TESCO

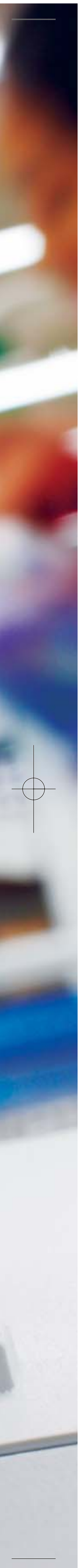
More than the weekly shop

Annual Review and Summary Financial Statement 2008

How to find out more online

Every year, more and more information is available for our shareholders, staff and customers.

www.tesco.com/annualreview08



Most people know something about Tesco. After all, we are the UK's largest grocer and we've been serving customers for the best part of a century. What you might not know, is that Tesco is also the world's third largest grocery retailer with operations in 12 international markets, employing over 440,000 people and serving millions of customers every week.

We're not simply about providing great quality food at affordable prices.

We provide more choice than ever to more customers, whether it's through our expanding international operations, innovative retailing services or our growing non-food offer. It doesn't matter how people choose to shop with us or what they choose to buy, our core purpose remains the same – to create value for customers to earn their lifetime loyalty.

We are also playing our part in tackling some of the social and environmental challenges we all face by putting community at the heart of what we do.

From carrots to computers, from banking to broadband, from Shanghai to San Diego. We are…

…more than the weekly shop

Tesco – the big picture

This has been another exciting year for Tesco. There have been some big developments – such as entry into the US – but there have also been many small improvements that, added together, mean our offer for customers is better than ever. We're playing a more active role in the communities we serve, more of our people are being developed and our shareholders continue to benefit from our success.

It's the many small improvements that are behind our Every Little Helps philosophy. Whether it's helping our customers to spend less, trying to ensure that they don't queue at the checkouts or making sure that they can buy that extra product they've been looking for, Every Little Helps can become a great deal when everyone pulls in the same direction.

£51.8bn
Group sales

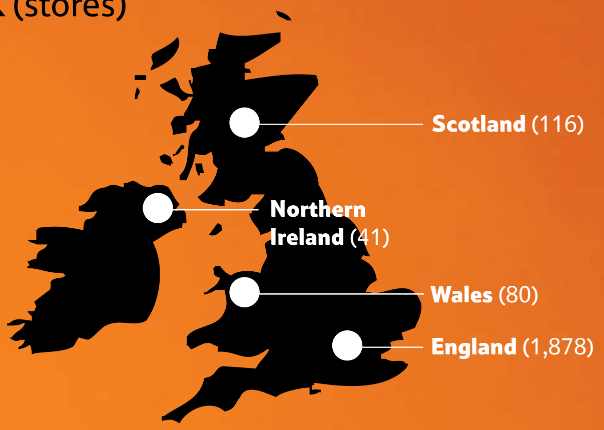
3,728
Stores worldwide

No. 3
Third largest grocery retailer in the world

13
Markets

440,000+
People worldwide

UK (stores)

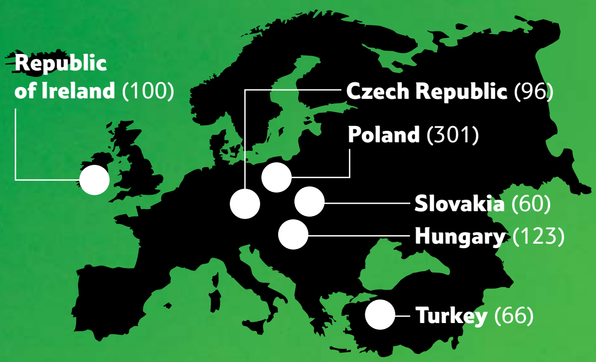


Key highlights

> 2,115 stores
> 280,373 staff

In the UK, Tesco coped well with unseasonal summer weather, recovering competitors and a deteriorating non-food market, particularly in the second half, to deliver solid progress in the year by investing in improving the shopping trip for customers. UK sales grew by 6.7% in the year to £37.9 billion. Both customer numbers and spend per visit increased.

Europe (stores)



Key highlights

> 746 stores
> 83,705 staff

In Central Europe we are emerging from a long period of economic instability and intense competition as one of the clear winners across the region. The prospects for improving returns, as we continue to build our market positions, and benefit from increased scale, regional economies and improved infrastructure, have never been better.

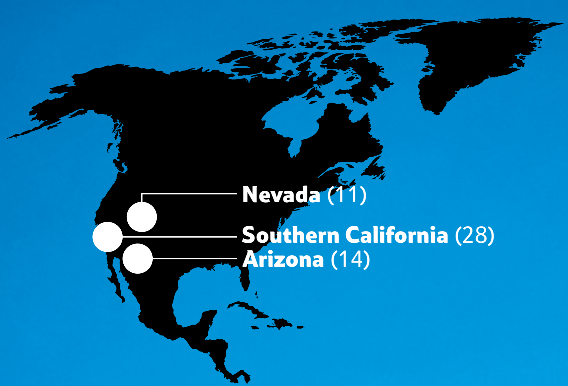
Asia (stores)

Key highlights

> 814 stores
> 77,554 staff

We have delivered a very strong performance in Asia, despite retail markets in our two largest countries – South Korea and Thailand – remaining subdued. We are now market leader in Malaysia, just seven years after we entered the country and we are accelerating growth and investment in China now that we have full management control of our business there.

USA (stores)



Key highlights

> 53 stores
> 669 staff

We are very encouraged by the start Fresh & Easy has made. The first stores opened only in November and we now have over 50 trading. The early response of customers to our offer has surpassed our expectations – with our research regularly confirming that they like the quality and freshness of our ranges, as well as the prices and the convenient locations of the stores.

Financial highlights

Growth on 2007

11.1%
Group sales (including VAT)

11.8%
Underlying Group profit before tax

5.7%
Group profit before tax
(15.3% growth excluding last year's exceptional items; principally the Pensions A-Day credit)

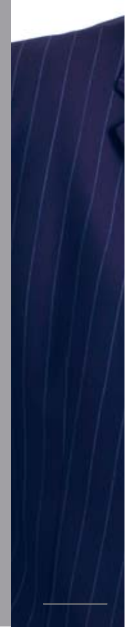
20.8%
Underlying diluted earnings per share*

14.2%
Diluted earnings per share

13.1%
Dividend per share

	2008	2007
Group sales (£m) (including value added tax)	**51,773**	46,611
Group revenue (£m) (excluding value added tax)	**47,298**	42,641
Underlying Group profit before tax (£m)†	**2,846**	2,545
Group profit before tax (£m)	**2,803**	2,653
Underlying diluted earnings per share (p)	**27.02**	22.36
Diluted earnings per share (p)	**26.61**	23.31
Dividend per share (p)	**10.90**	9.64
Group enterprise value (£m) (market capitalisation plus net debt)	**37,656**	40,469
Return on capital employed	**12.9%§**	12.6%‡

* 13.1% growth on a normalised 28.9% tax rate.
† Adjusted for IAS 32, IAS 39, the net difference between the IAS 19 Income Statement charge and 'normal' cash contributions for pensions and IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods. In 2007 an adjustment was also made for Pensions adjustment – Finance Act 2006 and impairment of the Gerrards Cross site.
§ Using a 'normalised' tax rate before start-up costs in the US and Tesco Direct, and excludes the impact of foreign exchange in equity and our acquisition of a majority share of Dobbies.
‡ Including the one-off gain from Pensions A-Day, ROCE in 2007 was 13.6%.



A successful year

I am pleased to report that in spite of some challenging market conditions we have once again delivered a strong set of results.

Sales have increased by 11.1% to £51.8 billion, Group profit before tax is up by 5.7% or by 15.3% if you exclude last year's exceptionals – mainly the Pensions A-Day credit. Underlying profit has grown by 11.8% to £2,846 million. Underlying diluted earnings per share is up 13.1% using a normal tax rate, and the full-year dividend is also up 13.1%.

These results demonstrate the real strength and diversity of the Group and reaffirm our broad long-term strategy for growth set out just over a decade ago.

International is now a powerful driver of growth for the Group. This year our overseas business delivered very strong increases in sales and profit of 25.3% and 24.3% respectively. Our growth will continue as we begin to lay the foundations for our long-term international expansion through our entry into the new major markets of China and more recently the United States.

UK sales are up 6.7% and trading profits grew by 7.1% – after start-up costs in the US and on Tesco Direct – to £2,050 million, helped by a solid margin performance.

Group non-food sales rose 12% to £11.8 billion and non-food remains an important contributor to our growth. We are particularly pleased with the progress of Tesco Direct which has performed ahead of plan during its first full year of operation.

It's also been a good year for retailing services, with growing customer numbers and improving profits. Tesco Personal Finance this year celebrates its tenth anniversary, Telecoms is growing well, with Tesco Mobile alone attracting a quarter of a million new customers this year and breaking through to profitability. Dotcom has again delivered excellent growth in sales and profit.

The introduction of Community to our strategy earlier this year has further focused our efforts on tackling important social and environmental challenges, ensuring that they are considered in our strategic decision-making.

Following the introduction of the Community Plan in 2006, I'm pleased to say that we now have plans in nine countries, bringing together a range of community, environmental and health projects, tailored to local market needs, and the remaining three will be starting soon.

In 2007, we continued our roll out of front of pack nutritional labelling across the Group, including Turkey, South Korea, China and Poland, where over a third of our own-brand products are now labelled. In the UK, we are still the only supermarket where all relevant products carry the labels – over 7,000 Tesco lines and nearer 20,000 when manufacturers' brands using them are included.

I'm also pleased to report that in the UK we have broken our 'charity of the year' record, raising more than double our ambitious target with £4.4 million being donated to the British Red Cross.

Over the last few decades we have become skilled retail property developers, building a valuable property portfolio that powerfully underpins the business. Our programme of releasing value from property is on track and proceeds will be used to fund our business expansion and ongoing share buy-back.

