TESCO

Value travels

Annual Review and Summary Financial Statement 2009

2009
Annual Review and Summary Financial Statement
Contents

Go online

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

Value travels – Tesco is about creating value for customers to earn their lifetime loyalty.

We understand that this is more important than ever as our customers around the world are looking to us to help them spend less.

So whether they are looking for lighter meal options, clothing, mobile phone tariffs or savings accounts, they can trust Tesco to deliver great value.

A more detailed version can be found at www.tesco.com/annualreview09

Good financial management and leading market positions have served us well this year in the face of a challenging consumer environment. We will continue to pursue our long-term strategy which will put us in an even stronger position once our markets emerge from the economic downturn.

15.1%
Group sales (including VAT)*

10.0%
Underlying Group profit before tax*†

5.5%
Group profit before tax*

11.0%
Underlying diluted earnings per share**

2.6%
Diluted earnings per share

9.7%
Dividend per share

All growth figures reported on a 53-week basis.

	2009 53 weeks	**2009 52 weeks pro-forma**	2008
Group sales (£m) (including value added tax)	**59,426**	**58,588**	51,773
Group revenue (£m) (excluding value added tax)	**54,327**	**53,552**	47,298
Underlying Group profit before tax (£m)*†	**3,128**	**3,093**	2,846
Group profit before tax (£m)	**2,954**	**2,920**	2,803
Underlying diluted earnings per share (p)**	**28.92**	**–**	27.02
Dividend per share (p)	**11.96**	**–**	10.90
Group enterprise value (£m) (market capitalisation plus net debt)	**35,907**	**–**	37,656
Return on capital employed	**13.0%‡**	**–**	12.9%§

* Sales & profit growth reported on a consistent basis (12 months versus 12 months) for China.
** Growth in underlying diluted EPS has been adjusted to reflect a constant tax rate year on year. Growth was 7.0% on a statutory basis.
† Adjusted for IAS 32, IAS 39, the net difference between the IAS 19 Income Statement charge and 'normal' cash contributions for pensions, IAS 17 'Leases' (impact of annual uplifts in rent and rent-free periods, and the IFRS 3 amortisation charge on intangible assets arising on the acquisition of Tesco Personal Finance (TPF).
‡ Excluding acquisitions of TPF and Homever, India start-up costs, and after adjusting for assets held for sale.
§ 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.

David Reid, Chairman

I am pleased to report that despite the extraordinary economic environment we find ourselves in, Tesco has once again delivered a good set of results. This demonstrates that Tesco is coping well with the downturn. Despite the challenging conditions around the globe we have remained resilient and are growing as fast as any major international retailer.

We've made several new appointments to the Tesco Board in the year, including Laurie McIlwee who takes on the role of Group Finance Director, replacing Andrew Higginson who has been appointed Chief Executive of Retailing Services whilst retaining his responsibility for Group Strategy.

Laurie has been with Tesco for nine years and has a very strong track-record in both finance and operations. In his most recent role as Distribution Director Laurie was responsible for transforming our network – a tremendous achievement. His appointment shows once again how careful management succession planning works in Tesco and I have every confidence he will do an outstanding job as our Group Finance Director.

We've also appointed three strong new Non-executive Directors in recent months – Jacqueline Tammenoms Bakker, a former Director General at the Ministry of Transport in the Netherlands who has also held senior positions at McKinsey & Co. and Shell, Patrick Cescau, former CEO of Unilever and Ken Hanna, Chairman of Inchcape plc and former CFO of Cadbury. They bring with them a wealth of international, commercial and financial experience which will further strengthen our Board and support our plans for the long-term growth of the Group.

Whilst the downturn has presented many challenges, it has also opened up some opportunities. We have made two very significant acquisitions this year.

We have acquired the remaining 50% of Tesco Personal Finance from Royal Bank of Scotland, a move which will enable us to develop an already very successful financial services offer towards our objective of becoming a full-service retail bank.

In South Korea we purchased 36 hypermarkets from E-land, mostly in Seoul, which has put us in a very strong position to challenge for market leadership in one of our most successful markets.

Most of our growth has again been organic – we've opened nine million square feet of new space this year, excluding the acquisition in South Korea, and in August we announced that we are establishing a wholesale cash & carry operation in India. This complements our entries into China and the United States, giving us access to another of the world's most important economies.

Whilst many of our customers are focused on managing their shopping budgets, it is still important to them that we behave responsibly in the communities we serve. We now have a Community Plan for each country and earlier in the year we launched our Community Promises. These are: actively supporting local communities; buying and selling our products responsibly; caring for the environment; giving customers healthy choices; and good jobs for local people.

We've made some great progress this year – we've opened our greenest ever store at Cheetham Hill in Manchester, with a carbon footprint that is 70% lower than a typical store – bringing our total number of green stores across the Group to 37.

Our work to encourage customers to make greener decisions is going well. Through green Clubcard points we have reduced the number of single-use carrier bags in the UK by 50% and we are finding innovative ways to use green Clubcard elsewhere – for example by rewarding customers for cycling to our stores in South Korea.

I'm also pleased to announce that in the UK we have once again broken our 'Charity of the Year' record, raising a remarkable £6.2 million for Marie Curie Cancer Care.

Although it was impossible to predict the scale of the global economic slowdown, Tesco has responded well by adjusting our business to this environment. Our 470,000 strong team have done a fantastic job – staying close to customers and reacting quickly to their changing needs around the world.

I am confident that this hard work will continue as we press on with our long-term strategy which I believe will put us in an even stronger position once economies start to recover.

Tesco has coped well with the global economic downturn to deliver solid growth across the Group. We've faced into the challenges of subdued and competitive markets, adjusting our offer to deliver an even better shopping trip for customers.

4,331
Stores worldwide

14
Countries

470,000
People

Geographic locations

Market	Staff numbers	Store numbers
China	19,452	70
Czech Republic	12,677	113
Hungary	21,356	149
Japan	4,007	135
Malaysia	9,872	29
Poland	23,569	319
Rep. Ireland	13,764	116

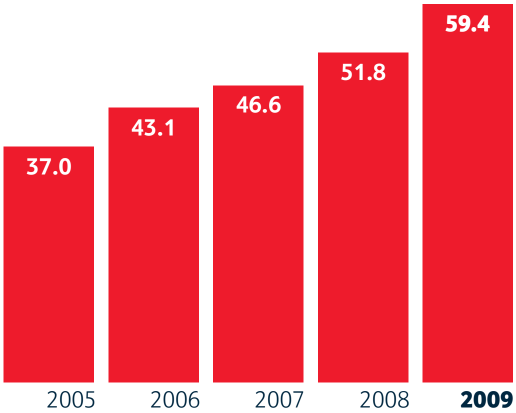
Market	Staff numbers	Store numbers
Slovakia	8,286	70
South Korea	20,626	242
Thailand	38,166	571
Turkey	7,025	96
UK	286,394	2,306
US	2,583	115

In 2008/9 there were an additional 731 people working in other global locations such as international buying hubs.
Store numbers exclude one store in Calais, France.

