted in the Finance Act 2013. None of these rate reductions had been substantively enacted at the balance sheet date and are therefore not reflected in these financial statements. The overall effect of these changes, if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by £45m.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

9. INTANGIBLE ASSETS

	Goodwill £'m
Cost	
At 26 February 2012 *	233
Additions	-
Disposals	-
At 23 February 2013	233
Provision for amortisation	
At 26 February 2012	79
Amortisation charge	12
Disposals	-
At 23 February 2013	91
Net book value	
At 23 February 2013	142
At 25 February 2012	154

*Goodwill relates to the conversion of One Stop stores from another group company

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

10. TANGIBLE FIXED ASSETS

	Land and buildings	Plant, equipment, fixtures and fittings, motor vehicles, software and development costs	Total
	£'m	£'m	£'m
Cost			
At 26 February 2012	9,926	5,915	15,841
Additions at cost (a)	555	726	1,281
Transfer (to) / from group undertakings (b)	115	132	247
Disposals	(101)	(707)	(808)
At 23 February 2013	10,495	6,066	16,561
Accumulated depreciation			
At 26 February 2012	(1,177)	(3,828)	(5,005)
Charge for the period	(227)	(515)	(742)
Transfer from group undertakings (b)	(49)	6	(43)
Disposals	31	23	54
At 23 February 2013	(1,422)	(4,314)	(5,736)
Net book value (c)			
At 23 February 2013	9,073	1,752	10,825
At 25 February 2012	8,749	2,087	10,836
Capital work in progress included above (d)			
At 23 February 2013	108	62	170
At 25 February 2012	410	84	494

The net book value of land and buildings comprise:

	2013 £'m	2012 £'m
Freehold	8,356	7,970
Leaseholds	717	779
	9,073	8,749

Notes

- Additions at cost includes £87m (2012 £96m) in respect of interest capitalised, principally relating to land and building assets. The capitalisation rate used to determine the amount of finance costs capitalised during the 52 weeks to 23 February 2013 was 5.1% (2012 5.1%).
- Transfers of assets are made to/from other group companies throughout the 52 week period and are done at the net book value at the date of transfer.
- Net book value includes capitalised interest, less amounts transferred and written off on disposal, of £557m (2012 £520m).
- Capital work in progress does not include land.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

10. TANGIBLE FIXED ASSETS (continued)

Impairment of property, plant and equipment

The Company has determined that for the purposes of impairment testing, each store is a cash generating unit. Cash-generating units are tested for impairment if there are indications of impairment at the balance sheet date. Recoverable amounts for cash-generating units are mainly based on value in use, which is generally calculated from cash flow projections for five to twenty years using data from the Company's latest internal forecasts, the results of which are reviewed by the Board. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash-generating units. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

The forecasts are extrapolated beyond five years based on estimated long-term growth rates of 1% to 5% (2012: 1% to 5%).

The pre-tax discount rate used to calculate value in use was 6.69% (2012: 7.60%). On a post-tax basis, the discount rate was 5.07% (2012: 5.61%). These discount rates are derived from the Company's post-tax weighted average cost of capital, as adjusted for the specific risks relating to each geographical region.

The impairment losses relate to stores and work-in-progress sites. The losses mainly arose following a review of work-in-progress sites which focused on ensuring sites achieve an appropriate return on capital and which resulted in some sites no longer being planned for development.

The reversal of previous impairment losses arose principally due to improvements in stores' performances over the last year, which increased the net present value of future cash flows.

