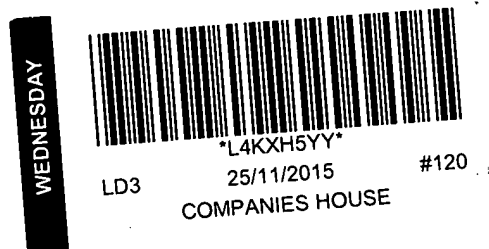


TESCO FOOD SOURCING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015

Registered Number: 07502096



TESCO FOOD SOURCING LIMITED

STRATEGIC REPORT FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015

The Directors present their Strategic Report of Tesco Food Sourcing Limited (the “Company”) for the 53 weeks ended 28 February 2015.

Review of the business

The Company was incorporated on 21 January 2011, the principal activity undertaken is to support own brand food sourcing for Tesco PLC Group entities acting as both an agent and principal. Following a companywide restructure and operational review of the Tesco Food Sourcing business model, effective in the next financial period Tesco Food Sourcing will no longer act as agent but will continue to act as principal. Tesco Food Sourcing Limited will still incur the costs associated with running the various worldwide Sourcing Hubs.

Results and dividends

The results for the period show a pre-tax profit of £86m (2014: £55m) and sales of £323m (2014: £315m).

A dividend of £50m (2014 : nil) has been paid in respect of the 53 weeks ended 28 February 2015.

The profit for the financial period ended 28 February 2015 amounted to £86m (2014: £55m).

Key performance indicators (KPI's)

Given the straightforward nature of the business the Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

The development, performance and position of the operations of the Tesco PLC Group (the “Group”), which includes the Company, is discussed on pages 10 to 17 of the Group’s Annual Report for the 53 weeks ending 28 February 2015 which does not form part of this Report.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Tesco PLC Group (the “Group”) and are not managed separately. Accordingly, the principle risks and uncertainties of the Group, which include the Company, are discussed on pages 22 to 25 of the Tesco PLC Group Annual Report for the 53 weeks ending 28 February 2015 which does not form part of this Report.

On behalf of the Board

16 November 2015

M Simister
Director



Tesco Food Sourcing Limited
Registered Number 07502096

Registered Office: Tesco House, Delamare Road, Cheshunt, United Kingdom, EN8 9SL

TESCO FOOD SOURCING LIMITED

DIRECTORS REPORT FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015

The Directors present their report and the audited financial statements of Tesco Food Sourcing Limited (the "Company") for the 53 week period ended 28 February 2015.

Political donations

There were no political donations for the period (2014: nil).

Future outlook

The Company is expected to make operational changes throughout the next financial period as previously highlighted within the Review of the business section.

The Company's future developments form a part of the Group's long-term strategy, which is discussed on pages 5 to 9 of the Group's Annual Report for the 53 weeks ended 28 February 2015, which does not form part of this Report.

Research and development

The Company does not undertake any research and development activities (2014: none).

Employees

The Company had no employees during the period (2014: none).

Directors and their interests

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

G Attewell (resigned 14 March 2014)
M Field (appointed 6 November 2014, resigned 10 November 2015)
J Glinka (resigned 6 November 2014)
J Lloyd (resigned 6 November 2014)
K Majid (resigned 10 November 2015)
J Padovan (appointed 14 March 2014, resigned 10 November 2015)
S Rao (appointed 30 March 2015, resigned 10 November 2015)
C Robinson (appointed 8 November 2013, resigned 10 November 2015)
J Scouler (resigned 4 December 2014)
M Simister
D Surdeau (appointed 6 November 2014, resigned 18 September 2015)
J Tarry (appointed 6 November 2014)
J Walker (resigned 10 November 2015)
J Wilson (appointed 6 November 2014, resigned 11 May 2015)
A Jablonowski (appointed 10 November 2015)
D Berry (appointed 10 November 2015)

Branches

The Company has a branch in Spain.

TESCO FOOD SOURCING LIMITED

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015 (continued)

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS101).

Under Company law 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 these 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 United Kingdom Accounting Standards, including FRS101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders about the use of disclosure exemptions, if any, of FRS101 used in the preparation of 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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.

Disclosure of information to auditors

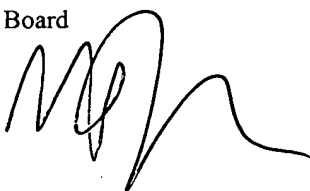
Each Director who is a Director of the Company at the date of approval of this Annual Report confirms that:

- 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 to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.
- This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the Board

16 November 2015

M Simister
Director



Tesco Food Sourcing Limited
Registered Number 07502096

Registered Office: Tesco House, Delamare Road, Cheshunt, United Kingdom, EN8 9SL

TESCO FOOD SOURCING LIMITED

Independent Auditors' Report to the Members of Tesco Food Sourcing Limited

Report on the financial statements

Our opinion

In our opinion, Tesco Food Sourcing Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 28 February 2015 and of its profit for the 53 week period (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.

