



**TESCO**

*Every little helps*

# what's inside the reports



## Annual Review and Summary Financial Statement

Read a full review of our UK and international business and a summary of our financial statement.



## Annual Report and Financial Statements

Read our full financial statements and accounts.



## Corporate Responsibility Review

Read about our social, environmental and ethical policies throughout our business.

These reports are available on-line at [www.tesco.com/corporate](http://www.tesco.com/corporate)

## *Every little helps*

### How to find out more on-line

Every year, more and more information is available for our shareholders, staff and customers on-line at [www.tesco.com/corporate](http://www.tesco.com/corporate)

### Talking Tesco

Our Talking Tesco website is helping us to listen to our customers, suppliers and staff more easily. If you would like to make a comment please log on to [www.tesco.com/talkingtesco](http://www.tesco.com/talkingtesco)



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# This is the story of an international business...

It is 60 years since Tesco was first listed on the London Stock Exchange, as Tesco Stores (Holdings) Ltd, with a share price of 25 pence.

For the first 50 years, we worked hard to establish our brand and build up a strong UK business, by ensuring that everything we did was driven by a never-ending ambition to improve our customers' shopping trips.

It was only ten years ago that we laid out a new strategy for growth, a strategy which looked to find new customers, new markets, new products and new opportunities.

This year, we have celebrated opening our one thousandth store outside the UK, including our five hundredth store in Central Europe and our one hundredth store in Hungary, one of our first international markets.

Over the last ten years we have built up a thriving international business, accessing markets with over two billion people, and enabling us to reach out to an increasing number of customers all around the world.

More recently, in 2004, we announced our entry into China. Last year, we announced our plans for an exciting new entry into the United States, and we are currently looking at the possibility of an entry to India.

This is the story of an international business – what makes us tick, what brings us together, what sets us apart and what drives us forward.

This is the story of an international business, and it is a story which is only just beginning...



In China we now  
have 47 stores.

Su Wei, Zhenbei Hypermarket, Shanghai, China

This year, we asked over 46,000 customers to tell us what we could do to improve the shopping trip for everyone.



**kipa**  
Aydin Hypermarket, Turkey  
**KAZANDIRIR**

# ...and how we strive every day to do the best we can for our customers...

The essence of what it means to be **Tesco** can be summed up in three words: 'Every Little Helps'. Our store managers, our buyers, our general assistants, our delivery drivers, in fact anyone who works for Tesco, can use these words to help them understand why their role is so important.

It is sometimes difficult to make big changes straight away, but 'Every Little Helps' recognises that small improvements help to make the shopping experience a little bit better for customers, and we should constantly seek to improve everything we do.

There is nothing about being Tesco that makes us automatically better than anyone else at meeting customers' needs. However, by making our stores a bit easier to get around, having a little more choice, being a bit cheaper, saving a few minutes at the checkout and making sure our staff give the best possible service, we can make sure we are always one step ahead.

Of course, being Tesco, we set ourselves demanding targets and if and when we hit them, we raise the bar to make sure we never stand still. For example, this year, we invested in a new system which times exactly how long customers have had to wait at our checkouts. Using the data this system provides, we have been able to improve our staff scheduling, resulting in over 350,000 more customers not having to queue.

In total, we have achieved efficiency savings of over £350 million this year through our **Step Change Programme**, which brings together many initiatives to make our business **better for customers, simpler for our staff and cheaper for Tesco**. These savings have helped us to cope well with increased energy, rate and rent costs, at the same time as improving our offer for customers.

We have also recognised that if we can collaborate with our suppliers effectively, we can improve our understanding of each other's businesses. By creating full-time jobs for the staff of our suppliers – working alongside our commercial teams, both companies have an ideal opportunity to share knowledge, remove obstacles and defeat problems that can sometimes occur. Ultimately this means that we deliver more reliably for customers and we and our partners increase our sales.

We reduced the lead time in our supply chain for over a hundred suppliers of fresh products. Later orders mean more accurate predictions of exactly how much fresh food products we need in a particular store. Because of the increased accuracy, this has improved our availability, increased our sales and helped us to reduce waste.

## Self-service checkouts

The introduction and roll-out of self-service checkouts has also helped us to improve service by speeding up transactions and shortening queues for customers.

These checkouts are now being used in over 450 UK stores with many more to come. Nearly three million customers are now using self-service checkouts and they tell us that they do so because they are quick and easy to use. The stores where they have been introduced, almost two-thirds – have seen significant increases in customers receiving our 'one in front' checkout promise.



## it pays to be green

Since the launch of our initiative to cut the use of carrier bags, by rewarding customers with **Green Clubcard Points**, we have saved on average 13 million carrier bags each week.

# ...thanks to the staff we're so proud of...

The Tesco team is made up of over 400,000 people and it might seem like an impossible job to get everyone pulling in the same direction, but we know that if we look after our people, they will look after our customers.

When we have talked to our staff about what they want from their job, they agree that they are motivated by similar things:

- to be treated with respect
- a manager who helps me
- an interesting job
- an opportunity to get on

These things form a key part of Tesco's values and are essential to the way we work. At Tesco, we strive every day to **treat people how we would like to be treated**.

As Tesco grows and develops, so do our people, and one of our challenges is to make sure that we transfer the skills and knowledge our people have around the Group. We have created an **International Development** programme to make sure that we are identifying talent in every part of the world and providing the support to enable those people on the programme to become future leaders within the business.

This year, Ryszard Tomaszewski returned to Poland to become the Company's first Polish Chief Executive, after completing his CEO development programme in the UK, which included being responsible for 250 superstores in the north of England. Ryszard's appointment is a great example of our strategy to develop local people in the countries where we operate.

We are constantly striving to find innovative ways to bring young people who have great potential into our business. In September last year, we launched **A-Level Options**, giving 100 young people the opportunity to go on to a scheme, which fast-tracks them into management. We recognised that there was a place for those people who did not want to go on to further education. We are opening this scheme up to even more young people in the year ahead.

Improving the qualifications of our staff is a great way of keeping them motivated whilst helping them to develop further. This year, we will become the first retailer in the UK to offer 40 of our managers the opportunity to gain a foundation degree alongside their usual job.

In the UK alone, we have appointed over 3,000 managers this year and have over 5,500 staff working towards doing a bigger job. Our **Options** programme gives our staff the opportunity to drive their own development.

## Sharing in Success

All of our staff in the UK, at all levels, can share in Tesco's success, through share schemes and one of the best pension schemes in the market.

In the UK, over 165,000 of our staff have a personal stake in Tesco's future, through shares and share incentive schemes. Last May, we awarded a record £77 million through our **Shares in Success** scheme. 50,000 of our staff were also able to benefit when our **Save As You Earn** scheme matured in February, giving them access to shares worth £148 million.

Perhaps because of this, many of our staff are very keen to contribute their ideas on how we could improve the way we work. As well as our **Tesco Week in Store Together (TWIST)** programme, which involves over 3,000 senior managers spending a week working alongside colleagues in store, we also have a **First Steps** programme, which means that anyone can feed in their ideas about the business, however big or small.

Our **Shopping Lists** determine what we strive to achieve every day.





Our **staff** strive every day to give the very best in customer service.



We now have self-service checkouts in over 450 stores in the UK.



# ...working hard to make things better...

Every single one of our businesses around the world operates in a very competitive environment. Competition is good for **Tesco**. It keeps us on our toes and ensures that we are always improving and making our stores, our service and our products even better for our customers. However, this can be quite hard work, so we also have to make sure we keep things simple, and that we are efficient. We look for ways to help customers spend less by cutting prices, so that they benefit from the changes we make without having to pay more.

Not only are we working hard to make things better for our customers, but we are also working hard to make things better for our staff. For example, within distribution we have introduced staff forums, **Options**, **Team 5** and **First Steps**. We have retrained our managers so that they are now working on the shop floor shoulder-to-shoulder with our staff, which has had a positive impact on morale.

It would be fair to say that Tesco is full of people who have a passion for making things **Better, Simpler and Cheaper**. It's not about Good, Simple and Cheap – if it was, these people would eventually decide they had done enough and that the job was finished. Instead, they relentlessly look for the next opportunity for improvement.

There are lots of examples of this, many of which happen behind the scenes.

One recent development is **shelf-ready packaging**. This was first brought in to make it easier for our staff to fill the shelves. It helped make sure that we kept products in stock and freed up time to help us to reinvest in having more staff on our checkouts.

Not being satisfied with that, we have changed the design of much of the packaging, so that it looks more attractive on the shelves, but perhaps more importantly, uses far less cardboard than traditional packaging. We have also put in place processes to make sure we remove empty packaging from the shelves so that customers can quickly see what they are looking for. We then recycle the cardboard that we remove.

Over the past year, we have rolled out shelf-ready packaging to a further 7,000 products. Over 600 of these were grocery and household products, which have been moved from a box to a tray, giving a 50% reduction in cardboard.

**We have worked with our suppliers to redesign our bread trays. Every store now has only one style of bread tray rather than five. This has simplified our back door operation and because we have used a very efficient design, we have saved over 400 tonnes of plastic.**

## Tesco in a Box

One of the most important advances that helps us do things more efficiently is information technology. Tesco handles a vast amount of data each and every day, with transactions taking place all around the world.

In 2001, we started a project called 'Tesco in a Box' by identifying the best practice processes for all areas of the business, and designing a standard suite of systems that we can roll out to each and every market. This project has now been enlarged to include all aspects of our operating model. It means that the systems in our stores can talk to the systems in our distribution centres, our head offices and even some of our suppliers, helping us to do a better, more effective job for customers all around the world.

These best practice processes and systems are being implemented fully in our start-up operation in the **United States**, allowing us to focus on the customer offer rather than reinventing the core processes of the business.

We continue to adapt the model to local markets and we plan to introduce it to the **Czech Republic**, **Slovakia**, **Thailand** and **Malaysia**.

## recycle

We are investing £15 million in world-leading automated recycling machines – helping customers double the amount they recycle.



# ...offering an unbeatable range of products...

We see it as our job not to dictate what customers should buy, but to make sure that we do everything we can to give them the widest possible choice of products.

Tesco has been serving customers day in, day out, for over eighty years, and this has helped us to understand the kind of things that customers are looking for. But it doesn't make us experts in knowing exactly what each customer wants at any given moment of any given day. All customers are individuals and each wants to be able to make split-second choices about what he or she wants to buy. Maybe they want to save a bit of money, buy locally farmed vegetables or make sure that there's something healthy in the freezer for the kids.

Our new **Tesco Ingredients** range is perfect for our customers who love cooking, our **Free From** range is invaluable to those with food allergies and our **Wholefoods** brand appeals to our customers who have a growing appetite for nutritious, healthy foods. This year we have added over 250 **Finest** lines and over 1,000 premium products, giving customers even more choice for their weekly shop.

There are now over 50 **Tesco Kids** products, including packs of organic bananas and nutritionally-balanced ready meals. These products have been put together with the help of over 650 children between the ages of 7 and 11 and are designed with fun in mind, whilst reassuring parents that their children are not filling themselves with lots of artificial additives and preservatives.

#### Organics on the move

This year saw one of the biggest developments so far in our **Organics** product range. We used to display nearly all of our organic products together in one part of the store, so that customers who particularly wanted to follow an organic lifestyle could readily identify the products they wanted to buy.

As we continued to talk and listen to our customers, we have learnt that they were now keen to be able to see organic and non-organic products side by side, so that they could easily compare the quality and prices before deciding which to buy. As a result of this, we made the decision to incorporate every organic product into the relevant category on our shelves; since doing this, sales have increased by almost 40%.

**Cherokee and Florence + Fred**, two of our acclaimed clothing brands, have now been rolled out to our four Central European countries. Our customers in Hungary, Poland, the Czech Republic and Slovakia can now buy great value fashion similar to that available in the UK.

#### Fresh in the Capital

Our customers in London have a huge choice of sandwich bars – where they can purchase freshly-made sandwiches. We don't have the facilities to be able to produce sandwiches in our stores, so we worked with Bradgate Bakery to develop a range of sandwiches called 'Fresh in the Capital' that are made during the night and delivered direct to stores first thing in the morning. Every sandwich that is made is on our shelves within two and a half hours of production.

Initially launched into ten stores in May of last year, the customer feedback has been so positive that we have now rolled the range out to a further 40 stores and have plans to launch some great new products this Spring.

