



TESCO

we go the extra mile for customers
 making shopping better, simpler, cheaper
 in every store, in every country
 in which we operate

Every little helps

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NUMBER OF STORES	SALES AREA	NEW STORES OPENED INC. ACQUISITIONS IN 2002/03	PLANNED OPENINGS IN 2003/04
1,982	21.8m sq ft	1,265	59
77	1.7m sq ft	1	6
53	2.5m sq ft	5	5
66	3.4m sq ft	20	5
17	1.6m sq ft	2	4
17	1.4m sq ft	4	4
52	4.8m sq ft	17	6
21	2.1m sq ft	7	8
3	0.3m sq ft	1	1
3	0.3m sq ft	3	1
2,291	39.9m sq ft	1,325	99



UNITED KINGDOM



REPUBLIC OF IRELAND



HUNGARY



POLAND



CZECH REPUBLIC



SLOVAKIA



THAILAND



SOUTH KOREA



TAIWAN



MALAYSIA



2003 **2002**

Group sales (£m) (including value added tax)	28,613	25,654
Underlying pre-tax profit [†] (£m)	1,401	1,221
Pre-tax profit (£m)	1,361	1,201
Underlying diluted earnings per share [†] (p)	13.98	12.14
Diluted earnings per share (p)	13.42	11.86
Dividend per share (p)	6.20	5.60
Group enterprise value (£m) (market capitalisation plus net debt)	16,896	21,290

[†] Excluding net loss on disposal of fixed assets, integration costs and goodwill amortisation.

FINANCIAL HIGHLIGHTS

GROUP SALES

+ 11.5%

UNDERLYING GROUP PROFIT BEFORE TAX[†]

+ 14.7%

GROUP PROFIT BEFORE TAX

+ 13.3%

UNDERLYING DILUTED EARNINGS PER SHARE[†]

+ 15.2%

DILUTED EARNINGS PER SHARE

+ 13.2%

DIVIDEND PER SHARE

+ 10.7%

Tesco is now recognised as an International Group. We operate successfully in ten countries. We are market leader in six countries and profitable in eight. This year has seen Tesco deliver a third consecutive year of double digit profit growth. All four parts of the Tesco strategy, the core UK business, non-food, retailing services and international, have contributed to this growth.

John Gardiner Chairman

CHAIRMAN'S STATEMENT



DELIVERING OUR STRATEGY Following a strong performance last year, the Tesco Group has delivered another year of outstanding results. For the full year, Group sales have risen by 11.5% to £28.6bn. Underlying pre-tax profit is £1.4bn up 14.7% and underlying diluted earnings per share is 13.98p up 15.2%.

DIVIDEND The Board propose a final dividend of 4.33p. This, together with the interim dividend of 1.87p, gives a total dividend of 6.20p, up 10.7% on last year. Dividend cover increases from 2.17 to 2.25 times.

PERFORMANCE Our customer focused strategy for long-term growth has already increased sales by 61% and underlying pre-tax profit by 68% over the last five years.

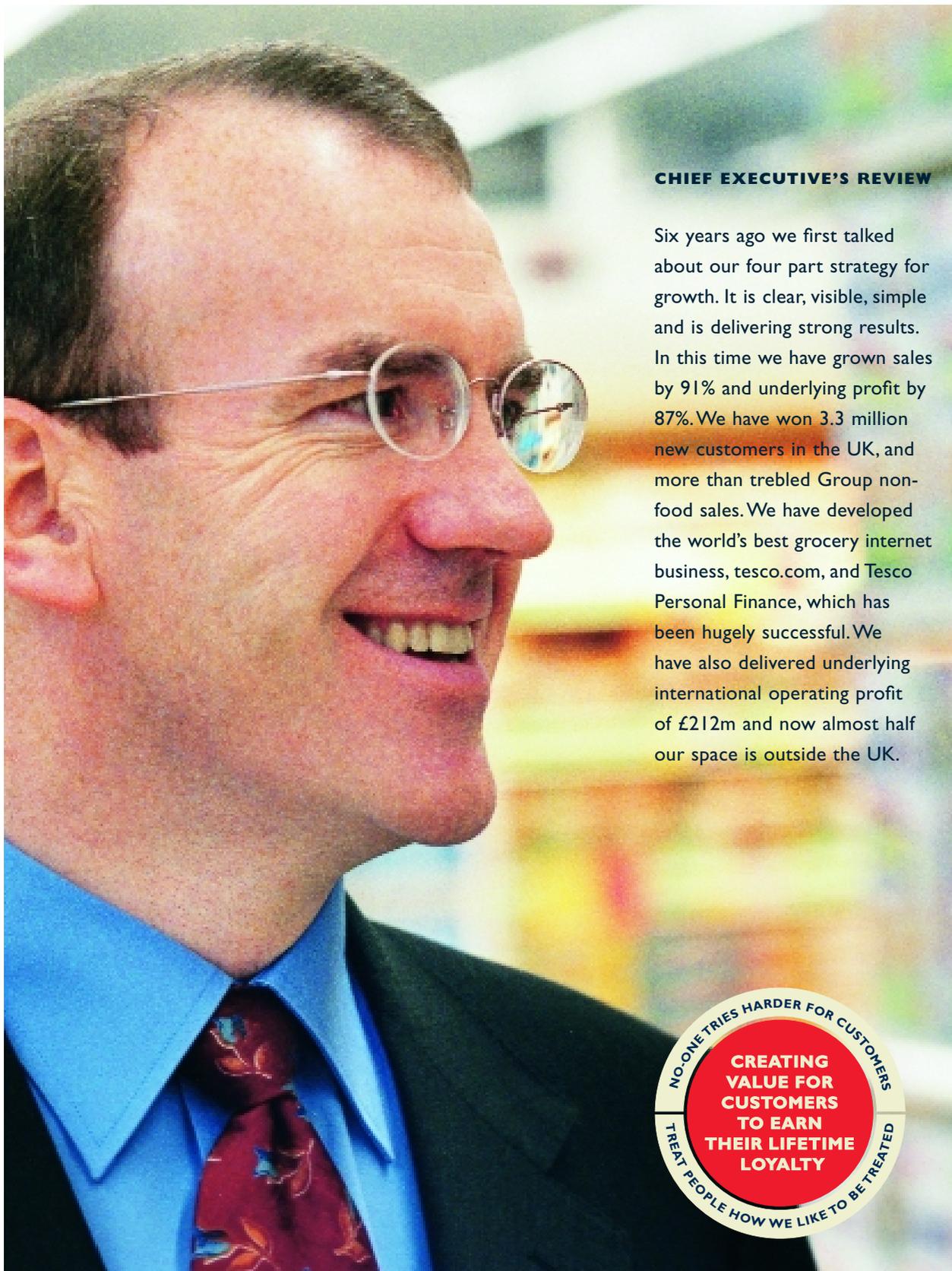
We first set out our strategy six years ago. All four elements of the strategy have contributed to outstanding growth, a strong UK core, non-food, retailing services and international. Our strategy for growth is underpinned by the Tesco core purpose and values.

This year we have reported excellent UK figures with sales up 7.9% and underlying operating profit¹ up 6.9%. Our non-food market share has increased to 5%. We have delivered our international targets that we set out in 1999 for 2002/03. We achieved underlying operating profit¹ of £141m and cash return on investment of 9.7%.

Profit has grown significantly in retailing services. Pre-tax, post minority interest, Tesco Personal Finance achieved profit of £96m and tesco.com gross profit from £0.4m last year to £12m this year.

Our people are key to delivering for our customers. Without their efforts we would not have delivered such strong results. I would like to thank everyone in the Tesco Group for their contribution. We now employ 296,000 people worldwide, of whom 75,000 are overseas. We will create a further 20,000 new jobs worldwide in the coming year.

BOARD CHANGES David Reid will be taking over as Non-executive Chairman in March 2004. We are also appointing Rodney Chase as Deputy Chairman and senior Non-executive Director at the same time. David has been at the heart of the business for many years and continuity will be valuable at a challenging time for the industry.



