



TESCO

TESCO PLC ANNUAL REVIEW AND SUMMARY FINANCIAL STATEMENT 2002

UNITED KINGDOM

REPUBLIC OF IRELAND

HUNGARY

POLAND

CZECH REPUBLIC

SLOVAK REPUBLIC

THAILAND

TESCO OPERATES **979 STORES**, EMPLOYS **260,000**

SOUTH KOREA

PEOPLE, GIVING US ACCESS TO A POPULATION OF

TAIWAN

280 MILLION ACROSS OUR **10 MARKETS**

MALAYSIA



Our world-class team
of people is building
a world-class business
by working harder to
deliver great value for
customers, in every
store, in every country,
every day.

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FINANCIAL HIGHLIGHTS

GROUP SALES UP **12.7%**

GROUP PROFIT BEFORE TAX[†] UP **14.1%**

EARNINGS PER SHARE[†] (adjusted diluted) UP **13.9%**

DIVIDEND PER SHARE UP **12.4%**

	2002 52 weeks	2001 52 weeks
Group sales (including value added tax) (£m)	25,654	22,773
Profit on ordinary activities before tax [†] (£m)	1,221	1,070
Earnings per share [†] (adjusted diluted) (p)	12.14	10.66 [‡]
Dividend per share (p)	5.60	4.98
Group enterprise value (market capitalisation plus net debt) (£m)	21,290	21,590

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

[‡] Restated due to the adoption of Financial Reporting Standard (FRS) 19, 'Deferred Tax'.

This year marks the arrival of Tesco as an International Group with market leading positions in six of our ten countries and 65,000 staff overseas. Our success is underpinned by the strength of our core UK business, and growth in all parts of our strategy which moves UK profit growth of 10.3% to a Group profit growth of 14.1%. We continue to deliver great value for customers in every community in which we operate.

Following excellent results last year the Tesco Group has achieved another year of outstanding organic growth. Group sales have risen by 12.7% to £25.7bn and underlying pre-tax profits are up by 14.1% to £1.2bn, with adjusted diluted earnings per share increasing 13.9% to 12.14 pence, the highest growth for the last ten years.

DIVIDEND The board has recommended a final dividend of 3.93 pence. This, together with the interim dividend of 1.67 pence, gives a total for the year of 5.60 pence up 12.4% and a dividend cover of 2.17 times.

PERFORMANCE These results reflect the outstanding performance from all aspects of the Tesco strategy, the core UK business, non-food, retailing services and international, all of which have contributed to growing Group profits.

Our organic growth momentum continues to be driven by our determination to deliver for customers wherever we operate. We are now profitable in seven of our nine overseas businesses. Our strategy of being in developing markets is clearly working and we are well

positioned to become the leading retailer in Central Europe and South East Asia.

We are delighted with the progress that retailing services has made this year. Tesco Personal Finance has increased its profit sevenfold on last year. Tesco.com now operates successfully in four countries.

None of these achievements would have been possible without the considerable effort of the entire Tesco team. Worldwide we employ 260,000 people, 65,000 of whom are overseas. We will create a further 21,000 jobs in the coming year. Our people share in our success and it is my pleasure to thank everyone in the Group for all they have done. The effort and capability of the entire Tesco team has driven this transformation from a domestic to an international retailer.



BOARD CHANGES John Melbourn CBE, Non-executive Director will be retiring at the AGM after six years with the Group. I would like to thank him for his valued contribution during this time.

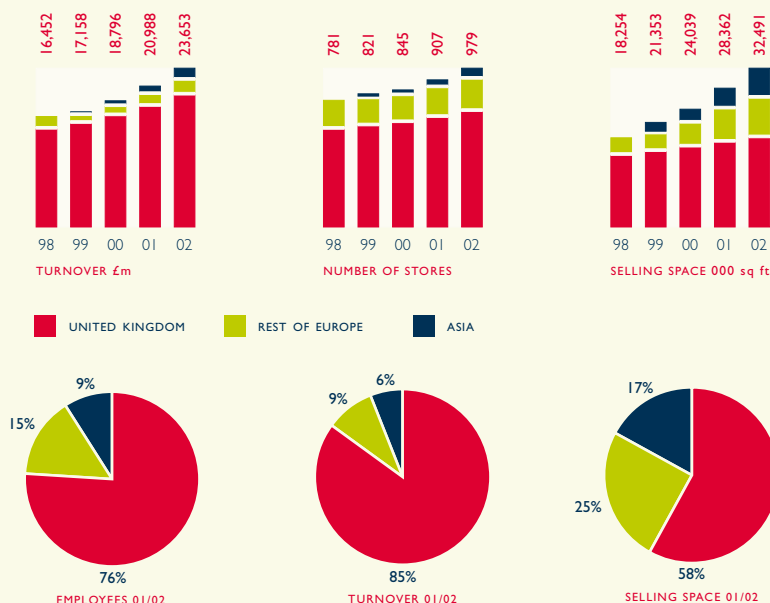
A handwritten signature in blue ink that reads "John Gardiner". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John Gardiner Chairman