## ranges

Our new **Tesco Ingredients** range now has over 50 lines, with another 20 due to be launched this year.



In September 2006, we launched our own-brand Legou Value products in our stores in Shanghai, Jiangsu and Zhejiang.



品质保证  
价格实惠

Quality you can trust  
at low prices



Qi Jing Jing,  
Zhenbei Hypermarket, Shanghai, China

In just 12 months, the proportion of our customers buying **Organics** is up by 40%.



# ...helping you make the right choices for you and your family...

As we are all becoming even more aware of the link between food and our health, healthy eating and a balanced diet are becoming increasing priorities for our customers. The provenance and origin of food is also becoming an important factor when customers are choosing what to buy. We all like to make sure we know what we're eating, where it came from and how healthy it is.

We also all like to treat ourselves from time-to-time. The thing is, we are all different: one person's idea of a treat would be a big slice of chocolate cake, another's may be a restaurant-quality meal that they can prepare in minutes; yet another's might be getting great quality ingredients to cook up in their own recipe.

As well as giving customers the choice they have come to expect from **Tesco**, we have invested a lot of time and energy in trying to give them as much information as possible, to help them make that choice.

This year, we continued our roll out of front-of-pack **nutritional labelling**, to 6,600 own-label products.

This enables customers to see at a glance the proportion of fat, salt, sugar, calories and saturated fat in a standard portion, so that they can decide the best way to put together a balanced diet for their families. The best thing, at least as far as some of our customers are concerned, is that we are helping them make informed choices. If they fancy that slice of chocolate cake, they can perhaps choose something healthier for a main course – we're not telling them what they should and shouldn't eat.

Thanks to the unique insight we have into what our customers choose to buy, we have found out that many of them, once they have been given this extra information, choose more healthy products. For example, sales of healthier ready meals have increased, with a corresponding decline in some of the less-healthy products.

In response to this change, we have put together teams of chefs, nutritionists and tasters to reformulate many of the recipes for our prepared products, to help make them more healthy. Over the last twelve months, we have removed salt and hydrogenated fat from over 1,300 lines.

Since we rolled out nutritional labelling to our sandwich range, we saw sales of our **Healthy Living** salmon and cucumber sandwich increase by 46% and the standard variety decrease by 30%.

## Willow Farm chicken

Willow Farm chicken was launched this year to complement our standard chicken range. What makes Willow Farm different is that the chickens are a slower growing breed that develop better flavour and greater succulence and texture. Willow Farm chickens are fed a specially formulated cereal-based vegetarian diet. They are housed in spacious barns with straw bales to perch on and the barns have large windows providing the birds with natural light.

We launched Willow Farm chicken because we wanted to produce an affordable product with outstanding eating qualities, appealing to a range of customers. It has also helped us to improve the welfare of a large number of chickens.

Our work on Willow Farm is the result of our collaboration with the Food Animal Initiative ([www.fairfarms.co.uk](http://www.fairfarms.co.uk)) and our suppliers.



## healthy living

Sales of lower-fat ready meals increased when we introduced GDA labelling.

## ...while building strength in non-food...

When we first started putting non-food products into our stores, our ambition was to be as strong in **non-food** as we are in **food**. We now have built up a range of products that is strong enough to attract customers in its own right, but we are still keen to improve and extend our offer.

Not only do we have great value items, such as the **Value DVD** player for £17.74 and the flat-screen TV for £129.97 but we have extended our range to include the leading brands and high quality products, such as digital cameras and satellite navigation systems.

Over the last year, we have extended 23 of our stores, adding well over half a million sq ft of non-food space. Many of these extensions have been made possible by adding in a **mezzanine** floor, so that customers can enjoy a completely different shopping experience for clothing and electrical items.

Even with this additional space, less than one in ten people in the UK can easily get to one of our large **Extras**.

Because of this, in September 2006 we started **Tesco Direct**, a brand new on-line general merchandise offer, with over 8,000 products, half of which were brand new to Tesco and couldn't be found in any of our stores.

### Tesco Direct

The range available in **Tesco Direct** is equivalent to everyone in the UK having easy access to one of our 120,000 sq ft **Extras**.

The idea behind **Tesco Direct** was simple: how could we help make customers' lives less complicated? We knew that they hated waiting a long time for their products, so we made next day delivery standard for small items, and five to ten day delivery standard for big items like furniture, which often take weeks to order. Most people also dislike having to wait in for deliveries, so we trialled a unique two-hour delivery window, building on the success of our grocery home shopping business. Some of our customers told us that they didn't want to be pinned down to a particular time at all, so we decided to offer a delivery to store option, so that they could pick up their order from their local store whenever it suited them.

The customer response so far has been very encouraging. When we launched the full offer in March 2007, with a 1,000-page catalogue and an increased range of over 11,000 products on-line, customer orders more than trebled on previous weeks.

**Find out more at**  
[www.tesco.com/direct](http://www.tesco.com/direct)

**Our on-line DVD rental service gives our customers access to almost 60,000 DVDs and games. Customers have the convenience of simply going on-line, selecting one of the three packages available and then having the DVD or game of their choice delivered to their door. Last year, over four million DVDs and games were rented in this way.**

### New products, new markets, new challenges

It's not just our stores that make up our overseas businesses – we have a team of people all around the world looking for great quality non-food products that we can sell at the best possible prices.

This team includes staff working in buying offices from Milan to Bangladesh, as well as our Asian sourcing hub in Hong Kong.

There are many challenges working in such diverse markets, not least the cultural and political differences that exist between countries. As well as having teams of commercial experts in each product category, we employ teams of trading standards experts who check that our suppliers are operating in a safe, ethical and legal way.





We have dedicated staff to help our customers make informed choices in our electrical departments all around the world.



Our **Express** stores provide convenience for local neighbourhoods, with great quality, low-priced food.



# ...through stores designed and operated for customers...

We are only able to grow our business if customers choose to shop with us.

Whenever we look to open a new store, our first priority is to find out what it is that customers want in their local store, how they would like the store to look and what kind of facilities they would like it to have. Is it likely to be busy in the evenings, at the end of the school day or is it more of a weekend destination store? Would customers like to have a café so that they can catch up over a spot of lunch or is it more important to have a bigger produce department?

Every store, in every part of every country, undergoes an extensive consultation with local customers, local communities and local authorities to ensure that it is developed with them in mind. It's part of being a responsible company, but it's also common sense – if you want customers to choose to shop with you, ask them what it is that would help them make that choice.

Of course, it's not just in our core UK market that this applies. In 2006, we acquired 11 hypermarkets in the Czech Republic from Carrefour, one of our international competitors.

Before we started converting them to Tesco hypermarkets last year, we asked the local customers what they would like us to do. They told us that they already liked the stores, but that they would love to see a bigger produce and fresh meat selection and a stronger and more fashionable clothing offer. We have invested considerable time and effort in refreshing the stores and making the changes that customers had asked us for.

Our stores are designed not only for our customers but also the communities that they serve. Our regeneration partnership stores work with Job Centre Plus to recruit a significant number of their staff from the long-term unemployed, single parents and disabled people. We offer successful applicants a training programme with a guaranteed job once it is completed. So far, we have opened 17 regeneration stores and have offered jobs to over 4,000 long-term unemployed and disadvantaged people.

## Producing a better display

It can be hard work making sure we always have enough fresh fruit and vegetables in stock, as these are some of our most popular items – almost 10% of our sales come from these products and demand can vary a lot – affected by many factors including the weather.

Because of this, our teams have developed lots of innovative ways of making it easier to keep products in stock – merchandisable units which can be wheeled straight off our delivery trucks and out on to the shop floor, and green trays which suppliers fill up with product that can go straight on the shelf saving tonnes of cardboard and lots of handling for staff.

Over the last year, we began to receive feedback from customers that, while they understood that the things we had done made it easier for them to get the very freshest produce, sometimes it could be difficult to find what they were looking for as the green trays looked quite similar.

Acting on this feedback, we have made a number of changes to the produce department. We've changed the way the trays are displayed, to make it easier to see what's inside, we've changed the tray liners, so that customers can readily identify **Organic**, **British** and **Finest** products and we've added in clearer signage to help customers find staple items like potatoes, carrots and tomatoes.



## a good listener

We try to engage with the community to better understand local issues and concerns.

## ...and tailored to the communities which they serve...

Later this year, we will open our first stores in the **United States of America**. Customers on the West Coast – in Phoenix, Los Angeles, San Diego and Las Vegas – will get the opportunity to choose one of our **Fresh & Easy Neighborhood Market** stores to pick up great value, high quality products.

We have chosen to go to the United States, one of the largest and most exciting markets in the world, as we believe that we have learnt a lot from our ten years of experience in other markets outside of the UK, especially the way in which we have been able to tailor our stores to reflect the needs of local customers.

But what does this mean? It's not just about the name we choose to put above the door, it's about the very heart of the business and how we get to understand our customers.

This starts before we even decide whether or not to enter a new market. We have been very interested in the US for over two decades. To start with, this was because there were lots of retailers doing lots of innovative things which we thought might help us improve our offer for customers back home.

Recently, we felt that the skills we had picked up overseas might help us offer a better service to American consumers than the one they were currently receiving. To test this, we put together a team of people, who lived on the West Coast for almost a year. Some lived in people's homes, following them around as they shopped and even having a good look through what they kept in their fridges and their cupboards.

We learnt that many American consumers find it quite frustrating that they often have to shop in several different stores to get what they want, even if they just want to pick up a few items.

We also found that fresh products sometimes aren't quite as fresh as they should be, as they've often had to travel great distances before they end up on the shelf. There are also lots of convenience products, but very few healthy choices for those who find that they don't have much time to prepare their own food.

We combined all of these things with our learnings from running Express stores across **Europe and Asia**, to create a new way of shopping for American consumers. We thought it was a great concept, but wanted to find out whether local customers agreed with us. Under the cover of making a movie (one of the advantages of starting in California!), we built a store inside a warehouse and filled it with the kind of products we wanted to sell.

We invited a panel of over 200 American consumers to walk around the store and give us their feedback. As always, we've taken it on board, adapted our plans and got straight to work on building what we think will be a great business in the world's largest economy. And as always, the customers will be the first to judge how we've done, when they get the chance to visit one of our stores.

We recently announced the installation of a solar panel roofing system, as part of the construction of our distribution centre in **Riverside, California**.

At 500,000 sq ft, the \$13 million project is the largest roof-mounted solar installation in California.

Local Los Angeles company, Solar Integrated, will install the energy-saving device which will produce over 2.6 kilowatt hours per annum, providing nearly a fifth of our chilled/frozen/grocery distribution centre's power supply and saving around 1,200 tonnes of CO<sub>2</sub> emissions each year.

All Fresh & Easy Neighborhood Market stores will be equipped with energy-efficient freezer cabinets which will use LED rather than fluorescent lighting and will have modified refrigerators to cut energy use by 10%.

**Find out more at** [www.freshandeasy.com](http://www.freshandeasy.com)

**fresh & easy**

Our Fresh & Easy Neighborhood Market brand products will have no added trans fats and no artificial colours or flavours.



We will be creating over 2,500 jobs in our  
**Fresh & Easy Neighborhood Market** stores.





Our dotcom business in South Korea offers customers a choice of over 15,000 products when they shop on-line.

Jong Won Lee, Homeplus.com Seoul, South Korea

# ...so you can shop from wherever you like...

To make sure that our customers get the same great choice as they have come to expect when doing their own shopping, **tesco.com** operates by asking customers to send their orders in on-line and then by picking their orders from our existing stores.

Today the **tesco.com** model operates in the **UK**, the **Republic of Ireland** and **South Korea**. On-line grocery sales have exceeded £1 billion for the first time in the UK alone. We have an active customer base of 850,000 and more than 250,000 orders are now being completed each week. In the UK, nearly 1,860 vans operate out of 294 stores. In our Newcastle store our service is so popular that there are now 18 vans delivering to local customers. Drivers deliver between 9am and 11pm, and our staff start picking our customers' orders from 6am. A record-breaking 1.3 million shoppers chose **tesco.com** to deliver their presents and groceries over Christmas, and to make sure that these were all picked successfully, our staff started picking even earlier, at 4am.

