TESCO PERSONAL FINANCE plc

PRELIMINARY RESULTS

FOR THE YEAR ENDED 28 FEBRUARY 2015

COMPANY NUMBER SC173199

CONTENTS

BUSINESS AND FINANCIAL REVIEW

In the Business and Financial Review and Financial Statements, unless specified otherwise, the 'Company' means Tesco Personal Finance Plc and the 'Group' means the Company and its subsidiaries and joint venture included in the consolidated financial statements. The Group operates using the trading name of Tesco Bank.

Tesco Personal Finance Plc is a wholly owned subsidiary of Tesco Personal Finance Group Limited, the share capital of which is wholly owned by Tesco PLC. A reconciliation of the results contained within this preliminary report to the Tesco Bank results presented in the Tesco PLC preliminary results 2014/15 can be found on the Tesco PLC internet page http://www.tescoplc.com/media/247951/rns.pdf.

Cautionary Statement regarding forward-looking information

Where this document 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. The Group cautions users of these preliminary results that a number of factors, including matters referred to in this document, could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, those discussed under 'Risks and uncertainties' on page 7 of this document.

Business model

The Group is primarily focused on providing financial services and products to personal customers in the UK and the Republic of Ireland.

The Company owns 49.9% of Tesco Underwriting Limited, an authorised insurance company.

Headlines

- The Group is now servicing more customer accounts than ever before with the total number growing to 7.4m at the year end (2014: 7.1m), an increase of 5%.
- Adjusting for non trading items[1], underlying profit before tax is 5.7% higher at £221.9m (2014: £210m). The investment in the successful launch of the Group's first current account product partially offset underlying profit growth.
- Income, adjusted for non trading items[1], has increased by 3.2% to £769m (2014: £745m) due to strong lending growth.
- Growth across the product range, underpinned by mortgage growth, delivered an increase in customer lending of 11.6% to £7.7bn (2014: £6.9bn).
- Growth in lending is primarily funded by customer deposit growth of 13.7% over the year, with deposits totalling £6.9bn (2014: £6.1bn).
- The Group successfully completed an external credit card securitisation of £500m in June 2014 which was used, in part, to reduce Funding for Lending Scheme (FLS) borrowings, with the balance supporting customer lending.
- Credit quality remains good. Impairments reduced 13.3% from £60.8m in 2014 to £52.7m. The bad debt: asset ratio has accordingly decreased since 2014 from 1.0% to 0.7%.
- The balance sheet remains strong and well positioned to support future lending growth from both a liquidity and capital stand point. At February 2015, the Group's risk asset ratio was 18.8% (2014: 17.7%) and net stable funding ratio was 116.6% (2014: 116.5%).
- In the first half of the year profit was impacted by an additional charge for customer redress provisions of £27m (2014: £63m) (refer note 9).

[1] Non trading items consist of customer redress provisions of £27m (2014: £63m) and losses on financial instruments, adverse movements on derivatives and hedge accounting of £18.6m (2014: gains of £5.6m) within total income; and restructure charges of £8.1m (2014: nil) presented within administrative expenses.

BUSINESS AND FINANCIAL REVIEW (continued)

STRATEGIC PRIORITIES

Throughout the year the Group has continued to make good progress towards achieving its vision to be the bank for Tesco customers.

During the year the Group launched its first Personal Current Account (PCA); introduced 90% maximum Loan To Value (LTV) mortgages; expanded loan products to include £1,000 - £2,999 loans; and added a new Foundation Credit Card, designed to help customers who would ordinarily be declined due to a poor credit rating or as a result of never having had credit before.

In June 2014, the Group launched its mobile banking app, helping customers to bank in a convenient and secure way. The app has been well received by customers with over 450,000 downloads at 28 February 2015. The Group also refreshed its website, making it simpler for customers to use and optimised for touch based tablet use, with further improvements planned in the coming year.

The Group's commitment to offering attractive products and good service for customers has resulted in the achievement of its highest ever net promoter score – a key measure of customer satisfaction. Furthermore, in January 2015, the UK Institute of Customer Service ranked Tesco Bank 3rd among financial service providers for customer service in the UK.

The Group continues to be guided by its core values: no one tries harder for customers; we treat everyone how they like to be treated; and we use our scale for good. Our commitment to the communities we serve resulted in Tesco Bank being awarded the 2014 Company Culture Award (Scottish Business Awards). During the year, colleagues raised over £200,000 for the Group's charity partners and volunteered over 5,750 hours to their local communities.

BUSINESS REVIEW

Banking

The Banking business has performed strongly in the year, continuing to serve more customers in more ways. This growth has been delivered within an extremely competitive trading environment and total customer accounts now stand at over 5.4m (2014: 4.9m).

The Group has delivered solid lending growth over the year. Our mortgage offering continues to make good progress, with balances growing to £1.2bn (2014: £0.7bn), while credit card balances increased by 3% and personal loans by 7%.

The Group's first Personal Current Account launched in June 2014, to customer and industry acclaim. The account was awarded 5 stars by MoneyFacts and Defaqto.

Customer lending is primarily funded by customer deposits, which saw growth of 13.7% over the year, taking total deposits to over £6.9bn. The Group's funding position has been further diversified with the issue of £500m of securities backed by credit card assets.

Mortgage growth led to a decreased net interest margin of 4.2% (2014: 4.4%).

Impairment charges have continued to improve, reducing 13.3% from £60.8m in 2014 to £52.7m, reflecting the credit quality of the Group's lending.

BUSINESS AND FINANCIAL REVIEW (continued)

BUSINESS REVIEW (continued)

Insurance

The Insurance business continues to focus on enhancing the existing product suite, expanding the underwriting footprint and implementing digital improvements, particularly to the customer experience. The emphasis on improving the customer offering and experience was recognised with the Group being awarded Best Direct Car Insurer and Best Direct Life Insurer ('Your Money' Awards) and has supported good growth in new business sales.

Despite strong price led competition in the Motor and Home markets, new business sales have performed well with Motor growing 5%, in part due to strong growth in the Group's telematics product, and Home growing 6% since February 2014. Strong competition in the Pet market has led to a reduction in the Group's market share. Overall however, total in force policies on the primary products remain in line with the prior year.