CHIEF EXECUTIVE'S REVIEW

Six years ago we first talked about our four part strategy for growth. It is clear, visible, simple and is delivering strong results. In this time we have grown sales by 91% and underlying profit by 87%. We have won 3.3 million new customers in the UK, and more than trebled Group non-food sales. We have developed the world's best grocery internet business, tesco.com, and Tesco Personal Finance, which has been hugely successful. We have also delivered underlying international operating profit of £212m and now almost half our space is outside the UK.



bringing value, choice and convenience to millions of customers every week

UK BUSINESS The UK is our core business. We have grown market share through our customer focused strategy.

We are now into our second £billion of price cuts following further price investment this year. This represents an 11% price drop in real terms and combined with service, the stores, and the products people want, explains why Tesco is Britain's best value supermarket.

At Tesco there is a product range for everyone, from Value to Finest. Our brands have broad appeal. We are a fully inclusive business.

Innovation is part of our everyday job for customers. This year we have introduced over 5,000 new food products, increased our Finest brand to nearly 1,100 products and introduced 500 Grab & Go counters in our stores.

Our Step Change programme has delivered over £230m of efficiency savings which we pass on to our customers. These programmes have focused on primary distribution, labour schedulers and Continuous Replenishment, which has been fully implemented in our stores. This makes the shopping experience better for customers and simpler for stores.

We now have 62 Extra stores and we opened 34 Express stores in the year.

We acquired T&S Stores, a leading convenience retailer. This acquisition increases our share of the convenience market from 1% to 5%. We will convert 450 T&S stores to our Express format over the next three to four years bringing the Tesco range and offer to many more customers in neighbourhood locations.

We were not surprised by the Government's decision to refer all potential supermarket bids for Safeway to the Competition Commission in March 2003. We have always understood that competition policy limited

consolidation of the four national players in our industry. If four were to become three, we believe consumers would be better off if Tesco led that change. Uniquely, Tesco brings together the qualities of consumer champion, experience across a broad range of formats and a world-class management team. No matter what the outcome, Tesco will remain focused on delivering the best for customers, staff and shareholders.

NON-FOOD Half our new space in the UK this year has been for non-food. This, along with improved capability has seen our non-food market share grow to 5%.

This year we have achieved a 16% share of chart music sales, introduced our Finest brand to non-food, and extended the Value brand. We have gained share on Health and Beauty extending our volume market leading position.

Cherokee, our exclusive clothing range is available in over 300 stores. Cherokee, Florence & Fred and the Value clothing brand have gone from strength to strength.

Our clothing range has driven sales increases of almost four times the market rate this year.

RETAILING SERVICES Our joint venture with the Royal Bank of Scotland, Tesco Personal Finance, made a profit of £96m in the year, of which our share was £48m. In just five years we have grown a substantial business delivering strong profits.

In 2002/03 we added over 1.4 million new accounts and policies.

TESCO.COM is world leading. Our UK grocery home shopping business covers 96% of the population and has over 110,000 weekly orders. Our home shopping model is working in the Republic of Ireland, South Korea, and the USA in our joint venture with Safeway Inc.

We are moving into new areas of retailing services. In January we announced that we would launch a fixed line phone service later in the year.

INTERNATIONAL Our strategy of building a profitable international business of scale, both in Europe and Asia continues to make excellent progress. In a six-year period we have built up a substantial chain of hypermarkets. Our overseas operation now accounts for almost half of Group space.

We are market leader in six countries and profitable in eight of our ten markets.

Our teams have done an excellent job by improving their operating margin performance. They have controlled branch and distribution costs as well as buying better.

We purchased the HIT chain of hypermarkets in Poland this year. We have rebranded all HIT stores introducing own-label, extensive non-food ranges and Tesco systems.

Our overseas business is, and will continue to be, successful, as we tailor our offer to meet local customer needs and leverage the scale we have already achieved. We will introduce different store types, roll-out central distribution to most countries and improve our capability through buying better and the introduction of own label.

We have become one of the leading and most profitable international retailers in both regions.

Six years on, our strategy remains the same, but it is not the same Tesco.

We have faster growth and now access more areas of opportunity.

Terry Leahy Chief Executive



United Kingdom overview

This year sales in our core UK market have grown by 7.9% and underlying operating profit by 6.9% reinforcing our position as the number one food retailer in the UK. Our strong UK performance allows us to expand into retailing services and international markets.

1,982
STORES

62 new openings
305,000 sq ft of extensions
1,202 T&S stores

21.8 million sq ft

62 Extras
442 Superstores
167 Metro/High street
109 Express



Graham Silcock and Dave Banter, Tesco Extra, Altrincham

221,000

number of stores

four store formats

store development

staff

In the UK we opened 62 new stores this year adding a further 1.4 million sq ft. We also acquired 1,202 T&S Stores, a leading convenience retailer, giving us an additional 1.8 million sq ft. This brings the total number of stores in the UK to 1,982.

We tailor our stores to meet our local customers' needs. We have four different store formats: Extra, Superstore, Metro and Express. All formats provide a different shopping experience for our customers, but all offer the same outstanding value.

We listen to customer and staff feedback to continually improve our stores. This year our UK development plan has seen Refresh and extension programmes, tailored to local customer requirements, improve over 200 stores.

Our loyal and committed staff have helped make us Britain's biggest supermarket. This year we have taken on an additional 9,000 people, with a further 5,000 over Christmas, to help serve our customers better. 104,000 of our staff are shareholders.



10 million Clubcard customers

customer loyalty

Clubcard is the UK's most popular loyalty scheme. You can collect AIR MILES with Clubcard. Two hundred million AIR MILES have been issued to customers this year. Clubcard holders can collect points at over 3,000 UK outlets including Allders and Marriott hotels.



Tesco own-brand

We have an inclusive offer catering for all tastes. This year we relaunched our Value brand, and we now stock over 1,200 lines. We have also extended our Finest range to include non-food items from lead crystal glasses to Egyptian cotton bed linen.



we sell for less

Each week a dedicated team of price checkers compares the prices on over 70% of the basket, to make sure that no-one sells for less. Customers can now log on to tesco.com for a price comparison.



non-food

One of our goals is to be as strong in non-food as in food. Our non-food range offers the value, choice and convenience that our customers expect. This year we launched our exclusive Cherokee clothing range.





United Kingdom

We are the UK's biggest private sector employer and we currently have 221,000 people who are committed to going the extra mile for our customers. We look after our staff so that they in turn can look after our customers.



Tesco Extra, Altrincham



PRICE Our latest price campaign saw £80m invested to cut prices on 1,000 everyday products. We are now into our second £billion of price cuts.

Miggy Firth, Tesco Extra, Cambridge



NUMBER ONE FOR SERVICE Everything we do is customer focused. We are an inclusive business, catering for all tastes and all customers' needs. This year we launched Health and Beauty advisors in our Extra stores.

One-Stop Shop, Shenley



ONE-STOP SHOP Tesco has acquired T&S Stores, one of the UK's leading convenience retailers, in a deal that will see around 450 stores converted to Tesco Express over the next three to four years.



EXTRA Our expanding portfolio of Extra stores delivers a fantastic destination shopping experience for our customers, with an extensive food and non-food offer.



EXPRESS We are opening our convenience offer 'Express' at a rate of one a week. This year we launched our first stand-alone Express store in Southborough.

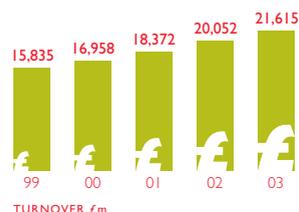


CHEROKEE The exclusive Cherokee clothing range has been designed to suit the British market, combining high quality, fashionable, branded wear, with exceptional prices.



United Kingdom review

This year our strong UK performance has seen our market share continue to grow. Our investment in price, combined with service, the stores and the products people want, explains why we are the first choice for British consumers and Britain's best value supermarket.



strategy

The key to our successful UK strategy is that we deliver first-class value, choice and convenience throughout our customer offer. To create value for customers to earn their lifetime loyalty is the Tesco core purpose. We have brought it to life under the banner 'Every Little Helps'. This means keeping the aisles clear, ensuring that customers can buy what they want, that our prices are low, that we have smaller queues at the checkout and that every customer is offered help.