What we have audited

The financial statements comprise:

- the Balance Sheet as at 28 February 2015;
- the Statement of Comprehensive Income for the period then ended;
- the Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

TESCO FOOD SOURCING LIMITED

Independent Auditors' Report to the Members of Tesco Food Sourcing Limited *(continued)*

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 & Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISA's (UK and Ireland). 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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgement and evaluating the disclosure in the financial statements.

We test and examine information, using sampling and other auditing techniques to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

16 November 2015

TESCO FOOD SOURCING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015

	Notes	2015 £'m	2014 £'m
Turnover	3	323	315
Cost of sales		(209)	(238)
Gross profit		114	77
Administrative expenses		(26)	(21)
Operating profit		88	56
Interest payable and similar charges	6	(2)	(1)
Profit on ordinary activities before taxation		86	55
Tax on profit on ordinary activities	7	-	-
Profit for the financial period		86	55
Other Comprehensive income, net of tax		-	-
Total Comprehensive income for the financial period		86	55

The notes on pages 9 to 16 form part of these financial statements.

TESCO FOOD SOURCING LIMITED

BALANCE SHEET AS AT 28 FEBRUARY 2015

	Notes	2015 £'m	2014 £'m
Fixed Assets			
Tangible assets	9	2	-
Investments	10	-	-
		2	-
Current assets			
Stocks	11	19	11
Debtors	12	221	146
Cash at bank and in hand		-	58
		240	215
Creditors amounts falling due within one year	13	(96)	(72)
Net current assets		144	143
Total assets less current liabilities		146	143
Creditors amounts falling due after more than one year	14	(3)	(36)
Net assets		143	107
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account		143	107
Total equity		143	107

The notes on pages 9 to 16 are an integral part of the financial statements.

The financial statements on pages 6 to 16 were approved by the board of Directors on 16 November 2015 and were signed on its behalf by:



M Simister
Director
Tesco Food Sourcing Limited
Registered Number 07502096

TESCO FOOD SOURCING LIMITED

**STATEMENT OF CHANGES IN EQUITY FOR THE 53 WEEKS ENDED 28
FEBRUARY 2015**

	<i>Notes</i>	<i>Equity share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
		£m	£m	£m
At 23 February 2014		-	107	107
Total comprehensive income		-	86	86
Equity dividends paid	8	-	(50)	(50)
At 28 February 2015		-	143	143
At 24 February 2013		-	52	52
Total comprehensive income		-	55	55
At 22 February 2014		-	107	107

TESCO FOOD SOURCING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS101

The financial statements of Tesco Food Sourcing Limited (the "Company") for the year ended 28 February 2015 were approved by the board of directors on 16 November 2015 and the balance sheet was signed on the board's behalf by M Simister. Tesco Food Sourcing Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Tesco PLC. These financial statements have been prepared under the historical cost convention and Companies Act 2006.

The results of Tesco Food Sourcing Limited are included in the consolidated financial statements of Tesco PLC which are available from Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirement of EU-adopted IFRS

The Company is a qualifying entity for the purposes of FRS 101. Note 1 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 24 February 2013. The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The impact of these amendments to the Company's previously adopted accounting policies is in accordance with UK GAAP was not material on the shareholder's equity as at the transition date and as at 28 February 2015 and on the profit or loss for the year ended 28 February 2015.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The information in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by the subsidiary.

TESCO FOOD SOURCING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015 (continued)

2 ACCOUNTING POLICIES (continued)

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 Statement of Comprehensive Income for the period.

Stocks

Stocks are valued at the lower of cost and net realisable value. 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 FIFO basis.

Turnover

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

Sale of goods

Where the Company is acting as Principal, revenue is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer and the amount of revenue can be measured reliably.

Revenue is recorded net of returns, discounts/offers and value added taxes.

Provision of services

Revenue from the provision of services is recognised when the service is provided and the revenue can be measured reliably, based on the terms of the contract.

Where the Company acts as an agent selling goods or services, only the commission income is included within revenue.

Taxation

The amount included in the Statement of Comprehensive Income is based on the profit or loss 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 may receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the Statement of Comprehensive Income.

Tangible Fixed Assets

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows: Plant and equipment over 5 years to 15 years.

