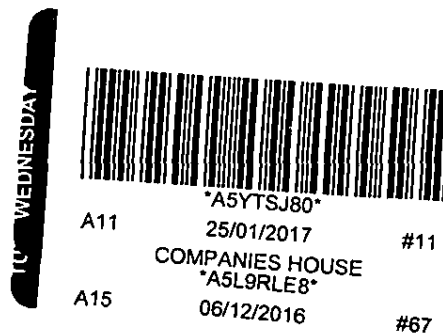


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TESCO CAPITAL NO. 1 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 27 February 2016
Company Registration Number: FC015640



TESCO CAPITAL NO. 1 LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016

The Directors present their Report and the financial statements of Tesco Capital No 1 Limited (the "Company") for the 52 weeks ended 27 February 2016 (prior 53 weeks ended 28 February 2015)

Business review and principal activities

The principal activity of the Company is to act as a financial intermediary for Tesco PLC Group entities. There has been no significant change in the nature or level of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

Results and dividends

The results for the period show a pre-tax loss of £3,934k (2015 £4,242k loss)

The Directors do not recommend payment of an ordinary dividend for the 52 weeks ended 27 February 2016 (2015 £nil)

The Company paid preference dividends amounting to £14,575k (2015 £14,575k)

Principal risks and uncertainties

The main risk faced by the company is financial risks related to fluctuations in interest rate

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 principal risks and uncertainties of the Group, which include the Company, are discussed on pages 24 to 27 of the Tesco PLC Group Annual Report for the 52 weeks ending 27 February 2016 which does not form part of this Report.

Political contributions

There were no political donations for the period (2015 none)

Future outlook

The Company's performance is expected to continue throughout the next financial period and it is anticipated that the current performance levels will be maintained.

The Company's future developments form a part of the Group's long-term strategy, which is discussed on pages 6 to 8 of the Group's Annual Report for the 52 weeks ended 27 February 2016, which does not form part of this Report.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Key performance indicators (KPIs)

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 12 to 13 of the Group's Annual Report which does not form part of this Report.

Research and development

The Company does not undertake any research and development activities (2015 none)

TESCO CAPITAL NO. 1 LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016 (continued)

Employees

The Company had no employees during the period (2015 none)

Directors and their interests

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

D Surdeau (Resigned 30 October 2015)

S Rao (Resigned 8 April 2016)

K Koch (Appointed 6 June 2016)

M Snape (Appointed 29 June 2016)

P Moore (Resigned 30 June 2016)

None of the Directors had any disclosable interests in the Company during this period

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of the Tesco PLC Company Secretary (who is also a Director of the Company) in respect of liabilities incurred as a result of his office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, Tesco PLC maintained a Directors' and Officers' liability insurance policy throughout the financial period and up to the date of signing the financial statements

Strategic Report

The Directors have taken advantage of the exemption provided by section 414 (b) of the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013) from preparing a Strategic Report

TESCO CAPITAL NO. 1 LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016 (continued)

Statement of Directors' responsibilities

The Directors are required by the Companies (Jersey) Law 1991 to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period

The Directors consider that in preparing the financial statements on pages 5 to 11 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

On behalf of the Board

15 November 2016



K Koch
Director
Tesco Capital No 1 Limited
Registered Number FC015640
Registered Office Lime Grove House, Green Street, St Helier, Jersey, JE1 2ST

TESCO CAPITAL NO. 1 LIMITED**STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 27
FEBRUARY 2016**

	Notes	52 weeks to 27 February 2016 £'000	53 weeks to 28 February 2015 £'000
Interest receivable and similar income	4	10,641	10,333
Interest payable and similar charges	5	(14,575)	(14,575)
Loss on ordinary activities before taxation		(3,934)	(4,242)
Tax on profit on ordinary activities	6	-	-
Total comprehensive loss for the financial period		(3,934)	(4,242)

The notes on pages 8 to 11 form part of these financial statements. The above results were derived from continuing operations.

TESCO CAPITAL NO. 1 LIMITED

BALANCE SHEET AS AT 27 FEBRUARY 2016

		27 February 2016 £'000	28 February 2015 £'000
	Notes		
Current assets			
Receivables	7	1,181,140	1,170,499
Cash at bank and in hand		3	3
		1,181,143	1,170,502
Current liabilities			
Payables	8	(381,847)	(367,272)
Net current assets		799,296	803,230
Total assets less current liabilities		799,296	803,230
Net assets		799,296	803,230
Equity			
Share capital	9	2,286	2,286
Other reserves		622,843	622,843
Retained earnings		174,167	178,101
Total equity		799,296	803,230

The notes on pages 8 to 11 form part of these financial statements

The financial statements on pages 5 to 11 were approved by the Board of Directors on 15 November 2016 and were signed on its behalf by



K Koch
 Director
 Tesco Capital No 1 Limited
 Registered Number FC015640
 Registered Office Lime Grove House, Green Street, St Helier, Jersey, JE1 2ST
 15 November 2016