To help us continue to deliver this success, we have now opened our first **tesco.com only store**. Some people might call it a warehouse, but we have been very careful to make the distinction. By laying the products out in the same way as in a standard store and by filling up the shelves in the same way, we have been able to ensure that the pickers choose customers' shopping with the same care and attention that they would do if they were picking from their local superstore.

Situated in Croydon, South London, the **tesco.com only store** helps us to meet the demand for our home shopping service that the local stores were not able to meet. Although these kind of stores don't replace our normal **tesco.com** model, there may be a few more locations around the country where they could help us offer our service to more customers.

Many people associate our on-line service exclusively with grocery products. However, we are also a wine merchant, with a range of over 900 wines, including 150 that are only available on our on-line service. We also offer customers a beautiful range of courier-delivered bouquets, and indoor and outdoor plants through our on-line flower shop.

## Green van men take to the streets

Many people know the huge difference that we can make by delivering customers' shopping to their doors. Perhaps they don't have a car, are recovering from an operation and can't leave the house or perhaps they have a young family and are short on time.

Tesco.com has made a big commitment to reduce CO<sub>2</sub> emissions throughout the business. Because our dotcom vans visit several different households before returning to store, each van saves thousands of car journeys per year, thereby reducing pollution and congestion on our roads.

We are, however, conscious that there is more we can do, so in May 2007 we introduced our first fleet of fully electric, zero-emission home delivery vans which are both quiet and pollution free.

Each of the zero-emission vans, which are based at the newly-opened environment store in Shrewsbury and throughout London, will save 21 tonnes of CO<sub>2</sub> per year – the equivalent of driving 51,000 miles in a car.



## tesco.com

We have over 9,000 staff picking our customers' on-line orders in our UK stores.

# ...making things simple...

## Telecoms services

It has been a very successful year for **Tesco Telecoms**, which has approaching two million customers using its mobile network, home phone, internet phone and internet access services.

**Tesco Mobile**, the joint mobile venture with O2, is the fastest growing pay-as-you-go mobile network in the UK, taking almost 30% market share of new customers in 2006. The network now has 1.4 million customers.

Tesco Mobile remains heavily focused on excellent customer service and ended 2006 as number one mobile network for overall customer satisfaction (TNS Prognostics Mobile Satisfaction survey Q4 2006).

This year it has expanded its service for customers with the launch of family-friendly services such as a new information download portal, enhanced parental controls and **My Tesco Mobile on-line centre**. These services have wide appeal to customers who trust Tesco to provide simplicity, value and excellent service.

Tesco home phone continues to attract customers with its three simple, great value tariffs and the launch this year of wholesale line rental, which allows customers to receive just one bill for their home phone.

Tesco has become an increasingly popular retail destination for telecoms. Over the past year, Tesco has grown its market share and is now the second-largest retailer of pay-as-you-go mobile phones (GFK mobile retailing 2006).

It is the largest provider of mobile top-up in Europe. Airtime sales for 2006/07 totalled over £358 million.

We all live in a world increasingly revolving around technology and on-line services, but often the systems and processes can be really confusing and complicated.

Web phoning technology used to be a niche product that only appealed to the technologically minded. Our new internet phone service is attracting the growing number of customers choosing to switch from landline services. What we have strived for is a service that is simple, easy to use, convenient and great value.

We have made sure it feels just like a normal telephone and we give our customers a telephone number that they can take with them if they move, plus calls are free from one internet phone to the other.

Taking out a mortgage on a house can be very daunting, but **Tesco Mortgages** tries to do all the hard work. Our **Tesco Mortgage Finder** searches the whole market to save our customers time, energy and money. It is a hassle-free service as we apply for the mortgage on behalf of our customers, and even deal with their lender to ensure that the process is as smooth as possible.

## Tesco Personal Finance

Tesco Personal Finance, the financial services arm of our business, was launched in 1997 and offers a combination of internet, supermarket and telephone banking. Tesco Personal Finance now has over five million customer accounts. In partnership with the Royal Bank of Scotland we provide a range of 22 low-cost, value for money financial services covering general insurance, lending and savings and investments. Tesco Personal Finance operates in the **UK, Republic of Ireland, Hungary and Poland**.

We are continuing to expand our range of products. In 2006 we introduced the **Bonus Credit Card**, which gives customers back one month's interest every year, a first in the UK.

Another innovation in 2006 was the introduction of **Value Car Insurance**, this policy offers no frills comprehensive cover at a low cost. This product is the result of months of investigation by Tesco Personal Finance into what motorists would most like to see in a Value range. The result is a simplified product that will make comprehensive cover more affordable for a larger number of drivers.

This year, we have introduced our low-cost, quality private **Tesco Health Insurance**. There are 250 private hospitals participating in the scheme and customers have 24-hour telephone access to qualified and experienced healthcare professionals, 365 days a year.



## tesco personal finance

With five million customer accounts and 22 products and services, Tesco Personal Finance is the UK's largest and most successful supermarket bank.



# TESCO telecoms centre

We continue to try and offer convenience and choice for customers. We now have six telecoms centres across the country.

Home Phone

Broadband

Accessories

Mobile P



Thanks to the enthusiasm of staff and customers in their fundraising activities, we have been able to provide mobility equipment for over 750 children.



Peter Langton, aged 9

# ...while contributing to our local communities...

Tesco already plays an important role in local communities, but the **Community Plan** which we launched in 2006 is helping us to do even more. As well as providing a great shopping trip, customers want us to be a good neighbour and behave responsibly, fairly and honestly.

In 2006, our Charity of the Year was **Whizz-Kidz**. With a fundraising target of £1.5 million, our aim was to clear their waiting list of 391 children. In fact, we have had a fantastic year, raising more than double this target – £3.4 million – the highest amount raised in any Charity of the Year partnership to date. This has meant that we have been able to help over 750 children by providing customised mobility equipment such as a tricycle, sports or powered wheelchair and by giving them the freedom to live their lives independently.

This year, we have teamed up with the **British Red Cross**, to be our Charity of the Year. The theme of the year-long partnership is **Crisis Care in your Neighbourhood**, and we hope to have a major impact, not only by increasing awareness of the crucial work the British Red Cross does in the UK, but also by aiming to raise £2 million to help fund three vital UK services, **Care in the Home**, life-changing emergency equipment and life-saving skills.

‘The support we get from everyone at Tesco is crucial to the emergency work of the Red Cross. Tesco’s support saves lives. It’s as simple – and as fantastic – as that.’

Sir Nicholas Young,  
Chief Executive British Red Cross.

Our national community schemes in the UK are moving from strength to strength with more schools than ever benefiting from our **Computers for Schools**, and **Sport for Schools and Clubs** programmes. This year, the **Tesco Great School Run** set a Guinness World Record as the largest simultaneous walk or run, with 242,000 children taking part. Three quarters of a million women took part in **Race for Life**, raising £53 million for **Cancer Research UK**.

Little things can also make a big difference, and Christmas came early this year for over 3,000 children in Hertfordshire, as staff from Tesco Head Office took to the stage to perform a free pantomime tour for disadvantaged children and local community groups.

Over the next two years, Tesco is teaming up with new youth volunteering charity, **V and Community Service Volunteers** with the aim of recruiting 12,000 young volunteers to get involved in community projects such as setting up a youth club or organising a party for socially deprived children. We hope to motivate these volunteers to make a real difference in their communities.

We have been touched by the way employees right throughout the Company have taken Whizz-Kidz to their hearts. The amazing sum of money Tesco staff and customers have raised is a clear reflection of, and worthy testament to, their enthusiasm and determination to change the lives of disabled children across the country. I’d like to thank every employee and customer that so generously donated their money and time throughout 2006.

Ruth Owen, Chief Executive, Whizz-Kidz

## Community Plan goes International

This year, we are going to be progressively launching the **Community Plan** internationally, initially throughout **Europe**, **Thailand** and **South Korea**. We will focus on our environmental impact, especially energy use, helping our customers lead healthy lives, our relationships with our suppliers, and our relationships with our neighbours near to our stores.

By focusing on issues that are important locally, we are able to concentrate on delivering real and measurable improvements that are of most benefit to each country. Examples include introducing **Charity of the Year in Hungary**, helping communities **Get Active in South Korea** or supporting the **Police** with finding missing children in **Slovakia**. We currently operate 46 **Culture Centres in South Korea**, with 450,000 members. In 2006, **Tesco Ireland** raised £692,000 for their Charity of the Year, **Multiple Sclerosis Ireland**. This represents the single largest corporate donation to Multiple Sclerosis Ireland in its 46-year history. The money raised will go towards a nationwide exercise and health promotion programme. We intend to introduce many equally successful schemes through our local **Community Plans** internationally.

## Find out more at

[www.tesco.com/corporate](http://www.tesco.com/corporate)



# ...with suppliers who understand their markets...

We work with many suppliers throughout the UK and internationally to meet our customers' needs. We try and create long-term sustainable relationships with suppliers who have similar values to our own. Working together we can deliver the very best in quality and value for money.

Our partnership with MMUK who supply us with the Jaffa citrus fruit range has been ongoing for over ten years. Together we have produced a premium product that our customers love as it is sweeter, and of better quality. In the last three years the brand has grown over 41%. We have achieved this by increasing the amount of lines in the range, giving the products extra space in our stores and offering great promotions for our customers.

In November 2006, we teamed up with Albert Bartlets – who have over 50 years of experience growing potatoes. Together we launched the **Finest Rooster Baking Potato**. Not only is this the first loose product in the Finest range, we are the only retailer to stock the baking version. The rooster potato is popular amongst celebrity chefs and our customers' response has been extremely positive.

We try to treat our suppliers as we like to be treated: in a fair, honest and responsible way, as they are vital to our success. For the past three years we have conducted an anonymous and completely confidential survey on what it's like to work with Tesco. Over 94% of suppliers have reported that we are trustworthy, reliable, helpful and fair.

Our local sourcing programme in the UK is already thriving and we know that 'local' means different things to different customers. Some of our customers want to buy British, while others want to buy produce from farms in their local community. As part of the **Community Plan**, we want to provide customers with the best local offer possible, and one of the ways that we are doing this is by setting up local **Tesco roadshows**.

They provide an opportunity for small local suppliers to meet Tesco buyers and Directors. Our first roadshow took place in Padstow, Cornwall, and as a result of it we have added over 50 new Cornish lines to our range. We have since had roadshows on the Isle of Wight and most recently in Carmarthen, in Wales, which was a huge success, and we will soon be seeing new Welsh beers, cheeses and sausages on our shelves.

We recently announced a number of new measures to support UK dairy farmers and give customers even more choice when buying milk. We are raising the price farmers receive to around 22 pence per litre, to try to reflect the farmers' costs of production. We are also launching **'localchoice'** milk which will be sourced from local farms and sold at Tesco stores in or close to their county.

## Local, wherever local might be

Tesco has nearly 50 hypermarkets across China, and in January this year we opened our first Tesco branded store in Beijing. For the first time, our Tesco logo is visible next to the Chinese name **Legou**, which means happy shopping.

The store has been designed with eastern tastes in mind, as Chinese consumers like to touch and feel their produce before they buy, whether they are choosing a soft shell crab or live silk worms.

Almost all of the goods on the shelves are locally sourced and are brands that Chinese customers already know and trust. The store does, however, sell our new own-label Legou Tesco products that were launched in October last year. We have developed a range of over 500 Value products through our Product Assessment Centre at our hypermarket in Guangxin, consisting of both food and non-food lines such as fine rice and noodles.

## local suppliers

We are encouraging more small suppliers by developing our network of regional offices and making it easier for them to access our distribution network.





Jorrit Jonkers have been growing organic produce since 1999.

Jorrit Jonkers, Oirschot, The Netherlands

We transported 1,500 tonnes of building materials to our site by ship, saving over 75 truck journeys.



## ...and leading the way on the environment...

Our customers tell us they want our help to do more in the fight against climate change, if only we can make it easier and more affordable.

They want us to take complicated carbon calculations and make them easy to understand. So we have begun the search to develop a measure of the carbon footprint to put on every product we sell. Customers will be able to compare the carbon footprint of a product in the same way that they currently compare its price or nutritional profile.

We will reduce the carbon footprint of our existing stores and distribution centres around the world by 50% by 2020. We will also ensure that all new stores we build between now and 2020, emit on average at least 50% less carbon than an equal store in 2006.