The Tesco team is now over 440,000 strong. It's a big team, but we're united by a common purpose – to create value for customers to earn their lifetime loyalty. This year the team has worked harder than ever to deliver an even better shopping trip for customers and our latest staff Viewpoint results show that morale is strong. I would like to thank all our people for their hard work which I know will continue in the year ahead.

I'm delighted that their efforts have recently been recognised with Tesco winning Retailer of the Year at the World Retail Awards in Barcelona.

David Reid
Non-Executive Chairman

uk

Our strategy

The UK is our biggest market and the core of our business. We aim to provide all our customers with excellent value and choice. This year recovering competitors and cautious consumers have made growth harder to come by, but with strong productivity, mix and margin control, we delivered good results.

Our aim is to be as strong in non-food as in food. This means offering the same great quality, range, price and service for our customers as we do in our food business. Our Group non-food sales have grown by 12% to £11.8 billion this year, accounting for 23% of our total sales.

We added Community as the fifth part to our strategy this year. As modern economies may have to operate on about a fifth of the carbon they do today, we believe in the future it may not be a choice to be green, but that we can't grow unless we're green.

Tesco is an international retailer and wherever we operate we focus on giving local customers what they want. Our overseas business has had an excellent year, contributing over half of the growth in Group profit in the year.

Tesco has followed its customers into the growing world of retailing services, aiming to bring simplicity and value to complex markets. Services have performed well this year, with sales in our online businesses up over 30%, Tesco Mobile moving into profitability and Tesco Personal Finance getting back to a faster rate of growth.

◀ **Chief Executive Terry Leahy** with Jackie B, Andy and Jackie M at the Tesco Extra in Cheshunt, UK

Strong growth across the Group

The breadth of the Group and the strength of our business model have enabled Tesco to deliver another year of double-digit sales, profit and earnings per share growth.

These results demonstrate that Tesco has again made strong progress. Sales, profits and returns have grown well, the growth has been broadly based and we are delivering on our commitments to shareholders.

I believe these numbers also clearly show that our new businesses are coming of age, after years of patient investment. I am pleased about that because the breadth this gives the Group, combined with the strength of our business model, means that we are able to cope well with changing market conditions and at the same time make the necessary investment in our future growth – in the United States, China and Tesco Direct.

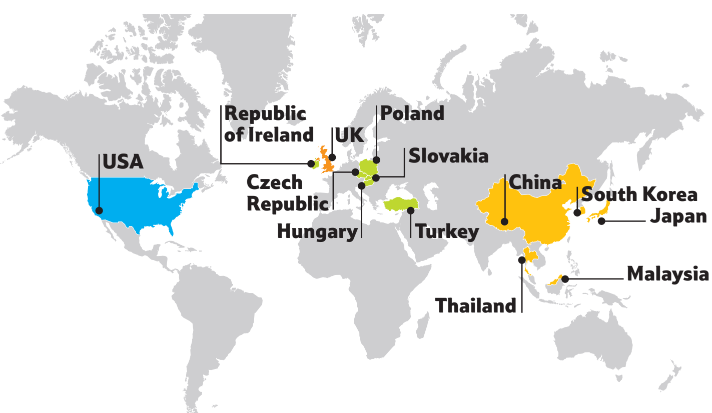
International is an important part of this. It now makes more than £700 million of trading profit, which is about the same as the whole of Tesco did a decade ago, and it contributed over half of the growth in Group trading profit in the year. We have built a new Tesco in the last ten years, serving markets with hundreds of millions of customers – and I believe its growth prospects are even better than the original's were back then.

We saw excellent progress across the international business. Sales and profits grew well, returns rose again but the most striking improvements came in the strengthening positions we have in our chosen markets.

76m

square feet of selling space

We plan to open over 11.5 million square feet of new Group space in the coming year, 80% of it outside of the UK.



We added over six and a half million square feet of new selling space overseas in the year – over three times as much as in the UK. Our focus on combining this organic growth with selective acquisitions is also delivering – in Poland, the Czech Republic and Malaysia – with more to come.

Our international business now has the scale, the competitiveness and the momentum it needs to be a key driver of our growth for the long-term – because our operations in most of these markets can be two, three or more times larger than they are today.

We have made solid progress in the UK. It hasn't been an easy year for our core business – recovering competitors and cautious consumers made sales growth harder to come by. But with strong productivity, mix and margin control, we delivered good results and after a slower end to the year, we have come into the new financial year on better form, trading ahead of the industry and a little ahead of our planned performance range.

I believe we are entering the kind of market conditions where Tesco's strengths stand out; where customers will be looking to us to help them cope with higher bills for mortgages and fuel as well as higher taxes. As always, our focus will therefore be on improving their shopping trip – whether it's in lower prices, shorter queues at checkouts or healthier products to feed the family. Customers recognise the improvements we are making.

Whilst we have seen pleasing progress in Non-Food, this has been against a background of more subdued consumer spending in some product categories. Nevertheless, sales grew faster than the core business, profitability was strong and we saw good market share gains. Our core general merchandise categories, which are less sensitive to the economic cycle, grew well and we saw robust growth in newer areas such as electricals, furniture and DIY, helped in part by an excellent first full year of trading in Tesco Direct, our online and catalogue non-food business.

Our Services businesses had another good year – again demonstrating the growing breadth of the Group – supported by our increasing strength as a leading internet retailer. Dotcom was on excellent form, with sales in our online business again up by over 30%. Tesco Telecoms performed well, driven by a very good performance in Tesco Mobile, our joint venture with O2, which moved into profit for the first time in the year.

Elsewhere in Services, Tesco Personal Finance (TPF), which celebrates its tenth anniversary this year, has got back to a faster rate of growth, driven by a strong sequence of new product launches and a 20% rise in online sales. TPF has also weathered a difficult financial services market well – with falling bad debts and credit card arrears. But for the impact of last year's floods on household insurance claims, we would have seen strong profit growth from TPF.

Our work with communities and the environment has also seen Tesco make encouraging progress. To make sure this work gets the right focus

60%+

of Group sales area is in International

We continue to support Cancer Research UK's Race for Life series, which saw 665,000 people taking part in the 5km runs, including over 21,000 Tesco staff. Over the last six years we have helped raise over £180 million.

All our own-brand face tissues, kitchen towel and toilet tissue are FSC certified.

and priority in the business, we made an important change in 2007 by adding it to our four-part strategy for growth – so making Community the fifth element. As the first change of any kind to Tesco's strategy in more than a decade, this represents a very significant commitment. More detail about our initiatives in this area can be found elsewhere in this review, in our separate Corporate Responsibility Review and on our website (www.tesco.com/crreview08).

We are making strides towards a revolution in green consumption by incentivising the environmental option and making it affordable. We do not start from the position that it is a choice between growing or being green; that somehow we will give up a bit of potency in the focus of the business in pursuing these things. My strong belief is that this is not the case, and that being green will be a good way to grow and add value for shareholders whilst discharging our responsibilities to other stakeholders. That is why Tesco has taken a lead on these matters.

Some key milestones passed this year included the early achievement of our target to reduce the number of free carrier bags issued to UK customers by 25% in a little over 12 months – saving well over one billion bags, far more than any other retailer. We are on track to save two billion this year. We have also halved our energy use per square foot of selling space since 2000, two years ahead of target. We have invested £25 million in creating a Sustainable Consumption Institute at the University of Manchester, bringing together world-leading experts from various disciplines. The Institute will help lead the way to a low-carbon economy and society. We plan to begin a programme of carbon labelling of our products in the early weeks of the current year, using our experience of putting clear, useful information in front of customers to help them make informed decisions about the CO_2 implications of their product choices.

In summary:

> Tesco is about growth and we are confident of sustaining strong growth in the future;
> we do this by following the customer; as they change, we change
> and this means our growth is broadly based, as our new businesses come through to scale and profitability;
> it also means we can carry the costs of investing now in the new products and businesses which will drive our long-term growth
> at the same time we can deliver improving returns and tangible benefits for shareholders;
> we are meeting our responsibilities to other stakeholders by playing an innovative part in tackling some of the social and environmental challenges we all face;
> we have delivered strong results by making shopping better for customers; and
> Tesco is equipped to cope with changing market conditions and, whilst the current global economic background is a concern, we begin the new financial year with confidence.

Terry Leahy
Chief Executive

To view the full announcement visit:

www.tesco.com/annualreview08/presentations

Every Little Helps…

>> Case study: Our Steering Wheel

We operate a balanced scorecard approach to managing the business that is known within the Group as our Steering Wheel. This unites the Group's resources and in particular focuses the efforts of our staff around our customers, people, operations, finance and the community. Its prime focus is as a management tool for the Company so that there is appropriate balance in the trade-offs that need to be made all the time between the main levers of management – such as operations measures, financial measures or delivery of customer metrics. It therefore enables the business to be operated and monitored on a balanced basis with due regard to the needs of all stakeholders. For the owners of the business, it is simply based around the philosophy that if we look after customers well and operate efficiently and effectively, shareholders' interests will always be best served by the inevitable outputs of those – growth in sales, profits and returns. <<

europe

We have introduced our own brand of **Technika electrical goods** across our stores in Central Europe this year. This has enabled us to benefit from economies of scale which also means we can pass these benefits on to customers in the form of lower prices.

Hungarian sausages
Although we source many products centrally, because our customers in every country are different we also sell a range of products specific to each market.

In all our stores we sell a **range of own-brand** and the most popular branded products.

Our scale helps keep prices low for customers and our skill means that there has been a great **improvement in the quality of our fresh produce**.

Many of our own-brand products are sold across all our stores in Central Europe. All the ingredients are listed in Polish, Hungarian, Czech and Slovakian. **Over 1,000** of these products were introduced in Hungary this year.

This year we have introduced a range of **fresh ready meals** to our stores, including pasta dishes and Chinese meals.