UK sales have grown by 7.9%.

We are now into our second £billion of price cuts for the customer, making us Britain's best value supermarket. This year we celebrated the fifth anniversary of the Finest brand by expanding the range to 1,100 products. Finest is a c.£600m brand in its own right. We have continued to grow the convenience business with a like-for-like growth in ready meals of 23%. We lead the way in product development with our Healthy Living and Meals for One ranges.

convenience

We develop formats to meet our customers' needs. This year we opened our 100th Express store. Express offers

customers the chance to stock up on shopping at their convenience at a diverse range of locations, from inner city stores such as Maida Vale, London, to villages like Yateley in Hampshire. This year we also launched the first stand-alone Express store without a petrol station. This new concept will focus on bringing convenience and quality to local communities. Although on a smaller scale than larger supermarkets, it will provide a broad but carefully selected range of essential everyday products.

We have acquired T&S Stores with their 870 convenience outlets. We will convert around 450 shops to our Express format over the next three to four years. This will create around 1,400 new jobs in the heart of small neighbourhoods.

In the stores that convert to Express, customers will benefit from lower prices, improved service, better fresh food ranges and store environment, as well as better availability, quality and choice. This will allow us to accelerate our growth in the £20bn convenience market. We will continue to run the remainder as One-Stop Shops.



Tesco Extra, Altrincham



STORE DEVELOPMENT

We have four different store formats in the UK: Extra, Superstore, Metro and Express. We now have 62 Extra stores and we are currently opening at least one Express every week. This year we have invested over £150m into our Refresh programme to help serve customers better and improve availability, operations and store environment. A quarter of Superstores have received the customer-focused improvements in key areas including car parking, trolleys, signage, counters and availability.

innovation

Responding to our customers' needs we have introduced over 5,000 new food lines this year. We have led the way in bringing in screw-cap wines and our own label range 'Unwind' is on-track to be a £5m brand this year. Grab and Go counters have been introduced into over 500 stores, offering customers a huge choice of cheese and hot chicken without having to queue, making it simpler and cheaper to operate.

This year we have also launched our Healthy Living Club that has so far attracted over 140,000 members.

looking after our people

We are committed to developing our people to be the best, so that they can go the extra mile for our customers. This year we have introduced a 12-week training programme to further develop store managers. TWIST (Tesco Week In Store Together) saw directors and managers from all parts of the business working in-store to listen to the views of staff and see how to deliver initiatives simply and successfully.

The Tesco Values are a set of principles that describe the way we work together. Values awards allow us to reward our people for the great things they do for each other and our customers. 'Treat

people how we like to be treated' and 'No-one tries harder for customers' are the two main Values and this year we issued over 125,000 awards. We have relaunched flexible staff benefits including a childcare voucher scheme and Shares in Success, where staff with more than a year's service will be eligible for free shares.

We have an award winning defined benefits pension scheme, with 120,000 members, giving our staff the security they deserve.

In February 2003 £68m was paid out to 40,000 staff when two of our Save As You Earn schemes matured.

step change

Our step change programme has delivered £230m of new efficiency savings this year and over £600m in the past three years.

This year saw great progress with Primary Distribution, allowing us to take control of product from the factory gates to our distribution centres, improving efficiency and delivering cost benefits that we reinvest in customer initiatives. All products have now been transferred to our Continuous

Replenishment system. This has delivered substantial benefits to the business and reduced the time it takes for a product to get from supplier to shelf. We are now able to order seven days a week, twice a day to ensure that our customers get the right product at the right time.

non-food

Our strategy is to be as good in non-food as we are in food. We have expanded our non-food offer to provide the value, choice and convenience that our customers expect. We now have a 5% share of the UK non-food market.

We have a 16% share of chart music sales, up from 4% five years ago.

Since the launch of our exclusive Cherokee clothing range, we have increased our clothing market share. This year Cherokee, Florence and Fred, our Value and own-brand clothing offer has grown at four times the market rate. We opened our first Nutri Centre concession in our Kensington store, London, with a range of over 3,000 products. This year we became the UK's volume market leader in vitamins, minerals and supplements, and extended our volume market leading position in Health and Beauty.



REPUBLIC OF IRELAND



HUNGARY



POLAND



CZECH REPUBLIC



SLOVAKIA



REPUBLIC OF IRELAND

Europe overview

In our European business sales have grown by 22.5% and underlying operating profit by 56.7%. We have opened 18 hypermarkets in the year, making us the largest hypermarket operator in Central Europe.



Racz Zoltanne Erika, Pesti store, Budapest, Hungary

47,500

- 77** Republic of Ireland
- 53** Hungary
- 66** Poland
- 17** Czech Republic
- 17** Slovakia



five countries

number of stores

Budaörs store, Budapest, Hungary



10.6 million sq ft

sales area

staff

Tesco now operates in five countries in Europe as well as the UK; Republic of Ireland, Hungary, Czech Republic, Slovakia and Poland, accessing 68 million people.

We now have a total of 230 stores across Europe and this year we became the leading hypermarket retailer in Central Europe. Our ongoing plans for the region will see us expand next year to over 100 hypermarkets, growing our market share even further.

Our expansion programme has seen our total European sales area increase to 10.6 million sq ft in the past 12 months, a rise of 31% on last year. This includes the 13 hypermarkets acquired from the HIT chain in Poland.

This year we have taken on 6,500 extra staff and we now employ 47,500 people across our European operation. In Hungary we are the country's second biggest private employer, with 11,000 members of staff working across our operation.

Pesti store, Budapest, Hungary



24hrs



Tesco own-brand

We have increased the number of own-brand lines available, with over 1,400 Value lines across our Central European stores. In Poland, our 1,200 own-brand products now account for over 14% of total sales. Over 95% of customers recognise Value as a unique Tesco range.

non-food

We have introduced thousands of new non-food lines this year. Our customers can buy everything from handmade wooden sledges in Slovakia, to ski equipment in Poland. We also stock electricals, home entertainment and clothing in all our Central European hypermarkets.



we sell for less

We deliver unbeatable value for our customers in every market that we operate. We have adapted our successful UK template to launch regular initiatives to cut prices, giving customers even better value.

customer focus

Our customers want convenient shopping, and to cater for their differing needs we were the first company to introduce 24-hour opening in many of our Central European stores.





REPUBLIC OF IRELAND



HUNGARY



POLAND



CZECH REPUBLIC



SLOVAKIA

Europe

In our European operation, we are constantly looking for ways of getting better for customers, simpler for staff and cheaper for Tesco.



Mory store, Poland



HIT ACQUISITION This year we acquired a chain of 13 supermarkets across Poland from the German operator HIT, giving us a market leading position in Poland.

Value doughnuts, Pest store, Budapest, Hungary



OWN BRANDS By introducing the Tesco brand, we have made quality products at affordable prices available to even more customers. Our Tesco Value brand is the cheapest in the marketplace.



PRICE We have launched price campaigns in all of our European countries this year. We are the leading retailer in price investment for the customer, cutting the prices of 1,000s of lines across our European markets.



HUNGARY DISTRIBUTION Herceghalom is our first state-of-the-art centralised distribution centre in Central Europe. This has increased supply chain efficiencies. Further depots are planned in Poland and the Czech Republic.



STAFF Our staff are what set us apart from our competitors. In Ireland, as throughout the Group, we have supported our people through training and development programmes to help deliver even better service.



REPUBLIC OF IRELAND



HUNGARY



POLAND



CZECH REPUBLIC



SLOVAKIA

Europe review

Our local customer focused approach has ensured we have market leading positions in our European operation. We have 83 hypermarkets and are profitable in all of our European countries.



strategy

Our international strategy for long-term growth is focused on our developing markets. We tailor everything around the customer and build the best store network.

In Central Europe and the Republic of Ireland we now employ 47,500 people in five countries.