	2013	2012
	£'m	£'m
Assets held under finance leases and capitalised in plant and equipment		
Cost	704	845
Accumulated depreciation	(658)	(731)
Net book value	46	114

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

11. FIXED ASSET INVESTMENTS

	Group companies £'m
Cost	
At 26 February 2012	507
Additions	-
Disposals	(27)
At 23 February 2013	480
Provision for impairment	
At 26 February 2012	12
Provision for impairment	-
At 23 February 2013	12
Net book value	
At 23 February 2013	468
At 25 February 2012	495

The Directors believe that the carrying value of the other investments is supported by their underlying net assets

Details of the principal subsidiary undertakings at the period end are as follows

Subsidiary undertakings	Country of incorporation	% Shares held	Nature of business
Halesworth SPV Limited	England	100%	Property company
Honiton Wholesale Supplies Limited	England	100%	Property company
Telegraph Properties (Kirkby) Limited	England	100%	Property company
Nutri Centres Limited	England	100%	Complementary medicine

A full list of the Company's subsidiary undertakings will be annexed to the next Annual Return filed at Companies House

Details of the principal associates at the period end are as follows

Investments in associated companies	Country of incorporation	% Shares held	Nature of business
Homeplus Tesco Co Limited	Korea	48.15%	Retailing

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

12. STOCKS

	2013	2012
	£'m	£'m
Goods for resale	1,745	1,698

13. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£'m	£'m
Amounts owed by group undertakings	16,585	14,581
Other debtors	535	591
Prepayments and accrued income	127	98
	17,247	15,270

Included within amounts owed by group undertakings is an £8,000m (2012 £8,000m) unsecured, interest-free loan to Tesco Property Holdings Limited which is repayable on 24th February 2013

14. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£'m	£'m
Bank loans and overdrafts	320	258
Trade creditors	3,216	3,376
Amounts owed to group undertakings	21,124	15,482
Corporation tax	309	293
Finance leases (note 17)	-	22
Other taxation and social security	346	348
Other creditors	1,163	1,100
Accruals and deferred income	603	515
	27,081	21,394

Included within amounts owed to group undertakings is an £8,000m (2012 £8,000m) unsecured loan from Tesco Property Holdings Limited, on which interest is charged at 1 Year LIBOR (London Interbank Offered Rate) plus 1 0% and which is repayable on 24th February 2013. During the period, interest was payable on a loan with Armitage Finance Unlimited of PLN 887,958,603 (maturity date 19 March 2013) at WIBOR (Warsaw Interbank Offered Rate) plus 1 0%.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

15. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £'m	2012 £'m
Finance leases	-	-
"A" Preference shares of £1 each- 259,000,000 (2012 259,000,000)	259	259
"B" Preference shares of £1 each- 5,000,000 (2012 5,000,000)	5	5
	264	264

The Preference shares confer on the holder the right to receive a fixed dividend of 6.08% for the "A" Preference shares. Dividends for the "B" Preference shares are calculated based on the pre-determined formula of the Reference Gilt Rate plus 1.279% multiplied by the RPI ratio applicable to the month in which the dividend payment falls. As regards capital, on winding up the Company, the preference shares shall be redeemed in priority to ordinary shares, together with any arrears of dividend.

The "A" Preference shares became redeemable at any date after 22 May 2007 by service of a notice of redemption by the Company or the "A" Preference shareholders.

The "B" Preference shares are irredeemable.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

16. PROVISIONS FOR LIABILITIES

	Property provisions £'m	Deferred taxation £'m	Total £'m
At 26 February 2012	10	416	426
Amount released in the year	-	(73)	(73)
Charged to the Profit and Loss Account	166	-	166
At 23 February 2013	176	343	519

Analysed as			
Current	53	-	53
Non-current	123	343	466
Total	176	343	519

Property provisions

Property provisions comprise obligations for future rents payable net of rents receivable on onerous leases including on vacant property and terminal dilapidations and other onerous contracts relating to property. The majority of these provisions are expected to be utilised over the period to 2020.