BUSINESS AND FINANCIAL REVIEW (continued)

CONSOLIDATED INCOME STATEMENT

The Group's financial performance is presented in the consolidated income statement on page 8. A summary is presented below:

	2015 £m	2014 £m	% change
Net interest income	378.6	350.0	8.2
Underlying non interest income [1]	390.4	395.0	(1.2)
Total underlying income	**769.0**	**745.0**	**3.2**
Underlying operating expenses [2]	(499.7)	(476.6)	(4.8)
Impairment on loans and advances to customers	(52.7)	(60.8)	13.3
Share of profit of joint venture	5.3	2.4	120.8
Underlying profit before tax	**221.9**	**210.0**	**5.7**
Non trading items [1,2]			
Restructure Costs	(8.1)	-	
Customer redress provision	(27.0)	(63.0)	
(Losses)/gains on financial instruments, movements on derivatives and hedge accounting	(18.6)	5.6	
Profit before tax	**168.2**	**152.6**	**10.2**

The Directors consider the following to be Key Performance Indicators for the Income Statement:

	2015	2014
Net interest margin [3]	4.2%	4.4%
Underlying cost:income ratio [4]	65.0%	64.0%
Cost: income ratio [5]	70.2%	69.3%
Bad debt: asset ratio (BDAR) [6]	0.7%	1.0%

1 Underlying non interest income excludes non trading items which consist of customer redress provisions of £27m (2014: £63m) and losses on financial instruments, adverse movements on derivatives and hedge accounting of £18.6m (2014: gains of £5.6m). These are presented within total income on page 8.

2 During the final quarter of the year the group undertook an organisational restructure resulting in a non-recurring charge of £8.1m in the year (2014: £nil). This is presented within administrative expenses on page 8.

3 Net interest margin is calculated by dividing net interest income by average interest bearing assets.

4 The underlying cost: income ratio is calculated by dividing underlying operating expenses by total underlying income.

5 The cost: income ratio is calculated by dividing operating expenses by total income (including non trading items).

6 The bad debt: asset ratio is calculated by dividing the impairment loss by the average balance of loans and advances to customers.

Net interest income

Net interest income has grown 8.2% to £378.6m (2014: £350m) on the back of strong lending growth across Mortgages, Personal Loans and Credit Cards.

Net interest margin decreased to 4.2% (2014: 4.4%), impacted by mortgage growth.

Underlying non interest income has decreased by 1.2% to £390.4m (2014: £395m), impacted by the discontinuation of a number of Insurance products and lower banking fees.

BUSINESS AND FINANCIAL REVIEW (continued)

Non trading items

Profit has been adversely impacted by a £27m increase in the provision recognised in respect of the cost of settling Payment Protection Insurance (PPI) claims. A significant degree of uncertainty remains with regard to the ultimate cost of settling PPI complaints. Further information on these provisions is set out at note 9 to the financial statements.

Underlying operating expenses have grown 4.8% to £499.7m (2014: £476.6m). This reflects additional operational costs supporting Personal Current Accounts together with increased depreciation for the investment in systems to support that product.

Impairment

The quality of the Group's lending has remained strong during the year. The combination of relatively benign economic conditions and enhanced operational processes has led to improved cash recoveries. Overall, impairment charges have reduced by 13.3% to £52.7m (2014: £60.8m).

As a result of the lower impairment charges, the Group's bad debt: asset ratio (BDAR) has improved to 0.7% (2014: 1.0%).

BUSINESS AND FINANCIAL REVIEW (continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's consolidated statement of financial position is presented on page 10. A summary position is presented below:

	2015 £m	2014 £m	% change
Loans and advances to customers	7,725.3	6,922.0	11.6
Total assets	10,059.7	9,247.7	8.8
Deposits from customers	6,914.8	6,082.4	13.7
Deposits from banks	106.5	779.8	(86.3)
Net assets	1,470.6	1,381.4	6.5

Loans and Advances to Customers have increased by 11.6% to £7.7bn (2014: £6.9bn). The mortgage book has grown to £1.2bn (2014: £0.7bn) on the back of an expanded product range, while Personal Loans have grown 7% reflecting higher average loans, and credit cards 3%, reflecting growth in the number of customers.

Deposits from Customers
Customer deposits remain the Group's primary source of funding and increased in the year to £6.9bn (2014: £6.1bn) on the back of competitive customer propositions.

Deposits from Banks
Deposits from Banks reduced to £106.5m (2014: £779.8m). The Group reduced Funding for Lending Scheme (FLS) borrowings in the year, following an external credit card securitisation of £500m in June 2014.

The Group's capital position has remained strong and able to support future lending growth from both a liquidity and capital standpoint. The Directors consider the following to be Key Performance Indicators for capital and liquidity reporting:

	2015	2014
Tier 1 capital ratio [1]	15.2%	14.0%
Risk asset ratio [2]	18.8%	17.7%
Net stable funding ratio [3]	116.6%	116.5%
Loan to deposit ratio [4]	111.7%	113.8%

1 The tier 1 capital ratio is calculated by dividing total tier 1 capital at the end of the period by total risk weighted assets.

2 The risk asset ratio is calculated by dividing total regulatory capital by total risk weighted assets.

3 The net stable funding ratio is calculated by dividing stable funding (including own funds and customer liabilities) by loans and advances to customers and other illiquid assets.

4 The loan to deposit ratio is calculated by dividing loans and advances to customers by deposits from customers.

The Group's risk asset ratio remains above internal targets at 18.8% (2014: 17.7%) and leaves the Group well placed to support future growth.

The net stable funding ratio, a measure of the Group's liquidity position, remains above internal targets at 116.6% (2014: 116.5%). The Group maintains a liquid asset portfolio of high quality securities of £1.5bn (2014: £1.4bn).

A final dividend of £50m (2014: £100m) was paid in the year.

BUSINESS AND FINANCIAL REVIEW (continued)

RISKS AND UNCERTAINTIES

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

- Credit risk
- Operational risk
- Liquidity, Capital and Funding risk
- Market risk
- Insurance risk
- Legal and Regulatory compliance risk
- Conduct risk

Greater detail on the risks and uncertainties faced by the Group will be set out in the Group's 2015 Financial Statements, the publication of which will be announced in due course.