Republic of Ireland

Tesco market share has grown this year to 24.1%, maintaining market leadership.

We completed two major store extensions at Navan and Gorey. A record six new stores will open in 2003/2004. This year we opened our first petrol station at Killarney and will soon commence work on our first hypermarket in Dublin. Grocery home-shopping sales have doubled and the service has been extended across the country.

Central Europe

We have a profitable business of scale, built around state-of-the-art hypermarkets, ranging from 50,000 sq ft to 160,000 sq ft.

Hungary

This year we opened five new hypermarkets, including a new 50,000 sq ft format store at Ezstergom. We are the clear market leader in Hungary with a market share of 13%. We have 26 hypermarkets and 27 supermarkets.

In Hungary each week we serve over one million customers.

Poland

Our first store opened in Poland in 1998 and in just four years we have become market leader with 34 hypermarkets. This year we opened seven new hypermarkets, bringing our total number of stores in Poland to 66. The acquisition of 13 hypermarkets from German retailer HIT gave us a 23.2% market share of hypermarket sales, and brings Tesco value, choice and convenience to even more customers.

Czech Republic

This year we opened two new stores in the Czech Republic.

We have 11 hypermarkets and six department stores. Our store at Letnany is the biggest hypermarket in the Czech Republic.



Bogoly Attila, Budaörs store, Budapest, Hungary



STORE DEVELOPMENT

This year we have opened a further 18 hypermarkets in Central Europe, making us the leading hypermarket retailer in Central Europe.

This year in the Czech Republic, we have introduced 'Permanently low prices', monitoring the price of 2,000 lines bringing even better value to our customers. We also have over 700 own-brand products.

Slovakia

This year we opened four new stores in Slovakia.

Tesco is the clear market leader in Slovakia with 12 hypermarkets and five department stores, serving nearly a million customers a week. Slovakia is the first country in Central Europe to launch the Tesco Charity of the Year. In our stores you will find over 300 Tesco Value lines and 400 Tesco own-brand products.

non-food

We tailor our non-food offer to suit our local customers' needs across Central Europe. We offer a wide variety of non-food lines from Value umbrellas to car tyres. Our ranges include home entertainment, clothing and electricals, including washing machines, TVs and fridges.

Over 50% of our Central European floor space is dedicated to non-food lines.

own-brand

Our own-brand and Value products are available at all our stores across Europe, providing quality products at affordable prices.

In Poland we now have 1,200 own-brand lines including 600 Value lines.

This year we have reduced the prices on over 1,000 everyday household items in Hungary under the banner 'We are cheaper'. In Poland, we launched two price campaigns this year, using our successful UK model and guaranteeing that we are cheaper on 4,000 everyday items.

people

Our aim is to develop a world-class team to look after our customers. Strong local management allows us to understand the marketplace and customers better than anyone. Our in-country teams are made up of 100% local store managers in Poland, Czech Republic and Slovakia. They are supported by a small number of people from the UK, to help share best practice. Our Central European teams have won a number of awards including *Business Woman*, and *Retail Manager of the Year* in Hungary. We have 74 management trainees and 130 of the Central European team are on educational support programmes.

values

We encourage all our staff to go the extra mile for our customers and we look after our staff so that they can look after our customers. All managers receive Values training. We have exported our successful UK Values award scheme internationally. In the Czech Republic all parts of the company pulled together to help out during the flood crisis. As well as organising a collection and sending aid to the worst affected areas, employees who were affected were given immediate financial help and accommodation.

step change

To make our operation better for customers, simpler for staff and cheaper for the business, Step Change programmes based on our successful UK template have been established across Europe. This year we built a world-class distribution operation in Hungary with the opening of a state-of-the-art distribution centre in Herceghalom.

The centre can handle over one million cases and makes over 500 deliveries each week.

The fresh and frozen supply chain in Hungary is now temperature controlled. This allows our customers to enjoy the improved quality and availability of fresh produce that this delivers.



THAILAND



SOUTH KOREA



TAIWAN



MALAYSIA

Asia overview

This year our Asian operation has delivered sales growth of 45.5% and underlying operating profit growth of 144.8%.

We operate in four countries across South East Asia including our latest market, Malaysia.

79 STORES

7.5 million sq ft



Halisa and Gouri, Melaka hypermarket, Malaysia

28,000

52 Thailand
21 South Korea
3 Taiwan
3 Malaysia

69 Hypermarkets
1 Supermarket
1 Value store
8 Express

four countries

store development

store formats

staff

This year we opened our first stores in Malaysia. We continue to build a business of scale in our developing markets of Thailand, South Korea, Taiwan and Malaysia, accessing a population of 155 million.

A total of 28 new stores were opened across the four countries, including seven Homeplus stores in South Korea. These new stores have boosted our total floor space across Asia to 7.5 million sq ft, a rise of 34% on last year.

We have continued to develop our formats to suit our different customers' needs. In Taiwan, plans are in place to open our first city-format store in the capital Taipei later this year. In Thailand we now have eight Express stores, a supermarket, and our first Value store.

This year we recruited a further 4,000 local managers and staff to deliver for our customers. We now employ a total of 28,000 people across Asia. In Thailand we had over 600 internal promotions last year.



Melaka hypermarket, Malaysia



we sell for less

Just as in the UK and Europe we carry out price campaigns to offer value for our customers. A campaign in Taiwan cut prices on 1,000 everyday household items. In South Korea we cut the price of 1,000 products by 10-30%.

customer loyalty

Tesco Homeplus launched its first loyalty card Familycard, based on the successful UK Clubcard. Customers receive points with a cash value to use against purchases. Familycard already has a million members in South Korea.

Bangkapi hypermarket, Bangkok, Thailand



Tesco own-brand



This year we launched Tesco Value lines in Taiwan and Thailand. In the first two weeks of their launch in Taiwan, 20 tons of rice, 10,000 packets of tissues, 3,000 pork dumplings and 20,000 litres of bottled water were sold.

non-food



A typical Asian hypermarket has 55% of the sales area dedicated to non-food. We now have opticians in many of our hypermarkets. Thailand is becoming the supply centre for many non-food items purchased for our worldwide operation.



THAILAND



SOUTH KOREA



TAIWAN



MALAYSIA

Asia

We have 79 stores in Asia including 69 hypermarkets. In Thailand, our lead country, we now have hypermarkets, Express stores, a trial super-market and a Value store format for up-country towns.



Roi Et Value store, Thailand



Senanikom Express store, Bangkok, Thailand



Phongpet supermarket, Bangkok, Thailand



Banglapi hypermarket, Bangkok, Thailand



FORMAT DEVELOPMENT We are continually developing formats to deliver for our customers. This year saw the opening of the first Value – or Khum Ka – store at Roi Et in Thailand.



MALAYSIA Our first store in Malaysia opened at Puchong, on the outskirts of the capital city Kuala Lumpur, with a sales area of 109,500 sq ft. We have continued to expand throughout Asia and plan to open a further 16 hypermarkets in Asia by the end of 2003.



DISTRIBUTION Our operation in Thailand is now benefiting from a state-of-the-art distribution centre that has been extended this year to 750,000 sq ft making it the largest in Asia.



NUMBER ONE FOR SERVICE As we expand internationally we continue to develop a world-class team by employing local staff and managers.



THAILAND



SOUTH KOREA



TAIWAN

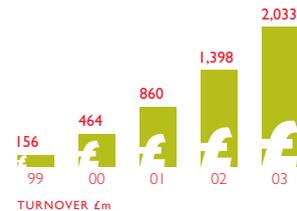


MALAYSIA



Asia review

After a successful year we are well positioned to become the leading retailer in Asia. In just five years we have built a substantial business of scale. We are profitable in two of our four markets and have delivered our targeted returns.



strategy

Our international strategy is one for long-term growth. We focus on a few chosen developing markets, tailor everything around the local customer and build the best store networks. We concentrate on countries where we can get a leading position. This allows us to access growth, apply capability and gain scale benefits, as our strategy continues to accelerate.