Deferred taxation

	Deferred taxation £'m
At 26 February 2012	416
Origination and reversal of timing differences	
- In respect of the current period	(45)
- In respect of prior periods	(28)
At 23 February 2013	343

Provision for deferred taxation

	2013 £'m	2012 £'m
Excess of capital allowances over depreciation	359	430
Other short term timing differences	(4)	(6)
Share-based payment	(14)	(8)
Holdover relief	2	-
	343	416

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

17. LEASING COMMITMENTS

Finance lease commitments – Company as lessee

Future minimum lease payments under finance leases are as follows

	2013 £'m	2012 £'m
Gross rental obligations	-	22
Less future finance charges	-	-
Present value of minimum lease payments	-	22
Analysed as		
Within one year	-	22
Between two and five years	-	-
	-	22

The Company has finance leases for various items of plant, equipment, fixtures and fittings. The fair value of the Company's lease obligations approximate to their carrying value.

Operating lease commitments – Company as lessee

Annual commitments payable under non-cancellable operating leases are as follows

	Land and buildings		Other	
Expiring	2013 £'m	2012 £'m	2013 £'m	2012 £'m
Within one year	17	1	1	3
Between two and five years	148	103	55	18
After five years	616	665	15	10
	781	769	71	31

Operating lease payments represent rentals payable by the Company for certain, of its retail and office properties. The leases have varying terms, purchase options, escalation clauses and renewal rights.

18. CALLED UP SHARE CAPITAL

	2013 £'m	2012 £'m
Allotted, called up and fully paid		
1,320,006,000 Ordinary shares of £1 each (2012: 1,320,006,000)	1,320	1,320

The company also has allotted, called up and fully paid preference shares which are disclosed in note 15.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

19. RESERVES

	Profit and loss account £m
As at 26 February 2012	5,728
Profit for the financial period	664
Dividends (note 21)	(4,500)
Share-based payment	43
As at 23 February 2013	1,935

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AS AT 23 FEBRUARY 2013

	2013 £m	2012 £m
Profit for the financial period	664	1,630
Dividends (note 21)	(4,500)	(1,800)
Capital contribution from parent for share-based payments	43	98
Net additions to shareholders' funds	(3,793)	(72)
Opening shareholders' funds	7,048	7,120
Closing shareholders' funds	3,255	7,048

21. DIVIDENDS

	52 weeks to 23 Feb 2013 £'m	52 weeks to 25 Feb 2012 £'m
Equity ordinary interim dividends paid £3 409 (2012 £1 364) per share	4,500	1,800

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

22. SHARE-BASED PAYMENTS

The total Profit and Loss Account charge for the period recognised in respect of share-based payments is £66m (2012 £107m), which is made up of share option schemes and share bonus payments

a) Share option schemes

Tesco PLC had six share option schemes in operation during the 52 week period which were available to the employees of the Company, all of which are equity-settled schemes

- i) The Savings-related Share Option Scheme (1981) permits the grant to employees of options in respect of ordinary shares linked to a building society/bank save-as-you-earn contract for a term of three or five years with contributions from employees of an amount between £5 and £250 per four-weekly period. Options are capable of being exercised at the end of the three- or five-year period at a subscription price of not less than 80% of the average of the middle-market quotations of an ordinary share over the three dealing days immediately preceding the offer date
- ii) The Approved Executive Share Option Scheme (1994) was adopted on 17 October 1994. The exercise of options granted under this scheme will normally be conditional upon the achievement of a specified performance target related to the growth in earnings per share over a three-year period. No further options will be granted under this scheme and it has been replaced by the Discretionary Share Option Plan (2004). There were no discounted options granted under this scheme
- iii) The Unapproved Executive Share Option Scheme (1996) was adopted on 7 June 1996. The exercise of options granted under this scheme will normally be conditional upon the achievement of a specified performance target related to the growth in earnings per share over a three-year period. No further options will be granted under this scheme and it has been replaced by the Discretionary Share Option Plan (2004). There were no discounted options granted under this scheme
- iv) The Discretionary Share Option Plan (2004) was adopted on 5 July 2004. This scheme permits the grant of approved, unapproved and international options in respect of ordinary shares to selected executives. Options are normally exercisable between three and ten years from the date of grant at a price not less than the middle-market quotation or average middle-market quotations of an ordinary share for the dealing day or three dealing days preceding the date of grant. The exercise of options will normally be conditional upon the achievement of a specified performance target related to the annual percentage growth in earnings per share over a three-year period. There were no discounted options granted under this scheme
- v) The Executive Incentive Plan (2004) was adopted on 5 July 2004. This scheme permits the grant of options in respect of ordinary shares to selected senior executives. Options are normally exercisable between three and ten years from the date of grant for nil consideration
- vi) The Performance Share Plan (2011) was adopted on 1 July 2011 and amended on 4 July 2011. This scheme permits the grant of options in respect of ordinary shares to selected senior executives. Options are normally exercisable between three and ten years from the date of grant for nil consideration. The exercise of options will normally be conditional upon the achievement of specified performance targets related to the return on capital employed and earnings per share over a three-year period