◀ Katalin and Evelin
Tesco hypermarket, Budapest, Hungary

Great people, strong teams...

There is a strong culture at Tesco underpinned by our values. These values are the way we have chosen to work and drive the way we do business wherever in the world we operate.

Our values
- **> No-one tries harder for customers**
- **> Treat people how we like to be treated**

By making sure that we live by the Tesco values all our people understand what our purpose is – to create value for customers to earn their lifetime loyalty. This means we work as one team – the Tesco team, with over 440,000 people united by a common purpose. For our customers it can come down to that one person in-store who shared a smile or helped them pack their shopping bags. Our people are all individuals playing their part in serving customers as best they can. That is why we have recently launched a new staff uniform in the UK, including new badges that say more than just a name. Staff have a choice across a range of over 55 items. The look is stylish, comfortable and practical to wear. By the end of the year the new uniform will be rolled out to over 60% of our stores and depots.

>> Case study: Community champions
Developing our people isn't just about making sure they have the right skills to do their job; it's also about making them feel good about working for Tesco. Our people know that we have an opportunity to play an active part in the communities we serve. That is why we are making sure they have time to provide visible and practical local support by extending the number of Community Champions in our UK stores. Introduced in 2007, our Community Champions can spend around half their time on community activity, usually with schools and local charities.

The trial in 22 stores up and down the country has proved successful in building relationships with communities and making a positive difference, and it has now been extended to 52 stores. Community Champions will also be appointed in four of our distribution centres this year. **<<**

Tesco is a better place to work than ever before. In the UK, our work on reducing absence rates means more people are at work more of the time. We reduced absence in stores by a further 5.5% last year and by 10.3% in depots, filling over 121,000 more shifts in stores and 31,200 more shifts in depots. This year has also seen our lowest ever labour turnover.

Listening
Every year all our people are also invited to take part in our staff Viewpoint survey giving them the opportunity to express their views on almost every aspect of their job. We use Viewpoint to make sure we are working on the right things for our people, just as we use feedback from customers and suppliers to improve our offer for them.

Right across the business, the results of the staff Viewpoint survey are analysed and used by the in-country Boards to target improvement. Specific examples this year include Hungary, where our staff felt we could do more to improve our in-store catering, Poland, where we were able to identify significant opportunities to improve the facilities in-store and at head offices, and in Thailand where communications programmes were overhauled as a direct result of feedback from staff through Viewpoint.

Viewpoint enables us to measure the pulse of our business from a staff perspective. Any movement in these measures year-on-year results in action.

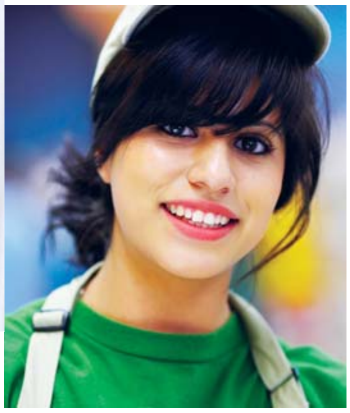
As well as great staff, wherever in the world we operate, we know the key to providing a great shopping trip is listening and responding to customers and their changing lifestyles. Rather than developing products and services that we think customers want, we spend lots of time and effort asking them.

We've developed many ways of listening, from customer forums, to focus groups, accompanied shops, home visits and more, helping us to explore issues as they arise. We also use ongoing research trackers asking the same key questions regularly, to allow us to monitor performance over time.

In the UK this year we have asked over 300,000 customers for feedback, asking for their views on a range of issues, from how they feel about our staff to the layout of our stores and the part we play in their local community.

This feedback from customers influences virtually every decision we make within the business, from big decisions like developing new formats of stores to what products to stock, to the types of promotions we run and many new initiatives such as bag-less deliveries for our Dotcom business.

Through our incentive schemes, over 170,000 of our people have a personal stake in Tesco's future and in February this year two of our UK Save As You Earn share schemes matured, worth a record-breaking £175 million to our people.



97%

of our employees in the US would recommend Fresh & Easy as a place to work

…helping to provide our customers with a better shopping trip than ever

When we started to develop our Fresh & Easy business in the US we applied the same philosophy of listening and responding, spending a considerable amount of time talking to potential customers. We needed to understand what they wanted in a grocery store, so we could get things right from the start. We went into people's homes and talked to them. We looked in their pantries and refrigerators, and went shopping with them. As a result, Fresh & Easy is a grocery store developed by Americans, for Americans.

Now that we are open, we've been asking for feedback to find out if our customers like the new stores and how we can improve. We've interviewed customers outside every store we've opened, as well as inviting feedback through our website and via comment cards. Customer reaction to the stores has been really positive and we'll use the feedback to refine our offer and deliver an even better shopping trip.

>> Case study: Clubcard

One of the tools we use to help us understand our customers' needs is our world-leading loyalty programme, Clubcard. Not only does it enable us to thank our customers for shopping with us, it also provides invaluable information about what our customers want and how their needs change.

This year we launched Clubcard in Malaysia and we already have over one million members. We also rolled out a similar member card scheme in China. Within the first six months the membership had grown to over 3.7 million customers and on average 5,000 new customers sign up every day.

In the next year we plan to launch versions of Clubcard in Thailand, Hungary, Turkey, Slovakia and the Czech Republic. <<

Every Little Helps promises

A few years ago we listened to customers when they told us the things that are most important to them. It helped us develop the Every Little Helps promises, and they are just as important today. These five promises to our customers reflect the simple things people care about when they go shopping:

> prices are good;
> I can get what I want;
> the aisles are clear;
> I don't queue; and
> the staff are great.

As well as making many small improvements in our stores, we remain focused on these five promises.

For example, our customers have told us that they are feeling the pinch, with many struggling to cope with higher mortgage costs and rising energy bills. In recognition of this, we have stepped up our efficiency saving programmes allowing us to invest heavily in price. Through cutting prices and special offers we have saved UK customers £400 million in less than three months.

We've also made great progress on delivering our One in Front promise. This year an extra 22.5 million customers did not have to queue thanks to the hard work and effort put in by stores and our extra investment in hours at the checkout. Our customers have recognised this improvement by saying that we lead the market for 'I Don't Queue'.

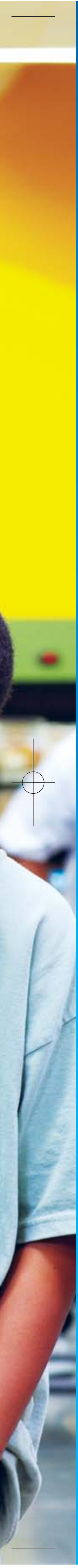
In addition, pre-sorted deliveries and updated warehouse plans have improved our replenishment process and availability, whilst ensuring that our aisles remain clear during busy periods.

What are Fresh & Easy customers saying?*

> "Fresh & Easy is an awesome store! I love the idea of small store (easy to find product), fresh and cheap. Being a college student I have a tight budget for groceries but Fresh & Easy fits in that budget! I love this store!"
> "Can't think of a single negative thing to say. You're definitely now our grocery store of choice."
> "This is the best market to EVER hit the US! I have visited the UK several times and have always envied their small fresh markets, and now I don't have to, thanks to Fresh & Easy!"
> "I have been searching for years to find a store that sold beautiful produce and healthy meals for my children. You are an answer to my prayers! I will now do my weekly shopping at your store."

* Comments taken from customer emails.

usa



Our stores in the US are 10,000 sq ft, with a range of 3,500 products – small enough to shop easily, but big enough to do a full shop. These products have been carefully selected and by simplifying our operations we reduce our costs to keep prices low for customers.

We have built our own kitchen facility alongside our distribution centre at Riverside, California. In the kitchen **we prepare our own range of fresh ready meals, sushi, sandwiches and salads,** all of which are delivered daily to our stores.

Our simple packaging lets the food speak for itself and customers can see the products.

Fresh & Easy empowers customers to make greener choices. We only sell energy-efficient light bulbs in our stores. We do not offer Styrofoam in our product range. We also offer a reusable plastic bag and canvas bags as alternatives for customers.

Our range is made up of **authentic products and national brands** as well as our own label so that every household can get what they want from their regular shopping, all at affordable prices.

Our Fresh & Easy brand products contain **no artificial colours or flavours and no added trans fats**. We only use preservatives when absolutely necessary.

Our produce is packed date coded and delivered daily so our customers know it is fresh.

Fresh & Easy aims to source locally wherever possible. **Over 60% of our produce and poultry comes from California.**

◀ Angelique and Rykeis
Fresh & Easy, Compton, California, USA

Creating leaders…

It's a big task getting thousands of people to pull in the same direction. It takes strong leadership and that's why at Tesco we don't just have one leader, we have thousands of leaders.

We give our people the authority and support to do what's necessary to serve a customer or solve a problem and there's a lot of flexibility to bring the right mix of skills together to get the job done.

You could say that the business operates under a unified command – it's a flat structure, six levels from the checkout to the Board. In fact, many of our senior Directors started their careers on the shop floor.

Wherever in the world we operate, we believe our people should have the opportunity to get on and most of our management positions are filled internally. To help support the development of our people, it's important that we share our knowledge and have the right training in place to enable them to become leaders.

That's why we've developed a range of training programmes which are designed to equip our people with the skills they need to succeed. 'Options' – a tailored programme for our people who have been identified as having the potential to move to a bigger job – has this year helped us fill over 3,500 management positions in the UK. We now have our highest ever number of people on Options, both in the UK and across the international business.

We are also rolling out our leadership training across the international business and recently held a 'Leadership Train the Trainer' session in Kuala Lumpur. Trainers from China, Hong Kong, India, South Korea, Thailand and Malaysia were given training on our Academy Leadership programmes including Influencing, Personal Effectiveness, Delegation and Performance Management. Each trainer can now deliver these important skills in their own country in both English and their own language.