TESCO FOOD SOURCING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015 (continued)

2 ACCOUNTING POLICIES (continued)

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

There are no material judgements or estimates made in the accounts.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables including intercompany balances are non-interest-bearing and are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

Trade and other payables

Trade payables including intercompany balances are non-interest-bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

TESCO FOOD SOURCING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015 (continued)

3. TURNOVER

Turnover by geographical area

	2015 £'m	2014 £'m
UK & ROI	302	297
Central Europe	21	18
	323	315

	2015 £'m	2014 £'m
Acting as Agent (commission only)	99	63
Acting as Principal	224	252
	323	315

4. AUDITORS REMUNERATION

The audit fees were borne of the Company's behalf by another group company.

5. STAFF COSTS AND DIRECTORS REMUNERATION

The Company had no employees during the period (2014 : none)

The Directors received no emoluments for their services to the Company (2014 : £ nil)

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £'m	2014 £'m
Foreign exchange net loss	(2)	(1)

TESCO FOOD SOURCING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015 (continued)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Factors that have affected the tax charge

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. This gives an overall blended Corporation Tax rate for the Company for the full year of 21.2% (2014 : 23.1%).

<i>(a) Tax charged in the income statement</i>	2015 £'m	2014 £'m
Tax:		
UK Corporation tax	-	-
Foreign tax	-	-
Total current income tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	-	-
Impact of change in tax laws and rates	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

(b) Reconciliation of the effective tax charge

The tax assessed for the period is lower (2014: lower) than the blended rate of corporation tax in the UK of 21.2% (2014: 23.1%). The differences are explained below:

	2015 £'m	2014 £'m
Profit on ordinary activities before tax	86	55
Profit on ordinary activities multiplied by standard rate in the UK 21.2% (2014: 23.1%)	18	13
Effects of:		
Group relief received without payment	(18)	(13)
Total tax charge for the financial period	-	-

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

TESCO FOOD SOURCING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015 (continued)

8. DIVIDENDS PAID AND PROPOSED

	2015 £'m	2014 £'m
<i>Declared and paid during the year:</i>		
Equity dividends on ordinary shares:		
Final dividend for 2015 : 1.00p (2014 : nil)	50	-
Dividends paid	50	-
<i>Proposed for approval by shareholders at the AGM</i>		
Final dividend for 2015 : nil (2014 : nil)	-	-

9. TANGIBLE FIXED ASSETS

	Plant and equipment £m	Total £m
<i>Cost or valuation:</i>		
At 23 February 2014	-	-
Additions	2	2
At 28 February 2015	2	2
<i>Depreciation and impairment:</i>		
At 23 February 2014	-	-
Provided during the year	-	-
At 28 February 2015	-	-
<i>Net Book value:</i>		
At 28 February 2015	2	2
At 23 February 2014	-	-

TESCO FOOD SOURCING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015 (continued)

10. INVESTMENTS

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

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

Subsidiary undertakings	Country of incorporation	% Shares held	Nature of business
Tesco Chile Sourcing Limitada	Chile	99.99%	Tesco Food sourcing company

The Company holds an investment of 99.99% of the capital of Tesco Chile Sourcing Limitada at a value of 4,826,417.31 Chilean Pesos (£5,947) and 9,999 US\$.

11. STOCKS

	2015 £'m	2014 £'m
Finished goods and Goods for resale	19	11

12. DEBTORS

	2015 £'m	2014 £'m
Trade debtors	13	19
Amounts owed by group undertakings	205	116
Prepayments and accrued income	3	11
	221	146

Included within amounts owed by group undertakings are amounts that are unsecured, have no fixed date of repayment and are repayable on demand.

13. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'m	2014 £'m
Bank loans and overdrafts	-	-
Trade creditors	29	18
Amounts owed to group undertakings	65	52
Accruals and deferred income	2	2
	96	72

Included within amounts owed to group undertakings are amounts that are unsecured, have no fixed date of repayment and are repayable on demand

TESCO FOOD SOURCING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015 (continued)

14. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015	2014
	£'m	£'m
Amounts owed to group undertakings	3	36

Included within amounts owed to group undertakings are amounts that are unsecured and have no fixed date of repayment.

15. CALLED UP SHARE CAPITAL

	2015	2014
	£	£
Allotted, called up and fully paid:		
1 (2014: 1) Ordinary shares of £1 each	1	1

16. ULTIMATE GROUP UNDERTAKING

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

The Company's ultimate parent undertaking is Tesco PLC. The Company is included within the Group Annual Reports which is publicly available.

17. OTHER RELATED PARTY TRANSACTION

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.