With the exception of the items discussed below, there have been no significant changes in the nature of the risks faced by the Group over the year.

Business Risk

In July 2013, the European Commission proposed legislation which would, amongst other things, impose caps on interchange fees on credit cards and debit cards.

A final regulation has been published by the European Commission which, as a general rule, imposes caps on interchange fees for debit and credit cards of 0.2% and 0.3% of the transaction value respectively. For consumer debit cards, the Regulation also gives flexibility to Member States to define lower percentage caps and impose maximum fee amounts. The regulation was adopted by the European Parliament on 10 March 2015 and it is currently expected that the Regulation will enter into force during the first half of 2015.

In advance of full implementation, MasterCard has reduced its interchange rates for UK-issued consumer credit cards used at UK merchants by reducing the interchange rates applicable to its 'premium' cards to the level of its 'standard' cards from 1 April 2015. Graduated reductions of MasterCard's interchange rates are also being implemented until the relevant European Commission caps on interchange fees take full effect, expected to be in the second half of 2015 or first half of 2016. The considerable majority of credit cards issued by the Group are issued by MasterCard.

Transaction fees on debit and credit cards represent a significant part of the Group's revenues so the reduction in interchange fees will result in significantly lower interchange income. The Group is actively engaged in developing and implementing plans to respond to these developments, with a number of possible responses well progressed. The ultimate impact on the Group is difficult to predict, however, as it depends in large part on the effectiveness of its commercial response which in turn depends on the actions of its customers and competitors, among other factors.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE YEAR ENDED 28 FEBRUARY 2015

	Note	2015 £m	2014 £m
Interest and similar income	3	534.7	503.5
Interest expense and similar charges	3	(156.1)	(153.5)
Net interest income		378.6	350.0
Fees and commissions income	4	419.6	423.9
Fees and commissions expense	4	(29.4)	(29.9)
Provision for customer redress	9	(27.0)	(63.0)
Net fees and commissions income		363.2	331.0
(Losses)/gains on financial instruments, movements on derivatives and hedge accounting		(18.6)	5.6
Realised gain on investment securities		0.2	1.0
Other income		(18.4)	6.6
Total income		**723.4**	687.6
Administrative expenses		(427.3)	(405.1)
Depreciation and amortisation		(80.5)	(71.5)
Operating expenses		(507.8)	(476.6)
Impairment on loans and advances to customers		(52.7)	(60.8)
Operating profit		**162.9**	150.2
Share of profit of joint venture		5.3	2.4
Profit before tax		**168.2**	152.6
Income tax expense	5	(39.0)	(34.3)
Profit for the year attributable to owners of the parent		**129.2**	118.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE YEAR ENDED 28 FEBRUARY 2015

	Note	2015 £m	2014 £m
Profit for the year		**129.2**	**118.3**
Items that may be reclassified subsequently to the income statement			
Unrealised net gains on available-for-sale investment securities before tax		2.8	0.1
Net (losses)/gains arising on cash flow hedges before tax		(1.3)	2.0
Tax relating to items that may be reclassified subsequently to the income statement		(0.3)	(0.4)
Share of other comprehensive income/(expense) of joint venture		4.5	(5.4)
Total items that may be reclassified subsequently to the income statement		**5.7**	**(3.7)**
Total comprehensive income for the year attributable to owners of the parent		**134.9**	**114.6**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 28 FEBRUARY 2015

	Note	2015 £m	2014 £m
Assets			
Cash and balances with central banks		626.3	494.0
Loans and advances to customers	7	7,725.3	6,922.0
Derivative financial instruments		31.7	36.6
Investment securities:			
– Available for sale		827.3	850.3
– Loans and receivables		34.1	34.1
Prepayments and accrued income		41.0	27.1
Current income tax asset		4.5	0.8
Other assets		200.8	285.0
Investment in joint venture		79.7	77.3
Intangible assets		402.6	427.7
Property, plant and equipment		86.4	92.8
Total assets		**10,059.7**	9,247.7
Liabilities			
Deposits from banks		106.5	779.8
Deposits from customers		6,914.8	6,082.4
Debt securities in issue	8	898.0	394.8
Derivative financial instruments		86.9	41.8
Provisions for liabilities and charges	9	90.1	105.5
Accruals and deferred income		120.0	127.1
Other liabilities		143.0	125.6
Deferred income tax liability		39.8	19.3
Subordinated liabilities		190.0	190.0
Total liabilities		**8,589.1**	**7,866.3**
Equity and reserves attributable to owners of the parent			
Share capital	10	122.0	122.0
Share premium account	10	1,097.9	1,097.9
Retained earnings		183.1	105.1
Other reserves		22.6	11.4
Subordinated notes		45.0	45.0
Total equity		**1,470.6**	**1,381.4**
Total liabilities and equity		**10,059.7**	**9,247.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE YEAR ENDED 28 FEBRUARY 2015

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Sub-ordinated notes £m	Other reserves £m	Total equity £m
Balance at 1 March 2014		**122.0**	**1,097.9**	**105.1**	**45.0**	**11.4**	**1,381.4**
Comprehensive income/(expense)							
Profit for the year		-	-	129.2	-	-	129.2
Net gains on available for sale investment securities		-	-	-	-	2.2	2.2
Net losses on cash flow hedges		-	-	-	-	(1.0)	(1.0)
Share of other comprehensive income of joint venture		-	-	-	-	4.5	4.5
Total comprehensive income		**-**	**-**	**129.2**	**-**	**5.7**	**134.9**
Transactions with owners							
Dividends to ordinary shareholders	6	-	-	(50.0)	-	-	(50.0)
Dividends to holders of other equity	6	-	-	(1.2)	-	-	(1.2)
Share based payments		-	-	-	-	5.5	5.5
Total transactions with owners		**-**	**-**	**(51.2)**	**-**	**5.5**	**(45.7)**
Balance at 28 February 2015		**122.0**	**1,097.9**	**183.1**	**45.0**	**22.6**	**1,470.6**