>> Case study: Chinese Graduate Scheme

Our business in China is growing fast and we're committed to recruiting talented people to help the business develop. We now recruit Chinese graduates studying at UK universities who spend six to nine months training in the UK to learn about the Tesco Group processes and the 'Tesco Way' of doing things, before moving back to China to complete their 12-month fast-track scheme. The specially designed programme gives our graduates the specialist technical skills they need to excel, not to mention the Tesco leadership skills they'll need to succeed. Our first seven Chinese UK graduates, from the pilot programme, started working in Shanghai in July and ten newly recruited graduates are currently training in the UK business. <<

>> Case study: Foundation Degree Options Programme

This year we launched our brand new training scheme – the Foundation Degree Options Programme. Running alongside our in-store development programme, 'Options', this is the very first higher education qualification to be offered to our store staff. Aimed at line managers, the programme has been developed with the University of the Arts London and Manchester Metropolitan University to provide our staff with a broader knowledge of the retail sector. It is a vocational degree equivalent to the first two years of a Bachelor's Honours degree and the training includes intensive workshops and a specially developed online classroom facility. Upon completion the students will graduate with a Foundation Degree Award in Retailing (Tesco). <<

The strength of our leadership means we have achieved a lot in the past few years and we're proud of our success, but Tesco is really about ordinary people doing extraordinary things together.

"Working alongside talented and driven people provides me great support and encouragement from senior sponsors and colleagues. Every decision we make has a tangible result. I really enjoy seeing goals achieved, which makes me feel that I can really contribute something to the biggest UK retailer and gives me great motivation."
Leon Sun, Chinese Graduate (Commercial)

1,000+

people in our UK stores are working towards apprenticeship qualifications

More than 30,000 new people joined the Tesco team this year, bringing the total to over 440,000.

…supported by a simple operating model to deliver a great shopping trip

A lot of hard work has gone on behind the scenes in the last four years to develop the Tesco Operating Model. Using our wealth of experience in the UK we have designed a common set of back-office and retail processes, systems and operating capabilities which we can develop once, and use many times across the countries where we trade and when we go into new markets.

By back-office processes we mean those things that are common to all retailers – listing products and suppliers, setting prices, ordering, distribution, keeping track of the finances and paying our people – areas which the customer never sees, but are important to keeping costs low and our operation lean and efficient.

Our Operating Model used to be called 'Tesco in a Box' because as we have grown and our international markets needed to build capability, they could basically put their hand into the box and pick the systems they needed rather than having to develop their own. The Operating Model has now been developed beyond these systems to include the processes behind them.

Most of the Model has now been implemented in Turkey, and the US has provided a great opportunity to build all the applications and integration together, rolling out the entire package of business processes and IT systems all at once for the first time. It will be rolled out to four countries next year, four the following year, and we expect to have most of the Group running on the Operating Model by 2010.

We have put every bit as much effort into defining our Operating Model as we have taking care of our customers and our people, and that means we can deliver a great shopping trip which is simple to operate and gets things right the first time.

>> Case study: The Hindustan Service Centre (HSC)
We now have almost three thousand people working in our service centre in Bangalore, India. Established three and a half years ago, the centre was initially designed for IT support, but it now has a much broader role, with responsibility for several of our finance and business processes. They have been crucial in establishing our Fresh & Easy business in the United States, looking after our finance, human resources and IT back-office processes from the outset and helping to ensure that Fresh & Easy is a low-cost business from the start. We have built the teams and processes together – a first for Tesco outside of the UK and Ireland. <<

Fresh & Easy is a pilot member of the Leadership in Energy and Environmental Design (LEED) Volume Certification Program. This is a third-party programme and the accepted benchmark for the design, construction and operation of high performance green buildings.


uk

We now sell **200,000 litres of localchoice milk each week** in stores across England, Wales, Scotland and Northern Ireland, helping customers support small dairy farmers in their local area.

Due to the growing number of Poles living in Britain, we have begun importing Polish products, sourced through our business in Poland. These products have become the best-selling ethnic food in our UK stores. We now sell **250 different Polish products through 500 of our UK stores**.

This year we have begun **in-house sourcing of our entertainment offer.** Customers have responded positively, especially in the last few months following a stronger programme of new DVD and games releases.

Our five new regional offices opened this year have helped us to increase the number of local lines in our stores. 1,000 new local lines were introduced, taking the **total number of local lines to over 3,000.**

In January we relaunched our Healthy Living range offering customers more healthy options to help them eat better.

Our organics range continues to be popular with customers and we are the **market leader in sales of organic food**.

As we prepare to celebrate the tenth anniversary of our Finest brand later this year, sales of our Finest range have continued to grow, particularly amongst price-sensitive customers and **Finest is now the UK's biggest brand.**

We are now the **UK's third largest retailer** of pay-as-you-go mobile phones.

◀ Kathryn and Holly
Tesco.com, London, UK

More than one way to shop…

All our customers are different, and their needs are continually changing. We respond to their needs whilst aiming to make things better for customers, simpler for staff and cheaper for Tesco.

Tesco Direct, our online and catalogue non-food business was launched in September 2006.

We launched our Tesco.com internet grocery business in 2000. Since then it has grown into a thriving operation, with over one million active customers. Shopping for groceries online has been a revolution for people leading busy lives and those without access to transport, providing many people with fresh, affordable food for the first time.

>> Case study: Bag-less deliveries for Dotcom customers
Earlier this year we decided to give our Dotcom customers the option of bag-less deliveries. They'd told us they wanted to do more to help the environment and we have been delighted with their response. 40% of our online customers now choose this option, helping us to reduce our overall single-bag use by over a billion in just one year. <<

>> Case study: Groceries delivered to your door in Ireland and South Korea
Our Tesco.com model also operates in the Republic of Ireland and South Korea. In Ireland the service now covers over 70% of the country and we have over 200,000 registered customers. In South Korea we now have over 580,000 registered customers and we have increased the number of products available through the service to 14,200 – more than doubling the range this year. <<

More than food

In recent years we have increased our focus on non-food with the aim of offering customers the same convenience and choice that we have brought to food shopping.

As well as improving our non-food offer in-store, adding new space, broadening our range and opening stand-alone Homeplus non-food stores, we have more recently developed a comprehensive catalogue and online offer through Tesco Direct.

We appreciate that our customers have different needs when it comes to shopping for products such as household essentials and bigger non-food items like televisions and washing machines. Many of our customers do not have easy access to our stores which offer a full non-food range. Others lead very busy lives and simply do not have the time to browse one of our larger stores. Tesco Direct gives our customers choice. They can look at the latest non-food offers online or browse our catalogue. They can order items by phone or online, choosing to have items delivered to their homes or collect them from one of our 200 Direct desks in-store. We plan to open 80 more Direct collection desks in our stores this year, offering this convenient option to even more customers.

Our range of products available though Direct has also been expanded. We launched our third full catalogue in March which now offers 7,000 products from furniture to toys to the latest electrical items, and we now have 11,000 products available to buy online. This year Tesco Direct attracted over one million customers.

And we're doing more. In the coming year we will open our first non-food Homeplus store which will also incorporate a 10,000 sq ft product storage area for Tesco Direct products, enabling our customers to buy larger items to take home straight away. We now have seven Homeplus stores and following the early promise of these trial stores we have committed to opening a further ten stores.

As well as offering our customers convenient, affordable ways to shop, we also offer a wide range of retailing services. Our philosophy is simple: we continually look to offer value and simplicity to our customers, whether they are buying a loaf of bread or looking to renew their car insurance.

31% growth

In the UK, sales of our consumer electronics range are up 31% this year, with particularly large increases in the sales of flat-screen televisions, laptop computers and digital cameras.

20%

growth in Tesco.com customers during the year

This year we launched an environmentally friendly brand called Greener living, which includes a website with practical tips and ideas for anyone who wants to lessen their impact on the environment.

…and finding new ways to add value through innovative services

Tesco Personal Finance celebrated its tenth anniversary this year as the UK's most successful supermarket bank. Our joint venture with Royal Bank of Scotland now attracts more than five million customers across a range of 26 products and services, including ten new products launched this year. Responding to the needs of our customers, we introduced internet savings and child trust fund accounts, as well as Tesco Finest Health Insurance and Tesco Dental Insurance. We also opened 23 bureaux de change along with 28 Euro ATMs in our stores, making it easier for customers to pick up their holiday money whilst doing their weekly shop.

>> Case study: Tesco Compare

This year we launched Tesco Compare, a car insurance comparison site that allows customers to compare policies not just on price, but across 25 detailed product features to ensure they find the right insurance to suit their needs. This is the first time that a UK supermarket has offered personal finance products from a variety of brands and it's proved very popular, with over 800,000 people visiting the site and searching for insurance policies. Tesco Compare has also been judged the best insurance comparison site by Defaqto and best on price by Consumer Intelligence. <<

50%+

of our sales of financial products are made online

>> Case study: Tesco diets.com

The Tesco website is one of the most visited shopping sites in the UK and as well as shopping it offers a diverse range of services. It includes a wealth of information that can inform and empower customers to lead greener, healthier lives. With 40,000 regular users, Tesco diets.com is the UK's biggest online dieting and healthy eating service. It offers a range of 16 different types of diet for those who just want a healthier diet such as GI, or a very specific health-based plan, such as diabetes or 'heart smart'. All the eating plans are designed by our team of nutritionists and follow the UK government guidelines on healthy eating. <<

It's also been a good year for Tesco Telecoms, with more customers choosing from our comprehensive range of telecoms products and services, spanning broadband to phone accessories. Our branded telecoms hardware business which includes telephones, branded mobiles and accessories continues to grow.

Tesco Mobile is particularly popular with customers, attracting a quarter of a million new customers this year and moving strongly into profit. Tesco Mobile was again voted the number one network for customer satisfaction. We are the UK's third largest retailer of pay-as-you-go mobile phones on the high street and in response to customer feedback we are now offering contract mobile phones in our stores and online.