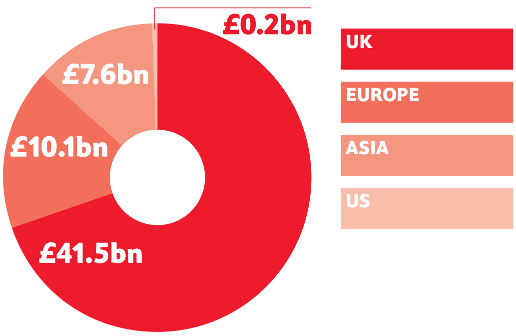
£59.4bn

Group sales

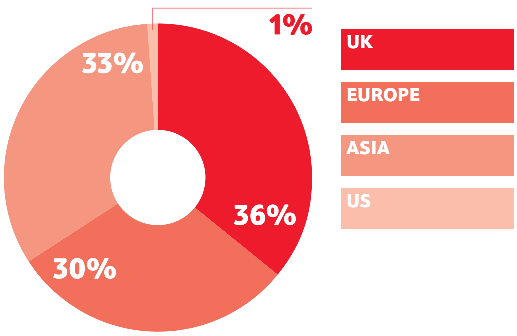
Group sales (£bn)



Group sales by region



Group space by region



No. 3

third largest grocery retailer in the world

11.5m sq ft

of new space

622 new stores

including 435 international

Our long-term strategy

International

Tesco is an international retailer and wherever we operate we focus on giving local customers what they want. Page 8

Core UK

The UK is our biggest market and the core of our business. We aim to provide all our customers with excellent value and choice. Page 10

Non-food

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. Page 12

Retailing Services

Tesco has followed its customers into the growing world of retailing services, aiming to bring simplicity and value to complex markets. Page 14

Community

Tesco is a responsible business. We aim to take a leadership role in tackling climate change and believe in playing a positive role in all the communities we serve. Page 16

Sir Terry Leahy, Chief Executive

At a time when customers everywhere are feeling the economic strain, we are responding to their changing needs in all our markets by lowering prices, introducing more affordable products and offering even sharper promotions.

These actions, combined with our core strengths – in selling food and everyday essentials, owning our own property and having a broad business base – are helping us to cope well with the effects of the downturn. We are also pleased with the early performance of Tesco Personal Finance under our ownership and with the converted Homever stores in South Korea.

As a result, we have delivered a solid sales and profit performance, both in the UK and internationally, whilst continuing to invest in our long-term strategy for growth. We have made a good start to the new financial year and I am confident Tesco will continue to make good progress even in the current global economic environment.

Q: It has been a very tough time for the economy but the good news is it has been very sturdy growth for Tesco. How have you managed that?

A: It has been a very good year and mainly of course that is the dividend of having a long-term, consistent strategy. We've invested into this slowdown and that has given us good momentum through the recession. We are growing fast in our overseas countries, laying out networks of stores and we are still opening new space in the UK as well. In addition to that, of course, people have to eat – we're blessed in that sense, so we don't face the worst of the slowdown. We've also adjusted our business both in the UK and around the world to make sure that we offer better value and better ranges which keeps customers in the stores, and helps volume in the business.

Q: You're very much in the front line when it comes to knowing what customers are thinking, how they are behaving. Are there any signs that we have perhaps reached the bottom of the recession? What lies in store for the economy do you think?

A: It is very fluid at the moment – changes are happening over weeks, so I don't think you can see any clear direction yet. What I would say is that it looks as if things are stabilising on the consumer front. In the UK the lower interest rates help, as do the lower fuel prices and energy prices, and coupled with the work that we have done in reducing food prices for customers – this helps rebuild confidence. In Central Europe the economics had a big decline early in the summer and the autumn of 2008 – that feels as if it has levelled out, which is encouraging. In Asia it is too early to say. Their decline came later with the destocking of the supply chain and so for them it really hit around December. These are strong economies and the destocking will end and we'll start to get restocking in the pipeline which will help.

Q: Priorities change during a recession of course for business and customers alike, is there a risk that the focus on green and corporate responsibility slips somewhat?

A: It is important that it doesn't and it's one of the reasons we lay such emphasis within Tesco on our 'Steering Wheel' – our balanced scorecard – so that whatever is going on in the outside world, we keep focused on the things that matter long term. Of course price and trading is important at the moment, but there are big long-term objectives around community and the environment that we have got to stay committed to. Tesco has to help customers change from mass consumption to green consumption. On climate change, we've got to learn how to run this business on 80% less carbon. We have got great plans and we are making great progress. Of course it helps the business too – not wasting things is a very good habit at a time like this and one of the reasons our energy bills are down £100 million this year is because of all of the green initiatives we've been working on over several years.

Q: Bearing in mind what you have seen in the US so far, are you pleased with the progress?

A: I am, yes, because there's lots to be pleased about. Clearly nobody would have chosen to open into the scale of recession that we've seen there, which is particularly stiff in the Western United States, but the customers love the stores and they appeal right across the income range and the age range and that bodes very well for their long-term appeal. Fresh & Easy is more than just a niche retailer – it's a new and different form of retailing. Customers obviously like the fresh foods and they like the own-brand products, but also are increasingly recognising the tremendous prices that are on offer and of course that is very important at the moment. The operation is very good and it's strong. We really have created the business that we set out to create in terms of the highest, freshest quality in the market at the best prices in the local neighbourhood. We are expanding the business at a good rate and morale is high.

Q: What excites you most about the year ahead?

A: First of all we're growing – and we're serving more customers. They have needs; they are just different needs at a time like this. It's what Tesco is for – to stay close to customers and change as their needs change. That's got to take a different form in different categories or in different parts of the world. It's important you have strong, confident local leadership teams who take the responsibility to make those changes. I believe that is happening. If you look at our businesses – whether it's non-food, financial services or in our international markets – we are growing strongly and we are growing market share. There's more that we have to do from place to place, but confidence is high. People know what they have to do and have the authority to do it.

To see a full video interview go to www.tesco.com/annualreview09/presentations

International

It's been another good year for our international business which now spans 13 countries across Asia, Europe and the United States. As customers around the world are feeling the effects of the global economic slowdown we are successfully adjusting our offer in all our markets to help customers who are feeling the pinch.

Loyalty card schemes

We have national loyalty card schemes based on Clubcard in Ireland, Malaysia, South Korea and China and pilot schemes in Slovakia, Poland, Thailand and Turkey.

Across our markets customers are changing their shopping habits as they are affected to varying degrees by the global economic downturn. In this kind of environment, it is more important than ever to listen to customers and adapt quickly to their changing needs.

For example, in the US our customers tell us that they love the quality and freshness of our ranges, as well as the prices and the convenient locations of the stores. However, the economic environment into which we originally launched the business has markedly changed and we've had to adapt to that. We've made some changes to the product ranges, introduced a limited number of promotions and special offers, as well as made improvements to the ambience of the stores. These changes have been well-received and consequently customer numbers per store are up by more than a third.