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Sub-ordinated notes £m	Other reserves £m	Total equity £m
Balance at 1 March 2013		**108.0**	**971.9**	**87.9**	**45.0**	**13.9**	**1,226.7**
Comprehensive income/(expense)							
Profit for the year		-	-	118.3	-	-	118.3
Net gains on available for sale investment securities		-	-	-	-	0.1	0.1
Net gains on cash flow hedges		-	-	-	-	1.6	1.6
Share of other comprehensive expense of joint venture		-	-	-	-	(5.4)	(5.4)
Total comprehensive income/(expense)		-	-	**118.3**	**-**	**(3.7)**	**114.6**
Transactions with owners							
Shares issued in the year	10	14.0	126.0	-	-	-	140.0
Dividends to ordinary shareholders	6	-	-	(100.0)	-	-	(100.0)
Dividends to holders of other equity	6	-	-	(1.1)	-	-	(1.1)
Share based payments		-	-	-	-	1.2	1.2
Total transactions with owners		**14.0**	**126.0**	**(101.1)**	**-**	**1.2**	**40.1**
Balance at 28 February 2014		**122.0**	**1,097.9**	**105.1**	**45.0**	**11.4**	**1,381.4**

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE YEAR ENDED 28 FEBRUARY 2015

	Note	2015 £m	2014 £m
Operating activities			
Profit before tax		**168.2**	**152.6**
Adjusted for:			
Non cash items included in operating profit before tax	12	200.3	213.9
Changes in operating assets and liabilities	12	(782.3)	(661.6)
Income taxes paid		(22.5)	(22.9)
Cash flows used in operating activities		**(436.3)**	**(318.0)**
Investing activities			
Purchase of non current assets		(74.1)	(107.6)
Purchase of available for sale investment securities		(207.7)	(254.8)
Sale of available for sale investment securities		250.9	194.5
Repayment of loan from joint venture		-	7.5
Distribution from joint venture		-	15.0
Dividend from joint venture		7.4	-
Deposit with parent		145.0	-
Cash flows generated from/(used in) investing activities		**121.5**	**(145.4)**
Financing activities			
Net proceeds received in association with issuance of debt securities		498.0	-
Dividends paid to ordinary shareholders	6	(50.0)	(100.0)
Dividends paid to holder of other equity	6	(1.2)	(1.1)
Interest paid on subordinated liabilities		(3.3)	(5.4)
Cash flows generated from/(used in) financing activities		**443.5**	**(106.5)**
Net increase/(decrease) in cash and cash equivalents		128.7	**(569.9)**
Cash and cash equivalents at the beginning of the year		484.6	**1,054.5**
Cash and cash equivalents at the end of the year	11	**613.3**	**484.6**

The unaudited preliminary consolidated financial information for the year ended 28 February 2015 was approved by the Directors on 20 April 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1 Basis of Preparation

This unaudited preliminary consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA), International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretation Committee (IFRIC) interpretations as endorsed by the European Union (EU). The accounting policies applied are consistent with those described in the financial statements of the Group for the year ended 28 February 2014, apart from those arising from the adoption of new and amended IFRS as detailed below.

This preliminary consolidated financial information does not constitute statutory consolidated financial statements for the year ended 28 February 2015 or the year ended 28 February 2014 as defined in section 434 of the Companies Act 2006. The financial statements for the year ended 28 February 2014 were approved by the Board of Directors on 8 May 2014 and have been filed with the Registrar of Companies. The report of the auditors on those consolidated financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The financial statements for 2015 will be filed with the Registrar in due course.

Going Concern

The Directors have completed an assessment of the Group's going concern status, taking into account both current and projected performance, including projections for the Group's capital and funding position and having regard to the Group's risk profile. As a result of this assessment, the Directors consider the Group to be in a satisfactory financial position and have a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Adoption of new and amended International Financial Reporting Standards

During the year to 28 February 2015, the Group has adopted the following new accounting standards and amendments to standards and applied a new interpretation issued by the International Accounting Standards Board which became effective with relevant EU endorsement for annual periods beginning on or after 1 January 2014:

- IFRS 10, 'Consolidated financial statements'

IFRS 10 redefines the concept of control in relation to the requirement to prepare consolidated financial statements. The adoption of this new standard has not had any impact on the identified subsidiaries or related accounting of the Group.

- IFRS 11, 'Joint arrangements'

IFRS 11 redefines the term 'joint arrangement' and limits the type of joint arrangement to joint operations and joint ventures. The adoption of this new standard has resulted in the reclassification of the Group's investment in Tesco Underwriting Limited as a joint venture. This investment was previously classified as an associate. This change in classification has not resulted in any change to the accounting for this investment.

IFRS 11 has been applied retrospectively.

- IFRS 12, 'Disclosures of interests in other entities'

IFRS 12 contains amended disclosure requirements for all forms of interest in other entities. These amended disclosures will be included in the financial statements for 28 February 2015.

- IAS 27 (revised 2011), 'Separate financial statements'

The revised IAS 27 contains guidance on the preparation of separate financial statements after the control and consolidation provisions in the previous IAS 27 have been replaced with IFRS 10. There has been no impact on the Group of the adoption of this new standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1 Basis of Preparation (continued)

- IAS 28 (revised 2011), 'Associates and joint ventures'

The revised IAS 28 contains the requirements for joint ventures to be equity accounted following the issue of IFRS 11. The adoption of this new standard has not had any impact on the accounting for the Group's joint venture.

- Amendments to IFRS 10, 11 and 12 on transition guidance

This amendment clarifies the transition guidance contained in IFRS 10, IFRS 11 and IFRS 12 and provides additional transition relief. The only impact of the adoption of this amendment is on the disclosure requirements under IFRS 12.

- Amendment to IAS 32, 'Financial instruments: Presentation on offsetting financial assets and financial liabilities'

This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. There has been no impact on the Group of the adoption of this amendment.

- Amendment to IAS 36, 'Impairment of assets: Recoverable amount disclosures for non-financial assets'

This amendment clarifies the disclosure requirements in respect of the recoverable amount of impaired assets if that amount is based on fair value less costs to sell. There has been no impact on the Group of the adoption of this amendment.