In the four Asian countries where we operate, we now have an annual turnover of £2,033m.

Thailand

In Thailand we are clear market leader. This year we have continued to develop our hypermarket network with the opening of nine new hypermarkets – four in the capital Bangkok and a further five in regional centres around the country.

We are now serving eight million customers each month in Thailand.

South Korea

The successful development of seven Homeplus stores this year has seen us grow to a nationwide chain.

We now have a total of 21 stores.

Customers can enjoy all of the benefits of home shopping after the launch of e-homeplus. The service uses the exclusive tesco.com model of picking internet ordered groceries from local stores. Tesco Homeplus won ten awards last year. Most recently our Korean team won the *Korea Retail Award*, presented by the Korea Chamber of Commerce in the hypermarkets category.

Taiwan

We opened our third store in Taiwan in the northern part of the country in Chungli and have plans in place to open a fourth store in 2003.

Our stores at Chungli and Chingkuo offer 24-hour shopping and this year both stores broke all existing Taiwanese records for hypermarket sales. We also offer Tesco Value lines in our Taiwanese stores.

Malaysia

This year we opened our first Malaysian store with our partner Sime Darby, at Puchong. Since then we have opened two further stores at Melaka and Klang. The performance of these new stores is encouraging, and we have a good number of planning applications in the pipeline.

Bangkapi hypermarket, Bangkok, Thailand



STORE DEVELOPMENT

We continue to develop our formats to suit our different customers' needs. This year we opened our first hypermarket on the island of Koh Samui in the Gulf of Thailand. Our Bangkapi store which opened this year is our largest development in the Group.

new formats

Across Asia we have been developing a range of store formats to meet our customers' differing needs. As in our UK operation, the Express stores are located in local neighbourhoods and offer customers fast, convenient shopping.

In Thailand we are currently trialing an Express pilot scheme at eight sites.

Our stores in Taiwan are based in shopping centres and over 200 tenants operate in the Tesco malls, from multinationals to local businesses. We understand local needs and Kanchanaburi store in Thailand is the first hypermarket in the country to feature a permanent area where the local Tambon people can sell their produce.

non-food

This year we have launched a Value clothing brand in Thailand. Early customer reaction to our Malaysian clothing line is that it is good value and high quality. Our non-food offer has benefited the local economy. Over 500m Baht of export orders for non-food items have been secured for Thai companies this year.

people

In our Asian operation, we employ local people and have reduced the amount of expatriates working in these markets. We recognise the importance of developing local management teams who have the expertise and knowledge to deliver for our local customers. All of our store managers in Thailand, South Korea, Taiwan and Malaysia are local. We have exported our Values award scheme and are committed to looking after our people so they can look after our customers.

step change

A state-of-the-art IT system links our UK head office with our global sourcing hubs based in Bangalore, Bangkok and Hong Kong. This allows us to source from anywhere in the world and track progress and costs in all of the countries in which we operate. We have continued to export best practice and this year we have introduced our latest UK checkout scanning system to our Malaysian stores.

We have launched Familycard in South Korea, based on our successful UK Clubcard and over a million members have already signed up.

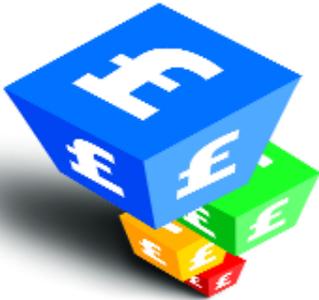
logistics

We are continuing to develop our Asian supply chain by exporting best practice from the UK and Europe. This year we have joined together with supply chain systems company Retek, who work closely with us in the UK and Europe, to launch their computerised warehouse management system in Thailand and South Korea. The extended Tesco Lotus Distribution Centre at Wang Noi is capable of processing 800,000 cases every day. We also started work on our South Korean distribution centre which is due to open early in 2003/04.



TESCO

Personal Finance



savings

Savings balances grew to over £2bn in 2002. Our customers can now enjoy all the benefits of 24-hour banking after we rolled out an initiative to 540 stores this year, introducing cheque deposit facilities at checkouts and customer service desks.



internet

The internet is a key channel for our product delivery. Over 20% of sales are now through the internet. Innovations this year included a new facility that allows customers to view their account details on-line.



credit card

We have issued over 1.5 million credit cards. We currently have one of the best introductory rates on the market and our customers earn Clubcard points with every transaction.



cash machines

We now have over 750 TPF branded cash machines at our stores. This year we raised over £112,000 for Cystic Fibrosis by contributing 1p every time a withdrawal was made from our cash machines during a promotional period.

In only five years, Tesco Personal Finance (TPF), has achieved a profit of £96m. Over 1.4 million new accounts were opened to give us a total of 3.4 million customers. We have 15 products and services, from lending, savings and investment, to general insurance and are one of the UK's top ten providers for credit cards and motor insurance.



loans

This year TPF advanced £700m in personal loans, making it our most successful year to date. In recognition of this, we were awarded Best Loans Provider in 2002 by *Personal Finance* magazine, Highly Commended Direct and Personal Loan Provider 2002 by *Your Money* and Best Loans Provider in the MORI poll of financial journalists for the third successive year.



life insurance

Our Life Insurance policy was enhanced to include mortgage protection and critical illness options and won the *MoneyFacts Awards 2002*, Most Competitive Life Insurance and *Your Money* Best Direct Life Insurance Provider of 2002.



MOTOR



TRAVEL



HOME



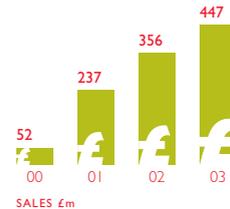
PET

general insurance

Over 500,000 new motor insurance customers signed up this year, bringing our total number of in-force policies to 750,000. Our travel service, Instant Travel Insurance, allows Clubcard holders to pick up a pack in-store and buy their holiday insurance at the checkout. Since the launch of Instant Travel Insurance, sales have increased by 80%.

tesco.com

tesco.com is the largest e-grocer and most profitable e-retail business in the world. This year our turnover reached £447m. Each week in the UK we deliver over 110,000 orders. We have 65% share of the UK internet grocery market.



In the week before Christmas we received over £12m worth of orders and one of our grocery vans was making a delivery somewhere in the UK every three seconds.

We are the only UK supermarket to offer a nationwide service, covering 96% of the population with our fleet of nearly 1,000 dedicated delivery vans.

To make the tesco.com site even better value for customers we have launched on-line Clubcard vouchers this year, allowing our tesco.com shoppers to redeem their Clubcard points on the website.

Our Flower site attracted record numbers of sales this year and customers take advantage of free delivery in the UK.

In the run up to Mother's Day 20,000 bouquets were ordered, an increase of 300% on last year.



On-line sales for cases of champagne were up by 287% over the Valentines Day period.

To offer even more value for our customers, a team of price trackers ensure that we are now cheaper than HMV and Amazon.co.uk on the top 50 chart music CDs, DVDs and videos.

sales

Sales have increased by 26% on last year.

We have made the site bigger and better this year with over 1.2 million books, 25,000 videos, 7,500 DVDs and 1,800 electrical goods. Our Wine Warehouse continues to grow from strength to strength and customers can now choose from over 800 wines available by the case, including mixed case deals.



TRAINED PICKERS Our successful home shopping model uses personal shoppers to hand-pick all our customers' shopping in our store. We then deliver direct to customers homes, at their convenience.

HOME DELIVERY tesco.com now operates in the UK, Republic of Ireland, South Korea and in a joint venture with Safeway Inc. in the USA.



tesco.com overseas

At the beginning of the year we launched our first venture into the Asian home-shopping market with the start up of

www.homeplus.co.kr

A team of experts from the UK worked closely with our South Korean colleagues, ensuring that the launch was successful. We anticipate this to be a growing market as South Korea has the third-largest internet penetration in the world and over 70% of the population have internet access.

In the Republic of Ireland, tesco.com now covers 70% of the population.

In the Republic of Ireland, dot com sales doubled last year.