Each of our markets is different so it's up to the individual businesses to adjust their offer locally. Using customer insight allows our experienced teams on the ground to make decisions based on real customer data.

We have spent many years developing our customer insight skills, particularly through dunnhumby, the consumer research company behind our loyalty scheme, Clubcard. Through careful analysis of sales and loyalty card data we can better understand what is important to our customers. This year we have been using this unique insight across most parts of our business so we don't have to guess what our customers want, we know.

In all our markets it's helping us select the most important items for price-sensitive or cost-conscious shoppers so we can invest in lowering prices on the most important items to help customers through tough economic times. For example, in Malaysia, we have reviewed our range of staple foods and groceries and as a result we have introduced 27 new products to the basket, which we know are among the most important for customers. We now make sure that we are not beaten on price for these products.

This insight is also helping us to make things simpler for customers to shop in our stores. For example, in Asia we have worked with our leading supplier of baby milk. By reviewing the sales data we discovered that displaying the products by brand rather than by age was important so we are changing the layout on the shelves to make it easier for customers to find the products they want.

Whilst it is important to invest in the shopping trip we are also continuing to invest for future growth. This is a strategy that has served us well in the past; for example we entered Thailand and South Korea during the Asian economic crisis in the 1990s and emerged stronger once the economies started to recover. We are now market leader in Thailand and following our acquisition of 36 hypermarkets in South Korea we are now in a very strong position to challenge for market leadership there as well.

We also announced our entry into the Indian market last year. We are establishing a cash & carry business that will offer a comprehensive range of great value fresh food, grocery and non-food products to small retailers, restaurants, kirana stores and other business owners. We will also provide farmers and other suppliers with a highly efficient route to market. In addition, we have signed an exclusive franchise agreement with Trent, the retail arm of the Tata Group. Trent currently operates four Star Bazaar hypermarkets, with plans to grow to 50 stores over the next five years. We will supply these hypermarkets with products, but also offer our retail expertise and technical capability to support the development of their business.

To find out more go to www.tesco.com/annualreview09

International sales up

31%

Philip Clarke International and IT Director

How do you run successful businesses in so many countries?

We've long understood that retailing is local. Each team on the ground is able to adjust our offer to each market because customers in China, for example, aren't the same as those in Poland or South Korea.

So we've never tried to run the international business from our office in the UK. In fact, we have very few expats working outside the UK – in South Korea just six out of a team of 20,000 people. As we face into some strong economic headwinds, it's more important than ever to stay close to customers and be able to adapt quickly locally as their needs change.

We have people in each of our markets who have a wealth of experience and are able to make the decisions that really matter.

A big part of my job is about making sure we've got the right people in each country, sharing experience around the business and empowering people to do the right things for their customers.

£540m

in productivity savings

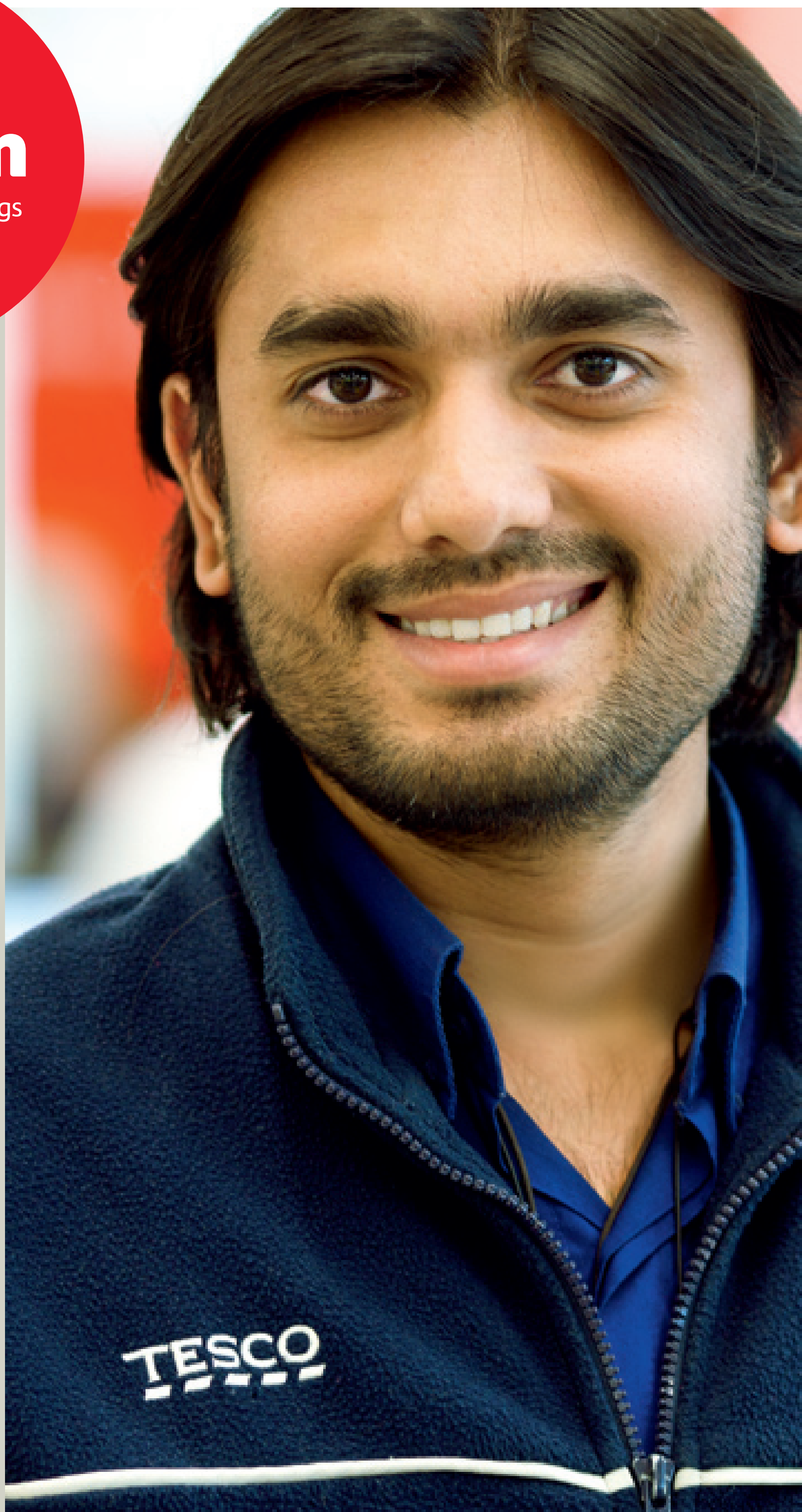
David Potts Retail and Logistics Director

Is 'Every Little Helps' still important?

Making many small improvements in everything we do is what 'Every Little Helps' is about, because when we all work together on the little things, it amounts to a great deal. It's more important today than it's ever been – it keeps us focused on what matters most to customers.

