

**SUPPLEMENTARY OFFERING CIRCULAR NO.1 DATED 4 JULY 2013 TO THE  
OFFERING CIRCULAR DATED 31ST OCTOBER, 2012**



**TESCO PERSONAL FINANCE PLC**

*(incorporated with limited liability under the laws of Scotland)*

**£2,000,000,000  
Euro Note Programme**

This Supplementary Offering Circular No.1 (the “**Supplementary Offering Circular**”) to the Offering Circular dated 31st October, 2012 (the “**Offering Circular**”), which comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the “**Prospectus Directive**”), constitutes a supplementary prospectus for the purposes of section 87G of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) and is prepared in connection with the £2,000,000,000 Euro Note Programme (the “**Programme**”) of Tesco Personal Finance PLC (the “**Issuer**”). The Financial Conduct Authority (the “**FCA**”), as the United Kingdom competent authority under the Prospectus Directive, has approved this Supplementary Offering Circular.

This Supplementary Offering Circular is supplemental to, and should be read in conjunction with, the Offering Circular and any other supplements to the Offering Circular issued by the Issuer. Terms defined in the Offering Circular have the same meaning when used in this Supplementary Offering Circular.

The purpose of this Supplementary Offering Circular is to:

- (i) incorporate by reference into the Offering Circular the 2013 Financial Statements (as defined below);
- (ii) update certain information relating to the Issuer’s capital ratios, its funding and liquidity position and its board of directors;
- (iii) following publication of the directors’ report and financial statements for the year ended 28th February, 2013, update (a) the statements of no significant change and no material adverse change and (b) the statement in respect of governmental, legal and arbitration proceedings; and
- (iv) supplement the Summary of the Programme set out in the Offering Circular.

The Issuer accepts responsibility for the information contained in this Supplementary Offering Circular. The Issuer confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplementary Offering Circular is, to the best of its knowledge and belief, in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplementary Offering Circular and (b) any other statement in or incorporated in the Offering Circular (as supplemented from time to time), the statements in (a) above will prevail.

If the document which is incorporated by reference in to the Offering Circular by virtue of this Supplementary Offering Circular itself incorporates any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Offering Circular for the purposes of the Prospectus Directive.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in the Offering Circular.

Except as disclosed in this Supplementary Offering Circular, there has been no significant new factor, material mistake or inaccuracy relating to information included in the Offering Circular which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Offering Circular.

The Dealers have not separately verified the information contained in this Supplementary Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Supplementary Offering Circular.

The distribution of the Offering Circular, this Supplementary Offering Circular, any other supplements to the Offering Circular and any Final Terms and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular, this Supplementary Offering Circular, any other supplements to the Offering Circular or any Final Terms come are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. In particular, there are restrictions on the distribution of the Offering Circular, this Supplementary Offering Circular, any other supplements to the Offering Circular, any Final Terms and other information in relation to the Issuer and the Notes, and the offering or sale of Notes in the European Economic Area (including the United Kingdom and France), the United States, Japan, Jersey and the Isle of Man. For a further description of restrictions on offers, sales and transfers of Notes and distribution of the Offering Circular, this Supplementary Offering Circular, any other supplements to the Offering Circular and any Final Terms, see "Subscription and Sale" in the Offering Circular. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

None of the Offering Circular, this Supplementary Offering Circular, any other supplements to the Offering Circular or any Final Terms constitutes an offer of, or an invitation by or on behalf of the Issuer, the Trustee, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

Copies of all documents incorporated by reference in the Offering Circular may be obtained (without charge) from (i) the registered office of the Issuer and/or (ii) the specified office of the Paying Agent and viewed on the website of the Regulatory News Service operated by the London Stock Exchange at:

<http://www.londonstockexchange.com/news/market-news/rns/rns.htm>.

### **Incorporation of information by reference into the Offering Circular**

By virtue of this Supplementary Offering Circular, the auditors' report and the audited consolidated and non-consolidated financial statements of the Issuer for the 12 months ended 28th February, 2013 (the "**2013 Financial Statements**"), which appear on pages 19 to 110 of the directors' report and financial statements for the year ended 28th February, 2013 which was published on 31st May, 2013 and has been filed with the FCA, shall be deemed to be incorporated in, and to form part of, the Offering Circular.