**Every Little Helps** is the way we do things at Tesco, and we must show customers how their individual choices will make a difference. By introducing **Green Clubcard points** for customers who re-use carrier bags, we have seen a reduction of, on average, 13 million plastic bags given away every week since its launch, totalling over 400 million so far.

In order to make environmental choices affordable for all of our customers, we are going to promote and incentivise energy-efficient products through our Green Clubcard schemes.

At Tesco we always set ourselves ambitious targets, so we are delighted to be reaching our target to halve energy use in our buildings two years early.

By the end of May 2007, every possible UK distribution centre will be supplying our transport fleet with a 50% biodiesel blend. This is the highest percentage biodiesel blend used by any distribution fleet in the world.

In order to help our customers make informed decisions, any product that has been air freighted to our stores will be labelled with an aeroplane symbol, and we have set ourselves the target of restricting air transport to less than 1% of our products. Delivering this target must be done in a way that is sensitive to the needs of some of the poorest people on earth whose lives are improved by the ability to sell in our markets. So we will source the majority of this 1% from developing countries.

Over the next five years we will spend more than £500 million on technology to reduce our energy use. Energy reduction is a top priority throughout the business, from the boardroom to the member of staff who is 'energy champion' in each of our stores.

We have worked hard to reduce the miles our products travel within our distribution operations. Our lorries now pick up stock from suppliers on their way back from making a store delivery. We have also increased the amount of double-decker vehicles transporting our products and introduced the use of a train – running regularly from Daventry to Scotland. These three initiatives have saved over 11 million miles a year.

### Store for the future

In December 2006, we opened what we considered to be Britain's greenest supermarket in Wick in the north of Scotland, setting a new benchmark for green technology and construction in retail.

The 50,000 sq ft store has a 50% smaller carbon footprint than a conventional supermarket of the same size, and with its timber frame and (environmentally-friendly) building methods, the construction process for the store also has a carbon footprint 20% smaller than for a conventional store.

When it opened, the Wick store was the only Tesco store to have a wooden exterior, which was made from sustainable timber. Five micro wind turbines and solar cells help to power the store and over one million litres of rainwater will be harvested each year and used where possible in the store's operations.

We reduced the height of the roof by over a metre, to minimise the volume of air that requires heating.

In May this year, we opened an environmental store in Shrewsbury with a carbon footprint 60% smaller than a conventional store, and over the next year we will also build new environmental stores throughout Europe and Asia.

### Find out more at

[www.tesco.com/corporate](http://www.tesco.com/corporate)

We have already halved the price of energy-efficient light bulbs and we are going to offer more energy-efficient products throughout our Value range.



# ...and benefiting all of our stakeholders.

Tesco's success means that we are fortunate enough to be in a position where we can make a big difference to all of our stakeholders.

The lessons we have learnt over the last 80 years have enabled us to find ways that open up even more opportunities for long-term growth, benefiting our shareholders.

This growth can only be achieved by aiming to constantly improve the job we do for customers, so that every time they visit one of our stores, or try one of our services, they get a slightly better experience.

Our staff don't just contribute to, but benefit from the performance of the business, through our share schemes and our award-winning pension scheme, which helps to offer them a financially secure future.

As they grow alongside us, our suppliers benefit from being able to bring their products to more customers, both in the UK and excitingly in many different markets all around the world.

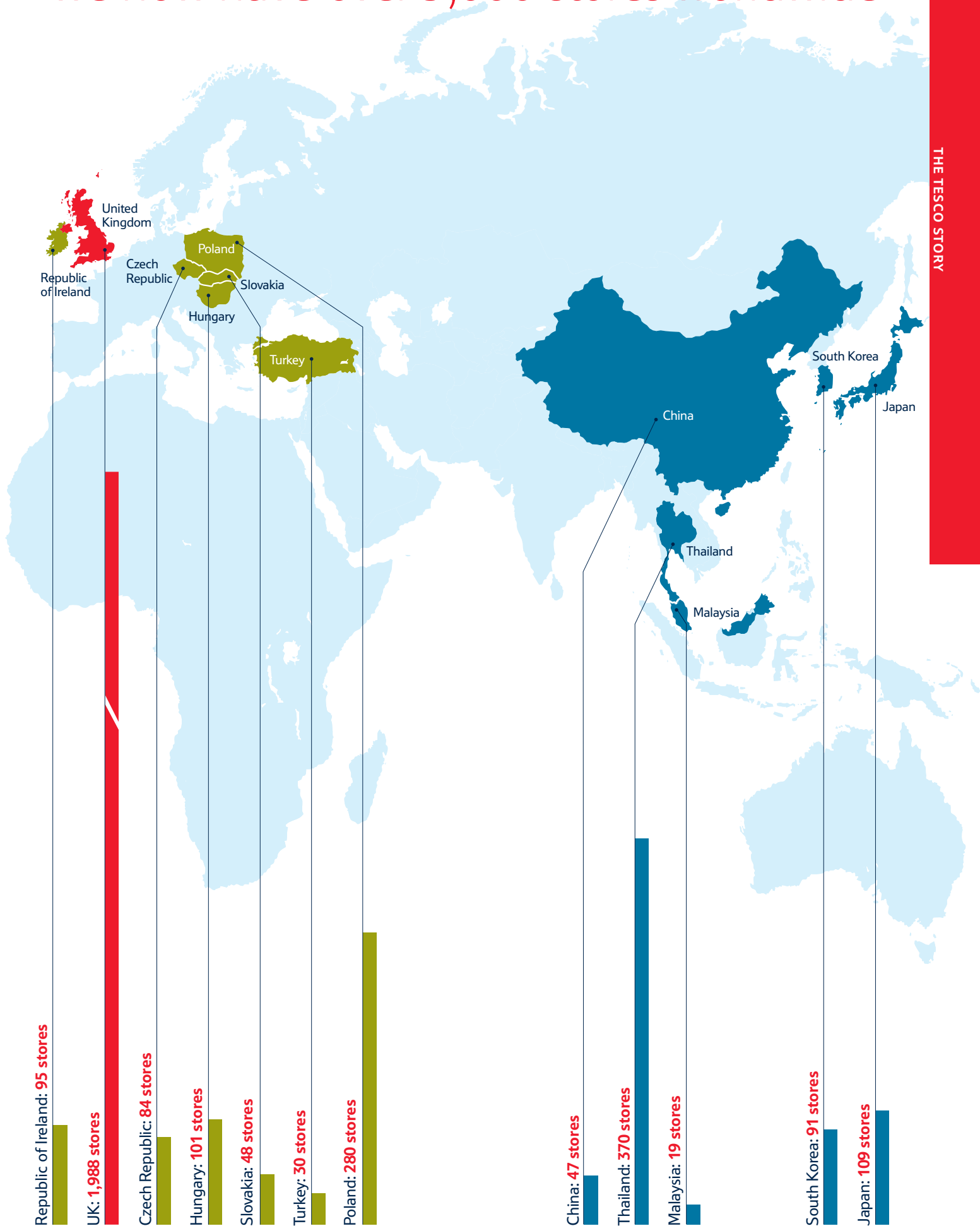
The communities which we form a part of also benefit from our success. Our staff are largely drawn from the areas surrounding the stores they work in and so have a natural desire to make things better for both themselves and their friends and neighbours.

It has become increasingly apparent in recent years that the things we all do in our everyday lives are having a lasting and potentially damaging impact on the environment, with particular consequences for climate change.

Tesco has the ability and the ambition, through the efforts of our staff, our customers and all of our stakeholders, to lead the way on making a lasting difference to our long-term future.



# we now have over 3,000 stores worldwide



# The **UK** is our biggest market and the core of our business...

United Kingdom	
Number of stores	<b>1,988</b>
Sales area	<b>27.8m sq ft</b>
Year of entry	<b>1924</b>
New stores opened	<b>106</b>
Planned openings 2007/08	<b>142</b>
Number of staff	<b>270,417</b>

We work hard to create value for customers, to earn their lifetime loyalty. We try to deliver what customers want and we treat people – customers and our team – as we like to be treated.

## UK

We made further good progress in the **UK**; coping well with recovering competitors by delivering an improved shopping trip for customers.

UK sales grew 9.0% to £35.6 billion (last year £32.7 billion), with like-for-like growth of 5.6% (including volume of 5.0%) and 3.4% from net new stores. Excluding petrol, like-for-like sales grew by 5.6%. In our stores, we saw modest inflation of 0.2%, as our continued investment in lowering prices for customers was more than offset by the strength of seasonal fresh-food prices. Increased productivity and good expense control have enabled us to absorb significant external cost increases in the year, arising mainly from higher oil-related costs and increases in local business taxes.

## Formats

We have developed the basic model of our stores into four different formats: **Express**, which brings great food at low prices to local neighbourhoods; **Metro**, which offers convenience to customers who live or work in city centres; in our **Superstores** customers can find everything they need for their weekly shop; and in our **Extra** stores customers can find our full range of food and also a comprehensive range of general merchandise including clothing, electricals and telecoms.

## Every Little Helps

**Every Little Helps** represents everything we stand for, it's not just a catchphrase or marketing slogan. As we have grown, so has the importance of **Every Little Helps**; over time, the different products and services we have diversified into has been so great, we ran the risk of losing our way. We have relied on **Every Little Helps** more and more over the years, to act as a common philosophy to bind us all together. Every operational decision we make in Tesco is judged against what we call the 'shopping lists'. These lists determine what we strive to achieve every day:

- that no-one tries harder for customers
- we treat people how we like to be treated
- we are better for customers, simpler for staff and cheaper for Tesco.

Deceptively simple, but the key to understanding Tesco is to see that our obsession with delivering these promises is what we are all about. Unless it improves the basics of the customers' shopping trip, we're not interested.

## Clubcard

Tesco **Clubcard** enables us to thank our customers for shopping with us and is a world-leading loyalty programme which allows us to better understand what our customers want. It is an integral part of how we run our business

as it helps us to listen to our customers and try and respond to their changing needs.

Last year nearly one million new customers signed up to Tesco **Clubcard**, and we gave away over £340 million in **Clubcard** vouchers, in order to thank our customers for shopping with us. For them to make the most of their vouchers, each customer's mailings are tailored to meet their individual needs.

Customers can also make the most of their vouchers by exchanging them for **Clubcard** deals which are worth four times the value.

Our most popular deals are days out at attractions such as Alton Towers and Legoland, and we are now partnering up with theme parks in France and Germany for even more adventurous days out.

In February 2007, we launched a partnership with the Open University so customers can now use their **Clubcard** vouchers to fund their learning, from a beginners course in writing family history to a humanities degree.

This year we started to reward our customers for shopping in an environmentally friendly way with our **Green Clubcard** points. Customers receive points when they reuse carrier bags, and also when they recycle old mobile phone and inkjet printer cartridges.

Clubcard enables us to thank our customers.





We currently employ over 270,000 members of staff in the UK.

We currently have over 600 staff signed onto development programmes in Poland.



# our expansion overseas includes six countries in **Europe...**

Our rate of expansion in European markets stepped up significantly in the year with 4.7m sq ft of new space added – representing almost 30% growth.

## Czech Republic

In the Czech Republic, our business has grown by almost two-thirds in the year and is now one of the leaders in the market. We again delivered strong profit growth despite competitive market conditions and the challenges of integrating the Carrefour and Edeka acquisitions. Conversion of the 11 Carrefour stores is almost complete, we have a strong organic store opening programme which will add some 13% to our space in the current year and we have begun remodelling our department stores – with the first, at Brno, performing well.

## Hungary

We continued to make progress in Hungary, but although overall sales grew, profit performance, was below budget. The effects of Government austerity measures last August on an already difficult economic and retail environment have been severe. Consumer spending levels are significantly down, with non-food categories particularly affected. Despite these challenges we have a strong market position which we have continued to strengthen by lowering prices, expanding our store network and developing our infrastructure. We opened 14 new stores during the year, including 10 hypermarkets, and we plan to add 15% to our total space in the current year.

## Poland

Against the background of an improving economy and a consolidating retail industry in Poland, we are making very good progress, with rising sales, profits and returns. Sales growth has continued to be strong, driven by sustained improvement in existing store performance and a growing contribution from new space. The development of our 1k (around 10,000 sq ft), 2k and 3k store formats, as part of an enlarged opening programme, is going well. The acquisition of the Leader Price stores from Casino, which was announced last July and completed in December has accelerated our 1k format expansion and contributed to a 37% overall space increase in Poland. Leader Price stores are being converted rapidly to Tesco with, on average, 25% sales uplifts.