Tesco Personal Finance attracted 1.7 million new customers this year.


asia
TESCO
express

In China, in addition to our Value range, **we launched a new range of products under the Tesco Legou brand**. The range comprises 134 grocery and fresh lines and 641 non-food lines. Our aim is that these products are of the same high quality as the equivalent branded product, but we sell them 20% cheaper.

We have **established our own supply chain for Express in Thailand** this year to service our growing number of stores.

We've also opened the first fresh food distribution centre in Malaysia at Simpang Pulai, Perak. The centre supplies fresh produce, chilled and frozen products to our stores which are delivered in our specially designed refrigerated trucks.

We apply very stringent food safety and quality assurance processes across all of our product range. All of our suppliers must meet our requirements to **ensure our customers get fresh, wholesome food they can trust** from our stores.

We opened a new fresh food distribution centre in Japan in April 2007, which has enabled us to deliver better quality products at lower prices.

◀ Ami
Tesco Express, Tokyo, Japan

Laying the foundations for future growth…

This year has seen our international business come of age. We now have over 1,600 stores overseas including Tesco Extra hypermarkets in Asia and our first Express stores in Central Europe.

We understand that one size doesn't fit all so our stores vary in size and range, depending on local customer needs. It's this flexibility and diversity of store formats that helps us grow and reach new customers. For example, four years ago we were mainly opening new hypermarkets in Central Europe. Now we have several formats, from our new Express stores in Hungary and the Czech Republic to our new compact hypermarkets in Turkey. Our 1K Leader Price conversion stores in Poland are particularly popular with customers, generating sales growth of 43%.

We're constantly evolving and there are some very exciting opportunities overseas for us. For example, in China we took full management control of the business there in December 2006, having previously held a 50% share in partnership with a local operator, Hymall. This means we can get on with an ambitious opening programme, extending our reach and bringing our offer to more customers across this vast country. With over a billion people in China there are many people who still have poor access to fresh, quality, affordable food. In fact, China is such a big place, and because customer needs are very different across regions, we don't believe it is right to run all of our stores from one central office. That is why we have now appointed three regional managing directors who will each look after their own regions: the North and North East region; the Eastern region; and the Southern region.

To support this development, we're also working hard to use our skills and knowledge to improve the supply chain. In March last year we opened a new fresh food distribution centre in Shanghai which now supplies 30 stores in Shanghai, Jiangsu province and Zhejiang province. Having control of our distribution network also means we can improve the shelf life of our products through better temperature control and ensure a consistent quality. It also means we are able to make sure our products are safe for customers, something that is taken for granted in more developed parts of the world.

Turkey is another great opportunity for us. We've spent the last four years building the business and developing our offer. In the last year we have opened 36 new stores. Building on the success of our hypermarkets we have developed a new 3K format for smaller cities and this year opened 25 Express stores in inner city locations. With well established operations in Ankara and Thrace, we're now planning to build western and central supply hubs in addition to our Izmir distribution centre to service a national network of stores. We have also secured two sites in the major city of Istanbul.

>> Case study: This year we opened our new Homeplus Jamsil store in Seoul. Built on ten floors, it's a new-generation hypermarket with several unique features, including a wine bar, art gallery, health club, and even a golf range! The store also features our new checkout technology, developed in the UK, which monitors the number of people queuing, enabling us to more easily predict the number of checkouts that need to be open at any time. <<

Wherever in the world we operate it is important that we build the right stores in the right locations to best serve local communities. We have worked hard at developing a business model where 'everyone is welcome' – we are able to serve all types of communities with our different ranges, from Value to Finest foods, and with our multi-format approach, from our Express convenience stores to our largest Extra

508

new stores opened this year, including over 350 outside the UK

We have improved the way we consult local communities before building new stores.

We now hold a public exhibition or consult local communities proactively in other ways on every new Tesco superstore. This is one of the promises of our Community Plan.

Our first green Express store will open in Hinckley this summer.

We have appointed Energy Champions in all of our stores across the UK and the Republic of Ireland who work with staff to identify simple, positive steps we can all take to save energy in our stores.

We opened a new fresh food distribution centre in Shanghai in 2007.

…with better, more energy-efficient stores than ever before

hypermarkets. This means that we have been able to open stores in areas where other retailers would choose not to go.

We have worked hard to find the right locations for our stores, often parcelling together pieces of land on brownfield sites, helped by our proactive, flexible, innovative, risk-embracing approach.

The type of sites we invest in has changed over the years as customers' needs have changed and, in some of our markets, as new planning policies have been introduced. For example, the majority of our new stores in the UK are built on town-centre or edge-of-town brownfield sites, working with the grain of planning legislation, which seeks to direct investment back into town centres. In addition, more of our new space is now for Express convenience stores as customers shop more regularly and closer to their homes.

We have well-established site research and property acquisition teams who spend a lot of time on the ground looking at potential sites, reviewing current retail provision and establishing how local needs might change.

These teams don't work in isolation – they regularly review sites, often working with town planners and our local store directors in order to gain a full understanding of the area. They also review our existing stores, working together to determine if a store requires an extension so that we can offer more of our non-food range or, with some of our older stores, if they need to be replaced because they no longer best serve our customers' needs.

Not all retailers work like this, in fact many simply rely on commercial developers to find sites for them. We prefer our approach; acting as our own developers, we can ensure that we get things absolutely right for our customers.

Building the right stores

As well as finding the right sites, it is just as important to build the right stores. Our experienced property services teams work with architects and engineers to ensure we make use of the latest innovations in design and technology to build stores that are good for customers, communities and the environment. Every new store or extension is different and our highly skilled teams have worked hard to create solutions for anything from using wind turbines to power checkouts, to using underground water to cool the refrigerators.

In the UK we have halved our energy use per square foot since 2000, two years ahead of target. As part of our plan to reduce energy consumption across the whole business, we are using the latest technology to reduce

We are on track to sell ten million energy-efficient light bulbs in a year.

our environmental impact, not just for new builds, but also for existing stores. This means we are investing in measures such as low-energy lighting, energy-efficient bakery ovens, wind turbines, combined heat and power, trigeneration and hanging curtains on freezer doors.

>> Case study: In March 2008 we opened our latest energy-efficient green store in Bonyhád, Hungary. The store uses underground water to cool the refrigerators, improving their efficiency and reducing energy consumption. The water is also used to service the air conditioning – heating the store in winter and cooling it in summer. The water is then returned to the ground where it is cooled or heated, depending on the season, so it can be used again. <<

>> Case study: Our store in Colney Hatch is using the latest in environmental technology. We are extending the store by 22,700 sq ft to improve the service we provide for our customers. Through the inclusion of environmental initiatives such as a combined heat and power plant, solar panels and solar power heating, the extended store will actually use less energy than it used before the extension. <<

How to find out more online Every year, more and more information is available for our shareholders, staff and customers.

www.tesco.com/tescoplc

Our Board of Directors

The quality of our leadership is fundamental to the growth and success of Tesco. Our Directors bring a wide range of business, financial and retail experience to the Board.

1 David Reid – 61, Non-executive Chairman ●
David Reid became Non-executive Chairman on 2 April 2004. Prior to his appointment he was Deputy Chairman of Tesco PLC and has served on the Tesco Board since 1985. David is a Non-executive Director of Reed Elsevier Group PLC and Chairman of Kwik-Fit Group.

2 Rodney Chase CBE – 64, Deputy Chairman and Senior Non-Executive Director ◆●▲
Rodney Chase was appointed a Non-executive Director on 1 July 2002. He is Non-Executive Chairman of Petrofac Limited and a Non-Executive Director of Computer Sciences Corporation in Los Angeles, Nalco Company in Chicago and Tesoro Corporation in San Antonio. He also serves as Senior Advisor to Lehman Brothers.

3 Terry Leahy – 51, Chief Executive ●
Terry Leahy became Chief Executive in 1997. Joining Tesco in 1979, he held a number of marketing and commercial positions prior to being appointed to the Board of Tesco PLC on 5 October 1992.

4 Richard Brasher – 46, Commercial and Marketing Director
Richard Brasher was appointed to the Board on 15 March 2004. He joined Tesco in 1986. He has held a number of marketing, commercial and store operations positions, most recently Non-food Commercial Director.

5 Philip Clarke – 47, Asia, Europe and IT Director
Philip Clarke was appointed to the Board on 16 November 1998. Prior to his appointment he held a number of roles in store operations, commercial and marketing. He is a Non-executive Director of Whitbread plc.

6 Andrew Higginson – 50, Finance and Strategy Director
Andrew Higginson was appointed to the Board on 17 November 1997. He is Chairman of Tesco Personal Finance, a member of the 100 Group of Finance Directors, and a Non-executive Director of BSkyB plc.

7 Tim Mason – 50, President and CEO, Fresh & Easy
Tim Mason has been President and Chief Executive Officer, Fresh & Easy Neighborhood Market since January 2006. He was appointed to the Board on 16 February 1995. He joined Tesco in 1982.

8 Lucy Neville-Rolfe CMG – 55, Corporate and Legal Affairs Director
Lucy Neville-Rolfe was appointed to the Board on 14 December 2006. She joined Tesco in 1997 from the Cabinet Office. She is Deputy Chair of the British Retail Consortium, a Non-executive Director of The Carbon Trust, and a member of the China Britain Business Council and the Corporate Leaders Group on Climate Change.

9 David Potts – 50, Retail and Logistics Director
David Potts was appointed to the Board on 16 November 1998. He joined Tesco in 1973. From 1997 he directed the integration of our businesses in Northern Ireland and the Republic of Ireland before returning to the UK in 2000 as Director responsible for UK Retail Operations. From 2004 David's responsibilities have included the UK Supply Chain and the Republic of Ireland.