They are shopping around more and price is clearly a priority for many – so we need to put the right effort and investment into price – but not sacrifice all the other things that are important to customers, such as not having to queue and being able to get everything that they want.

So we've continued to make lots of small improvements and they're making a big difference. For example, through a number of initiatives to achieve a better and more efficient service at our checkouts, many more customers didn't have to queue last year and customers continue to rank us best for speed of service at the checkouts.



Core UK

Everyone in the business understands the way we work – to make things better for customers, simpler for staff and cheaper for Tesco. At a time when customers are feeling the pinch and our competitors have improved, this philosophy is more important than ever.

30%

Around 30% of our customers buy something from our 'Discount Brands at Tesco' every time they shop.

It's been a tough year for many of our customers. Consumer confidence has fallen as people worry about unemployment and are struggling to manage their household budgets. Not surprisingly, there has been a shift in our customers' priorities – our research has shown that price is ranked as the most important by a margin not seen in two decades. Therefore we believe our job is to be on the side of customers, listening to them and doing what we can to help them spend less.

At the time of the last recession we launched Value lines – the famous blue and white stripes – so we've long been able to provide the cheapest grocery shop in the country, discounters included.

This recession has provided a new challenge because although customers tend to shop around more for the best prices when times are hard – it doesn't mean they want to compromise on quality of the shopping trip or on choice. That is why this year we made the biggest change to our range in a decade, launching around 500 new products as part of our 'Discount Brands at Tesco' initiative. The new range means that every customer can have a product to match their budget without compromising on choice or quality. It creates a completely new way to shop for customers who want to spend less.

As well as introducing more affordable products we have been working hard to cut prices across the store. To help us do this we have been keeping very good control of costs and have put more focus on our efficiency saving programme we call Step-Change. This programme has delivered £540 million of productivity and other savings in the year, most of which have been reinvested in improving our shopping trip for customers.

This programme involves many projects right across the business which change the way we do things to drive efficiency. Many of today's savings were conceived and planned years ago and they are a result of productivity projects that span the whole business, from stores and depots to the office. They range from reducing the amount of energy we use in our stores to introducing better ways of working to improve our efficiency by making things better for customers, simpler for staff and cheaper for Tesco. For example, in the last year we have saved 52,000 deliveries to our stores by using larger-fill double-decked vehicles, which in turn have also saved 12 million road miles.

We've also introduced innovative technology which allows us to electronically check-in bread and milk deliveries at our depots, eliminating substantial paperwork and administration.

We have picked up the pace on a number of these long-term cross-functional Step-Change projects and plan to deliver similar savings in the current year of around £550 million. These savings will continue to go back into improving our offer for customers.

Making things better, simpler and cheaper is part of our culture at Tesco and all our people are encouraged to suggest new ideas on how we can achieve this.

70%

of our products are delivered to stores in retail-ready packaging, including all of our new 'Discount Brands' saving many hours of staff time re-filling shelves.

To find out more go to www.tesco.com/annualreview09

Non-food

It has been a challenging year for non-food as consumers around the globe have been hit by the economic downturn and are cutting back on non-essential purchases – but by keeping our prices low, improving our offer in key categories like electricals and clothing and giving customers more choice about how they shop, such as through Tesco Direct – we have outperformed the market.

Gaming sales up

30%

Non-food remains an important part of our strategy and we continue to grow both sales and market share.

In our experience, customers will buy where they see value. To help customers we have been making changes to our ranges and cutting prices. For example, in the UK sales of our Technika own-brand televisions have been very strong as customers trade away from big brands and we now have a 10% share of the television market. We've also been promoting our slow cooking appliances as customers have been buying cheaper cuts of meat and cooking from scratch – half of all slow cookers bought in the run-up to Christmas were sold in Tesco.

Our online non-food business, Tesco Direct, continues to grow rapidly, increasing sales by more than 50% in the year. The latest spring/summer catalogue and website includes over 1,500 products that are cheaper than they were last year. In the current year we also plan to introduce an online clothing offer – making our fashionable, affordable clothes easier to buy for many more customers.

To ensure that we offer the best possible prices for customers we buy many products globally so that we benefit from our scale. We have an international sourcing office based in Hong Kong which is responsible for buying 100,000 non-food products for the Group. The international sourcing operation has seen rapid growth in the last few years and now sources 60% of our clothing in the UK and 40% of hardlines, including electricals, homewares, entertainment, toys and books. In Europe it provides over 25% of our hardlines and 85% of our clothing and we have recently started to source products for Asia. In the last year our international sourcing team shipped 72,000 containers from 54 ports.

We also have sourcing hubs in China, India, Sri Lanka, Bangladesh and Turkey, with smaller offices in Thailand, Czech Republic and Italy. We have invested in buying hubs where we have a critical mass of suppliers and shipment volumes. It helps to be close to our suppliers so that we can ensure great quality products, delivered from ethical sources, on time and at the best price.

Where possible we try to source products direct from factories rather than through agents or middlemen. This way we can ensure the lowest possible cost price as well as making sure that our products are sourced safely and fairly. We also manage to strip out more costs by consolidating freight volumes. This gives us the best shipping and transportation rates, which can be passed on to the customer in the form of lower prices.

53m

Last year our international buying office sourced over 53 million pairs of socks for the Group.

No. 5

Technika is the fifth largest TV brand in the UK.

To find out more go to www.tesco.com/annualreview09

£12.5bn
Group non-food sales

Richard Brasher Commercial and Marketing Director

Lots of high street retailers have been cutting prices. Can I still get the best deals at Tesco?

Across the non-food market, customers have been cutting back on non-essential purchases. But they have been buying when they see real value and, as a consequence, we have increased our market share as customers appreciate the convenience of buying non-food from Tesco and the value that we offer.

We've been adding new ranges with lower price-points and extending ranges that consumers see as essentials and we've seen real success on own-brand products such as Technika in electricals and Cherokee and F+F in our clothing offer.

Our online catalogue non-food offer, Tesco Direct, has been very popular and we have seen strong growth with our latest spring/summer range which included 1,500 price cuts compared to our autumn/winter catalogue. With the benefit of high footfall, great value ranges and the option to shop in store or online, we are well placed to continue to grow both sales and market share in a difficult market.

6m
Tesco Personal Finance customer accounts

Andrew Higginson Chief Executive of Retailing Services and Group Strategy Director

Can Tesco really offer the same value as my bank?

We believe in creating value for all our customers because that is how we earn their loyalty. Over time customers have come to trust Tesco to deliver value whether they are buying their weekly shop or opening a savings account. Their trust is very important to us. So we take the same approach to financial services as we do to all other parts of our business and that means offering competitive, straightforward products with no confusing small print and hidden charges.

Unlike many of the high street banks TPF is well funded – we never got involved in any of the complicated financial products and toxic debt that has caused so many problems for the banking sector. So while many banks now have to grow their margins and rebuild their balance sheets, we can concentrate on offering competitive rates across our savings, loans, credit cards and insurance products.