## **Capital Ratios**

During the year ended 28th February, 2013, the Group revised the capital disclosure of the holding in its insurance regulated associate, Tesco Underwriting Limited. This change reduced previous calculations of the Group's core tier one capital ratio. Accordingly, the final sentence in the section headed "Tesco Personal Finance PLC – History and Development of Tesco Personal Finance PLC" is no longer accurate. As at 31st August, 2012, the Group had a core tier one capital ratio of 15.4 per cent (15.1 per cent. as at 31st August, 2011). As at 28th February, 2013, the core tier one capital ratio was 12.8 per cent. There is no change in the risk asset ratio.

## **Funding and Liquidity**

The Issuer will pledge eligible assets, including certain securitised notes backed by its credit card receivables which were issued on 26th April, 2013, as collateral for borrowings of UK Treasury Bills under the Bank of England's Funding for Lending Scheme. In the event of insolvency, pledged assets will typically not form part of the property available for distribution to the general creditors of the Issuer and accordingly, may not be available to meet the claims of unsecured creditors including Noteholders. As at 30th June, 2013, the Issuer had drawn £600 million of UK Treasury Bills under the Funding for Lending Scheme.

## **Board of Directors of the Issuer**

John Reed resigned as a non-executive director of the Issuer on 13th February, 2013.

## **Statement of No Significant Change and No Material Adverse Change**

There has been no significant change in the financial or trading position of the Issuer or the Group since 28th February, 2013 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 28th February, 2013.

## **Governmental, Legal and Arbitration Proceedings**

Save as set out in relation to potential customer redress in respect of the historic sale of PPI and certain products sold to credit card customers in Note 32 to the 2013 Financial Statements, which appears on page 60 of the directors' report and financial statements for the year ended 28th February, 2013, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Issuer is aware which may have, or have had during the 12 months prior to the date of this Supplementary Offering Circular, a significant effect on the financial position or profitability of the Issuer or the Group.

## **Summary of the Programme**

Elements B.10 and B.12 of the Summary of the Programme, which appear on pages 9 to 14 of the Offering Circular, shall be supplemented to reflect the publication of the directors' report and financial statements for the year ended 28th February, 2013. Elements B.10 and B.12 of the Summary of the Programme as so supplemented are set out in the Appendix to this Supplement.