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

22. SHARE-BASED PAYMENTS (continued)

The following tables reconcile the number of share options outstanding and the weighted average exercise price (WAEP)

For the 52 weeks ended 23 February 2013

	Savings-related share option scheme		Approved share option scheme		Unapproved share option scheme		Nil cost share option schemes	
	Options	WAEP	Options	WAEP	Options	WAEP	Options	WAEP
Outstanding at 26 February 2012	121,749,114	350 15	11,997,363	400 07	68,095,025	380 38	1,704,482	0 00
Granted	30,027,487	282 00	0	0 00	0	0 00	3,762,710	0 00
Forfeited	(23,146,001)	333 25	(548,177)	410 43	(2,639,141)	401 30	(6,143)	0 00
Exercised	(11,509,595)	321 54	(435,107)	281 87	(3,731,089)	257 90	0	0 00
Outstanding at 23 February 2013	117,121,005	338 81	11,014,079	404 23	61,724,795	386 88	5,461,049	0 00
Exercisable as at 23 February 2013	14,988,154	381 09	8,676,466	391 70	48,833,165	371 37	0	0 00
Exercise price range (pence)		328 00 to 410 00		197 50 to 473 75		197 50 to 473 75		0
Weighted average remaining contractual life (years)		0 43		4 59		4 71		0 00

For the 52 weeks ended 25 February 2012

	Savings-related share option scheme		Approved share option scheme		Unapproved share option scheme		Nil cost share option schemes	
	Options	WAEP	Options	WAEP	Options	WAEP	Options	WAEP
Outstanding at 27 February 2011	130,638,774	345 30	13,081,095	392 81	73,035,341	375 86	0	0 00
Granted	26,232,748	364 00	7,274	402 75	2,495	402 75	1,704,482	0 00
Forfeited	(19,530,457)	376 08	(361,413)	385 94	(1,818,757)	384 93	0	0 00
Exercised	(15,591,951)	300 49	(729,593)	276 82	(3,124,054)	272 20	0	0 00
Outstanding at 25 February 2012	121,749,114	350 15	11,997,363	400 07	68,095,025	380 38	1,704,482	0 00
Exercisable as at 25 February 2012	15,522,416	309 18	7,675,796	402 06	35,861,342	380 11	0	0 00
Exercise price range (pence)		248 00 to 410 00		197 50 to 473 75		197 50 to 473 75		0 00
Weighted average remaining contractual life (years)		0 43		4 94		4 65		6 40

Share options were exercised on a regular basis throughout the period. The average share price during the 52 weeks ended 23 February 2013 was 328 39p (2012 385 43p)

The fair value of share options is estimated at the date of grant using the Black-Scholes option pricing model. The following table gives the assumptions applied to the options granted in the respective periods shown. No assumption has been made to incorporate the effects of expected early exercise.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