Looking further ahead, it's clear that customers want us to provide a real alternative to other banks and that means a broader product range, including a current account.

Retailing Services

It's been a big year for our Retailing Services, which includes our online shopping channels, tesco.com and Tesco Direct; Telecoms; Tesco Personal Finance (TPF) and dunnhumby – our consumer research business.

tesco.com

is the world's most successful online grocery retailer.

1.8m

Tesco Mobile customers.

Developing Retailing Services has been part of our strategy for over a decade – with the aim of bringing value and simplicity to customers through services such as telecoms and financial products. After ten years of success, we have given it a renewed focus and in July we announced that Andrew Higginson would relinquish his role as Group Finance Director to take on the role of Chief Executive of Retailing Services. He has assembled an experienced team to really drive forward this part of the strategy, which we believe has the potential to deliver £1 billion of annual profit in the next few years.

The aim is to develop our services business to offer customers the same convenience we have brought to food shopping, to all the other products and services we offer. Our dotcom grocery business and now our online non-food offer, Tesco Direct, have already added more convenient options for customers to shop – particularly those with very busy lives or limited access to transport. The growing power of the internet means increasingly that people look to this channel to buy everyday services and goods.

However, many people still like the reassurance of being able to talk to someone knowledgeable about the products and services they buy. We believe in offering customers the choice – to shop in the way which most suits their needs whether that is online, in store or by phone. That is why we now have 40 phone shops in our stores, and we plan to have around 100 open by the end of this year. This means more customers than ever can access our popular telecoms offer. We remain one of the fastest growing providers for pre-pay mobiles and we are now attracting more customers through our new contract mobile deals.

In December we completed the acquisition of the remaining 50% of TPF from Royal Bank of Scotland Group PLC (RBSG). This was an important move for Tesco, allowing us to build on the success of TPF and eventually offer customers the products you would expect from a full-service retail bank. This will mean growing our existing customer base across the 28 simple products we offer from home insurance to credit cards, but also attracting new customers at a time when many have lost trust in their high street bank.

All our current financial products are available to buy online and at present over 50% of our customers choose to buy this way. However, in the same way as customers value the service offered by our telecoms centres, we understand that many would like to discuss their financial needs with someone knowledgeable. We plan to increase our presence for TPF by extending the trial of our in-store branches which offer customers the opportunity to talk to our specially trained finance advisors in a convenient location.

To find out more go to www.tesco.com/annualreview09

Community

We recognise that running our business responsibly is important to our customers and increasingly crucial to our growth. We are working within communities to develop our own plans as well as involve customers in the journey.

We understand the importance of behaving responsibly in all our operations. Over the past year, we have worked even harder to be a good neighbour and have strengthened our contribution to the wider communities we serve.

All communities have their own individual concerns and priorities and so each of our countries has its own Community Plan. Whilst the goals and targets are tailored specifically to each country, each plan is underpinned by five core promises: actively supporting local communities; buying and selling our products responsibly; caring for the environment; giving customers healthy choices; and creating good jobs and careers.

Our success depends on listening to our customers, and responding to their feedback by giving them what they want. Often the most significant contributions we can make to communities are at the truly local level and so over the past year we have appointed over 250 Community Champions in stores and depots across six countries. These members of staff are dedicated to working with local schools, charities and services to support the causes that matter most to our customers.

200

Our Greener Living brand helps our customers to make greener choices. The range comprises 200 products as diverse as energy saving light bulbs, paper goods and kitchenware.

We have made a step-change in our work on climate change and environmental responsibility by taking clear leadership in these vital areas. In 2007, we set ambitious targets to reduce emissions in our own buildings and distribution networks and we continue to make good progress. Over the past year we have continued to roll-out initiatives to save energy and lower our carbon footprint in all our operations and we now have environmental stores in every country in which we operate. Since 2006/7 we have reduced our carbon intensity of new stores by 21%.

Our aim is to give customers choice by providing them with the information they need to make informed decisions when they shop through initiatives such as carbon and Guideline Daily Amounts (GDA) labelling.

In addition we have continued to work hard to help our customers to lead healthy lifestyles by providing information and services such as Tesco Diets, our online dieting, weight loss and healthy eating service, and improving nutritional content in all our foods. We also continue to find innovative ways to help customers get active. In Thailand, for example, our Getting Active with Tesco Lotus programme has inspired 2.4 million people to get involved in activities such as aerobics.

500

We will measure the carbon footprint of 500 more products this year.

To provide the best quality, choice and value for money for our customers we need strong and constructive relationships with our suppliers. We continue to make good progress in building these long-term relationships as we recognise that our success is linked to theirs. Trading fairly is essential in all our operations and last year we met with the UKSIF (the Sustainable Investment and Finance Association) to discuss our ethical trading approach. They benchmarked us against a number of peers and concluded that we were in a leadership position in terms of good factory labour standards.

To find out more go to www.tesco.com/cr-report09

250+
Community Champions

Lucy Neville-Rolfe Corporate & Legal Affairs Director

How much do customers really care about community when they are struggling with the recession?

We understand that many of our customers are facing real financial pressures at the moment and they're looking to us to help them spend less.

However, when customers shop with us they don't leave their ethics at the door and they're telling us it is still really important to them that we behave responsibly and honestly. They want to see Tesco doing the right things on community and the environment at the same time as providing them with the value they expect from us.

We've made some great progress this year and one of the things I'm most proud of is the work we have done in getting unemployed people back to work which is especially important in light of rising unemployment in the UK and elsewhere. Last year we recruited over 3,000 long-term unemployed people and other disadvantaged job seekers, up on nearly 500 the previous year.

470,000
people

Tim Mason President and CEO of Fresh & Easy

Is training and developing staff still a priority?

Having started a business from scratch in the US – one of the world's largest markets – I know how important it is to have a strong team around you. Developing talent is crucial to any growing business, particularly retail which is a people-intensive industry.

As a Group, we're still investing hard and growing through the downturn, with sales growing by 15% last year. To handle that growth well, we need to bring skilled, experienced people through all the time to fill the thousands of jobs it creates. Take Fresh & Easy where our team has grown from 65 to over 2,500 in less than two years. Hundreds more will join us this year, so we can't rely on bringing people in from other parts of the business. We need to develop our own talent locally and equip our people with the skills they need to be able to do the job and lead others. That's why we're absolutely committed to putting the best training plans in place making sure that all of our people have the opportunity to get on in the business.

People

Over 470,000 people now work for Tesco across 14 countries. It's been a challenging year for our people and they have worked harder than ever to deliver an 'Every Little Helps' shopping trip.

This year we brought together over 2,000 managers from across the whole business at our triennial conference. It was an opportunity to look back at the tremendous growth in the business in the last three years, but also to look ahead. It has been a challenging year for our people, but with a clear strategy, underpinned by our Values, they have never been clearer on what we need to do.