- Amendment to IAS 39 'Financial instruments: Novation of derivatives and continuation of hedge accounting'

This amendment provides an exception to the requirement to discontinue hedge accounting in situations where over the counter derivatives designated in hedging relationships are directly or indirectly novated to a central counterparty as a consequence of laws or regulations. There has been no impact on the Group of the adoption of this amendment.

- IFRIC 21 'Levies'

This IFRIC clarifies the timing of recognition of a liability to pay a levy recognised in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The adoption of this interpretation has impacted the timing of the Group's recognition of the Financial Services Compensation Scheme (FSCS) Levy in the current financial year as a result of a change in the date at which the liability is measured. Refer to note 14 for further details. The impact is not significant to the financial statements of the Group.

2 Segmental reporting

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Chief Executive and the Board of Directors, who are responsible for allocating resources to the reporting segments and assessing their performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group has two main operating segments:

- Banking – incorporating personal current accounts, credit cards, personal loans, mortgages, savings, ATMs and money services; and
- Insurance – incorporating motor, home, pet, travel and other insurance products.

There were no changes in the reported operating segments in the year.

There are no transactions between the operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2 Segmental reporting (continued)

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation. Tax balances are reflected in the adjustments column in part b) of this note.

a) Segment results of operations

	Banking £m	Insurance £m	Central costs £m	Total £m
2015				
Total income *	556.9	166.5	-	723.4
Profit/(loss) before tax **	314.7	101.4	(247.9)	168.2
Total assets *** (excluding taxation)	9,766.9	288.3	-	10,055.2
Total liabilities (excluding taxation)	8,521.9	27.4	-	8,549.3
2014				
Total income *	518.4	169.2	-	687.6
Profit/(loss) before tax **	289.8	94.6	(231.8)	152.6
Total assets (excluding taxation) ***	8,948.1	298.8	-	9,246.9
Total liabilities (excluding taxation)	7,817.3	29.7	-	7,847.0

* Total income is net of a charge of £27m in relation to the provision for customer redress (2014: charge of £63m).

** The Banking and Insurance segments include only directly attributable administrative costs such as marketing and operational costs. Central overhead costs, which reflect the overhead of operating both the insurance and banking businesses, are not allocated against an operating segment for internal reporting purposes.

*** The investment of £79.7m (2014: £77.3m) in Tesco Underwriting Limited, a joint venture accounted for using the equity method, is shown within the total assets of the Insurance segment.

b) Reconciliation of segment results of operations to results of operations

	Total management reporting £m	Consolidation and adjustments £m	Total consolidated £m
2015			
Total income	723.4	-	723.4
Profit before tax	168.2	-	168.2
Total assets	10,055.2	4.5	**10,059.7**
Total liabilities	8,549.3	39.8	**8,589.1**
2014			
Total income	687.6	-	687.6
Profit before tax	152.6	-	152.6
Total assets	9,246.9	0.8	9,247.7
Total liabilities	7,847.0	19.3	7,866.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3 Net Interest Income

	2015 £m	2014 £m
Interest and similar income		
Loans and advances to customers	511.9	484.0
Loans and advances to banks	3.2	3.6
Interest on investment securities	19.6	15.9
	534.7	**503.5**
Interest expense and similar charges		
Deposits from customers	(102.8)	(105.9)
Deposits from banks	(26.9)	(22.7)
Interest rate swap expenses	(23.0)	(20.3)
Subordinated liabilities	(3.4)	(4.6)
	(156.1)	**(153.5)**

Interest income recognised due to the unwinding of the discount on the provision relating to impaired financial assets amounted to £2.5m (2014: £3.9m).

4 Net Fees and Commissions Income

	2015 £m	2014 £m
Fees and commissions income		
Banking income	278.3	283.9
Insurance income	131.2	132.6
Other income	10.1	7.4
	419.6	**423.9**
Fees and commissions expense		
Banking expense	**(29.4)**	**(29.9)**

5 Income Tax

The standard rate of corporation tax in the UK was changed from 23% to 21% with effect from 1 April 2014. This gives an overall blended Corporation Tax rate for the Group for the full year of 21.2% (2014: 23.1%). In the March 2013 Budget Statement it was announced that the rate would be further reduced to 20% by 1 April 2015. This further rate reduction was substantively enacted by the reporting date and is therefore included in these preliminary results.

6 Distributions to equity holders

	2015 £m	2014 £m
Ordinary dividend paid	50.0	100.0
Interest payable on subordinated notes included within equity	1.2	1.1
	51.2	**101.1**

On 27 February 2015 a final dividend of £50m (£0.0410 per ordinary share) was paid. In the prior year, a final dividend of £100m (£0.0820 per ordinary share) was paid on 19 February 2014.

Interest payable on the subordinated notes included within equity is based on three month LIBOR plus a spread ranging from 120 to 220 basis points (2014: a spread ranging from 120 to 220 basis points).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

7 Loans and Advances to Customers

	2015 £m	2014 £m
Secured mortgage lending	1,198.3	696.5
Unsecured lending	6,651.9	6,378.2
Fair value hedge adjustment	14.6	4.2
Gross loans and advances to customers	7,864.8	7,078.9
Less: allowance for impairment	(139.5)	(156.9)
Net loans and advances to customers	**7,725.3**	**6,922.0**
Current	3,817.2	3,708.8
Non-current	3,908.1	3,213.2

The Group has prepositioned a portion of its lending balances with the Bank of England.

As at the year end, £3,011.3m (2014: £2,343.9m) of the credit card portfolio had its beneficial interest assigned to a special purpose entity, Delamare Cards Receivables Trustee Limited, for use as collateral in securitisation transactions.

As at the year end, the Group owns £1,500m of credit card backed bonds issued by Delamare Cards MTN Issuer plc (2014: £1,750m). Of this, £1,290m (2014: £1,600m) has been pledged with the Bank of England to collateralise £789m (2014: £1,096m) of Funding for Lending Scheme (FLS) drawings. On 6 June 2014 Delamare Cards MTN Issuer plc marketed and issued a further £500m of debt securities (2014: £nil) (refer note 8).

There were no personal loans or mortgages pledged or used as collateral for FLS drawings at the year end (2014: £557m).