In the USA, GroceryWorks, our partnership with Safeway Inc, has expanded from our first coverage area of Portland, Oregon to encompass San Francisco and the Bay area.

The successful venture uses the tesco.com home-shopping model of using trained pickers to select orders from stores for home delivery.

technology

We continue to tailor our tesco.com offer to meet our customers' developing needs. This year we launched technology that allows shoppers to order their groceries on their handheld pocket computer – wherever they are. The breakthrough downloads the details of over 20,000 grocery items onto the handheld computers allowing customers to compile their shopping list off-line. When they log on to the internet later, the list is automatically forwarded to tesco.com.

This year we also cut the cost of logging on to the internet to a market leading price of £12.99.

Tesco.net provides customers with an excellent product which is cheaper than many competitors.



supporting our local communities



Corporate social responsibility makes good business sense. At Tesco we aim to make a positive contribution to society. Our CSR programme builds on this commitment and is backed by our 'Every Little Helps' approach.

COMMUNITY

Communities The Tesco Charity Trust gives help to local charities and each year The Community Award Scheme distributes £350,000 in the communities where our stores are based. This year we joined forces with the Police and Parents and Abducted Children Together (PACT) to run a nationwide poster campaign in stores appealing for information about missing children. We make a positive contribution to local communities by giving over 1% of pre-tax profit to charity and community good causes every year.



Charity of the year Cystic Fibrosis was our charity of the year for 2002 and thousands of staff have already raised over £1m to tackle the inherited life-threatening disease. The Charity of the Year provides a focus for staff fundraising and all money raised is topped up by 20% by the Tesco Charity Trust. The Charity of the Year for 2003 will be Barnardo's.

Regeneration We now have six regeneration schemes around the UK which have created over 1,300 jobs for the long-term unemployed. In recognition of the company's partnerships in Scotland, we were presented with the New Deal Golden Jubilee Award. Our latest store at Beckton, East London, has created 400 jobs. We have planning permission for three further sites.

EDUCATION

Computers for schools Since 1992, we have given away over £77m of computer equipment through our Computers for Schools scheme, including 50,000 computers, and over 468,000 other items such as printers and software. In 2002, over 273 million vouchers were given to customers and more than 1,000 new schools registered to join the scheme. Over 23,000 schools across the UK benefit from participation in this initiative.

ENVIRONMENT

Recycling Tesco has a comprehensive recycling programme for customers and its own operations. There are recycling banks at over 500 of our larger stores, and Christmas card and carrier bag recycling facilities too.

Our in-store mobile phone and inkjet cartridge recycling schemes have raised over £1m for charity to date, as well as helping the environment. This year we won the *Challenge to Care* Award 'Best Marketing Initiative' for our phone recycling scheme.

Tesco sets itself challenging environmental targets each year and aims to minimise the amount of waste produced by recycling wherever possible. This year we have recycled nearly 80% of our packaging waste.

FTSE4Good Our continued efforts have ensured that we remain in the latest FTSE4Good index of socially responsible companies.

WORKING WITH SUPPLIERS

We have a long-standing commitment to source as much UK produce as possible. We also launched a farming website for UK farmers, producers and suppliers to help increase knowledge of the supply chain, to explain what Tesco standards are and what our customers want. We now stock over 7,000 regionally sourced products. www.tescofarming.com

For information about our corporate social responsibility strategy and programme, our CSR Review is available on-line at www.tesco.com/everylittlehelps



Race for Life In 2002, Tesco became the national presenting sponsor of Cancer Research UK's Race for Life, helping raise £15.6m for the charity. Women of all ages and fitness levels ran, jogged or walked their way around the five kilometre courses, at 100 venues, to raise funds to help find a cure for cancers that touch women's lives. An overwhelming response saw over 250,000 women take part, including 17,000 Tesco staff. And the good news is that Tesco will be the main sponsor of the race again in 2003!



board of directors

1. JOHN GARDINER 66

NON-EXECUTIVE CHAIRMAN ●

John Gardiner was appointed a Non-executive Director in 1988, and Non-executive Chairman in 1997. He is a Non-executive Director of *The Economist*.

2. TERRY LEAHY 47

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 in 1992.

3. DAVID REID 56

CA DEPUTY CHAIRMAN

David Reid became Deputy Chairman in 1996. He was appointed to the Board in 1985, having joined Tesco in the same year. He is responsible for international development and operations and strategic planning.

4. ROWLEY AGER 57

COMPANY SECRETARY ■

Rowley Ager was appointed to the Board in 1992. He joined Tesco in 1986 and became Company Secretary in 1990.

5. PHILIP CLARKE 42

LOGISTICS AND IT DIRECTOR ■

Philip Clarke was appointed to the Board in 1998. Prior to his appointment he held a number of roles in store operations, commercial and marketing.

6. JOHN GILDERSLEEVE 58

COMMERCIAL AND TRADING DIRECTOR

John Gildersleeve was appointed to the Board in 1984. He is a Non-executive Director of Gallaher Group PLC and The Carphone Warehouse Group PLC.



7. ANDREW HIGGINSON 45**FINANCE DIRECTOR**

Andrew Higginson was appointed to the Board in 1997. He is a member of the 100 Group of Finance Directors and Non-executive Director of C & J Clark Limited.

8. TIM MASON 45**MARKETING AND E-COMMERCE DIRECTOR**

Tim Mason was appointed to the Board in 1995. He joined Tesco in 1982. He is a Non-executive Director of Capital Radio PLC.

9. DAVID POTTS 45**RETAIL DIRECTOR**

David Potts was appointed to the Board in 1998. He joined Tesco in 1973 and has held a number of store and head office positions. From 1997 he directed the integration of our businesses in Northern Ireland and the Republic of Ireland before returning to the UK in his current role in July 2000.

10. CHARLES ALLEN CBE 46**NON-EXECUTIVE ● ▲**

Charles Allen was appointed a Non-executive Director in 1999. He is Executive Chairman of Granada PLC.

11. DR HARALD EINSMANN 68**NON-EXECUTIVE ● ▲**

Dr Harald Einsmann was appointed a Non-executive Director in 1999. He is a Non-executive Director of EMI Group PLC, is on the Board of Stora Enso Oyj, part of the Wallenberg Group, and is a Director of British American Tobacco PLC.

12. RODNEY CHASE 59**NON-EXECUTIVE ◆ ● ▲**

Rodney Chase was appointed a Non-executive Director in 2002. He is also a Non-Executive Director of Diageo plc and Computer Sciences Corporation.

13. VERONIQUE MORALI 44**NON-EXECUTIVE ◆ ●**

Veronique Morali was appointed a Non-executive Director in 2000. She is Chief Operating Officer and Director of Fimalac S.A.

14. GRAHAM PIMLOTT 53**SENIOR NON-EXECUTIVE ◆ ● ▲**

Graham Pimlott was appointed a Non-executive Director in 1993. He is Deputy Chairman of Hammerson PLC.

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



summary directors' report

INDEPENDENT AUDITORS' STATEMENT TO THE MEMBERS OF TESCO PLC

We have examined the Summary Financial Statement of Tesco PLC.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Annual Review and Summary Financial Statement in accordance with applicable law. Our responsibility is to report to you, our opinion on the consistency of the summary financial statement, the Directors' emoluments and the summary of executive share options and disclosable shareholdings within the Annual Review and Summary Financial Statement with the Annual Report and Financial Statements and the Directors' report and its compliance with the relevant requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

BASIS OF OPINION We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom.

OPINION In our opinion the summary financial statement is consistent with the Annual Report and Financial Statements and the Directors' report of Tesco PLC for the year ended 22 February 2003 and complies with the applicable requirements of Section 251 of the Companies Act 1985, and the regulations made thereunder.

PricewaterhouseCoopers LLP

Chartered Accountants
and Registered Auditors

London 7 April 2003

PRINCIPAL ACTIVITY AND BUSINESS REVIEW The principal activity of the Group is the operation of food stores and associated activities in the UK, Republic of Ireland, France, Hungary, Poland, Czech Republic, Slovakia, Thailand, South Korea, Taiwan and Malaysia. The operating and financial review is on pages 34 to 35.