The theme of the conference was 'Living the Values'. We first launched our Values a decade ago and they have been the glue that has held us together as we have rapidly grown the business. They ensure that every person understands our culture and goals. In the last year we have spent a lot of time talking to our people across the business to make sure that they are still as relevant today as they were 10 years ago and that they are universally understood. It was clear that not only do our Values remain relevant, but that they have travelled because things like trust and respect, for example, are universal – they are as important to our people in Tokyo as to those in Torquay.

Our Values

No-one tries harder for customers

- Understand customers
- Be first to meet their needs
- Act responsibly for our communities

We treat people how we like to be treated

- Work as a team
- Trust and respect each other
- Listen, support and say thank you
- Share knowledge and experience

…so we can enjoy our work.

As the business continues to grow it is important that we build capability through training and development. Over 3,500 new management appointments were made in the UK last year through Options, a tailored programme for our people who have been identified as having the potential to move to a bigger job, and our training Academies. We also have our highest ever number of people on Options – 7,680 – which includes over 500 in our depots. Our Graduate Options programme was externally recognised, winning a Times Graduate Recruitment award in 2008 for Graduate Employer of Choice in General Management.

We're also doing more to recruit graduates across our international business. We have plans to recruit 1,000 graduates in Asia and 300 in Central Europe to ensure that we have a great pool of talent to support our future growth.

170,000

Over 170,000 of our UK staff have a personal stake in Tesco through our share ownership and share incentive schemes.

137

In China, we have developed a leadership development programme to help us meet the needs of our rapid expansion. This year 137 people completed the programme which is tailored to meet the development needs of each person and prepare them for leadership roles.

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 20 to 24.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the summarised 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 53 weeks ended 28 February 2009 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London 29 April 2009

Notes:

(a) The maintenance and integrity of the Tesco PLC web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the full annual financial statements or the summary financial statement since they were initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Summary Report of the Directors

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 Group also provides retail banking and insurance services through its subsidiary, Tesco Personal Finance. The Summary Financial Statement and Business Review is on pages 22 to 24.

Dividends

The Directors recommend the payment of a final dividend of 8.39 pence per ordinary share to be paid on 10 July 2009 to members on the Register at the close of business on 1 May 2009. Together with the interim dividend of 3.57 pence per ordinary share paid in December 2008, the total dividend for the year will be 11.96 pence, compared with 10.90 pence for the previous year, an increase of 9.7%.

Directors

Details of the current members of the Board are shown on the inside back cover. Mr R Brasher, Mr P Clarke, Mr A Higginson, Mr C Allen and Dr H Einsmann retire from the Board and, being eligible, offer themselves for re-election at the Annual General Meeting (AGM). Ms C McCall and Mr E Mervyn Davies resigned from the Board on 10 April 2008 and 31 October 2008 respectively. Mr L McIlwee was appointed to the Board on 27 January 2009. Ms J Tammenoms Bakker and Mr P Cescau joined the Board with effect from 1 January 2009 and 1 February 2009 respectively, and Mr K Hanna joined the Board with effect from 1 April 2009.

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 28 February 2009 with the exception of provision A.3.2, which requires that at least half the Board should comprise independent Non-executive Directors, in respect of which the company was not in compliance for part of the year. The Board recognises the importance of a balanced board with an appropriate level of independence. There were, however, unexpected resignations of two Non-executive Directors due to conflicts of interest, which resulted in the Board not being in balance. While the process of finding replacements was started immediately, the Board places a priority on ensuring the right candidates are selected and the process of recruiting individuals with the right experience, availability and skills to complement those of the existing Board can take a significant amount of time. The Company has appointed three new Non-executive Directors, two as replacements for the two Directors that resigned and one in order to ensure that the Board remained in balance once the new Group Finance Director was appointed. From 1 April 2009 the Board became once again fully compliant with provisions of the Combined Code. A full corporate governance statement is contained in the Annual Report and Financial Statements 2009.

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 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

In carrying out its duties, the Remuneration Committee gives full consideration to best practice. The Committee was constituted and operated throughout the year in accordance with the principles outlined in the Listing Rules of the Financial Services Authority derived from the Combined Code on Corporate Governance.

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 21. The full Remuneration Report is provided in the Annual Report and Financial Statements 2009.

Directors’ emoluments

	Fixed emoluments			Performance-related emoluments				
	Salary £000	Allowances £000	Benefits[3] £000	Short-term cash £000	Short-term deferred shares £000	Long-term[4] £000	**Total 2008/9 £000**	Total 2007/8 £000
Executive Directors								
Richard Brasher	778	–	65	712	712	–	**2,267**	2,116
Philip Clarke	778	–	38	712	712	480	**2,720**	2,749
Andrew Higginson	778	–	59	712	712	493	**2,754**	2,810
Sir Terry Leahy	1,356	–	85	1,238	1,547	876	**5,102**	5,472
Tim Mason – base salary[1]	778	312	218	712	712	493	**3,225**	3,797
Tim Mason – supplement[1]	200	–	–	180	180	–	**560**	733
Tim Mason – total	978	312	218	892	892	493	**3,785**	4,530
Laurie McIlwee[2]	38	–	5	24	24	–	**91**	–
Lucy Neville-Rolfe	538	–	70	499	499	–	**1,606**	1,451
David Potts	778	–	37	712	712	480	**2,719**	2,718
Non-executive Directors								
Charles Allen	91	–	–	–	–	–	**91**	85
Patrick Cescau[2]	5		–				**5**	–
Rodney Chase	129	–	–	–	–	–	**129**	118
Karen Cook	73	–	–	–	–	–	**73**	67
E Mervyn Davies	55	–	–	–	–	–	**55**	79
Harald Einsmann	73	–	–	–	–	–	**73**	67
Ken Hydon	91	–	–	–	–	–	**91**	85
Carolyn McCall	10	–	–	–	–	–	**10**	67
David Reid (Chairman)	601	–	56	–	–	–	**657**	675
Jacqueline Tammenoms Bakker[2]	9	–	–	–	–	–	**9**	–
Total	7,159	312	633	5,501	5,810	2,822	**22,237**	23,089

1 Tim Mason’s salary is made up of a base salary and a non-pensionable salary supplement (shown separately). Allowances are made up of compensation payments for additional tax due on equity awards made prior to his move to the US. His benefits are made up of car, travel, medical, tax related costs and services and free shares awarded under the Share Incentive Plan.
2 Laurie McIlwee, Patrick Cescau and Jacqueline Tammenoms Bakker were appointed during the year. Figures in this table are shown from their date of appointment.
3 With the exception of Tim Mason, benefits are made up of car benefits, chauffeurs, disability and health insurance, staff discount, gym/leisure club membership and free shares awarded under the all employee Share Incentive Plan.
4 The long-term bonus figures include the 12.5% enhancements on awards under the old bonus scheme.