## APPENDIX

| <b>B.10</b>                            | <p>Audit report qualifications</p> <p>Not Applicable; there are no qualifications contained within:</p> <p>(i) the audit report relating to the historical financial information of the Issuer, its subsidiaries and associated undertaking (together, the <b>Group</b>) for the 12 months ended 28th February, 2013; and</p> <p>(ii) the audit report relating to the historical financial information of the Issuer for the 12 months ended 29th February, 2012.</p>   |   |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
|--|--|---|----------------|--|--|--|---|--|-------------------|--|--|-------|-------|-----------------------------|---------|---------|--------------------------------------|-----------|-----------|----------------------------|----------------|----------------|-----------------------------|---------|---------|------------------------------|----------|----------|--------------------------------|-----------|----------|--------------|--------|---|--|----------------|----------------|---------------------------|-------|-----|--|-------|-------|
| <b>B.12</b>                            | <p>Selected historical key financial information:</p> <p><i>Income Statement, Statement of Comprehensive Income</i></p> <p>The tables below set out the Issuer's audited consolidated income statement and statement of comprehensive income for the two financial years ended 28th February, 2013 and 29th February, 2012. This information has been extracted without material adjustment from the Issuer's audited consolidated financial statements for the 12 months ended 28th February, 2013.</p> <p><i>Consolidated Income Statement</i></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; width: 20%;"><b>Audited</b></th> <th style="width: 20%;"></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>12 months to 28th February 2013</b></th> <th style="text-align: center;"><b>12 months to 29th February 2012*</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><i>Comparison</i></th> <th></th> </tr> <tr> <th></th> <th style="text-align: center;">£'000</th> <th style="text-align: center;">£'000</th> </tr> </thead> <tbody> <tr> <td>Interest and similar income</td> <td style="text-align: right;">472,763</td> <td style="text-align: right;">468,433</td> </tr> <tr> <td>Interest expense and similar charges</td> <td style="text-align: right;">(182,950)</td> <td style="text-align: right;">(166,601)</td> </tr> <tr> <td><b>Net interest income</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;"><b>289,813</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;"><b>301,832</b></td> </tr> <tr> <td>Fees and commissions income</td> <td style="text-align: right;">451,508</td> <td style="text-align: right;">475,134</td> </tr> <tr> <td>Fees and commissions expense</td> <td style="text-align: right;">(26,586)</td> <td style="text-align: right;">(22,530)</td> </tr> <tr> <td>Provision for customer redress</td> <td style="text-align: right;">(115,000)</td> <td style="text-align: right;">(57,400)</td> </tr> <tr> <td>Other income</td> <td style="text-align: right;">30,000</td> <td style="text-align: right;">-</td> </tr> <tr> <td><b>Net fees and commissions income</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;"><b>339,922</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;"><b>395,204</b></td> </tr> <tr> <td>Gains on financial assets</td> <td style="text-align: right;">6,202</td> <td style="text-align: right;">498</td> </tr> <tr> <td>Realised gain on investment securities</td> <td style="text-align: right;">7,442</td> <td style="text-align: right;">4,749</td> </tr> </tbody> </table> |   | <b>Audited</b> |  |  | <b>12 months to 28th February 2013</b> | <b>12 months to 29th February 2012*</b> |  | <i>Comparison</i> |  |  | £'000 | £'000 | Interest and similar income | 472,763 | 468,433 | Interest expense and similar charges | (182,950) | (166,601) | <b>Net interest income</b> | <b>289,813</b> | <b>301,832</b> | Fees and commissions income | 451,508 | 475,134 | Fees and commissions expense | (26,586) | (22,530) | Provision for customer redress | (115,000) | (57,400) | Other income | 30,000 | - | <b>Net fees and commissions income</b> | <b>339,922</b> | <b>395,204</b> | Gains on financial assets | 6,202 | 498 | Realised gain on investment securities | 7,442 | 4,749 |
|  | <b>Audited</b>   |   |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
|  | <b>12 months to 28th February 2013</b>   | <b>12 months to 29th February 2012*</b> |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
|  | <i>Comparison</i>  |   |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
|  | £'000  | £'000                                   |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
| Interest and similar income            | 472,763  | 468,433                                 |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
| Interest expense and similar charges   | (182,950)  | (166,601)                               |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
| <b>Net interest income</b>             | <b>289,813</b>   | <b>301,832</b>                          |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
| Fees and commissions income            | 451,508  | 475,134                                 |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
| Fees and commissions expense           | (26,586)   | (22,530)                                |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
| Provision for customer redress         | (115,000)  | (57,400)                                |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
| Other income                           | 30,000   | -                                       |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
| <b>Net fees and commissions income</b> | <b>339,922</b>   | <b>395,204</b>                          |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
| Gains on financial assets              | 6,202  | 498                                     |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |
| Realised gain on investment securities | 7,442  | 4,749                                   |                |  |  |  |   |  |                   |  |  |       |       |                             |         |         |                                      |           |           |                            |                |                |                             |         |         |                              |          |          |                                |           |          |              |        |   |  |                |                |                           |       |     |  |       |       |