Fair value hedge adjustments amounting to £14.6m (2014: £4.2m) are in respect of fixed rate loans. These adjustments are largely offset by derivatives, which are used to manage interest rate risk and are designated as fair value hedges within loans and advances to customers.

The following table shows impairment provisions for loans and advances:

	2015 £m	2014 £m
At beginning of year	156.9	172.2
Amounts written off	(63.2)	(66.2)
Increase in allowance, net of recoveries, charged to the income statement	48.4	55.0
Foreign currency translation	(0.1)	(0.2)
Unwind of discount	(2.5)	(3.9)
At end of year	**139.5**	**156.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

8 Debt Securities in Issue

	Interest rate	Par value £m	Term (years)	Maturity date	2015 £m	2014 £m
Fixed rate retail bond - issued 24 February 2011	5.2%	125.0	7.5	2018	135.4	138.6
RPI bond - issued 16 December 2011	1.0%	60.0	8	2019	59.7	59.6
Floating rate AAA bond (A1)*	1M LIBOR+ 0.45%	150.0	5	2019	149.5	-
Fixed rate retail bond - issued 21 May 2012	5.0%	200.0	8.5	2020	204.8	196.6
Floating rate AAA bond (A2)**	1M LIBOR + 0.65%	350.0	7	2021	348.6	-
					898.0	**394.8**

All Floating Rate Bonds are listed on the Irish Stock Exchange. All retail bonds are listed on the London Stock Exchange.

All balances are classified as non current at the year end.

* The scheduled redemption date of this Bond is 2017

** The scheduled redemption date of this Bond is 2019

9 Provisions for Liabilities and Charges

	Customer Redress Provision £m	Insurance Provision £m	Warranty Provision £m	Total £m
2015				
At beginning of year	100.3	4.2	1.0	105.5
Charged to the income statement	27.0	0.1	-	27.1
Utilised during the year	(41.5)	-	(1.0)	(42.5)
At end of year	**85.8**	**4.3**	**-**	**90.1**
2014				
At beginning of year	97.7	4.3	-	102.0
Charged to the income statement	63.0	(0.1)	1.3	64.2
Utilised during the year	(60.4)	-	(0.3)	(60.7)
At end of year	**100.3**	**4.2**	**1.0**	**105.5**

Customer Redress Provision – Payment Protection Insurance

Of the total provision balance at 28 February 2015, £38m (2014: £32.9m) relates to a provision for customer redress in respect of potential customer complaints arising from historic sales of Payment Protection Insurance (PPI). The balance is classified as current at period end. The Group handles claims and customer redress in accordance with provisions of the regulatory policy statement PS 10/12. The estimated liability for redress is calculated based on the total premiums paid by the customer plus interest inherent in the product and additional interest of 8.0% per annum.

A significant degree of uncertainty remains with regard to the ultimate cost of settling PPI complaints, in particular the volume of complaints arising from customers not subject to proactive contact. A detailed review of new complaints has resulted in a revised view of future expected complaint volumes. The duration over which claims are expected to emerge has been increased and a revised estimate of future compensation has been prepared. This revised assessment increased the total estimated cost of redress by a further £27m recognised during the first half of the financial year. This provides redress capacity at current run rates (average of last 3 months) for a total of 32 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

9 Provisions for Liabilities and Charges (continued)

The table below details, for each key assumption: actual data to 28 February 2015; forecast assumptions used in assessing the PPI provision adequacy; and a sensitivity assessment demonstrating the impact on the provision of a variation in the future experience.

Assumption	Cumulative actual	Future expected	Sensitivity: Change in assumption	Sensitivity: Consequential change in provision £m
Customer initiated complaints settled	54,000	15,400	+/- 1,000 complaints	+/- 1.8
Average redress per valid claim (loans)	£1,870	£1,790	+/- £100	+/- 1.5

Customer Redress Provision – Credit Card Protection

The Group holds a further provision of £16.8m (February 2014: £24.4m) in respect of customer redress relating to the historic sale of certain cardholder protection products to credit card customers. The balance is classified as current at period end.

An industry-wide Scheme of Arrangement dealing with customers who purchased products underwritten by CPP plc ("CPP") has operated during the year. At the reporting date customer responses totalled approximately 40,700 (equivalent to 34.2% of the customer population). The Scheme featured a court and regulatory approved closure date for new complaints (subject to certain exceptions) of 30 August 2014.

Another industry-wide Scheme of Arrangement has been established to compensate those customers who were sold a similar product in earlier years. The level of provision held is based on assumptions relating to the number and value of cases for which compensation may be paid. In arriving at these assumptions management have exercised their judgement based on earlier redress programmes (including the CPP Scheme of Arrangement) and historic customer payment information. The level of the provision allows for the repayment of charges paid by the customer together with simple interest of 8.0%.

The table below details for each key assumption; actual data to 28 February 2015; forecast assumptions used in assessing the Scheme of Arrangement provision adequacy; and a sensitivity assessment demonstrating the impact on the provision of a variation in the future experience.

Assumption	Cumulative actual	Future expected	Sensitivity: Change in assumption	Sensitivity: Consequential change in provision £m
Future customer responses	40,700	56,200	+/- 1,000 complaints	+/- 0.2
Average redress per valid claim	£158	£244	+/- £10	+/- 0.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

9 Provisions for Liabilities and Charges (continued)

Customer Redress Provision – Consumer Credit Act

The Group holds a provision of £31m (February 2014: £43m) in respect of customer redress relating to instances where certain of the requirements of the Consumer Credit Act (CCA) for post contract documentation have not been fully complied with.

During the course of the prior financial year the Group instigated a review of certain historic operational issues that had resulted in instances where certain of the requirements of the Consumer Credit Act (CCA) for post contract documentation had not been fully complied with. In November 2013 the Office of Fair Trading (OFT) wrote to lenders in the industry seeking confirmation of their compliance with the requirements of the CCA. The Group extended its earlier investigation to undertake further assurance work relating to compliance with the CCA. As a result, the Group determined that it was appropriate to redress certain customers affected by these breaches.

Extensive analysis has been undertaken of the relevant issues to identify where customers have been affected and to determine if the Group should take further action. The requirements of the CCA in respect to these issues are not straightforward and have not been subject to significant judicial consideration to date. In arriving at the provision required, the Group considered the legal and regulatory position with respect to these matters and has sought legal advice which it took into account when it made its judgement. The provision represents management's best estimate at the reporting date of the cost of providing redress to those loan and credit card customers. The balance is classified as current at the reporting date and, in making the estimate, management have exercised judgement as to both the timescale for implementing the redress campaign and the final scope of any amounts payable.

The OFT and FCA have been advised of the Group's approach to determining the proposed customer redress. Oversight of CCA-related matters passed from the OFT to the FCA on 1 April 2014.

Customer redress payments commenced in October 2014 and it is expected that these will continue into the first half of the next financial year.

Other Provisions

The insurance provision relates to a provision for insurance policy cancellation by customers. This balance is classified as current at the period end as all insurance policies expire in a maximum of one year.

The warranty provision in the prior year relates to a provision for warranty costs following the sale of non-performing debt which took place during the year ended 28 February 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

10 Share Capital and Share Premium

During the prior year the Company issued 140,000,000 £0.10 ordinary shares to the parent company, Tesco Personal Finance Group Limited, in a conversion from £140m of dated subordinated debt.

	2015 Number	2015 £m	2014 Number	2014 £m
Authorised				
Ordinary shares of 10p each	Unlimited		Unlimited	
Allotted, called up and fully paid				
Ordinary shares of 10p each	1,219,900,000	122.0	1,219,900,000	122.0

The following table shows the aggregate movement in share capital and share premium in the year:

Group and Company	Share capital 2015 £m	Share capital 2014 £m	Share premium account 2015 £m	Share premium account 2014 £m
At beginning of year	122.0	108.0	**1,097.9**	971.9
Shares issued in the year	-	14.0	-	126.0
At end of year	**122.0**	**122.0**	**1,097.9**	**1,097.9**

11 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with short term maturities from the date of acquisition:

	2015 £m	2014 £m
Cash and balances with central banks*	613.3	484.6
	613.3	**484.6**

* Mandatory reserve deposits held within the Bank of England of £13m (2014: £9.4m) are not included within cash and cash equivalents for the purposes of the cash flow statement as these do not have short term maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

12 Cash outflow from operating activities

	2015 £m	2014 £m
Loan impairment charges	48.4	55.0
Depreciation and amortisation	80.5	71.5
Gain on disposal of investment securities	(0.2)	(1.1)
Intangible Asset Impairment	3.6	-
Loss on disposal of non current assets	6.8	1.6
Provision for customer redress	27.0	63.0
Impairment loss on amounts due from insurance business	4.3	5.8
Share of profit of joint venture	(5.3)	(2.4)
Insurance policy cancellation provision	0.1	(0.1)
Warranty provision	-	1.3
Equity settled share based payments	5.5	1.2
Interest on subordinated liabilities	3.4	4.6
Interest on tax balances	-	(0.5)
Fair value movements	26.2	14.0
Non cash items included in operating profit before taxation	**200.3**	**213.9**
Net movement in mandatory balances with central banks	(3.6)	(4.1)
Net movement in loans and advances to customers	(845.6)	(1,431.4)
Net movement in prepayments and accrued income	(13.9)	6.8
Net movement in other assets	(60.8)	(34.8)
Net movement in deposits from banks	(673.3)	764.6
Net movement in deposits from customers	832.4	78.9
Net movement in accruals and deferred income	7.4	10.1
Provisions utilised	(42.5)	(60.7)
Net movement in other liabilities	17.6	9.0
Changes in operating assets and liabilities	**(782.3)**	**(661.6)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

13 Capital Resources

On 27 June 2013 the final CRD IV rules were published in the Official Journal of the European Union. Following the publication of the CRD IV rules the Prudential Regulation Authority (PRA) issued a policy statement on 19 December 2013 detailing how the rules will be enacted within the UK with corresponding timeframes for implementation. The CRD IV rules will be phased in over the course of the next 5 years and, accordingly, the following tables analyse the regulatory capital resources of the Company (being the regulated entity) applicable as at the year end and also the "end point" position, once all of the rules contained within CRD IV have come into force:

	2015 £m	2014 £m
Movement in common equity tier 1:		
At the beginning of the year	913.6	705.4
Ordinary shares issued	-	140.0
Profit attributable to shareholders	131.3	115.9
Gains and losses on liabilities arising from own credit	(0.1)	-
Other reserves	13.5	1.2
Ordinary dividends	(50.0)	(100.0)
Dividends to holders of other equity	(1.2)	(1.1)
Movement in intangible assets	25.1	(30.3)
Movement in material holdings in financial sector entities	3.3	11.2
CRD IV adjustments:		
Deferred tax liabilities related to intangible assets	5.6	32.2
Material holdings in financial sector entities	-	39.1
At the end of the year	**1,041.1**	**913.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

13 Capital Resources (continued)

	End point 2015 £m	Transitional 2015 £m	2014 £m
Common equity tier 1			
Shareholders' equity (accounting capital)	1,462.0	1,462.0	1,375.2
Regulatory adjustments:			
Subordinated notes not qualifying as tier 1	(45.0)	(45.0)	(45.0)
Unrealised losses on available for sale investment securities	-	-	(5.9)
Unrealised losses on cash flow hedge reserve	(0.7)	(0.7)	(1.7)
Adjustment to own credit	(0.1)	(0.1)	-
Intangible assets	(402.6)	(402.6)	(427.7)
Deferred tax liabilities related to intangible assets	37.7	37.7	32.2
Material holdings in financial sector entities	-	(10.2)	(13.5)
Core tier 1 capital	**1,051.3**	**1,041.1**	**913.6**
Tier 2 capital (instruments and provisions)			
Undated subordinated notes	45.0	45.0	45.0
Dated subordinated notes net of regulatory amortisation	190.0	190.0	190.0
Collectively assessed impairment provisions	36.1	36.1	32.8
Tier 2 capital (instruments and provisions) before regulatory adjustments	271.1	271.1	267.8
Regulatory adjustments			
Material holdings in financial sector entities	(34.1)	(23.9)	(20.6)
Total regulatory adjustments to tier 2 capital (instruments and provisions)	(34.1)	(23.9)	(20.6)
Total tier 2 capital (instruments and provisions)	**237.0**	**247.2**	**247.2**
Total capital	**1,288.3**	**1,288.3**	**1,160.8**
Total risk weighted assets (unaudited)	**6,844.2**	**6,844.2**	**6,546.8**
Common equity tier 1 ratio (unaudited)	**15.4%**	**15.2%**	**14.0%**
Tier 1 ratio (unaudited)	**15.4%**	**15.2%**	**14.0%**
Total capital ratio (unaudited)	**18.8%**	**18.8%**	**17.7%**