10 Charles Allen CBE – 51, Non-executive Director ●▲
Charles Allen was appointed a Non-executive Director on 19 February 1999. He was Chief Executive of ITV plc from 2004 to 2007. He is Chairman of Global Radio and is a Non-Executive Director of the London Organising Committee of the Olympics and Paralympics.

11 Karen Cook – 54, Non-executive Director ●▲
Karen Cook was appointed a Non-executive Director on 1 October 2004. She is a Managing Director of Goldman Sachs International and President of Goldman Sachs, Europe. She is also a member of the firm's European Management Committee and of the Partnership Committee.

12 E Mervyn Davies CBE – 55, Non-executive Director ◆●▲
Mervyn Davies was appointed a Non-executive Director on 7 July 2003. He is Chairman of Standard Chartered PLC and holds non-executive directorships with Breakingviews Ltd and Tottenham Hotspur Football Club.

13 Harald Einsmann – 73, Non-executive Director ●▲
Dr Harald Einsmann was appointed a Non-executive Director on 1 April 1999. He is on the Board of Carlson Group of Companies in Minneapolis, Harman International Industries Inc. in Washington DC and Checkpoint Systems Inc. in Philadelphia. He is also on the Board of Rezidor AB in Stockholm.

14 Ken Hydon – 63, Non-executive Director ◆●
Ken Hydon was appointed a Non-executive Director on 23 February 2004. He is also a Non-executive Director of Reckitt Benckiser plc, The Royal Berkshire NHS Foundation Trust and Pearson PLC.

15 Jonathan Lloyd – 41, Company Secretary
Jonathan Lloyd was appointed Company Secretary to the Board in December 2006. He joined Tesco as Deputy Company Secretary and Corporate Secretariat Director in April 2005 from Freshfields Bruckhaus Deringer.

◆ Member of the Audit Committee
● Member of the Nominations Committee
▲ Member of the Remuneration Committee

Summary Financial Statement

Independent auditors' statement to the members of Tesco PLC
We have examined the Summary Financial Statement which comprises the Summary Group Income Statement, Summary Group Balance Sheet, Summary Group Cash Flow Statement and the Summary report of the Directors on remuneration set out on pages 28 to 33.

Respective responsibilities of Directors and auditors
The Directors are responsible for preparing the Annual Review and Summary Financial Statement in accordance with United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Annual Review and Summary Financial Statement with the full annual financial statements, the Directors' Report and the Directors' Remuneration Report, and its compliance with the relevant requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

We also read the other information contained in the Annual Review and Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

This statement, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 251 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion
We conducted our work in accordance with Bulletin 1999/6, 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board. Our reports on the Company's full annual financial statements describe the basis of our audit opinions on those financial statements and the Directors' Remuneration Report.

Opinion
In our opinion the Summary Financial Statement is consistent with the full annual financial statements, the Directors' Report and the Directors' Remuneration Report of Tesco PLC for the year ended 23 February 2008 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder. We have not considered the effects of any events between the date on which we signed our reports on the full annual financial statements and the date of this statement.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 April 2008

Summary Directors' Report

Principal activity and business review
The principal activity of the Group is retailing and associated activities in the UK, the Czech Republic, Hungary, Poland, the Republic of Ireland, Slovakia, Turkey, China, Japan, Malaysia, South Korea, Thailand and the United States. The Summary Financial Statement and Business Review is on pages 28 to 33.

Dividends
The Directors recommend the payment of a final dividend of 7.70 pence per ordinary share to be paid on 4 July 2008 to members on the Register at the close of business on 25 April 2008. Together with the interim dividend of 3.20 pence per ordinary share paid in December 2007, the total dividend for the year will be 10.90p, compared with 9.64 pence for the previous year, an increase of 13.1%.

Directors
Details of the current members of the Board are shown on pages 26 and 27. Dr H Einsmann, Mr C L Allen, Mr R F Chase, Mrs K Cook, Sir Terry Leahy and Mr T J R Mason retire from the Board and, being eligible, offer themselves for re-election at the Annual General Meeting (AGM).

Ms C McCall resigned from the Board on 10 April 2008.

Corporate governance
Tesco PLC is committed to the highest standards of corporate governance. The Board considers that Tesco PLC complied in all respects with the Combined Code Principles of Good Governance and Code of Best Practice for the year ended 23 February 2008. A full corporate governance statement is contained in the Annual Report and Financial Statements 2008.

Summary report of the Directors on remuneration

Directors' remuneration policy
It is the role of the Remuneration Committee to determine and recommend to the Board the remuneration policy for the Chairman and Executive Directors. Tesco has a policy of rewarding talent and experience and seeks to provide incentives for delivering high growth and high returns for shareholders. The current remuneration strategy is tailored to reward the delivery of strong year-on-year earnings growth as well as sustained performance in the longer term.

Compliance
The Remuneration Committee has been constituted and operated throughout the year in accordance with the principles outlined in the Listing Rules of the Financial Services Authority derived from Schedule A and B of the 2003 Revised Combined Code. In framing the remuneration policy, full consideration is given to best practice. The Remuneration Report complies with the disclosures required by the Directors' Remuneration Report Regulations 2002.

A summary of Directors' emoluments and interests is set out on page 29. The full Remuneration Report is provided in the Annual Report and Financial Statements 2008.

Directors' emoluments

	Fixed emoluments			Performance-related emoluments					
	Salary £000	Allowances £000	Benefits[2] £000	Share Incentive Plan £000	Short-term cash £000	Short-term deferred shares £000	Long-term[3] £000	**Total 2007/8 £000**	Total 2006/7 £000
Executive Directors									
Mr R Brasher	721	–	87	3	679	626	–	**2,116**	2,004
Mr P A Clarke	738	–	64	3	679	626	639	**2,749**	2,631
Mr A T Higginson	738	–	94	3	679	626	670	**2,810**	2,661
Sir Terry Leahy	1,293	–	95	3	1,189	1,690	1,202	**5,472**	4,618
Mr T J R Mason[1]	738	260	117	3	1,018	991	670	**3,797**	3,765
Mr T J R Mason[1]	200	–	–	–	270	263	–	**733**	–
Mr T J R Mason – total	938	260	117	3	1,288	1,254	670	**4,530**	3,765
Miss L Neville-Rolfe	485	–	106	3	446	411	–	**1,451**	239
Mr D T Potts	738	–	33	3	679	626	639	**2,718**	2,574
Non-Executive Directors									
Mr C L Allen	85	–	–	–	–	–	–	**85**	69
Mr R F Chase	118	–	–	–	–	–	–	**118**	109
Mrs K Cook	67	–	–	–	–	–	–	**67**	62
Mr E M Davies	79	–	–	–	–	–	–	**79**	70
Dr H Einsmann	67	–	–	–	–	–	–	**67**	62
Mr K J Hydon	85	–	–	–	–	–	–	**85**	69
Ms C McCall	67	–	–	–	–	–	–	**67**	62
Mr D E Reid (Chairman)	581	–	94	–	–	–	–	**675**	612
Total	6,800	260	690	21	5,639	5,859	3,820	**23,089**	19,607

1 Mr Mason's salary is made up of a base salary and a non-pensionable salary supplement (shown separately) in respect of certain localisation costs including accommodation and school fees. Allowances are made up of compensation payments for additional tax due on equity awards made prior to Mr Mason's move to the US. Mr Mason's benefits are made up of car, travel, medical and tax-related costs and services.
2 Miss Neville-Rolfe was appointed on 14 December 2006. The 2006/7 figure in this table is calculated from the date of her appointment.
3 With the exception of Mr Mason, benefits are made up of car benefits, chauffeurs, disability and health insurance, staff discount and gym/leisure club membership.
4 The long-term bonus figures shown in this table relate to the additional 12.5% enhancements allocated in May 2007 on short-term and long-term awards under the old bonus scheme. The long-term bonuses awarded on 14 November 2007 under the Performance Share Plan were awarded in the form of nil cost options with the exception of Mr Mason who received an unfunded promise to deliver shares.

Disclosable interests of the Directors, including family interests

	Number of shares						
	Options held at 24 February 2007[1]	Granted	Exercised	Options held at 23 February 2008[1]	Exercise price of outstanding options (pence)	**Value realisable during 2007/8 £000**	Ordinary shares at 23 February 2008[2]
Executive Directors							
Mr R Brasher	2,131,456	680,748	2,066	2,810,138	0.00-473.75	**5**	184,221
Mr P A Clarke	2,174,667	714,530	436,419	2,452,778	0.00-473.75	**940**	1,438,835
Mr A T Higginson	2,174,667	714,530	2,066	2,887,131	0.00-473.75	**5**	1,384,926
Sir Terry Leahy	7,180,596	3,751,076	2,066	10,929,606	0.00-473.75	**5**	6,067,985
Mr T J R Mason	2,128,820	343,046	87,409	2,384,457	0.00-473.75	**351**	3,882,995
Miss L Neville-Rolfe	360,012	422,854	130,416	652,450	0.00-473.75	**279**	227,650
Mr D T Potts	2,174,667	714,530	436,419	2,452,778	0.00-473.75	**961**	1,803,574
Non-Executive Directors							
Mr C L Allen	–	–	–	–	–	**–**	–
Mr R F Chase	–	–	–	–	–	**–**	–
Mrs K Cook	–	–	–	–	–	**–**	–
Mr E M Davies	–	–	–	–	–	**–**	2,400
Dr H Einsmann	–	–	–	–	–	**–**	246,054
Mr K J Hydon	–	–	–	–	–	**–**	30,093
Ms C McCall	–	–	–	–	–	**–**	6,556
Mr D E Reid (Chairman)	–	–	–	–	–	**–**	193,515
Total	18,324,885	7,341,314	1,096,861	24,569,338		**2,546**	15,468,804

1 Options to acquire ordinary shares shown above comprise options held under the Executive Share Option schemes, Discretionary Share Option Plan, Save As You Earn scheme, and nil cost options under the Performance Share Plan, Executive Incentive Plan and Group New Business Incentive Plan.
2 Ordinary shares shown in this table include shares held as part of incentive plans and shares held under a promise as part of the Performance Share Plan.