|   |  |   |
|---|--|---|
|   | 13,644   | 5,247   |
| <b>Total income</b>   | <b>643,379</b>                                 | <b>702,283</b>                                  |
| Administrative expenses   | (385,740)                                      | (378,945)                                       |
| Depreciation and amortisation   | (61,847)                                       | (44,545)  |
| <b>Operating expenses</b>   | <b>(447,587)</b>                               | <b>(423,490)</b>                                |
| Impairment  | (82,020)                                       | (124,511)                                       |
| Share of profit of associate  | 10,187   | 5,269   |
|   | <b>(71,833)</b>                                | <b>(119,242)</b>                                |
| <b>Profit before tax</b>  | <b>123,959</b>                                 | <b>159,551</b>                                  |
| Taxation  | (20,574)                                       | (39,561)  |
| <b>Profit for the year attributable to owners of the parent</b>                             | <b>103,385</b>                                 | <b>119,990</b>                                  |
|   | <b>=====</b>                                   | <b>=====</b>                                    |
| <i>Consolidated Statement of Comprehensive Income</i>                                       |  |   |
|   | <i>Audited</i>                                 |   |
|   | <b>12 months to<br/>28th February<br/>2013</b> | <b>12 months to<br/>29th February<br/>2012*</b> |
|   | <i>Comparison</i>                              |   |
|   | <i>£'000</i>                                   | <i>£'000</i>                                    |
| <b>Profit for the year</b>  | 103,385  | 119,990   |
| <b>Movements in reserve in respect of available-for-sale financial assets</b>               |  |   |
| Unrealised net gains during the year, before tax  | (9,389)  | 9,473   |
| <b>Cash flow hedges</b>   |  |   |
| Net (losses) / gains arising on hedges recognised in other comprehensive income, before tax | (28)   | 276   |

|   |               |                |
|---|---------------|----------------|
| <b>Tax relating to components of other comprehensive income</b>                     | 5,804         | (2,495)        |
| <b>Share of other comprehensive income of associate</b>                             | (1,614)       | 3,205          |
| <b>Total comprehensive income for the year attributable to owners of the parent</b> | <u>98,158</u> | <u>130,449</u> |

*Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement*

The tables below set out the Issuer's audited consolidated statement of financial position, statement of changes in equity and cash flow statement for the two financial years ended 28th February, 2013 and 29th February, 2012. This information has been extracted without material adjustment from the Issuer's audited consolidated financial statements for the 12 months ended 28th February, 2013.

*Consolidated Statement of Financial Position*

|                                      | <b>Audited</b>                  |                                  |
|--------------------------------------|---------------------------------|----------------------------------|
|                                      | <b>As at 28th February 2013</b> | <b>As at 29th February 2012*</b> |
| <i>Comparison</i>                    |                                 |                                  |
|                                      | <i>£'000</i>                    | <i>£'000</i>                     |
| <b>Assets</b>                        |                                 |                                  |
| Cash and balances with central banks | 919,772                         | 455,809                          |
| Loans and advances to banks          | -                               | 93,132                           |
| Loans and advances to customers      | 5,570,371                       | 4,672,126                        |
| Derivative financial instrument      | 33,520                          | 19,522                           |
| Investment securities:               |                                 |                                  |
| - Available for sale                 | 958,734                         | 1,302,731                        |
| - Loans and receivables              | 41,583                          | 292,931                          |
| Prepayments and accrued income       | 33,877                          | 43,360                           |
| Current tax asset                    | 36,102                          | -                                |
| Other assets                         | 250,208                         | 206,271                          |
| Investment in associate              | 95,337                          | 72,459                           |
| Intangible assets                    | 397,430                         | 336,995                          |
| Property, plant and equipment        | 94,318                          | 109,807                          |
| <b>Total assets</b>                  | <u>8,431,252</u>                | <u>7,605,143</u>                 |