Disclosable interests of the Directors, including family interests

	Options held at 23 February 2008[1] (or on appointment if later)	Granted	Exercised	Options held 28 February at 2009[1]	Exercise price of outstanding options (pence)	**Value realisable during 2008/9 £000**	Ordinary shares at 28 February 2009[2]
Executive Directors							
Mr R Brasher	2,810,138	876,039	1,625	3,684,552	0.00-473.75	**2**	189,825
Mr P A Clarke	2,452,778	880,395	1,625	3,331,548	0.00-473.75	**2**	1,344,598
Mr A T Higginson	2,887,131	880,395	1,625	3,765,901	0.00-473.75	**2**	1,287,438
Sir T Leahy	10,929,606	1,757,393	128,457	12,558,542	0.00-473.75	**262**	5,992,724
Mr T J R Mason	2,384,457	364,943	108,010	2,641,390	0.00-473.75	**380**	4,365,664
Mr L McIlwee[3]	387,203	–	2,379	384,824	0.00-473.75	**3**	320,878
Ms L Neville-Rolfe	652,450	575,802	1,625	1,226,627	0.00-473.75	**2**	197,903
Mr D T Potts	2,452,778	880,395	1,625	3,331,548	0.00-473.75	**2**	1,737,555
Non-executive Directors							
Mr C L Allen	–	–	–	–	–	**–**	–
Mr P J Cescau	–	–	–	–	–	**–**	–
Mr R F Chase	–	–	–	–	–	**–**	–
Mrs K Cook	–	–	–	–	–	**–**	–
Mr E M Davies[4]	–	–	–	–	–	**–**	2,400
Dr H Einsmann	–	–	–	–	–	**–**	303,209
Mr K J Hydon	–	–	–	–	–	**–**	30,093
Ms C McCall[4]	–	–	–	–	–	**–**	6,556
Mr D E Reid (Chairman)	–	–	–	–	–	**–**	193,825
Ms J Tammenoms Bakker	–	–	–	–	–	**–**	–
Total	24,956,541	6,215,362	246,971	30,924,932		**655**	15,972,668

1 Options to acquire ordinary shares shown in this table comprise options held under the Executive Share Option schemes and Discretionary Share Option Plan, Save As You Earn and nil cost options held under the Performance Share Plan, Group New Business Incentive Plan and Executive Incentive Plan.
2 Ordinary shares shown in this table include restricted shares held by Laurie McIlwee and Lucy Neville-Rolfe under the PSP subject to future performance conditions, shares held by Tim Mason under the PSP, US Long Term Incentive Plan and EIP subject to peformance or holding conditions, shares held under the Long Term Incentive Plan subject to a holding period and shares held under the all employee Share Incentive Plan.
3 Laurie McIlwee was appointed on 27 January 2009. Figures for 2007/08 shown in this table are from his date of appointment.
4 Carolyn McCall and E Mervyn Davies resigned from the Board on 10 April 2008 and 31 October 2008 respectively.

Income statement

Laurie McIlwee Group Finance Director

As Group Finance Director, what are your priorities at the moment?

My main challenge is to maintain the balance between staying on strategy while living within our means. For a growth company like Tesco it is vital of course that we meet the challenges posed by the economic downturn – and the priorities there are the same as for any finance director in the current environment – in helping the business to find the resources to invest for customers, by keeping a good grip on costs and cash.

At the same time though, I need to do what I can to help sustain Tesco's investment in future growth. By investing in the right opportunities, protecting ourselves from unpredictable capital markets and trading in a sustainable way we should exit this recession as an even stronger company. That's how Tesco emerged as a winner from the last recession. Exciting opportunities are there to be grasped – for example, land and property are already significantly cheaper, our online businesses are not capital intensive and, given the loss of confidence in the banking sector, our very conservative, straightforward approach in Tesco Personal Finance may be exactly what customers are looking for.

Group sales, including VAT, increased by 15.1% to £59.4bn (last year £51.6bn). At constant exchange rates, sales increased by 10.6%. On a 52-week comparable basis, sales growth was 13.5%.

Underlying profit before tax (excluding the impact of the volatile non-cash elements of IAS 19, IAS 32, IAS 39, IAS 17, IFRS 3 – principally pension costs, the marking to market of financial instruments, the impact of annual uplifts in rents and rent-free periods, and the amortisation charge on intangible assets arising on the acquisition, this year relating to Tesco Personal Finance) increased to £3,128 million, up by 10.0%. On a 52-week comparable basis, underlying profit before tax rose by 8.8%.

Underlying diluted earnings per share increased by 7.0% to 28.92p, despite the significantly lower than normal effective tax rate in the prior year. Using a constant tax rate, underlying diluted earnings per share rose by 11.0% or by 9.7% on a 52-week comparable basis.

A final dividend of 8.39p per ordinary share (2008 – 7.70p) is proposed. Together with the interim dividend of 3.57p (2008 – 3.20p) already paid, this brings the full-year dividend to 11.96p (2008 – 10.90p) an increase of 9.7% on last year.

UK sales increased by 9.5% to £41.5bn (last year £37.9bn), including like-for-like growth of 4.3%, 2.7% from net new stores and a contribution of 2.1% from the 53rd week and a first-time contribution from the consolidation of TPF. Excluding petrol, like-for-like sales grew by 3.0%, with increases of 2.0% and 2.7% in the third and fourth quarters respectively. Adjusting for the reduction in VAT rates, which came into effect in early December, like-for-like growth excluding petrol was 3.7% in the fourth quarter.

Inflation reduced during the second half and our rate of growth was also impacted by a sharp increase during the year in the level of downtrading by customers seeking to spend less on their weekly shop. Tesco supported both of these trends by cutting prices and introducing more affordable products – including our successful new 'Discounter' ranges. A combination of recovering competitors and more subdued customer demand in some non-food product categories continued to hold back sales progress in the second half, although non-food sales growth remained positive overall and broadly stable in like-for-like terms.

Increased productivity and good expense control enabled us to maintain solid margins and deliver good profit growth despite these challenges, whilst also absorbing initial trading losses totalling around £22m on Tesco Direct. After these costs, UK trading profit rose 12.7% to £2,381m (last year £2,112m), with trading margins at 6.2%, including TPF, slightly up on last year. On a 52-week comparable basis, UK trading profit rose 10.7%.

In December, we completed as planned the acquisition of The Royal Bank of Scotland Group PLC's 50% shareholding in Tesco Personal Finance (TPF) and on becoming a subsidiary, its results were consolidated into our UK business for the final ten weeks of the financial year. During this period it contributed £163m to UK sales and made a small contribution to trading profit.

Total International sales grew strongly – by 30.6% at actual exchange rates to £17.9bn (last year £13.7bn) and by 13.6% at constant exchange rates. On a 52-week comparable basis, actual and constant exchange rate growth was 30.3% and 13.3% respectively. Sales growth slowed in Europe during the second half, which reflected deteriorating economic conditions in a number of markets. In contrast, sales growth in Asia accelerated, driven by the acquisition of the 36 Homever stores in South Korea at the start of the second half.

International contributed £709m to trading profit in the year (last year £636m), up 11.5% after charging £33m of Homever integration costs and pre-conversion losses. Before these costs, trading profit grew by 16.7%. Excluding initial US trading losses, International trading profits grew by 21.9%, or by 21.5% on a 52-week comparable basis. At constant exchange rates, and excluding initial US losses, International trading profits grew by 8.3%.