Summary Financial Statement and Business Review

Income statement
Group sales, including VAT, increased by 11.1% to £51.8 billion (2007 – £46.6 billion). At constant exchange rates, sales grew by 10.4%. Group profit before tax increased by 5.7% to £2,803 million (2007 – £2,653 million). Underlying profit before tax (excluding IAS 32 and IAS 39, the non-cash elements of IAS 19, which are replaced by the normal cash contributions and IAS 17 'Leases' the impact of annual uplifts in rent and rent-free periods) increased to £2,846 million, up by 11.8%. Underlying diluted earnings per share grew by 20.8% to 27.02 pence and diluted earnings per share increased by 14.2% to 26.61 pence.

A final dividend of 7.70 pence per ordinary share (2007 – 6.83 pence) is proposed. Together with the interim dividend of 3.20 pence (2007 – 2.81 pence) already paid, this brings the full-year dividend to 10.90 pence (2007 – 9.64 pence) an increase of 13.1% on last year.

UK sales increased by 6.7% to £37.9 billion with like-for-like growth of 3.9% (including volume of 2.0%) and 2.8% from net new stores. In our stores, we saw modest inflation of 1.2%, as our continued investment in lowering prices for customers was more than offset by the strength of some seasonal fresh food prices and the market price of commodities. Further rises in commodity food prices in the second half saw inflation rise to just over 2% in our fourth quarter with food price inflation being offset by continuing deflation in non-food categories.

Increased productivity and good expense control enabled us to maintain solid margins and deliver good profit growth despite these challenges, whilst also absorbing start-up costs totalling around £90 million on Tesco Direct and on establishing our operations in the US. Even after absorbing these additional costs, UK trading profit rose 7.1% to £2,050 million, with trading margins at 5.9%, slightly up on last year. UK operating profit was 0.7% higher at £2,097 million (2007 – £2,083 million), year-on-year the increase was 14.4% when removing the one-off Pensions A-Day gain in 2007.

Record efficiency savings of well over £350 million in the year, significantly ahead of plan, were delivered through our Step-Change programme, which brings together many initiatives to make what we do better for customers, simpler for staff and cheaper for Tesco. We have picked up the pace of a number of these often long-term cross-functional projects and plan to deliver even higher savings in the current year of around £450 million.

Total international sales grew by 25.3% to £13.8 billion. International contributed £701 million to trading profit, up 24.3% at actual rates.

In the rest of Europe, sales rose by 23.9% at actual rates to £7.8 billion (2007 – £6.3 billion). Trading profit increased to £397 million, up 24.8%. In Asia, sales rose by 27.2% to £6.0 billion (2007 – £4.7 billion). Trading profit increased to £304 million, up 23.6%.

We are very encouraged by the start Fresh & Easy has made. The first stores opened only in November and we now have over 60 trading. At the end of the financial year 53 Fresh & Easy stores were trading in the US. Whilst it is still early days, the response of customers to our offer has surpassed our expectations. Sales are ahead of budget and sales densities are already higher than the US supermarket industry average, with our best stores exceeding $20 per square foot per week. Last April, with our Preliminary Results, we said that costs of recruitment and training of staff for the stores, combined with the other pre-launch costs and initial trading losses, would involve estimated US start-up costs of around £65 million in the financial year. We have delivered on this guidance – trading losses were £62 million. We expect losses to rise this year to around £100 million. US segmental reporting of sales and trading results within International will begin with our Interim Results in September.

Total profit (net of tax and interest) from joint ventures and associates for the year was £75 million compared to £106 million last year. In 2007 joint venture profits included £47 million of one-off property-related items. Excluding this, joint venture profits rose 28.7%. Tesco Personal Finance profit was £128 million, of which our share was £64 million.

Net finance costs for the year were £63 million (2007 – £126 million). Tax has been charged at an effective rate of 24.0% (2007 – 29.1%). This reduction in tax rate is primarily due to a one-off tax reimbursement, reflecting overpayments in prior years. We have also benefitted from an adjustment of deferred tax balances as a result of the lowering of the rate of UK corporation tax from 30% to 28% with effect from 1 April 2008.

The Summary Financial Statement on pages 31 to 33 and the Summary Directors' report on pages 28 and 29 are a summary of information in the Annual Report and Financial Statements 2008. This Summary Financial Statement does not contain sufficient information to allow as full an understanding of the results of the Group and state of affairs of the Group and of its policies and arrangements concerning Directors' remuneration as would be provided by the Annual Report and Financial Statements 2008.

The Directors' report, the financial statements and auditors' report on those financial statements, which is unqualified, are contained in a separate publication entitled Annual Report and Financial Statements 2008. Copies may be obtained free of charge by writing to:

The Company Secretary
Tesco PLC
Tesco House
Delamare Road
Cheshunt
Hertfordshire EN8 9SL

Shareholders wishing to receive the Annual Report and Financial Statements as well as the Annual Review and Summary Financial Statement in future years should write to this address. The Summary Financial Statement was approved by the Board on 28 April 2008.

Sir Terry Leahy
Andrew Higginson
Directors

Summary Group income statement
Year ended 23 February 2008

	2008 £m	2007 £m
Continuing operations		
Revenue (sales excluding VAT)	**47,298**	42,641
Cost of sales	**(43,668)**	(39,401)
Pensions adjustment – Finance Act 2006	**–**	258
Impairment of the Gerrards Cross site	**–**	(35)
Gross profit	**3,630**	3,463
Administrative expenses	**(1,027)**	(907)
Profit arising on property-related items	**188**	92
Operating profit	**2,791**	2,648
Share of post-tax profits of joint ventures and associates (including £nil of property-related items (2006/7 – £47m gain))	**75**	106
Profit on sale of investments in associates	**–**	25
Finance income	**187**	90
Finance costs	**(250)**	(216)
Profit before tax	**2,803**	2,653
Taxation	**(673)**	(772)
Profit for the year from continuing operations	**2,130**	1,881
Discontinued operation		
Profit for the year from discontinued operation	**–**	18
Profit for the year	**2,130**	1,899
Attributable to:		
Equity holders of the parent	**2,124**	1,892
Minority interests	**6**	7
	2,130	1,899
Earnings per share from continuing and discontinued operations		
Basic	**26.95p**	23.84p
Diluted	**26.61p**	23.54p
Earnings per share from continuing operations		
Basic	**26.95p**	23.61p
Diluted	**26.61p**	23.31p

Non-GAAP measure: underlying profit before tax	2008 £m	2007 £m
Profit before tax (excluding discontinued operation)	**2,803**	2,653
Adjustments for:		
IAS 32 and IAS 39 'Financial instruments' – Fair value remeasurements	**(49)**	4
IAS 19 Income Statement charge for pensions	**414**	432
'Normal' cash contributions for pensions	**(340)**	(321)
IAS 17 'Leases' – Impact of annual uplifts in rent and rent-free periods	**18**	–
Exceptional items:		
Pensions adjustment – Finance Act 2006	**–**	(258)
Impairment of the Gerrards Cross site	**–**	35
Underlying profit before tax	**2,846**	2,545
Underlying diluted earnings per share	**27.02p**	22.36p

Summary Financial Statement and Business Review continued

Summary Group balance sheet
23 February 2008

	2008 £m	2007 £m
Non-current assets	**23,864**	20,231
Current assets (including assets held for sale)	**6,300**	4,576
Current liabilities	**(10,263)**	(8,152)
Net current liabilities	**(3,963)**	(3,576)
Total assets less current liabilities	**19,901**	16,655
Non-current liabilities	**(7,999)**	(6,084)
Net assets	**11,902**	10,571
Equity attributable to equity holders of the parent	**11,815**	10,506
Minority interests	**87**	65
Total equity	**11,902**	10,571

Balance sheet Net assets have increased by £1,331 million to £11,902 million. Non-current assets increased by £3,633 million, after charging depreciation and amortisation of £992 million.

Group capital expenditure was £3.9 billion. UK capital expenditure was £2.5 billion, including £987 million on new stores and £457 million on extensions and refits. Total international capital expenditure rose to £1.4 billion, £0.7 billion in Asia and £0.7 billion in Europe. In the year ahead we forecast Group capital expenditure to be around £4.2 billion.

Summary Group cash flow statement
Year ended 23 February 2008

	2008 £m	2007 £m
Cash generated from operations	**4,099**	3,532
Interest paid	**(410)**	(376)
Corporation tax paid	**(346)**	(545)
Net cash from operating activities	**3,343**	2,611
Net cash used in investing activities	**(2,954)**	(2,343)
Cash flows from financing activities		
Dividends paid	**(792)**	(467)
Other net cash flows on financing activities	**1,204**	(66)
Net cash from/(used in) financing activities	**412**	(533)

Reconciliation of net cash flow to movement in net debt

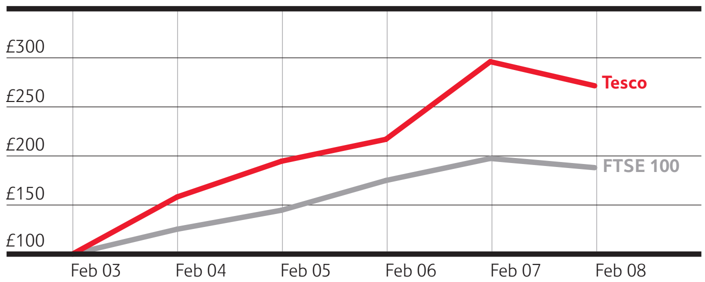
	2008 £m	2007 £m
Net increase/(decrease) in cash and cash equivalents	**801**	(265)
Net cash inflows from debt and lease financing	**(1,827)**	(268)
Short-term investments	**360**	–
Movement in joint venture loan receivables	**36**	38*
Other non-cash movements	**(691)**	18
Increase in net debt in the year	**(1,321)**	(477)
Opening net debt	**(4,861)**	(4,509)
Adjustment for joint venture loan receivables	**–**	125*
Adjusted opening net debt	**(4,861)**	(4,384)
Closing net debt	**(6,182)**	(4,861)

* The measurement of net debt has been revised to include loans receivable from joint ventures. Going forward net debt will be stated inclusive of the loan receivables from joint ventures.