22. SHARE-BASED PAYMENTS (continued)

	2013			2012		
	Savings-related share option schemes	Executive share option schemes	Nil cost option schemes	Savings-related share option schemes	Executive share option schemes	Nil cost option schemes
Expected dividend yield (%)	5.0%	-	0.0%	4.1%	4.1%	0.0%
Expected volatility (%)	21-28%	-	26.7%	23-27%	26%	26%
Risk-free interest rate (%)	0.7-1.0%	-	1.3%	1.5-1.8%	2.00%	2.6%
Expected life of option (years)	3 or 5	-	6	3 or 5	6	6
Weighted average fair value of options granted (pence)	43.45	-	317.72	69.85	62.91	407.19
Probability of forfeiture (%)	14-15%	-	0%	14-15%	10%	0%
Share price (pence)	312.00	-	317.72	404.00	402.75	407.19
Weighted average exercise price (pence)	282.00	-	0.00	364.00	402.75	0.00

Volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in Tesco PLC option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. In estimating the future volatility of Tesco PLC's share price, the Tesco PLC Board considers the historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the option, taking into account the remaining contractual life of the option.

b) Share bonus schemes

Eligible UK employees are able to participate in Shares in Success, an all-employee profit-sharing scheme which permits the award of shares to employees, usually awarded as a percentage of earnings, up to a statutory maximum of £3,000 per annum. No award was made under this scheme in the financial year.

Selected executives participate in the Group Bonus Plan, a performance-related bonus scheme. The amount paid to employees is based on a percentage of salary and is paid partly in cash and partly in shares. Bonuses are awarded to selected executives who have completed a required service period and depend on the achievement of corporate targets.

Selected senior executives participate in the Management Performance Share Plan. Awards made under this plan will normally vest three years after the date of the award for nil consideration. Vesting will normally be conditional on the achievement of specified performance targets related to the return on capital employed over a three-year performance period. No further awards will be granted under this scheme and it has been replaced by the Performance Share Plan (2011).

Selected executives participate in the Performance Share Plan (2011). Awards made under this plan will normally vest three years after the date of the award for nil consideration. Vesting will normally be conditional on the achievement of specified performance targets related to the return on capital employed and earnings per share over a three-year performance period.

The Executive Directors of Tesco PLC participate in short-term and long-term bonus schemes designed to align their interests with those of shareholders. Full details of these schemes can be found in the Tesco PLC Directors' Remuneration Report in the Tesco PLC Annual Report and Financial Statements 2013.

The fair value of shares awarded under these schemes is their market value on the date of award. Expected dividends are not incorporated into the fair value.

TESCO STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013 (continued)

22. SHARE-BASED PAYMENTS (continued)

The number and weighted average fair value (WAFV) of share bonuses awarded during the 52 weeks to 23 February 2013 were

	2013		2012	
	Shares number	WAFV (pence)	Shares number	WAFV (pence)
Shares in Success	-	0 00	24,940,388	416 26
Executive Incentive Scheme	1,705,908	3 01	5,430,280	415 98
Performance Share Plan	13,258,689	317 10	9,436,561	387 50

23. PENSIONS

The total cost of the pension scheme to Tesco Stores Limited was £588m (2012 £375m). This includes an additional contribution made on 30 March 2012, which was agreed as part of the three-yearly review in 2011, of £180m. Further disclosures relating to the Tesco PLC Pension Scheme can be found in note 26 of the Group financial statements for the 52 weeks ended 23 February 2013.

24. CAPITAL COMMITMENTS

At 23 February 2013 there were commitments for capital expenditure contracted for but not provided of approximately £51m (2012 £24m).

25. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Tesco Holdings Limited.

The Company's ultimate parent undertaking and controlling party is Tesco PLC, which is registered in England and Wales, and which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Tesco PLC financial statements can be obtained from the Company Secretary, Tesco PLC, Tesco House, PO Box 18, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL.

26. CONTINGENT LIABILITIES

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

The Company has provided a fixed charge over a portfolio of several properties of up to £500m in favour of the Tesco PLC Pension Scheme in the event of the Company defaulting on its obligations to the scheme.

27. RELATED PARTY TRANSACTIONS

Transactions with other subsidiary companies within the Group are not disclosed as the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 "Related Party Disclosures", as the consolidated financial statements of Tesco PLC, in which the Company is included, are available at the address noted in note 25.