Total profit (net of tax and interest) from joint ventures and associates for the year was £110 million, an increase of £35m compared with last year. Tesco Personal Finance profit was reported within Joint Ventures and Associates for 50 weeks (50% share).

Net finance costs for the year were £362 million (2008 – £63 million). The rise principally reflecting increased average net debt levels linked to acquisitions and foreign exchange movements, higher coupon rates on commercial paper and unfavourable changes in the non-cash IFRS elements of the interest charge. The interest charge, excluding IFRS adjustments, rose by £150m.

Tax has been charged at an effective rate of 26.7% (2008 – 24.0%). This increase in tax rate is primarily due to last year's one-off tax reimbursement, reflecting settlement of prior year tax items with HMRC.

The Summary Financial Statement on pages 22 to 24 and the Summary Report of the Directors on pages 20 and 21 are a summary of information in the Annual Report and Financial Statements 2009. 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 is provided by the Annual Report and Financial Statements 2009.

The Report of the Directors, 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 2009. 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 1 May 2009.

Sir Terry Leahy
Laurie McIlwee
Directors

Summary Group income statement
53 weeks ended 28 February 2009

	2009 £m	2008* £m
Continuing operations		
Revenue (sales excluding VAT)	**54,327**	47,298
Cost of sales	**(50,109)**	(43,668)
Gross profit	**4,218**	3,630
Administrative expenses	**(1,248)**	(1,027)
Profit arising on property-related items	**236**	188
Operating profit	**3,206**	2,791
Share of post-tax profits of joint ventures and associates	**110**	75
Finance income	**116**	187
Finance costs	**(478)**	(250)
Profit before tax	**2,954**	2,803
Taxation	**(788)**	(673)
Profit for the year	**2,166**	2,130
Attributable to:		
Equity holders of the parent	**2,161**	2,124
Minority interests	**5**	6
	2,166	2,130
Earnings per share		
Basic	**27.50p**	26.95p
Diluted	**27.31p**	26.61p

Non-GAAP measure: underlying profit before tax	**2009 £m**	2008* £m
Profit before tax	**2,954**	2,803
Adjustments for:		
IAS 32 and IAS 39 'Financial Instruments' – Fair value remeasurements	**88**	(49)
IAS 19 Income Statement charge for pensions	**403**	414
'Normal' cash contributions for pensions	**(376)**	(340)
IAS 17 'Leases' – Impact of annual uplifts in rent and rent-free periods	**27**	18
IFRS 3 Amortisation charge from intangibles arising on acquisition	**32**	–
Underlying profit before tax	**3,128**	2,846
Underlying diluted earnings per share	**28.92p**	27.02p

* Results for the year ended 23 February 2008 include 52 weeks of operation.

Summary Group balance sheet
28 February 2009

	2009 £m	2008 £m
Non-current assets	**32,008**	23,864
Current assets (including assets held for sale)	**14,045**	6,300
Current liabilities	**(18,040)**	(10,263)
Net current liabilities	**(3,995)**	(3,963)
Total assets less current liabilities	**28,013**	19,901
Non-current liabilities	**(15,018)**	(7,999)
Net assets	**12,995**	11,902
Equity attributable to equity holders of the parent	**12,938**	11,815
Minority interests	**57**	87
Total equity	**12,995**	11,902

Balance sheet Net assets have increased by £1,093 million to £12,995 million. Non-current assets increased by £8,144 million, after charging depreciation and amortisation of £1,189 million.

Group capital expenditure was £4.7 billion. UK capital expenditure was £2.6 billion. Total international capital expenditure rose to £2.1 billion, £0.9 billion in Asia, £0.9 billion in Europe and £0.3 billion in the US. In the year ahead we forecast Group capital expenditure to be around £3.5 billion.

Summary Group cash flow statement
53 weeks ended 28 February 2009

	2009 £m	2008* £m
Cash generated from operations	**4,978**	4,099
Interest paid	**(562)**	(410)
Corporation tax paid	**(456)**	(346)
Net cash from operating activities	**3,960**	3,343
Net cash used in investing activities	**(5,974)**	(2,954)
Cash flows from financing activities		
Dividends paid	**(883)**	(792)
Other net cash flows from financing activities	**4,498**	1,204
Net cash from financing activities	**3,615**	412

Reconciliation of net cash flow to movement in net debt
53 weeks ended 28 February 2009

	2009 £m	2008* £m
Net increase in cash and cash equivalents	**1,601**	801
Elimination of net increase in TPF cash and cash equivalents	**(37)**	–
Net cash inflow from debt and lease financing	**(4,636)**	(1,827)
Short-term investments	**873**	360
Movement in joint venture loan receivables	**242**	36
Debt acquired on acquisition of Homever	**(611)**	–
Transfer of joint venture loan receivable on acquisition of TPF	**(91)**	–
Other non-cash movements	**(759)**	(691)
Increase in net debt in the year	**(3,418)**	(1,321)
Opening net debt	**(6,182)**	(4,861)
Closing net debt	**(9,600)**	(6,182)

* Results for the year ended 23 February 2008 include 52 weeks of operation.
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 £1,601 million, leaving net debt of £9.6 billion at the year end, £3.4 billion higher than last year. Gearing was 74% (2008 – 52%).

Our Board of Directors

1 David Reid – 62
Non-executive Chairman

2 Rodney Chase CBE – 65
Deputy Chairman and
Senior Non-executive Director

3 Sir Terry Leahy – 53
Chief Executive

4 Richard Brasher – 47
Commercial and Marketing Director

5 Philip Clarke – 48
International and IT Director

6 Andrew Higginson – 51
Chief Executive of Retailing Services
and Group Strategy Director

7 Tim Mason – 51
President and Chief Executive Officer,
Fresh & Easy

8 Laurie McIlwee – 46
Group Finance Director

9 Lucy Neville-Rolfe, CMG – 56
Corporate & Legal Affairs Director

10 David Potts – 51
Retail and Logistics Director

11 Charles Allen CBE – 52
Non-executive Director

12 Patrick Cescau – 60
Non-executive Director

13 Karen Cook – 55
Non-executive Director

14 Dr Harald Einsmann – 75
Non-executive Director

15 Ken Hanna – 55
Non-executive Director

16 Ken Hydon – 64
Non-executive Director

17 Jacqueline Tammenoms Bakker – 55
Non-executive Director

18 Jonathan Lloyd – 42
Company Secretary

Please go to our website to view the complete biographies
www.tesco.com/boardofdirectors

Recycled
Supporting responsible use of forest resources
www.fsc.org Cert no. TT-COC-002142
© 1996 Forest Stewardship Council
FSC
100%

Printed on Revive, a 100% recycled paper with FSC certification. Printed by CTD.

Designed and produced by 35 Communications.

www.tesco.com/annualreview09

Tesco PLC
Tesco House
Delamare Road
Cheshunt
Hertfordshire EN8 9SL