NB. The reconciliation of net cash flow to movement in net debt note is not a primary statement and does not form part of the Summary Group cash flow statement.

Cash flow statement Overall, the Group generated a net cash inflow of £801 million, leaving net debt of £6.2 billion at the year end, £1.3 billion higher than last year. Gearing was 52% (2007 – 46%).

Total shareholder return



Total shareholder return (TSR) 1 March 2003 to 28 February 2008
TSR is the notional return from a share or index based on share price movements and declared dividends.

Performance graph The Group's total shareholder return performance (TSR) (i.e. share price movements plus dividends reinvested) over the last five financial years relative to the FTSE 100 index of companies is shown here. This index has been selected to provide an established and broad-based comparator group of retail and non-retail companies of similar scale to Tesco, against which the Group's TSR performance can be measured.

There has also been a very strong performance in TSR over the last three and five years against a comparator group of our major retail competitors in the UK, Europe and the US.

Investor information

Summary five year record

	UK GAAP					IFRS
	2004 53 wks	2005	2005	2006[1]	2007	**2008**
Financial statistics						
Group sales (including VAT) (£m)	33,557	37,070	36,957	43,137	46,611	**51,773**
Revenue (excluding VAT) (£m)						
UK	24,760	27,146	27,146	29,990	32,665	**34,874**
Rest of Europe	3,385	3,818	3,818	5,095	5,559	**6,872**
Asia	2,669	3,010	2,902	4,369	4,417	**5,552**
	30,814	33,974	33,866	39,454	42,641	**47,298**
Operating profit[2] (£m)						
UK	1,486	1,666	1,556	1,788	2,083	**2,097**
Rest of Europe	171	249	243	263	324	**400**
Asia	121	149	153	229	241	**294**
Total Group	1,778	2,064	1,952	2,280	2,648	**2,791**
Underlying profit – UK GAAP[3]	1,708	2,029	n/a	n/a	n/a	**n/a**
Underlying profit – IFRS[4]	n/a	n/a	1,925	2,277	2,545	**2,846**
Basic earnings per share[5]	15.05p	17.72p	17.52p	20.20p	23.61p	**26.95p**
Diluted earnings per share[5]	14.93p	17.50p	17.30p	19.92p	23.31p	**26.61p**
Dividend per share[6]	6.84p	7.56p	7.56p	8.63p	9.64p	**10.90p**
Return on capital employed (ROCE)[7]	10.4%	11.5%	11.8%	12.7%	12.6%[10]	**12.9%[11]**
Group statistics						
Number of stores	2,318	2,334	2,334	2,672	3,263	**3,751**
Total sales area – 000 sq ft[8]	45,402	49,135	49,135	55,215	68,189	**76,338**
Average employees	310,411	335,750	335,750	368,213	413,061	**444,127**
Average full-time equivalent employees	223,335	242,980	242,980	273,024	318,283	**345,737**
UK retail statistics						
Number of stores	1,878	1,780	1,780	1,898	1,988	**2,115[13]**
Total sales area – 000 sq ft[8]	23,291	24,207	24,207	25,919	27,785	**29,549[13]**
Revenue per employee[9]	162,459	166,534	166,534	170,923	177,084	**179,840**
Weekly sales per sq ft[12]	22.48	23.89	23.89	25.06	25.48	**25.43**

1 Results for the year ended 25 February 2006 include 52 weeks for the UK and ROI and 14 months for the majority of the remaining international businesses.
2 Operating profit includes integration costs and profit/(loss) arising on sale of property-related items.
3 UK GAAP underlying profit excluded net profit/(loss) on disposal of fixed assets, integration costs and goodwill amortisation.
4 IFRS underlying profit excludes IAS 32 and IAS 39 'Financial Instruments' – Fair value remeasurements, the IAS 19 Income Statement charge for pensions, which is replaced by the 'normal' cash contributions, and the IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods. For the years 2003 to 2005, the above information is presented under UK GAAP as previously published. If IFRS had been applicable for these years the main adjustments would have been IFRS 2 'Share-Based Payment', IFRS 3 'Business Combinations' and IAS 19 'Employee Benefits'.
5 Diluted and basic earnings per share are on a continuing operations basis.
6 Dividend per share relating to the interim and proposed final dividend.
7 The numerator is profit before interest, less tax. The denominator is the calculated average of net assets plus net debt plus dividend creditor less net assets held for sale.
8 Store sizes exclude lobby and restaurant areas.
9 Based on average number of full-time equivalent employees in the UK, and revenue exclusive of VAT.
10 Excludes one-off gain from Pensions A-Day, with this one-off gain, ROCE was 13.6%.
11 Using a 'normalised' tax rate before start-up costs in the US and Tesco Direct and excluding the impact of foreign exchange in equity and our acquisition of a majority share of Dobbies.
12 Based on weighted average sales area and sales excluding property development.
13 Excluding stores in the US and Dobbies.

Shareholder profile

Analysis by type of shareholder	Number of holdings	%	Number of ordinary shares held at 23 February 2008	%
Employees	48,566	17.65	121,799,358	1.55
Other individuals	205,345	74.64	425,677,705	5.41
Corporate institutions	21,205	7.71	7,316,021,720	93.04
	275,116	100.00	7,863,498,783	100.00
Analysis by size of shareholding				
1 – 1,000	173,203	62.96	44,680,090	0.57
1,001 – 10,000	88,440	32.14	279,145,981	3.55
10,001 – 100,000	11,771	4.28	271,608,124	3.45
100,001 – 1,000,000	1,108	0.40	363,248,323	4.62
above 1,000,000	594	0.22	6,904,816,265	87.81
	275,116	100.00	7,863,498,783	100.00

Financial calendar and shareholder information

Financial calendar

	2008
Financial year end	23 February
Results announced	15 April
Final dividend: ex-dividend date	23 April
Final dividend: record date	25 April
AGM	27 June
Final dividend: payment date	4 July
Half year end	23 August
Interim dividend: ex-dividend date	8 October
Interim dividend: record date	10 October
Interim dividend: payment date	19 December

Registrar and shareholding enquiries

If you have administrative enquiries about your holding of Tesco PLC shares (other than ADRs) please contact:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone 0871 384 2977

Consolidated tax vouchers

If your dividend is paid directly into your bank or building society account you will receive one tax voucher each year. The consolidated tax voucher will be sent to you in December at the time that the interim dividend is paid and will cover both dividend payments in the tax year. This will help you to complete your tax return. This does not affect your dividends or the tax that you pay in any way. If you would prefer to receive a tax voucher with each dividend payment rather than one consolidated tax voucher each tax year, please call our shareholder helpline on 0871 384 2977.

If your dividend is not currently paid directly to your bank or building society account and you would like to benefit from this service please contact Equiniti on 0871 384 2977 and they will be pleased to arrange this for you. By choosing to receive your dividends in this way you can avoid the risk of cheques getting lost in the post and ensure you receive your dividends on the payment day.

Note: Consolidated tax vouchers are not available to institutional shareholders.

Tesco website

The Directors are responsible for the maintenance and integrity of the financial information on our website. This information has been prepared under relevant accounting standards and legislation.

Tesco information, including the Annual Report and Financial Statements 2008 and our Corporate Responsibility Review 2008, is available on our website: www.tesco.com/annualreview08

Electronic communications

You can register for Shareview, a free online share information and dealing service operated by Equiniti. Once you have registered you can:

> check your shareholding;
> access shareholder information;
> elect to receive information electronically, getting quick access to these important documents and helping to save the environment by reducing the amount of paper used;
> vote on the resolutions at the Annual General Meeting.

To register, log on to www.shareview.co.uk and click on 'register'. Your rights as a shareholder will not be affected in any way. If you have any questions about the service, please call 0871 384 2977.

Security reminder

Under the Companies Act 1985, Tesco is currently obliged to hold the names and addresses of all shareholders on a register of members and give a copy of this to the Registrar of Companies every year.

The Registrar of Companies makes this list available to anyone who requests it and many companies use this information to market their services. We are aware that some of our shareholders have received unsolicited telephone calls or correspondence from companies concerning investment matters. Tesco has no relationship with and does not endorse any of the services offered by these companies. Details of any facilities that we endorse are included in our communications.

If you are concerned about any direct mailing or telephone calls purporting to be from Tesco, please contact the Company Secretary (contact details below).

Customer Services

Tesco Customer Services
Freepost SC02298
Dundee DD1 9NF
Telephone 0800 505555

Investor Relations

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Tesco House
Delamare Road
Cheshunt
Hertfordshire EN8 9SL
Telephone 01992 646484

Secretary and Registered Office

Mr Jonathan Lloyd
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Tesco House
Delamare Road
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Printed on 100% recycled paper with FSC certification. All pulps are Elemental Chlorine Free (ECF) and the manufacturing mill is accredited with the ISO 14001 standard for environmental management.

Printed by CTD using an alcohol-free process. The printing inks are made with non-hazardous vegetable oil from renewable sources. Over 90% of solvents and developers are recycled for further use and recycling initiatives are in place for all other waste associated with this production. CTD are FSC and ISO 14001 certified with strict procedures in place to safeguard the environment through all processes.

Designed and produced by
35 Communications.

◀ Cover: Irene
Tesco Extra, Barrow-in-Furness, UK

▶ Back Cover: Hiromi
Tesco Express, Tokyo, Japan

How to find out more online
Every year, more and more information is available for our shareholders, staff and customers.

www.tesco.com/annualreview08

Every Little Helps

www.tesco.com/annualreview08