DIVIDENDS The Directors recommend the payment of a final dividend of 4.33p per ordinary share to be paid on 27 June 2003 to members on the Register at the close of business on 22 April 2003. Together with the interim dividend of 1.87p per ordinary share paid in November 2002 the total dividend for the year comes to 6.20p, compared with 5.60p for the previous year, an increase of 10.7%.

DIRECTORS Details of the current members of the Board are shown on pages 30 and 31. Mr R S Ager, Mr R F Chase (appointed during the year), Mr J A Gardiner, Mr A T Higginson and Mr D E Reid retire from the Board by rotation. Being eligible, they offer themselves for re-election at the Annual General Meeting. Their service contracts are terminable on two years' notice from the company, with the exception of Mr R F Chase and Mr J A Gardiner, who do not have service contracts.

CORPORATE GOVERNANCE The company has complied with all the provisions of the Combined Code of Best Practice except as with regard to the provision on the length of the Directors' service contracts. The Remuneration Committee has agreed that, in future, new appointments of Executive Directors would normally be based on a notice period of 12 months. The company has established a framework of internal control which is reviewed by the Audit Committee and has a separate Executive Committee, Remuneration Committee, Nominations Committee and Compliance Committee. A full corporate governance statement is contained in the Annual Report and Financial Statements 2003.

Summary report of the Directors on remuneration

DIRECTORS' REMUNERATION POLICY The remuneration packages, including contract periods, of Executive Directors are determined by the Remuneration Committee. It ensures that the remuneration package is appropriate for their responsibilities, taking into consideration the overall financial and business position of the Group, the highly competitive industry of which the Group is part and the importance of recruiting and retaining management of the appropriate calibre.

Executive Directors are members of the Tesco PLC Pension Scheme, which is a defined benefit scheme approved by the Inland Revenue.

COMPLIANCE The Remuneration Committee has been constituted and operated throughout the period in accordance with the principles outlined in the Financial Services Authority Listing Rules derived from Schedule A of the Combined Code. In framing the remuneration policy, full consideration has been given to the best practice provisions set out in Schedule B, annexed to the Listing Rules.

A summary of Directors' emoluments and interests, including executive options, is set out on page 33. A more detailed analysis is provided in the Annual Report and Financial Statements 2003. Copies of the Executive Directors' contracts of employment are available for inspection by shareholders as required.

The Group's total shareholder return performance can be found on page 35.

DIRECTORS' EMOLUMENTS

	Fixed emoluments		Performance-related emoluments			Total 2003 £000	Total 2002 £000
	Salary £000	Benefits £000	Profit-sharing £000	Short-term £000	Long-term £000		
Mr J A Gardiner	366	61	–	–	–	427	347
Sir Terry Leahy	916	65	8	1,002	847	2,838	2,457
Mr D E Reid (a)	694	79	8	755	1,074	2,610	1,990
Mr R S Ager	445	35	8	486	451	1,425	1,285
Mr C L Allen	41	–	–	–	–	41	45
Mr R F Chase (b)	28	–	–	–	–	28	–
Mr P A Clarke	478	59	8	535	351	1,431	1,141
Dr H Einsmann	36	–	–	–	–	36	33
Mr J Gildersleeve	592	90	8	645	593	1,928	1,737
Mr A T Higginson	507	52	8	558	388	1,513	1,308
Mr T J R Mason	507	11	8	558	477	1,561	1,370
Mr J W Melbourn (c)	14	–	–	–	–	14	45
Mrs V Morali	36	–	–	–	–	36	33
Mr G F Pimlott	59	–	–	–	–	59	58
Mr D T Potts	478	33	8	535	388	1,442	1,150
	5,197	485	64	5,074	4,569	15,389	12,999

(a) Mr D E Reid's long-term bonus includes an amount of £400,000 in respect of overseas business growth which has been sacrificed in return for pension augmentation.

(b) Appointed during the year.

(c) Former Director.

SUMMARY OF EXECUTIVE SHARE OPTIONS AND DISCLOSABLE SHAREHOLDINGS

	Options held 23 Feb 2002	Granted (a)	Number of shares		Exercise price pence	Value realisable 2003 £000	Ordinary shares 22 Feb 2003
			Exercised	Options held 22 Feb 2003			
Mr J A Gardiner	–	–	–	–	–	–	627,805
Sir Terry Leahy	4,094,710	642,471	1,400,400	3,336,781	98.3-259.0	2,422	3,754,973
Mr D E Reid	2,577,354	498,069	–	3,075,423	59.7-259.0	–	2,450,973
Mr R S Ager	1,498,990	321,236	–	1,820,226	151.7-259.0	–	1,448,706
Mr C L Allen	–	–	–	–	–	–	–
Mr R F Chase	–	–	–	–	–	–	–
Mr P A Clarke	1,192,360	328,185	–	1,520,545	164.0-259.0	–	631,795
Dr H Einsmann	–	–	–	–	–	–	–
Mr J Gildersleeve	2,217,999	425,483	–	2,643,482	98.3-259.0	–	1,272,629
Mr A T Higginson	1,280,990	358,301	–	1,639,291	164.0-259.0	–	679,897
Mr T J R Mason	1,576,895	373,451	–	1,950,346	151.7-259.0	–	1,087,172
Mrs V Morali	–	–	–	–	–	–	–
Mr G F Pimlott	–	–	–	–	–	–	32,529
Mr D T Potts	1,187,883	328,185	–	1,516,068	164.0-259.0	–	774,912

(a) Options granted in the year were at the exercise price of 259.0p.

Options granted include new family interests that fall to be reported during the year.

In addition, certain Directors held options under the company's savings-related share option scheme.

summary financial statement and operating and financial review

The summary financial statement on pages 34 and 35 and the summary Directors' report on pages 32 and 33 are a summary of information in the Annual Report and Financial Statements 2003. 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 2003. 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 7 April 2003.

Terry Leahy
Andrew Higginson
Directors

PROFIT AND LOSS ACCOUNT This was another successful trading year for the Group. Sales increased by 11.5% to £28,613m and underlying pre-tax profit, excluding net loss on disposal of fixed assets, integration costs and goodwill amortisation, increased by 14.7% to £1,401m. Underlying diluted earnings per share rose 15.2% to 13.98p. A final dividend of 4.33p per share is proposed, making the full year dividend 6.20p, an increase of 10.7% over last year.

UK sales have grown 7.9% to £23,407m. Like-for-like sales were up 4.1%, including strong volume growth of 5.0%. New stores continue to perform well, contributing 3.8% to sales growth, 0.7% of which relates to T&S Stores. UK underlying operating profit increased to £1,297m up 6.9% on last year. Our UK operating margin remained flat at 6.0% in a year when we again made substantial investments in price.

Our world-leading change programmes continue to deliver increasing levels of efficiencies enabling us to invest for customers. In 2003, they exceeded our expectations with over £230m of savings.

Sales in the Rest of Europe increased to £3,032m, up 22.5% and contributed an underlying operating profit of £141m, up 56.7%. In Asia, sales were up 45.5% to £2,174m and we made an underlying operating profit of £71m, up 144.8% on last year. Our businesses in Thailand and South Korea have seen strong sales growth. Stores in Taiwan are performing well and early Malaysia performance is encouraging.

Total profit from joint ventures and associates for the year was £72m, before goodwill of £2m, compared to £42m last year. Tax on underlying profit has been charged for the year at an effective rate of 29.6%.

Net interest payable for the year was £180m, an increase of £27m over the previous year; including £10m relating to the additional debt taken on for the HIT and T&S acquisitions.