|  |  |  |   |
|--|--|--|---|
|  | <b>Liabilities</b>                                 |  |   |
|  | Deposits from banks                                | 15,200   | 77,706  |
|  | Deposits from customers                            | 6,003,477                                      | 5,389,787                                       |
|  | Debt securities in issue                           | 406,698  | 197,849   |
|  | Derivative financial instruments                   | 63,469   | 71,186  |
|  | Provisions for liabilities and charges             | 102,007  | 78,341  |
|  | Accruals and deferred income                       | 123,724  | 132,370   |
|  | Current income tax liability                       | -  | 2,969   |
|  | Other liabilities                                  | 116,550  | 106,139   |
|  | Deferred tax liability                             | 43,354   | 28,770  |
|  | Subordinated liabilities                           | 330,000  | 330,000   |
|  |  |  |   |
|  | <b>Total liabilities</b>                           | <b>7,204,479</b>                               | <b>6,415,117</b>                                |
|  |  |  |   |
|  | <b>Equity</b>                                      |  |   |
|  | Shareholders' funds:                               |  |   |
|  | - Share capital                                    | 107,990  | 103,490   |
|  | - Share premium account                            | 971,910  | 931,410   |
|  | - Retained earnings                                | 87,924   | 90,244  |
|  | - Other reserves                                   | 13,949   | 19,882  |
|  | Subordinated notes                                 | 45,000   | 45,000  |
|  |  |  |   |
|  | <b>Total equity</b>                                | <b>1,226,773</b>                               | <b>1,190,026</b>                                |
|  |  |  |   |
|  | <b>Total liabilities and equity</b>                | <b>8,431,252</b>                               | <b>7,605,143</b>                                |
|  |  |  |   |
|  | <i>Consolidated Statement of Changes in Equity</i> |  |   |
|  | <i>Audited</i>                                     |  |   |
|  |  | <b>12 months to<br/>28th February<br/>2013</b> | <b>12 months to<br/>29th February<br/>2012*</b> |
|  |  |  | <i>Comparison</i>                               |
|  |  | <i>£'000</i>                                   | <i>£'000</i>                                    |
|  | <b>Balance at the beginning of the year</b>        |  |   |
|  | <i>Share capital</i>                               | 103,490  | 92,340  |
|  | <i>Share premium</i>                               | 931,410  | 831,060   |
|  | <i>Retained earnings</i>                           | 90,244   | 79,341  |
|  | <i>Subordinated notes</i>                          | 45,000   | 45,000  |
|  | <i>Other reserves</i>                              | 19,882   | 2,251   |
|  |  |  |   |
|  | <b>Total</b>                                       | <b>1,190,026</b>                               | <b>1,049,992</b>                                |

|  |  |           |           |
|--|--|-----------|-----------|
|  | <b>Comprehensive income</b>                                    |           |           |
|  | Profit for the year  |           |           |
|  | <i>Retained earnings</i>                                       | 103,385   | 119,990   |
|  | Total  | 103,385   | 119,990   |
|  | Net (losses)/gains on available for sale investment securities |           |           |
|  | <i>Other reserves</i>  | (3,743)   | 7,053     |
|  | Total  | (3,743)   | 7,053     |
|  | Net gains on cash flow hedges                                  |           |           |
|  | <i>Other reserves</i>  | 130       | 201       |
|  | Total  | 130       | 201       |
|  | Share of other comprehensive income of associate               |           |           |
|  | <i>Other reserves</i>  | (1,614)   | 3,205     |
|  | Total  | (1,614)   | 3,205     |
|  | <b>Total comprehensive income</b>                              | 98,158    | 130,449   |
|  | <br><b>Transactions with owners</b>                            |           |           |
|  | Share issue in the year  |           |           |
|  | <i>Share capital</i>   | 4,500     | 11,150    |
|  | <i>Share premium</i>   | 40,500    | 100,350   |
|  | Total  | 45,000    | 111,500   |
|  | Dividends to ordinary shareholders                             |           |           |
|  | <i>Retained earnings</i>                                       | (105,000) | (108,150) |
|  | Total  | (105,000) | (108,150) |
|  | Dividends to other equity shareholders                         |           |           |
|  | <i>Retained earnings</i>                                       | (705)     | (937)     |
|  | Total  | (705)     | (937)     |
|  | Share based payments   |           |           |
|  | <i>Other reserves</i>  | (706)     | 7,172     |
|  | Total  | (706)     | 7,172     |

|   |  |   |
|---|--|---|
|   |  |   |
| <b>Total transactions with owners</b>                       | (61,411)                                       | 9,585   |
| <b>Balance at the end of the year</b>                       |  |   |
| <i>Share capital</i>  | 107,990  | 103,490   |
| <i>Share premium</i>  | 971,910  | 931,410   |
| <i>Retained earnings</i>                                    | 87,924   | 90,244  |
| <i>Subordinated notes</i>                                   | 45,000   | 45,000  |
| <i>Other reserves</i>                                       | 13,949   | 19,882  |
| <b>Total</b>  | <b>1,226,773</b>                               | <b>1,190,026</b>                                |
| <i>Consolidated Cash Flow Statement</i>                     |  |   |
|   | <b>Audited</b>                                 |   |
|   | <b>12 months to<br/>28th February<br/>2013</b> | <b>12 months to<br/>29th February<br/>2012*</b> |
|   | <i>Comparison</i>                              |   |
|   | <i>£'000</i>                                   | <i>£'000</i>                                    |
| <b>Operating activities</b>                                 |  |   |
| Profit before taxation                                      | 123,959  | 159,551   |
| Adjusted for:   |  |   |
| Non-cash items included in operating profit before taxation | 243,317  | 239,036   |
| Changes in operating assets and liabilities                 | (384,051)                                      | 230,329   |
| Income taxes paid   | (39,272)                                       | (18,128)  |
| <b>Cash flow from operating activities</b>                  | <b>(56,047)</b>                                | <b>610,788</b>                                  |
| <b>Investing activities</b>                                 |  |   |
| Purchase of non-current assets                              | (137,519)                                      | (165,431)                                       |
| Purchase of available for sale investment securities        | (101,310)                                      | (729,368)                                       |
| Sale of non-current assets                                  | 783  | -   |
| Sale of available for sale investment securities            | 548,125  | 183,072   |
| Proceeds from repayment of subordinated loan                | 258,500  | -   |
| Loan to associate   | (7,152)  | -   |
| Investment in associate                                     | (14,305)                                       | -   |
| Deposit with parent   | (145,000)                                      | -   |
| <b>Cash flows from investing activities</b>                 | <b>402,122</b>                                 | <b>(711,727)</b>                                |

|  |   |                          |
|--|---|--------------------------|
|  | <b>Financing activities</b>                                   |                          |
|  | Proceeds from issue of debt securities                        | 198,401                  |
|  | Proceeds from issue of subordinated liabilities               | - 140,000                |
|  | Redemption of own debt securities                             | - (225,000)              |
|  | Proceeds from issue of share capital                          | 45,000 111,500           |
|  | Dividends paid to ordinary shareholders                       | (105,000) (108,150)      |
|  | Dividends paid to other equity holders                        | (991) (673)              |
|  | Interest paid on subordinated liabilities                     | (7,836) (3,712)          |
|  | <b>Cash flows from financing activities</b>                   | <b>129,574 (26,448)</b>  |
|  | <b>Net increase/(decrease) in cash and cash equivalents</b>   | <b>475,649 (127,387)</b> |
|  | <b>Cash and cash equivalents at the beginning of the year</b> | <b>578,876 706,263</b>   |
|  | <b>Cash and cash equivalents at the end of the year</b>       | <b>1,054,525 578,876</b> |
| <p>* During the year, the Group identified that the Insurance Instalment Debtors, previously included within Other Assets, would be more appropriately classified as Loans and Advances to Customers. The impact of this change in the prior year was a reduction in Other Assets of £248.5m and a corresponding increase in Loans and Advances to Customers. This reclassification did not have any effect on the Group's net asset position. As a result of the above reclassification, the income recognised from Insurance Instalment Debtors was reclassified from Fees and Commissions Income to Interest Income. The impact of this change in the prior year was a reduction in Fees and Commissions Income of £42.8m and a related increase in Interest Income of an equal amount.</p> |   |                          |
| <p><i>Statements of no significant or material adverse change</i></p> <p>There has been no significant change in the financial or trading position of the Issuer or the Group since 28th February, 2013. There has been no material adverse change in the prospects of the Issuer or the Group since 28th February, 2013.</p>  |   |                          |