The table below reconciles shareholders' equity of the Group to shareholders' equity of the Company:

	2015 £m	2014 £m
Tesco Personal Finance plc (Group) shareholders' equity	1,470.6	1,381.4
Share of joint venture's retained earnings	(8.0)	(10.1)
Subsidiaries' retained earnings	-	-
Share of joint venture's available for sale reserve	(0.6)	3.9
Tesco Personal Finance plc (Company) shareholders' equity	**1,462.0**	**1,375.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

13 Capital Resources (continued)

It is the Group's policy to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities to optimise the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business. In carrying out this policy, the Group has regard to the supervisory requirements of the PRA.

Leverage Ratio (unaudited)

The Basel III reforms include the introduction of a capital leverage measure defined as the ratio of tier 1 capital to total exposure. This is intended to reinforce the risk based capital requirements with a simple, non-risk based 'backstop' measure. The Basel Committee have proposed that final adjustments to the definition and calibration of the leverage ratio be carried out in 2017, with a view to migrating to a Pillar 1 treatment in 2018. In January 2015 the European Commission revised the CRD IV leverage rules to closely align to the Basel III leverage framework

In the interim, the Group has published the estimated leverage ratio on a fully transitioned CRD IV basis.

Exposures for leverage ratio 2015	**End point £m**	**Transitional £m**
Total balance sheet exposures	10,039.3	10,039.3
Removal of insurance assets	-	-
Removal of accounting value of derivatives and SFTs	(29.1)	(29.1)
Exposure value for derivatives and SFTs	60.1	60.1
Off balance sheet: unconditionally cancellable (10%)	1,142.0	1,142.0
Off balance sheet: other (20%)	13.6	13.6
Regulatory adjustment – intangible assets	(402.6)	(402.6)
Regulatory adjustment – other	-	(10.2)
Total	**10,823.3**	**10,813.1**
Common equity tier 1	**1,051.3**	**1,041.1**
Leverage ratio	**9.7%**	**9.6%**

The Company's estimated end point leverage ratio is 9.7%. The Basel Committee's minimum ratio of 3.0% is proposed to become a Pillar 1 requirement by 1 January 2018.

Capital Management

The Group operates an integrated risk management process to identify, quantify and manage risk in the Group. The quantification of risk includes the use of both stress and scenario testing. Where capital is considered to be an appropriate mitigant for a given risk, this is identified and reflected in the Group's internal capital assessment. The capital resources of the Group are regularly monitored against the higher of this internal assessment and regulatory requirements. Capital adequacy and performance against Capital plan is monitored daily by Treasury, with monthly reporting provided to the Board, Asset and Liability Management Committee (ALCO) and Capital Management Forum (CMF)[1].

1 Capital ratios have been presented including the benefit of the retained profit in the year. Under Article 26(2) of the CRR, financial institutions may include independently verified interim profits in their regulatory capital only with the prior permission of the competent authority, namely the Prudential Regulation Authority (PRA). At the date of approval, such permission was being sought. At the date of release this permission had been obtained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

14 Contingent Liabilities

The Financial Services Compensation Scheme (FSCS)

The FSCS is the UK statutory fund of last resort for customers of authorised financial services firms and pays compensation if a firm is unable or likely to be unable to pay claims against it. The FSCS meets its obligations by raising management expense levies and compensation levies which will be capped based on limits advised by the PRA and FCA. These include amounts to cover the interest on its borrowings and compensation levies on the industry. The FSCS has borrowed from HM Treasury to fund compensation costs associated with institutions that failed in 2008 and will receive receipts from asset sales, surplus cash flow and other recoveries from these institutions in the future. Any shortfall is being recovered by raising compensation levies on all deposit-taking participants over a three year period, which commenced in August 2013.

Each deposit-taking institution contributes in proportion to its share of total protected deposits on 31 December of the year preceding the scheme year, which runs from 1 April to 31 March. As detailed in note 1, the adoption of IFRIC 21 ‘Levies’ in the year has clarified that the obligating event which gives rise to the liability is the start of the FSCS scheme year rather than the 31 December balance date.

As at 28 February 2015 the Group has accrued £2.3m (2014: £6.7m) in respect of its current obligation to meet expenses levies, based on indicative costs published by the FSCS. The ultimate levy to the industry cannot currently be estimated reliably as it is dependent on various uncertain factors including participation in the market at 31 December, the level of protected deposits, the population of deposit-taking participants and potential recoveries of assets by the FSCS.

15 Related Party Transactions

During the financial year there were no related party transactions requiring disclosure that were materially different to those reported in the Financial Statements for the year ended 28 February 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that to the best of their knowledge this consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the FCA, International Financial Reporting Standards and IFRS Interpretation Committee interpretations, as endorsed by the European Union.

The accounting policies applied are consistent with those described in the financial statements for the year ended 28 February 2014, apart from those arising from the adoption of new International Financial Reporting Standards and Interpretations. In preparing the consolidated financial information, the Directors have also made reasonable and prudent judgements and estimates and prepared the consolidated financial information on the going concern basis. The consolidated financial information and management report contained herein give a true and fair view of the assets, liabilities, financial position and profit of the Group. The Directors of Tesco Personal Finance plc as at the date of this announcement are as set out below.

By order of the Board,

Peter Bole
Director
22 April 2015

The Board of Directors

Executive Directors	**Non-executive Directors**	**Company Secretary**
Peter Bole	Graham Pimlott* – Chairman	Michael Mustard
Iain Clink	Gareth Bullock*	
Bernard Higgins	Robert Endersby*	
	James McConville*	
	Simon Machell*	
	Deanna Oppenheimer	
	Raymond Pierce*	

*Independent Non-Executive Director