TESCO CAPITAL NO. 1 LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016**

	Share capital	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 28 February 2015	2,286	622,843	178,101	803,230
Total comprehensive loss	-	-	(3,934)	(3,934)
At 27 February 2016	2,286	622,843	174,167	799,296
At 22 February 2014	2,286	622,843	182,343	807,472
Total comprehensive loss	-	-	(4,242)	(4,242)
At 28 February 2015	2,286	622,843	178,101	803,230

TESCO CAPITAL NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Tesco Capital No 1 Limited (the "Company") for the 52 weeks ended 27 February 2016 were approved by the Board of Directors on 15 November 2016 and the balance sheet was signed on the Board's behalf by K Koch. Tesco Capital No 1 Limited is incorporated and domiciled in Jersey.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and incorporating the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

2. ACCOUNTING POLICIES

Basis of preparation of financial statements

Pursuant to Article 105(3) of the Companies (Jersey) Law 1991, 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 disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS1 Presentation of financial statements,
- The requirements of IAS 7 Statement of Cash Flows,
- The requirements in 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 a party to the transaction is wholly owned by such a member,
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Company's principal accounting policies have been applied consistently during the period.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

TESCO CAPITAL NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016 (continued)

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

3 STAFF COSTS AND DIRECTORS' REMUNERATION

The Directors received no emoluments for their services to the Company (2015 £nil)

The Company had no employees during the period (2015 none)

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Interest receivable on loans to Group undertakings	10,641	10,333
	10,641	10,333

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Interest payable on preference share to Group undertakings	14,575	14,575
	14,575	14,575

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Factors that have affected the tax charge

The Finance Act 2013 included legislation to reduce the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. The blended tax rate for the period is therefore 20.1%

	2016 £'000	2015 £'000
Current tax:		
UK Corporation tax on profit for the financial period	-	-
Tax on profit on ordinary activities	-	-

The charge for the period can be reconciled to the profit in the Statement of Comprehensive Income as follows

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	(3,934)	(4,242)
Profit on ordinary activities multiplied by blended rate in the UK 20.1% (2015 21.2%)	(791)	(899)
Effect of		
Expenses not deducted for tax purposes	2,930	3,090
Group relief received without payment	(2,139)	(2,191)
Total income tax charge/(credit) for the financial period	-	-

TESCO CAPITAL NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016 (continued)

7. RECEIVABLES

	2016 £'000	2015 £'000
Amounts owed by Group undertakings	1,181,140	1,170,499

Included within amounts owed by Group undertakings are

- i) An amount due of £334m which accrues interest calculated at 12 month GBP LIBOR resetting annually, and
- ii) An amount due of £800m which accrues interest calculated at 3 month GBP LIBOR base rate plus 0.35% resetting quarterly

The balance relates to amounts that are unsecured, have no fixed date of repayment and are repayable on demand

8. PAYABLES

	2016 £'000	2015 £'000
25,000,000 guaranteed fixed rate cumulative preference shares of £0.01 each (2015 25,000,000)	250	250
Amounts owed to Group undertakings*	381,598	367,022
	381,848	367,272

*£249,750k is associated share premium of fixed rate preference shares

Guaranteed fixed rate cumulative preference shares pay a dividend of 5.83%. The holders of preference shares are entitled to receive notice of and attend general meetings, however, are not entitled to vote at general meetings of the Company save where, at the date of the notice convening such a general meeting, a preference share dividend has not been paid for two consecutive preference dividend periods.

The preference shares shall be redeemed at the Company's option, by service of a written notice upon the preference shareholders at any time on or after the tenth anniversary of the subscription date. The associated premium of £9.99 per share is repayable on redemption.

Other amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment.

9. SHARE CAPITAL

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
4,593 preferred ordinary shares of £0.01 each (2015 4,593)	-	-
2,285,550 A ordinary shares of £0.50 each (2015 2,285,550)	1,143	1,143
2,285,550 B ordinary shares of £0.50 each (2015 2,285,550)	1,143	1,143
	2,286	2,286

The holders of A and B ordinary shares are entitled to attend and vote at general meetings of the Company. The preferred ordinary shares do not carry any right to receive notice of, nor attend and vote at general meetings of the Company.

Dividends voted by the Company are used to pay a "special dividend" on the preferred ordinary shares. Any remaining balance is paid equally on the A and B ordinary shares.

Each of the preferred ordinary shares shall only be entitled to participate pro rata in a "special dividend" in accordance with the provisions of the Articles of Association or as varied by written consent of the holders of the majority of the preferred ordinary shares.

If the Company is wound up, the preferred ordinary shareholders shall be paid the "special dividend" with any balance allocated equally between the ordinary shareholders.

TESCO CAPITAL NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016 (continued)

10 ULTIMATE GROUP UNDERTAKING

The Company's ultimate parent undertaking and controlling party is Tesco PLC. The results of the Company are included in the consolidated financial statements of Tesco PLC, which is the smallest and largest group and are available from Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.