	Continuing operations		2003 £m	2002 £m
	2003 £m	Acquisitions 2003 £m		
SUMMARY PROFIT AND LOSS ACCOUNT				
Sales at net selling prices	28,352	261	28,613	25,654
Turnover including share of joint ventures	26,300	230	26,530	23,804
Less: share of joint ventures' turnover	(193)	–	(193)	(151)
Group turnover excluding value added tax	26,107	230	26,337	23,653
Normal operating expenses	(24,558)	(219)	(24,777)	(22,273)
Employee profit-sharing	(51)	–	(51)	(48)
Integration costs	–	(4)	(4)	–
Goodwill amortisation	(10)	(11)	(21)	(10)
Operating profit	1,488	(4)	1,484	1,322
Profit from joint ventures and associates	70	–	70	42
Net loss on disposal of fixed assets	(13)	–	(13)	(10)
Interest	(180)	–	(180)	(153)
Profit before tax	1,365	(4)	1,361	1,201
Underlying profit before net loss on disposal of fixed assets, integration costs and goodwill amortisation			1,401	1,221
Integration costs			(4)	–
Net loss on disposal of fixed assets			(13)	(10)
Goodwill amortisation			(23)	(10)
Tax			(415)	(371)
Minority interests			–	–
Profit for the financial year			946	830
Dividends			(443)	(390)
Retained profit			503	440
Underlying diluted earnings per share [†]			13.98p	12.14p
Diluted earnings per share			13.42p	11.86p
Dividend per share			6.20p	5.60p

[†] Excluding net loss on disposal of fixed assets, integration costs and goodwill amortisation.

SUMMARY CASH FLOW STATEMENT

	2003 £m	2002 £m
Cash from operations	2,375	2,038
Interest	(218)	(192)
Tax	(366)	(378)
Gross trading cash flow	1,791	1,468
Net capital expenditure	(2,052)	(1,920)
Changes in financing	73	82
Dividends	(368)	(297)
Normal cash flow	(556)	(667)
Business changes [‡]	(597)	(81)
Non-cash movements	(24)	(8)
Movement in net debt	(1,177)	(756)
Opening net debt	(3,560)	(2,804)
Closing net debt	(4,737)	(3,560)

[‡] This primarily consists of consideration paid for the HIT acquisition and net debt acquired with T&S Stores PLC.

SUMMARY BALANCE SHEET

	2003 £m	2002 £m
Fixed assets	14,061	11,503
Current assets	2,440	2,053
Short-term creditors	(5,372)	(4,809)
Net current liabilities	(2,932)	(2,756)
Total assets less current liabilities	11,129	8,747
Long-term creditors	(4,049)	(2,741)
Provisions	(521)	(440)
Net assets	6,559	5,566
Equity shareholders' funds	6,516	5,530
Minority interests	43	36
Total capital employed	6,559	5,566

**TOTAL SHAREHOLDER RETURN**

TSR is the notional return from a stock or index based on share price movements and declared dividends

CASH FLOW STATEMENT Cash flow from operations was strong, generating £2,375m. Interest and tax payments were £218m and £366m respectively for the year.

Group capital expenditure was £2,134m. UK capital expenditure was £1,228m, including £558m on new stores and £335m on extensions and refits. Total international capital expenditure was £906m, £527m in Asia and £379m in Europe. In the year ahead we forecast Group capital expenditure to be around £2.2bn.

Net debt at the year end was £4,737m, an increase of £1,177m on the previous year, and gearing was 73%. This reflects our long-term strategy for growth.

BALANCE SHEET Net assets have increased by £993m over last year to £6,559m. Fixed assets increased by £2,558m, after charging depreciation and goodwill amortisation of £602m, an increase of £68m.

PERFORMANCE GRAPH The Group's total shareholder return performance (i.e. share price movements plus dividends reinvested) over the last five financial years relative to the FTSE 100 index of companies is shown to the left. 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.

investor information

SUMMARY FIVE YEAR RECORD

Year ended February	1999 £m	2000 £m	2001 £m	2002 £m	2003 £m
Group sales	18,546	20,358	22,773	25,654	28,613
Turnover excluding VAT					
UK	15,835	16,958	18,372	20,052	21,615
Rest of Europe	1,167	1,374	1,756	2,203	2,689
Asia	156	464	860	1,398	2,033
	17,158	18,796	20,988	23,653	26,337
Underlying operating profit [†]					
UK	919	993	1,100	1,213	1,297
Rest of Europe	48	51	70	90	141
Asia	(2)	(1)	4	29	71
	965	1,043	1,174	1,332	1,509
Underlying pre-tax profit [†]	881	955	1,070	1,221	1,401
Profit before tax	842	933	1,054	1,201	1,361
Underlying diluted earnings per share [†]	9.37p	10.18p	10.66p	12.14p	13.98p
Dividend per share	4.12p	4.48p	4.98p	5.60p	6.20p
Retail statistics					
UK					
– Number of stores	639	659	692	729	1,982
– Total sales area (000 sq ft)	15,975	16,895	17,965	18,822	21,829
– Turnover per full-time employee (£)*	151,138	156,427	161,161	165,348	162,457
– Weekly sales per sq ft (£)*	21.05	21.43	22.01	22.33	22.16
International					
– Number of stores	182	186	215	250	309
– Number of hypermarkets	22	38	68	102	152
– Total sales area (000 sq ft)	5,378	7,144	10,397	13,669	18,115

[†] Excluding net loss on disposal of fixed assets, integration costs and goodwill amortisation.

[‡] 2003, 2002 and 2001 statistics have been calculated based on the adoption of FRS 19, 'Deferred Tax'.

* 2003 ratios have been impacted by the acquisition of T&S Stores PLC.

SHAREHOLDER PROFILE

	Number of holdings	%	Balance as at 22 Feb 2003	%
Analysis by type of shareholder				
Employees	104,000	36.87	260,711,835	3.60
Other individuals	154,560	54.79	459,844,900	6.35
Corporate institutions	23,511	8.34	6,517,052,448	90.05
	282,071	100.00	7,237,609,183	100.00
Analysis by size of shareholding				
1 – 1,000	167,722	59.46	41,966,709	0.58
1,001 – 10,000	97,170	34.45	315,594,814	4.36
10,001 – 100,000	15,084	5.35	356,463,111	4.92
100,001 – 1,000,000	1,509	0.53	481,677,394	6.66
above 1,000,000	586	0.21	6,041,907,155	83.48
	282,071	100.00	7,237,609,183	100.00

Corporate institutions such as banks, insurance companies and pension funds represent many thousands of people through their accounts, policies and memberships and therefore the company works in the interests of a variety of investors.

REGISTRAR AND SHAREHOLDING ENQUIRIES

Administrative enquiries about the holding of Tesco PLC shares (other than ADRs) and enquiries in relation to the scrip dividend scheme should be directed to:

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

LOW COST DEALING

The company has arranged a low cost postal share dealing service through Lloyds TSB Registrars. For details and a dealing form please telephone 0870 600 3970.

TESCO WEBSITES

Tesco information, including the Annual Report and Financial Statements 2003, is available on the internet at www.tesco.com/corporateinformation

SHAREHOLDER INFORMATION ONLINE

Tesco shareholders have the option of viewing the Annual Report through the internet.

The information will be exactly the same as the printed version, but using the internet has clear advantages such as lowering our costs and reducing environmental waste.

CUSTOMER SERVICES

Tesco Customer Services
Freepost SCO2298
Baird Avenue, Dundee,
DD1 1YP
Telephone 0800 505555
e-mail customer.service@tesco.co.uk

INVESTOR RELATIONS

Investor Relations Department
Tesco PLC, Tesco House,
Delamare Road, Cheshunt,
Hertfordshire EN8 9SL
Telephone 01992 646484
e-mail investorrelations@uk.tesco.com

SECRETARY AND REGISTERED OFFICE

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Telephone 01992 632222

FINANCIAL CALENDAR

	2003
Financial year end	22 February
Results announced	8 April
Final dividend: ex-dividend date	16 April
Final dividend: record date	22 April
Annual Report posted	9 May
AGM and trading statement	13 June
Final dividend pay date	27 June
Half year end	9 August
Interim results announced	16 September
Interim dividend: ex-dividend date	24 September
Interim dividend: record date	26 September
Trading statement	mid November
Interim dividend: pay date	28 November
	2004
Financial year end	28 February
Results announced	mid April



TESCO

Tesco PLC, Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL