TESCO MOBILE COMMUNICATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014

Registered Number: 4780729

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014

The Directors present their Report and the audited financial statements of Tesco Mobile Communications Limited (the "Company") for the 52 weeks ended 22 February 2014. (Prior 52 weeks ended 23 February 2013).

Business review and principal activities

The principal activity of the Company is to act as an investment company. 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 £6,000 (2013:£9,000)

The Directors do not recommend payment of a dividend for the 52 weeks ended 22 February 2014 (2013: £nil).

The retained earnings for the 52 weeks ended 22 February 2014 amounted to a loss of £3,000 (2013: a profit of £3,000).

Principal risks and uncertainties

Risks specific to this Company include potential investment impairment in the future.

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 20-25 of the Tesco PLC Group Annual Report for the 52 weeks ending 22 February 2014 which does not form part of this Report.

Political donations

There were no political donations for the period (2013: nil).

Future outlook

The Company's level of trade is expected to continue throughout 2014 and 2015.

Going concern

It is the current intention of the Company's ultimate parent undertaking to continue to finance the Company so as to enable it to meet its liabilities as they fall due and to carry on its business without any significant curtailment of operations for the foreseeable future. Accordingly the accounts have been prepared on a going concern basis.

Key performance indicators (KPI's)

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

Research and development

The Company does not undertake any research and development activities (2013: none).

Employees

The Company had no employees during the period (2013: none).

Strategic report

The Directors have taken advantage of the exemption under section 414B(b) of the Companies Act 2006 from preparing a Strategic Report.

Directors and their interests

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

R Fogg (resigned – 12 August 2013)
J Lloyd (appointed – 12 August 2013)
Tesco Services Limited

Save as set out below, 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 each of the Tesco PLC Directors listed above and the Tesco PLC company secretary (who is also a Director 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, Tesco PLC maintained a directors' and officers' liability insurance policy throughout the financial period.

Statement of Directors' responsibilities

The Directors are responsible for preparing 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 parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).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 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 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 these financial statements 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.

Independent auditors

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

On behalf of the Board — 10 November 2014.

Tesco Services Limited
Director
Tesco Mobile Communications Limited
Registered Number: 4780729
Registered Office: Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TESCO MOBILE COMMUNIATIONS LIMITED

Report on the financial statements

Our opinion
In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 22 February 2014 and of its loss 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The financial statements, which are prepared by Tesco Mobile Communications Limited, comprise:

- the Balance Sheet as at 22 February 2014;
- the Income Statement 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 their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "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.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

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.

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.

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; or

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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Director's Responsibilities set out on page 4, 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 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.

Matthew Mullins

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
11 November 2014

INCOME STATEMENT FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014

	Notes	**52 weeks to 22 February 2014 £'000**	52 weeks to 23 February 2013 £'000
Interest payable and similar cost	5	**(6)**	(9)
Loss on ordinary activities before taxation		**(6)**	(9)
Tax expense	6	**-**	-
Loss for the period		**(6)**	(9)

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 9 to 13 form part of these financial statements.

BALANCE SHEET AS AT 22 FEBRUARY 2014

	Notes	22-Feb 2014 £'000	23-Feb 2013 £'000
Fixed assets			
Investments	7	**1,050**	1,050
		1,050	1,050
Current assets			
Debtors: amounts falling due within one year	8	**1,780**	1,780
		1,780	1,780
Creditors: amounts falling due within one year	9	**(1,752)**	(1,746)
Net current assets		**28**	34
Total assets less current liabilities		**1,078**	1,084
Net assets		**1,078**	1,084
Capital and reserves			
Equity share capital	10	**1,081**	1,081
Retained earnings		**(3)**	3
Total equity		**1,078**	1,084

Tesco Services Limited
Director

10 November 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS101

The financial statements of Tesco Mobile Communications Limited (the "Company") for the year ended 22 February 2014 were authorised for issue by the board of directors on 10 November 2014 and the balance sheet was signed on the board's behalf by Tesco Services Limited. Tesco Mobile Communications Limited is incorporated and domiciled in England and Wales.

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

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Tesco PLC.

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

The principal accounting policies adopted by the Company are set out in note 2.

2 ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) 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 financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements 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 26 February 2012. 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 in accordance with UK GAAP was not material on the shareholders' equity as at the date of transition and as at 22 February 2014 and on the profit or loss for the year ended 22 February 2014.

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

- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- 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 ; and

The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below.

2 ACCOUNTING POLICIES (continued)

Significant accounting policies

a) Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

b) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. 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 may receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the Profit and Loss account.

3 AUDITORS' REMUNERATION

The auditors' remuneration for the current and prior period was borne by another group company.

4 STAFF COSTS AND DIRECTORS' REMUNERATION

The company had no employees during the period (2013: none).

The Directors received no emoluments for their services to the company (2013: £nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014 (continued)

5 INTEREST PAYABLE

	52 weeks to 22 Feb 2014 £'000	52 weeks to 23 Feb 2013 £'000
Interest payable on loans from joint ventures	**6**	9
Total interest payable and similar cost	**6**	9

6 TAXATION

Factors that have affected the tax charge

The standard rate of Corporation Tax in the UK was changed from 24% to 23% with effect from 1 April 2013. This gives an overall blended Corporation Tax rate for the company for the full year of 23.1 %.

(a) Tax charged in the income statement

	52 weeks to 22 Feb 2014 £'000	52 weeks to 23 Feb 2013 £'000
Current income tax:		
UK corporation tax	**-**	-
Total current income tax	**-**	-
Tax expense in the income statement	**-**	-

(b) Reconciliation of the effective tax charge

The tax assessed for the period is higher (2013: higher) than the blended rate of corporation tax in the UK of 23.1% (2013: 24.2%). The differences are explained below:

	52 weeks to 22 Feb 2014 £'000	52 weeks to 23 Feb 2013 £'000
Loss from continuing operations before taxation	**(6)**	(9)
Accounting profit before income tax	**(6)**	(9)
Tax calculated at UK standard rate of corporation tax of 23.1% (2013: 24.2%)	**(1)**	(2)
Group relief surrendered without payment	**1**	2
Total tax expense reported in the income statement	**-**	-

7 INVESTMENTS - NON-CURRENT

	2014 £'000	2013 £'000
Investment in subsidiaries	-	-
Investments in joint ventures	**1,050**	1,050
Total Investments – non current	**1,050**	1,050

The Directors believe that the carrying value of the investments is supported by their underlying net assets and their expected future cash flows.

(a) Investments in subsidiaries

	£
At 23 February 2013	1
At 22 February 2014	**1**

The company has a 100% investment in Tesco Mobile Services Limited.

(b) Investment in joint ventures

The Company has a 5% interest in Tesco Mobile Limited, a jointly controlled entity whose principal activity is the provision of Telecoms services.

(c) Details of Group undertakings

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital at 23 February 2013 and 22 February 2014, are as follows:

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Subsidiary undertakings:			
Tesco Mobile Services Limited	Ordinary shares	100%	Holding Company
Joint venture:			
Tesco Mobile Limited	Ordinary shares	50%	Telecoms

The entity has a direct shareholding of 5% in Tesco Mobile Limited and an indirect holding of 50% through its subsidiary Tesco Mobile Services Limited, which has a 45% direct shareholding in Tesco Mobile Limited.

8 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Amounts owed by group undertakings	**1,780**	1,780
	1,780	1,780

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014 (continued)

9 CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Bank loans and overdrafts	**33**	27
Amounts owed to group undertakings	**1,119**	1,119
Amounts owed to joint ventures	**600**	600
	1,752	1,746

Terms of loan from joint ventures- amount of principle £600,000 (2013: £600,000) and interest rate LIBOR plus 0.5% (2013: LIBOR plus 0.5%).

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

10 CALLED UP SHARE CAPITAL

Allotted, called up and fully paid	2014 £'000	2013 £'000
Ordinary shares of £1 each		
At 23 February 2013	**1,081**	1,081
At 22 February 2014	**1,081**	1,081

11 OTHER RELATED PARTY TRANSACTIONS

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

12 ULTIMATE GROUP UNDERTAKING

The Company's intermediate and ultimate parent undertaking is Tesco PLC. The Company is included within these group accounts which are publicly available.