## Republic of Ireland

Tesco Ireland delivered another excellent performance with improved profits and another year of strong sales growth in existing stores. Our new store opening programme will be substantially bigger this year – with 240,000 sq ft, representing growth of over 10%, planned. The new 740,000 sq ft distribution centre at Donabate, in north Dublin, opened in April 2007. Our competitive position is also strong and we're investing more for customers – for example, our largest ever programme of price cuts in Ireland, which started last summer, has been well-received.

## Slovakia

In Slovakia, the success of our compact hypermarket format and a strong economy have underpinned good growth in sales, profits and returns. We now have 25 such stores, approaching half of our total space, with more planned. We introduced our 1k format this year – opening the first store at Vrable and we now have six trading with nine more planned this year. Our organic expansion will add around 15% to our space this year.

## Turkey

Our Kipa business in Turkey, continues to grow strongly and profitably and now has the capability and resources to become a national business. We now have 15 hypermarkets trading, with the majority now outside our base in Izmir, including our first store in Thrace, with 24 more planned for the current year. The early introduction of Express in Turkey has also gone well, with 15 stores now trading, including three in Antalya. We have invested in creating the infrastructure for a business of scale – initially in management and systems – and also in supply chain, with our first major distribution centre (at Yasibasi) covering 400,000 sq ft, planned to open this month.

<b>Czech Republic</b>	
Number of stores	<b>84</b>
Sales area	<b>4.1m sq ft</b>
Year of entry	<b>1996</b>
New stores opened	<b>49</b>
Planned openings 2007/08	<b>24</b>
Number of staff	<b>11,786</b>

<b>Hungary</b>	
Number of stores	<b>101</b>
Sales area	<b>4.8m sq ft</b>
Year of entry	<b>1994</b>
New stores opened	<b>14</b>
Planned openings 2007/08	<b>24</b>
Number of staff	<b>17,727</b>

<b>Poland</b>	
Number of stores	<b>280</b>
Sales area	<b>6.5m sq ft</b>
Year of entry	<b>1995</b>
New stores opened	<b>176</b>
Planned openings 2007/08	<b>54</b>
Number of staff	<b>21,491</b>

<b>Republic of Ireland</b>	
Number of stores	<b>95</b>
Sales area	<b>2.3m sq ft</b>
Year of entry	<b>1997</b>
New stores opened	<b>7</b>
Planned openings 2007/08	<b>9</b>
Number of staff	<b>11,087</b>

<b>Slovakia</b>	
Number of stores	<b>48</b>
Sales area	<b>2.5m sq ft</b>
Year of entry	<b>1996</b>
New stores opened	<b>11</b>
Planned openings 2007/08	<b>17</b>
Number of staff	<b>8,061</b>

<b>Turkey</b>	
Number of stores	<b>30</b>
Sales area	<b>1.1m sq ft</b>
Year of entry	<b>2003</b>
New stores opened	<b>22</b>
Planned openings 2007/08	<b>49</b>
Number of staff	<b>3,469</b>

# ...with over eight million customers every week shopping in 636 stores across **Asia**.

<b>China</b>	
Number of stores	<b>47</b>
Sales area	<b>4.2m sq ft</b>
Year of entry	<b>2004</b>
New stores opened	<b>8</b>
Planned openings 2007/08	<b>10</b>
Number of staff	<b>17,419</b>

<b>Japan</b>	
Number of stores	<b>109</b>
Sales area	<b>0.3m sq ft</b>
Year of entry	<b>2003</b>
New stores opened	<b>7</b>
Planned openings 2007/08	<b>35</b>
Number of staff	<b>3,405</b>

<b>Malaysia</b>	
Number of stores	<b>19</b>
Sales area	<b>1.9m sq ft</b>
Year of entry	<b>2001</b>
New stores opened	<b>9</b>
Planned openings 2007/08	<b>7</b>
Number of staff	<b>5,820</b>

<b>South Korea</b>	
Number of stores	<b>91</b>
Sales area	<b>5.1m sq ft</b>
Year of entry	<b>1999</b>
New stores opened	<b>30</b>
Planned openings 2007/08	<b>51</b>
Number of staff	<b>11,932</b>

<b>Thailand</b>	
Number of stores	<b>370</b>
Sales area	<b>7.5m sq ft</b>
Year of entry	<b>1998</b>
New stores opened	<b>151</b>
Planned openings 2007/08	<b>162</b>
Number of staff	<b>29,538</b>

We have delivered a strong performance in Asia, despite challenging conditions in our two largest markets – South Korea and Thailand.

## China

In **China**, we trade from 47 hypermarkets, mainly in Shanghai, and the first stores in China's other large regional markets – Guangzhou, Shenzhen and Beijing (our first Tesco-fascia store) – have opened well. Our new range of over 1,000 Tesco own-brand lines have been well-received by customers. **Hymall's** sales have continued to grow strongly – up overall by 19% in the year, with strengthening like-for-like sales as the year progressed. As a result of carrying higher overheads as we invest to equip the business to grow faster, it made a small loss after tax and interest, of which our share was £6 million.

## Japan

In a still subdued retail market in **Japan** we made progress, with modest overall sales growth but a stronger like-for-like performance. Our focus in the year has been on refining and developing the trial **Express**-type stores into a profitable, expandable format and implementing our 'Tesco in a Box' suite of operating systems successfully. We now plan to push on with a much larger opening programme of up to 35 new stores this year.

## Malaysia

Tesco **Malaysia** has made excellent progress, moving strongly through to profitability in the year, delivering another year of strong (over 50%) sales growth, and achieving a near-doubling of space helped by the Makro acquisition in January. Substantial refits to the Makro stores have now begun, taking eight to nine weeks per store to complete and involving significant changes to layouts and ranges. We are developing a very good market position in Malaysia with a new store programme in place for this year which will add a further 22% of space to our network.

## South Korea

In **South Korea**, **Homeplus** continued to do well, with solid sales and very strong profit growth in more challenging market conditions than in recent years. During the year, we opened 29 new stores and, including extensions, almost 1m sq ft of space. Most of our new selling area came from large hypermarkets, but our development programme is now broadly-based with nearly 20% coming from store extensions, 21% from compact hypers and the remainder from the roll-out of our successful **Express** convenience format, which now has almost 40 stores trading. We have a strong forward pipeline of new space, including plans to double the size of the **Express** business.

## Thailand

Political uncertainty in **Thailand** during the second half of the year produced an unhelpful business climate. Nevertheless, **Tesco Lotus**, which has a strong market position, again performed well, delivering good growth in sales and profit. The successful development and roll-out of new small formats continues and to date, we have 370 stores trading across four formats, including 75 hypermarkets (of which 17 are **Value** stores). We also have 266 **Express** stores and 29 supermarkets which are proving very popular with customers.



Our offer is local, in response to local cultures, local customers, local supply chains and local regulations.

Dacheng E. store, Beijing, China

# financial highlights growth on 2006\*

## 10.9%

Group sales  
(including VAT)

## 13.2%

Underlying Group  
profit before tax<sup>†</sup>

## 20.3%

Group profit before tax

## 11.6%

Underlying diluted  
earnings per share<sup>†</sup>

## 18.5%

Diluted earnings  
per share

## 11.7%

Dividend per share

	2007 52 weeks	2006 60 weeks	2006* 52 weeks
On a continuing operations basis			
Group sales (£m) (including value added tax)	46,611	43,137	42,016
Group revenue (£m) (excluding value added tax)	42,641	39,454	38,443
Underlying Group profit before tax <sup>†</sup> (£m)	2,545	2,277	2,248
Group profit before tax (£m)	2,653	2,235	2,206
Underlying diluted earnings per share <sup>†</sup> (p)	22.36	20.30	20.04
Diluted earnings per share (p)	23.31	19.92	19.67
Dividend per share (p)	9.64	8.63	–
Group enterprise value (£m) (market capitalisation plus net debt)	40,469	30,841	–
Return on capital employed	12.6% <sup>‡</sup>	12.7%	12.5%

<sup>†</sup> Adjusted for IAS 32, IAS 39, the net difference between the IAS 19 income statement charge and 'normal' cash contributions for pensions, the Pensions Adjustment – Finance Act 2006 and impairment of the Gerrards Cross site.

\* Restated for the year ended 25 February 2006 including 52 weeks for the UK and ROI and a comparable 12 months (March – February) for the majority of the remaining international businesses.

<sup>‡</sup> Including the one-off gain from Pensions A-Day, ROCE was 13.6%.





## Chairman's statement

We are delighted to be able to report strong results in what has been a challenging year. Sales have increased by 10.9% to £46.6 billion, Group profit before tax is up by 20.3%. Underlying profit has grown by 13.2% to £2,545 million. Underlying diluted earnings per share are up 11.6% and the full year dividend, which now benefits from our rising flow of property profits, is up 11.7%.

As always, our results this year have been produced by a clear, consistent, well executed strategy. Tesco is a growth company and the strategy is designed to deliver good growth and performance, while maintaining focus on investing for the future.

UK sales are up 9.0%, including strong like-for-like growth of 5.6%, with good profit progress.

At actual rates, international sales are up 17.9% and trading profits before integration costs have increased by 20.9%. Our in-market acquisitions in the **Czech Republic**, **Poland** and **Malaysia** have added to an already large organic store opening programme.

Our non-food sales continue to grow throughout the Group, with worldwide sales of £10.4 billion, and there is more to come, as we develop our ranges, stores, and new channels.

Our retailing services are increasingly popular with customers. **Dotcom** has performed very well this year, moving sales through the billion pound mark. **Tesco Personal Finance** continues to expand its range of products, and **telecoms** is seeing good growth in its customer base.

Our property funding programme of £5 billion over five years, is well underway, with the two recent joint ventures delivering £1 billion of proceeds. So far, we have used almost £470 million to buy back and cancel our own shares. We now plan to enlarge the property funding programme beyond the original £5 billion target and this will fund a doubling of our share buy-back to £3 billion.

As always, our people are working hard every day to do the very best they can for customers and I am pleased to say that during the next year we are planning to create over 25,000 new jobs worldwide. I would like to thank every single one of our staff for their hard work over the year.

Through share ownership and share incentive schemes, over 165,000 of our people have a personal stake in Tesco. I am delighted that they were awarded shares worth a record £77 million last May under our **Shares in Success Scheme**. 50,000 staff were able to benefit when **Save As You Earn** schemes matured in February, giving them access to shares worth £148 million.

I would like to take this opportunity to welcome Lucy Neville-Rolfe, as Executive Director of Corporate and Legal Affairs, to the Board.

This time last year we launched our **Community Plan**. As a responsible company we want to play our part in tackling important social and environmental challenges, and the Community Plan has helped us channel the energy of the business into the right areas. I'm pleased to say that we've taken some major new initiatives on milk pricing, on carbon labelling, on regeneration and on packaging. These demonstrate the impetus this programme now has in Tesco.

Through our regeneration partnership stores we have been able to offer jobs to almost 4,000 long-term unemployed and disadvantaged people in some of the most deprived areas of Britain. We have committed to reducing our packaging by 25% by 2010. We will also label all our packaging according to whether it can be reused, recycled or composted; and if it cannot we will label that too. The first labelled products will be on our shelves by 2008.

Our customers and staff continue to support our chosen charities and we are looking forward to working with our Charity of the Year for 2007, the British Red Cross.

David Reid Chairman



Sir Terry Leahy

# Chief Executive's statement

Tesco is investing for the future and delivering today. These results demonstrate that we have again made good progress across the Group, whilst making significant start-up investment in new businesses and coping well with challenging conditions in some markets.

These results show that it has been another successful year for Tesco. The numbers are solid, the growth is broadly based – coming from all four parts of our strategy – and we have delivered tangible benefits for shareholders.

I'm pleased about that because these things are never easy. The most encouraging thing about this performance is that we've coped well with the head-wind from recovering competitors, rising costs and tough conditions in some markets. We've come through in good shape and we've done it by staying focused on doing the right things for our customers and at the same time investing for future growth.

I'm a committed Tesco shareholder. For me, the Tesco investment case is about three things: strong, sustainable growth through serving customers; disciplined investment; and good returns for the owners of the business – now and in the long term. We have a good track record of delivery on these things – and there's more to come.

### Growth

We have laid solid foundations for future growth. Our new businesses are coming of age – they are profitable, they have scale and they are competitive. I believe they can now provide us with

years of strong growth – because in ten years, we've moved from reliance on a market of 60 million people to being able to access markets with over two billion people.

I'm also an investor in Tesco because I see the prospect of rising returns – by that I mean both return on capital employed – and the return of income and capital to shareholders.

Last year, we set a new return on capital employed (ROCE) target – to add another 200 basis points. ROCE grew in 2006/07, which is a great result given the start-up costs in Tesco Direct and the US – plus almost £400 million of investment in acquisitions. The underlying progress on ROCE has been even stronger – before the effect of those factors it was up 50 basis points – and we're on track to hit our target.

It has also been a good year for shareholder returns, which are up 36%. Of course, our shares are higher in buoyant markets but we're also doing more to contribute. Dividends are up to approaching £800 million, driven by last year's change in policy, combined with the effect of our rising flow of property profits now ranking for dividend. We have also bought back and cancelled almost £470 million worth of our own shares so far.

We know one of the reasons for the strength of our shares is property. As market yields have fallen, property has become a bigger element of the embedded value in the business – and we've played our part in raising awareness of this – mainly by selling some. The appetite for property is so strong that our two recent Joint Venture (JV) deals achieved a premium to book value of almost 100%, on initial yields under 4.5%. This success, and the good experience we have had operating our stores in the JV's, has encouraged us to do more. Our enlarged property funding programme is behind the doubling of the share buy-back.

That said, property is an integral part of a retail business – and it is important that we strike the right balance between returns today and value tomorrow. So we will retain the necessary long-term strategic strength we see in ownership by keeping at least 70% of our assets in freehold.

Throughout all our businesses across the world, we measure our performance through the Steering Wheel, whether we work in distribution, the office or in stores. This helps maintain focus and balance in what counts to run each of our businesses successfully, be it wage costs or whether customers can get everything they want.



## Chief Executive's statement continued

# 25%

increase in  
international space

To sum up, our focus remains on profitable **growth** – building on the solid foundations we have laid over the last ten years. At the same time, we're always looking to improve the way the owners of the business benefit from that growth.

As a company we are putting increasing focus on our work with **communities** and the **environment**. We've built our success on listening to customers and these things are growing in importance for them. That's why I believe the battle to win their loyalty will increasingly be fought not just on value for money, range and convenience, but on being good neighbours, behaving responsibly and seizing challenges such as climate change.

I think these will be positives for us. Customers want to do the right thing – they're just not always sure how – whether it's a healthier diet or consuming in a greener way. It's a classic consumer need – and one which I believe **Tesco** is well placed to meet. That's why we've made it part of the **Tesco Steering Wheel**.

As investors, you need to know that we see these things as opportunities – so it is also important that **Tesco** leads.

### International

Our biggest opportunity for growth and for improved returns is **International** – and it underlines the breadth of our business.

Overall, we have produced a very good performance – particularly against the background of political uncertainty and economic problems in three of our largest markets – **Hungary, Thailand** and **South Korea**. This demonstrates that **International** now has the size and momentum to get through these things and still deliver.

Two years ago I began to lay out how we had evolved a strategy for international expansion from a decade of experience. Today, given how much retrenchment is going on among retailers with international ambitions, I think we can claim that this has developed into one of the most successful – if not the most successful – approach to international retailing.

It is about being **flexible**; being **local**; maintaining **focus** on a few countries; using **multi-formats** to reach the whole market; developing **capability**; and finally, – once you've put in the networks, it's about building the **brand**.

I know this approach is now more familiar to you – but I'm going to highlight the significant developments of the past 12 months using some of these six elements – starting with focus. Through a combination of organic expansion and several good in-market acquisitions, we've made excellent progress in building stronger positions in all of our existing countries.

Across our 11 markets, we opened 8.2 million sq ft of space – four times the amount added in the **UK** and over 50% more than the year before. We plan to add over 7.5 million sq ft more this year – all of it organic, even without the stores in the **United States**.

We have got much stronger in **Central Europe**, through rapid growth in new space and acquisition. For example, sales have increased by almost two-thirds in the **Czech Republic** – helped by the Carrefour and Edeka stores – taking us into the leading group of retailers in the market. In **Poland**, sales were up 22% with only a few weeks' contribution from the Leader Price stores. These are rapidly being converted to our 1k format – with sales uplifts so far averaging 25%. Profits rose almost 50% in Poland. Pushing on faster in these markets is paying dividends. Not only are returns improving – but as the most profitable and rapidly growing retailer we are able to participate in consolidation from a position of strength – and buy only the right assets at the right price.



Right: Dacheng E. store, Beijing, China

Far right: Selamattin Sıcdaç, Bornova Forum, Turkey



# 1,988

## stores in the United Kingdom

In **Asia** as well, having done the groundwork in a couple of our newer markets, we've used acquisition to get on faster. The eight Makro stores will double our space in **Malaysia** when converted. In **China**, we've taken a controlling interest in **Hymall**, which now has 47 supermarkets, including stores in Guangzhou and Shenzhen, plus the first **Tesco** branded store in Beijing – all of which opened well. 90% ownership will free the business from capital constraints and permit a faster rate of growth, through freehold development.

Our progress with multi-format has been very good, giving us more options for expansion and extending our reach into markets. Our experience means that we are able to calibrate formats more quickly for local customers, get to profitability and move faster into roll-out.

Our 1k stores are popular with customers and we now have over 200 of them trading across **Central Europe**. The universal appeal of **Express** means that it trades from almost a million sq ft of our international space. It is well established in **Thailand**, where we have a good forward programme and we will double the number of Expresses in **South Korea** this year – to 79 stores. Our trials in **Japan** are going well and we already have 15 Express stores in **Turkey**. Our first Central European Express – in **Prague** – will be opening soon.

The principles behind these formats are common, but the offer is **local** – designed by local teams for local customers. We've used this approach in putting together our 10,000 sq ft **Fresh & Easy Neighborhood Market** format for the **US**. Preparations for the launch later this year are going well. We have a strong team of over 150 at El Segundo and the construction of our 820,000 sq ft distribution centre at Riverside is on schedule.

We plan to open a significant number of stores at launch – across LA, Phoenix, Las Vegas and San Diego – and we've made good progress in obtaining quality real estate for them.

International returns are making steady progress towards the mid-teens numbers we require – improving to 11.5% with a high proportion of capital – over 70% – less than five years old.

Looking at the significant changes over the last 12 months for returns by country – not surprisingly, **Hungary** has slipped a bit – because we've chosen to push on with expansion in a very weak economy. It will come back. South Korea and Thailand have improved but the really pleasing thing is that **Poland** – which is our third largest investment and the **Czech Republic** – have both improved compared with last year – to like-for-like cash return on investment (CROI) approaching 10%.

Not only are returns still improving, cash flows are strong too. **EBITDA** in International was over £800 million in 2006/07. After working capital gains, this means that International funded more than 90% of its own **CAPEX**.

### United Kingdom

At the start of the year, we set out to make progress in an environment with recovering competitors and cautious consumers feeling the full effect of last year's energy cost and interest rate rises. Because we've been on good form operationally, we have coped well with those things – delivering good sales – and also strong profit growth, whilst carrying more than £40 million of start-up costs on **Tesco Direct** and the United States.

Two factors have been driving this. First, the real improvements we've made to the **shopping trip** for customers. We can always get better – but I want to highlight a few things we've done this year on price, service, range and availability.

Right: Pitsea Extra, UK

Far right: Carol Sargeant,  
Pitsea Extra, UK



## Chief executive's statement continued

# 11,000

products available through  
Tesco Direct

Our **price check** survey, which compares 10,000 prices against our leading competitors weekly, shows that our position has improved again during the year.

On **service**, the implementation of new checkout technology across our stores means that we can now monitor and manage the checkout service customers receive much more precisely – by customer, by store and by the hour. As a result, over 350,000 more customers a week benefit from our **'one-in-front'** checkout queue promise.

We've also made significant changes to our **food ranges** in response to customer demand, introducing more **Organics**, **free from**, **Healthy Living**, **Wholefoods**, **Fairtrade** and **Kids** products, as well as over 1,000 more premium lines – including over 250 **Finest**.

On-shelf **availability**, which we measure using our in-store picking of **tesco.com** orders, has also improved again and more customers are able to buy everything they want. The most marked increase has been achieved in fresh foods, where we have seen a fifth consecutive year of improvement.

For decades, food has been a falling proportion of total consumer spending. As a business we have contributed to this – by cutting prices to help people spend less. That won't change – but the long-term trend of declining spend on food has changed – it has stopped.

This is significant and I believe we're seeing a fundamental shift in the priority consumers place on food. The link between diet and health, interest in cooking, provenance – including local and Fairtrade – it is more than simply trading up. It is also not just about affluent customers – it's everyone and that means it could be a big long term positive for our industry.

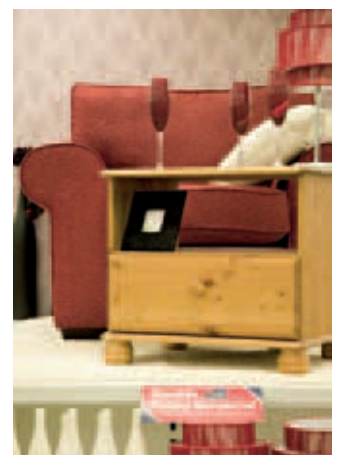
We can see these changes all around the store – with healthy foods growing nearly twice as fast as the rest of the business. A good example is **Organics** where sales are growing four times faster. In just 12 months the proportion of our customers buying organics is up by over a third – to more than 40% – and the growth is fastest among less affluent customers.

**Non-food** has again made very good progress, with sales growing significantly faster than in our core operations. It is now a £7.6 billion business in the UK alone – and well over £10 billion for the Group as a whole.

UK non-food sales growth was 11.6% in the year and volume growth was even higher, driven by our ability to pass on lower prices to customers. Non-food price deflation was over 3%, funded by our growing scale and supply chain efficiency and the benefits of more direct sourcing in **Asia**.

Most of our established categories, which benefit less from new space, grew well. For example, **health and beauty** sales increased by 9% and so did **news** and **magazines**. The exception was entertainment, where we saw market share gains but weak sales driven by deflation and the increase in downloading. We are putting plans together to build a strong position in the digital market.

Our newer categories again saw excellent growth. **Clothing** sales grew well – up by 16% – in a tough market, which was partly affected by unseasonal weather. We made strong market share gains by volume and value. Some product groups, to which we have been able to allocate more space in our larger **Extra** stores, did particularly well. **Consumer electronics** were up 35%, **toys** and **sport** up 30%, **DIY** and **stationery** were both up 23%.



Right and far right:  
Chelmsford Homeplus, UK

# 250,000

tesco.com orders each week

Our overall **non-food** market share is 8%. With our relatively low market shares in many categories, the growing popularity of our offer with customers, the scope to expand our stores and also sell more through direct channels, there is a lot of growth to come. Last September, we started **Tesco Direct** in a low-key way to let customers know about it, test the systems and make sure the logistics were ok. This went well, so a month ago we were able to go live on the full launch – with 11,000 items on our website, 7,000 of which are in our catalogue. As well as great prices and wider ranges, Tesco Direct offers customers an unrivalled choice of ordering and delivery options. Two-hour home delivery slots have proved very popular. So has the option to pick-up from store – which is why we're going to make it available in as many stores as possible – starting with 200 from this year. The feedback on the launch has been good – the catalogue has been extremely well received and volumes are encouraging.

Our **retailing services**, another indicator of the growing breadth of the business, have made further good progress – helped by our position as a leading internet retailer. **Dotcom** was on excellent form, with sales up 29% and profits – before the start-up costs of Tesco Direct – increasing nearly 50%.

**Tesco Personal Finance (TPF)** hasn't been immune from the effects of a difficult retail financial services market. However, I'm optimistic for the future. TPF is the best business of its kind in the market, it is high returning and under the new team there, I think it will get back to a faster rate of growth. 50% of TPF's product sales are now on-line, providing a strong platform from which to build.

**Telecoms** passed an important milestone in the year – when it moved into profit during the second half. Customer numbers also rose strongly, attracted by its combination of simple, great value tariffs, good service and innovative new products.

## Summary

In summary:

- Tesco is about growth and we are confident of sustaining strong growth into the future
- We do this by following the customer – and as they change, we change
- At the same time, we can deliver improving returns and tangible benefits for shareholders
- We are playing our part in tackling some of the social and environmental challenges we all face
- We've delivered strong results across the Group by making shopping better for customers
- Tesco is about investing for the future and delivering today – and I'm confident that the business is well-placed to meet the challenges which lie ahead.



**Terry Leahy** Chief Executive

Right and far right:  
Royston Extra, UK



# the Board





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

# David Potts is also responsible for Tesco Ireland.

#### 1. DAVID REID 60

##### 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 63

##### Deputy Chairman and Senior Non-executive ◆●▲

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 both in the United States and Europe.

#### 3. SIR 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 45

##### Commercial and UK 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 UK marketing directing.

#### 5. PHILIP CLARKE 47

##### International 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 49

##### Finance and Strategy Director

Andrew Higginson was appointed to the Board on 17 November 1997. He is a member of the 100 Group of Finance Directors, Chairman of Tesco Personal Finance and a Non-executive Director of BSKyB PLC. He is also responsible for retailing services, including tesco.com, Tesco Telecoms and Tesco Direct.

#### 7. TIM MASON 49

##### President and Chief Executive Officer Fresh & Easy Neighborhood Market

Tim Mason was appointed to the Board on 16 February 1995. He joined Tesco in 1982 and has been President of our US operations since 2006.

#### 8. LUCY NEVILLE-ROLFE CMG

##### 54 Corporate and Legal Affairs Director

Lucy Neville-Rolfe was appointed to the Board in December. She joined Tesco in 1997 and was Company Secretary from 2004-2006. She is Deputy Chair of the British Retail Consortium and a member of the China Britain Business Council and of 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.

#### 10. CHARLES ALLEN CBE 50

##### 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 a Non-executive Director of the London Organising Committee of the Olympics and Paralympics.

#### 11. KAREN COOK 53

##### 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 Partnership Committee.

#### 12. E MERVYN DAVIES CBE

##### 54 Non-executive Director ◆●▲

Mervyn Davies was appointed a Non-executive Director on 7 July 2003. He is Chairman of Standard Chartered PLC.

#### 13. DR 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 and Checkpoint Systems Inc. and is on the Board of Stora Enso Oy, part of the Wallenberg Group, as well as on the Board of Rezidor AB in Sweden.

#### 14. KEN HYDON 62

##### 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. CAROLYN MCCALL 45

##### Non-executive Director ●◆

Carolyn McCall was appointed a Non-executive Director on 1 March 2005. She is Chief Executive of the Guardian Media Group PLC, which comprises The Guardian and The Observer newspapers and websites, a regional media group, a radio division and Trader Media Group. She chairs Opportunity Now, the UK's leading membership organisation working towards gender equality and diversity in the workplace.

#### 16. JONATHAN LLOYD 40

##### 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.

## Summary Directors' Report

### Independent auditors' statement to the members of Tesco PLC

We have examined the summary financial statements which comprises the Summary Consolidated Income Statement, Summary Consolidated Balance Sheet, Summary Consolidated Cash Flow Statement and the Summary Directors' Remuneration Report set out on pages 48 to 52.

#### Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the summarised annual report 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 summarised annual report 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 summarised annual report 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 1999/06, '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 24 February 2007 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

16 April 2007

**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, and Thailand. We have also announced our plans to open in the United States. The summary financial statement and Operating and Financial Review is on pages 50 to 52.

**Dividends** The Directors recommend the payment of a final dividend of 6.83p per ordinary share to be paid on 6 July 2007 to members on the Register at the close of business on 27 April 2007. Together with the interim dividend of 2.81p per ordinary share paid in December 2006, the total dividend for the year will be 9.64p, compared with 8.63p for the previous year, an increase of 11.7%.

**Directors** Details of the current members of the Board are shown on pages 46 and 47. Mr E M Davies, Dr H Einsmann, Mr K J Hydon, Mr D T Potts and Mr D E Reid retire from the Board by rotation and, being eligible offer themselves for re-election at the Annual General Meeting (AGM). Miss L Neville-Rolfe joined the Board in December 2006, and as required by the Articles of Association, will offer herself for election at the AGM.

**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 24 February 2007. A full corporate governance statement is contained in the Annual Report and Financial Statements 2007.

### 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 Director Remuneration Report Regulations 2002.

A summary of Directors' emoluments and interests is set out on page 49. The full Remuneration Report is provided in the Annual Report and Financial Statements 2007.

**Directors' emoluments**

	Fixed emoluments			Share Incentive Plan £000	Performance-related emoluments			Total 2006/07 £000	Total 2005/06 £000
	Salary £000	Allowances £000	Benefits (b) £000		Short-term £000	Short-term Deferred Shares £000	Long-term (c) £000		
<b>Executive Directors</b>									
Sir Terry Leahy	1,202	–	99	3	1,240	1,240	834	4,618	3,979
Mr R Brasher	622	–	59	3	660	660	–	2,004	1,622
Mr P A Clarke	686	–	92	3	708	708	434	2,631	2,219
Mr A T Higginson	686	–	88	3	708	708	468	2,661	2,300
Mr T J R Mason (a)	686	542	354	3	1,005	708	467	3,765	2,256
Miss L Neville-Rolfe (d)	90	–	15	–	67	67	–	239	–
Mr D T Potts	686	–	33	3	708	708	436	2,574	2,219
<b>Non-Executive Directors</b>									
Mr C L Allen	69	–	–	–	–	–	–	69	58
Mr R F Chase	109	–	–	–	–	–	–	109	100
Mrs K Cook	62	–	–	–	–	–	–	62	55
Mr E M Davies	70	–	–	–	–	–	–	70	60
Dr H Einsmann	62	–	–	–	–	–	–	62	55
Mr K J Hydon	69	–	–	–	–	–	–	69	58
Ms C McCall	62	–	–	–	–	–	–	62	53
Mr D E Reid (Chairman)	536	–	76	–	–	–	–	612	586
<b>Total</b>	<b>5,697</b>	<b>542</b>	<b>816</b>	<b>18</b>	<b>5,096</b>	<b>4,799</b>	<b>2,639</b>	<b>19,607</b>	<b>15,620</b>

(a) Mr T J R Mason relocated to the US during the year. Benefits and allowances were paid to Mr T J R Mason in line with the Tesco approach to expatriate transfers including one-off payments for relocation, and travel and localisation costs including schooling. For future years this will be reduced to a non-pensionable salary supplement and a more focussed package of benefits which recognises ongoing expatriate costs including travel, medical and tax-related costs and services. Mr T J R Mason's short-term cash bonus includes cash compensation payments in respect of accumulated share rights from existing plans paid in cash as a result of his move to the US.

(b) With the exception of Mr T J R Mason, benefits are made up of car benefits, chauffeurs, disability and health insurance, staff discount and gym/leisure club membership.

(c) The long-term bonus figures shown in table 1 relate to the additional 12.5% enhancements allocated in May 2006 on short-term and long-term awards under the old bonus scheme. The long-term bonuses awarded on 20 July 2006 under the Performance Share Plan were awarded in the form of nil cost options with the exception of Mr T J R Mason who received an unfunded promise to deliver shares. Details of this award are shown in table 6.

(d) Miss L Neville-Rolfe was appointed on 14 December 2006. The figures in table 1 are calculated from the date of her appointment.

**Disclosable interests of the Directors, including family interests**

	Number of shares				Exercise price of outstanding options (pence)	Value realisable during 2006/07 £000	Ordinary shares at 24 February 2007 (b)
	Options held at 25 February 2006 (a)	Granted	Exercised	Options held at 24 February 2007 (a)			
<b>Executive Directors</b>							
Sir Terry Leahy	5,745,347	1,436,920	1,671	7,180,596	0.00 – 318.6	4	6,161,039
Mr R Brasher	1,763,401	715,619	347,564	2,131,456	0.00 – 318.6	469	195,483
Mr P A Clarke	2,185,101	820,688	831,122	2,174,667	0.00 – 318.6	1,030	1,491,104
Mr A T Higginson	2,585,673	820,688	1,231,694	2,174,667	0.00 – 318.6	2,270	1,674,052
Mr T J R Mason	2,585,005	416,540	872,725	2,128,820	0.00 – 318.6	1,025	1,963,153
Miss L Neville-Rolfe (c)	360,012	–	–	360,012	159.0 – 318.6	–	255,883
Mr D T Potts	1,856,916	820,688	502,937	2,174,667	0.00 – 318.6	824	1,843,088
<b>Non-Executive Directors</b>							
Mr C L Allen	–	–	–	–	–	–	–
Mr R F Chase	–	–	–	–	–	–	52,653
Mrs K Cook	–	–	–	–	–	–	–
Mr E M Davies	–	–	–	–	–	–	2,400
Dr H Einsmann	–	–	–	–	–	–	209,353
Mr K J Hydon	–	–	–	–	–	–	30,093
Ms C McCall	–	–	–	–	–	–	6,408
Mr D E Reid (Chairman)	–	–	–	–	–	–	193,347

(a) 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 and Executive Incentive Plan.

(b) Ordinary shares shown in this table include shares held under incentive plans and shares awarded to Mr T J R Mason under the Performance Share Plan in 2006 in the form of a promise to deliver shares.

(c) Miss L Neville-Rolfe was appointed to the Board on 14 December 2006. No options have been granted or exercised since the date of her appointment.

## Summary Financial Statement and Operating and Financial Review

**Income statement** Group sales, including VAT, increased by 8.1% to £46.6 billion (2006 – £43.1 billion) and by 10.9% on a comparable 52-week basis. At constant exchange rates, sales grew by 7.9% and 10.8% respectively. Group profit before tax increased by 18.7% to £2,653 million (2006 – £2,235 million) and by 20.3% on a comparable 52-week basis. Underlying profit before tax (excluding IAS 32 and IAS 39 and the non-cash elements of IAS 19, which are replaced by the normal cash contributions) increased to £2,545 million, up by 11.8% (13.2% on a comparable 52-week basis). Underlying diluted earnings per share grew by 10.1% (11.6% on a comparable 52-week basis) to 22.36p and diluted earnings per share increased by 17.0% (18.5% on a comparable 52-week basis) to 23.31p.

A final dividend of 6.83p per ordinary share (2006 – 6.10p) is proposed. Together with the interim dividend of 2.81p (2006 – 2.53p) already paid, this brings the full year dividend to 9.64p (2006 – 8.63p) an increase of 11.7% on last year.

UK sales increased by 9.0% to £35.6 billion with like-for-like growth of 5.6% (including volume of 5.0%) and 3.4% from net new stores. Inflation overall was a modest 0.2%, as our continued investment in lowering prices for customers was more than offset by the strength of seasonal fresh food prices.

Increased productivity and good cost control have enabled us to absorb significant external cost increases in the year, arising mainly from higher oil-related costs and increases in local business taxes. Consequently, UK operating profit was 16.5% higher at £2,083 million (2006 – £1,788 million). Trading profit rose 9.2% to £1,914 million, with trading margins similar to last year at 5.9%.

Record efficiency savings of £350 million were delivered by our Step Change programme, which bring together many initiatives to make what we do better for customers, simpler for staff and cheaper for Tesco.

Total international sales grew by 5.3% to £11.0 billion. On a comparable 52-week basis, sales increased by 17.9% at actual rates. International contributed £564 million to trading profit, up 10.8% at actual rates (up 18.0% on a comparable 52-week basis).

In the rest of Europe, sales rose by 8.7% at actual rates to £6.3 billion (2006 – £5.8 billion), and 18.7% on a comparable 52-week basis. Trading profit increased to £318 million, up 17.3% on both a statutory and comparable 52-week basis. In Asia, sales rose by 1% to £4.7 billion (2006 – £4.7 billion), and 16.8% on a comparable 52-week basis. Trading profit increased to £246 million, up 3.4% and 18.8% on a comparable 52-week basis.

We have also announced our plans to open in the United States.

Total profit (net of tax and interest) from joint ventures and associates for the year was £106 million compared to £82 million last year. Tesco Personal Finance profit was £130 million, of which our share was £65 million.

Net finance costs for the year were £126 million (2006 – £127 million). Tax has been charged at an effective rate of 29.1% (2006 – 29.0%).

The summary financial statement on pages 51 and 52 and the summary Directors' report on pages 48 and 49 are a summary of information in the Annual Report and Financial Statements 2007. This summary financial statement does not contain sufficient information to allow for a full understanding of the results of the Group and the state of affairs of the Company and the Group.

The Directors' report, the accounts and Auditors' report on those accounts, which is unqualified, are contained in a separate publication entitled Annual Report and Financial Statements 2007. Copies may be obtained free of charge by writing to:

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

Telephone 01992 632222.

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 16 April 2007.

Sir Terry Leahy  
Andrew Higginson  
Directors

## Summary Group Income Statement

Year ended 24 February 2007

	2007 £m	2006* £m
<b>Continuing operations</b>		
<b>Revenue (sales excluding VAT)</b>	42,641	39,454
Cost of sales	(39,401)	(36,426)
Pensions adjustment – Finance Act 2006	258	–
Impairment of the Gerrards Cross site	(35)	–
<b>Gross profit</b>	3,463	3,028
Administrative expenses	(907)	(825)
Profit arising on property-related items	92	77
<b>Operating profit</b>	2,648	2,280
Share of post-tax profits of joint ventures and associates (including £47 million of property-related items (2005/06 – £nil))	106	82
Profit on sale of investments in associates	25	–
Finance income	90	114
Finance costs	(216)	(241)
<b>Profit before tax</b>	2,653	2,235
Taxation	(772)	(649)
<b>Profit for the year for continuing operations</b>	1,881	1,586
<b>Discontinued operation</b>		
Profit/(loss) for the year from discontinued operation	18	(10)
<b>Profit for the year</b>	1,899	1,576
<b>Attributable to:</b>		
Equity holders of the parent	1,892	1,570
Minority interests	7	6
	1,899	1,576
<b>Earnings per share from continuing and discontinued operations</b>		
Basic	23.84p	20.07p
Diluted	23.54p	19.79p
<b>Earnings per share from continuing operations</b>		
Basic	23.61p	20.20p
Diluted	23.31p	19.92p
<b>Non-GAAP measure: underlying profit before tax</b>	£m	£m
Profit before tax	2,653	2,235
<b>Adjustments for:</b>		
IAS 32 and IAS 39 'Financial instruments' – Fair value remeasurements	4	9
Total IAS 19 Income Statement charge for pensions	432	303
'Normal' cash contributions for pensions	(321)	(270)
<b>Exceptional items:</b>		
Pensions adjustment – Finance Act 2006	(258)	–
Impairment of the Gerrards Cross site	35	–
<b>Underlying profit before tax</b>	2,545	2,277
<b>Underlying diluted EPS</b>	22.36p	20.30p

\* Results for the year ended 25 February 2006 includes 52 weeks for the UK and Republic of Ireland and 14 months for the majority of the remaining international businesses.

## Summary Financial Statement and Operating and Financial Review continued

### Summary Group balance sheet

24 February 2007

	24 Feb 2007 £m	25 Feb 2006 £m
<b>Non-current assets</b>	20,231	18,644
<b>Current assets</b> (including assets held for sale)	4,576	3,919
<b>Current liabilities</b>	(8,152)	(7,518)
<b>Net current liabilities</b>	(3,576)	(3,599)
Total assets less current liabilities	16,655	15,045
<b>Non-current liabilities</b>	(6,084)	(5,601)
<b>Net assets</b>	10,571	9,444
<b>Equity attributable to equity holders of the parent</b>	10,506	9,380
Minority interests	65	64
<b>Total equity</b>	10,571	9,444

### Summary Group cash flow statement

Year ended 24 February 2007

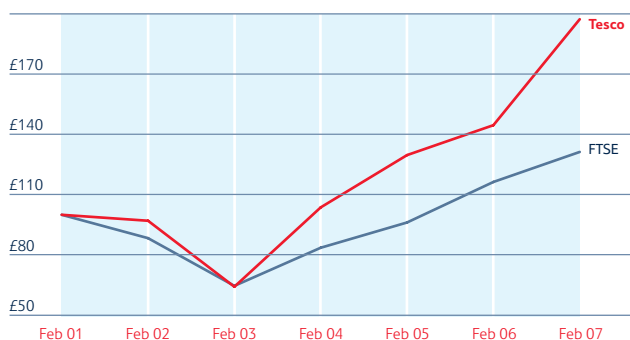
	2007 £m	2006* £m
Cash generated from operations	3,532	3,412
Interest paid	(376)	(364)
Corporation tax paid	(545)	(429)
<b>Net cash from operating activities</b>	2,611	2,619
<b>Net cash used in investing activities</b>	(2,343)	(1,962)
<b>Cash flows from financing activities</b>		
Dividends paid	(467)	(441)
Other net cash flows on financing activities	(66)	(51)
<b>Net cash used in financing activities</b>	(533)	(492)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(265)	165
Cash (inflow)/outflow from decrease from debt and lease financing	(268)	115
Net debt included within disposal group	-	55
Other non-cash changes	18	(357)
Increase in net debt in the year	(515)	(22)
<b>Opening net debt at beginning of year</b>	(4,509)	(4,487)
<b>Closing net debt at end of year</b>	(5,024)	(4,509)

**Balance sheet** Net assets have increased by £1,127 million to £10,571 million. Non-current assets increased by £1,587 million, after charging depreciation and amortisation of £878 million.

Group capital expenditure was £3.0 billion. UK capital expenditure was £1.9 billion, including £687 million on new stores and £295 million on extensions and refits. Total international capital expenditure rose to £1.1 billion, £0.4 billion in Asia and £0.7 billion in Europe. In the year ahead we forecast Group capital expenditure to be around £3.5 billion.

**Cash flow statement** Overall, the Group generated a net cash outflow of £265 million, leaving net debt of £5.0 billion at the year end, £0.5 billion higher than last year. Gearing remained unchanged at 48%.

\* Results for the year ended 25 February 2006 includes 52 weeks for the UK and Republic of Ireland and 14 months for the majority of the remaining international businesses.



#### TOTAL SHAREHOLDER RETURN (TSR)

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 (ie. 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
	2003	2004 53 wks	2005	2005	2006 <sup>1</sup>	2007
<b>Financial statistics</b>						
Group sales (including VAT) (£m)	28,280	33,557	37,070	36,957	43,137	46,611
<b>Revenue (excluding VAT) (£m)</b>						
UK	21,309	24,760	27,146	27,146	29,990	32,665
Rest of Europe	2,664	3,385	3,818	3,818	5,095	5,559
Asia	2,031	2,669	3,010	2,902	4,369	4,417
	26,004	30,814	33,974	33,866	39,454	42,641
<b>Operating profit<sup>2</sup> (£m)</b>						
UK	1,289	1,486	1,666	1,556	1,788	2,083
Rest of Europe	134	171	249	243	263	324
Asia	69	121	149	153	229	241
<b>Total Group</b>	<b>1,492</b>	<b>1,778</b>	<b>2,064</b>	<b>1,952</b>	<b>2,280</b>	<b>2,648</b>
Underlying profit – UK GAAP <sup>3</sup>	1,401	1,708	2,029	N/A	N/A	N/A
Underlying profit – IFRS <sup>4</sup>	N/A	N/A	N/A	1,925	2,277	2,545
Basic earnings per share <sup>5</sup>	13.54p	15.05p	17.72p	17.52p	20.20p	23.61p
Diluted earnings per share <sup>5</sup>	13.42p	14.93p	17.50p	17.30p	19.92p	23.31p
Dividend per share <sup>6</sup>	6.20p	6.84p	7.56p	7.56p	8.63p	9.64p
Return on capital employed <sup>7</sup>	10.2%	10.4%	11.5%	11.8%	12.7%	13.6% <sup>10</sup>
<b>Group statistics</b>						
Number of stores	2,291	2,318	2,334	2,334	2,672	3,263
Total sales area – 000 sq ft	39,944	45,402	49,135	49,135	55,215	68,189
Average employees	270,800	310,411	335,750	335,750	368,213	413,061
Full-time equivalent employees	188,182	223,335	242,980	242,980	273,024	318,283
<b>UK retail statistics</b>						
Number of stores	1,982	1,878	1,780	1,780	1,898	1,988
Total sales area – 000 sq ft <sup>8</sup>	21,829	23,291	24,207	24,207	25,919	27,785
Revenue per employee <sup>9</sup>	160,157	162,459	166,534	166,534	170,923	177,084
Weekly sales per sq ft	21.86	22.48	23.89	23.89	25.06	25.48

<sup>1</sup> 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.

<sup>2</sup> Operating profit includes integration costs and profit/(loss) arising on sale of property related items.

<sup>3</sup> UK GAAP underlying profit excluded net profit/(loss) on disposal of fixed assets, integration costs and goodwill amortisation.

<sup>4</sup> IFRS underlying profit excludes IAS 32 and IAS 39 'Financial Instruments' – Fair value remeasurements and the IAS 19 Income Statement charge for pensions, which is replaced by the 'normal' cash contributions. 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'.

<sup>5</sup> Diluted and basic earnings per share are on a continuing operations basis.

<sup>6</sup> Dividend per share relating to the interim and proposed final dividend.

<sup>7</sup> 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.

<sup>8</sup> Store sizes exclude lobby and restaurant areas.

<sup>9</sup> Based on average number of full-time equivalent employees in the UK, and revenue exclusive of VAT.

<sup>10</sup> Includes one-off gains from 'Pensions A-Day', without this one-off gain, ROCE was 12.6%.

## Investor information continued

### Shareholder profile

	Number of holdings	%	Number of Ordinary Shares held at 24 February 2007	%
Analysis by type of shareholder				
Employees	48,615	16.98	128,932,792	1.62
Other individuals	218,950	76.45	439,249,566	5.53
Corporate institutions	18,826	6.57	7,379,167,200	92.85
	286,391	100.00	7,947,349,558	100.00
Analysis by size of shareholding				
1 – 1,000	187,571	65.49	43,491,398	0.55
1,001 – 10,000	85,203	29.75	272,328,816	3.43
10,001 – 100,000	11,933	4.17	275,208,348	3.46
100,001 – 1,000,000	1,083	0.38	352,735,665	4.44
above 1,000,000	601	0.21	7,003,585,331	88.12
	286,391	100.00	7,947,349,558	100.00



## Financial calendar

### Registrar and Shareholding Enquiries

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

Lloyds TSB Registrars  
The Causeway,  
Worthing,  
West Sussex BN99 6DA  
Telephone 0870 600 3970

### 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 0870 600 3976.

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 Lloyds TSB Registrars on 0870 600 3976 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 2007 and our Corporate Responsibility Review 2007, is available on our website: [www.tesco.com/corporate](http://www.tesco.com/corporate)

### Electronic Communications

You can register for Shareview, a free on-line share information and dealing service operated by Lloyds TSB Registrars. 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](http://www.shareview.co.uk) and click on 'register now'. Your rights as a shareholder will not be affected in any way. If you have any questions about the service, please call 0870 600 3976.

### Security reminder

Under the Companies Act we are obliged to hold all shareholders' names and addresses on a register of members and give a copy of this list to Registrar of Companies every year.

The Registrar of Companies makes this list available to anyone who requests it and many companies use this information (sometimes matching it to telephone records) to market their services. Tesco PLC has no relationship with, and does not endorse any of the services offered by these companies.

If you are concerned about any direct mailing or telephone calls purporting to be from Tesco, please contact us by writing to the Company Secretary, Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL or by calling us on 01992 632222.

### Customer Services

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

### Investor Relations

Investor Relations Department  
Tesco PLC,  
Tesco House,  
Delamare Road,  
Cheshunt,  
Hertfordshire EN8 9SL  
Telephone 01992 646484

### Secretary and Registered Office

Mr Jonathan Lloyd  
Tesco PLC,  
Tesco House,  
Delamare Road,  
Cheshunt,  
Hertfordshire EN8 9SL  
Telephone 01992 632222

Financial Calendar	
	2007
Financial year end	24 February
Results announced	17 April
Final dividend: ex-dividend date	25 April
Final dividend: record date	27 April
AGM	29 June
Final dividend: payment date	6 July
Half year end	25 August
Interim dividend: ex-dividend date	10 October
Interim dividend: record date	12 October
Interim dividend: payment date	21 December

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