		NUMBER OF STORES	SALES AREA	NEW STORES OPENED IN 2001/02	PLANNED OPENINGS IN 2002/03
UNITED KINGDOM	Still our largest, most experienced operation, serving a population of 60 million. Outstanding value, service and quality, continue to gain us market share.	729	18.8m sq ft	55	75
REPUBLIC OF IRELAND	The business was acquired in 1997. We maintained market leadership having rebranded our stores, and introduced Clubcard and Tesco Personal Finance. Four new stores opened in the year.	76	1.7m sq ft	4	1
HUNGARY	We entered the market in 1994 and this year grew profits. We opened six hypermarkets this year. We are now developing a centralised distribution system.	48	2.1m sq ft	6	6
POLAND	We entered the market in 1995, and are now profitable. There is huge potential for long-term growth and profitability in a country of 39 million people. We now have 14 hypermarkets increasing to 18 in 2002.	46	1.8m sq ft	7	4
CZECH REPUBLIC	We entered the market in 1996. Acquisition of six department stores gave us regional buying power and non-food knowledge. We have quickly grown the business and now have 15 stores in total, including nine hypermarkets.	15	1.5m sq ft	3	3
SLOVAK REPUBLIC	We entered the market in 1996. Acquisition of seven department stores gave us regional buying power and non-food knowledge. We have quickly grown the business and now have 13 stores in total, including eight hypermarkets.	13	1.1m sq ft	3	4
THAILAND	We invested in the Lotus chain of 13 hypermarkets in 1997. We are now the market leader with 33 hypermarkets and have a leading position in, and around, Bangkok.	35	3.8m sq ft	11	16
SOUTH KOREA	We entered the market in 1999 through the acquisition of two high-turnover stores in partnership with Samsung. In 2001 we added seven further hypermarkets, new systems and a distribution depot.	14	1.4m sq ft	7	9
TAIWAN	We opened our first hypermarket in December 2000. In 2001 we opened a further two hypermarkets.	3	0.3m sq ft	2	1
MALAYSIA	This year we announced our joint venture partnership with Sime Darby. May sees the opening of our first store in Malaysia. By the end of the year we will have four stores in the country.	0	0.0m sq ft	0	4
		979	32.5m sq ft	98	123

One team around the world

Tesco operates 979 stores around the world and employs 260,000 people. We have grown from a domestic retailer, to an International Group, through our organic growth programme. This year has seen all four parts of the Tesco strategy, the core UK business, non-food, retailing services and international all growing group profitability.



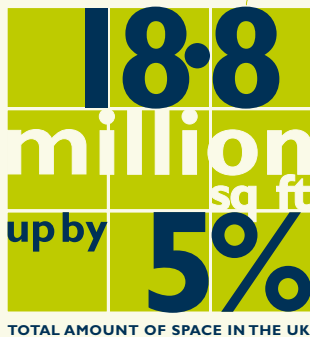
RETAILING SERVICES TESCO PERSONAL FINANCE was established in 1997 and now has 2.5 million customer accounts, with 15 products and services and achieved profits of £40m this year (Tesco share £20m). Tesco.com is the largest grocery e-tailer in the world and is profitable (excluding USA start-up costs). Our .com offer is being further expanded into non-food and our international markets.

NON-FOOD We have over 4% market share in the UK and worldwide we added 2m sq ft of non-food space, keeping us on track to achieve £5bn of Group non-food sales by the end of 2002/03.

United Kingdom

Tesco is the number one food retailer in the UK. This provides the foundation for growth, allowing us to move into retailing services and international markets. We have invested £1.2 billion over the past five years in getting cheaper for customers and our contribution to British society was recognised this year with the RBS/Sunday Times Business Enterprise Award 2001.

As the UK's biggest private sector employer, we have **195,000 people** committed to going the extra mile for our customers. This commitment has enabled us to become Britain's largest and **best value** supermarket and have the biggest **online** supermarket offer in the world.



In the UK we have **729 stores**, employing **195,000 people**.

We have been innovative in developing different store formats, Extra, Superstore, Metro and Express, to meet our different customers' needs. Our non-food offer is being introduced into existing Superstores as well as in our Extra stores. This year we opened 30 Express convenience stores, bringing the benefit of our customer focus and value to many more communities, and are rolling these out at a rate of over one a week.



55

THIS YEAR WE OPENED 55 **NEW STORES IN THE UK**, GIVING US AN ADDITIONAL 1.3m SQ FT OF NEW FLOOR SPACE. IN THE COMING YEAR WE PLAN TO OPEN 75 NEW STORES, BRINGING OUR TOTAL TO OVER 790.



TURNOVER £m
UNITED KINGDOM



TAKE OFF WITH CLUBCARD

Ten million Clubcard customers can now earn Air Miles as they shop. This partnership creates further choice for customers by widening our offer and increasing loyalty. Since Clubcard's launch in 1995, over £1 billion in vouchers has been given back to customers.

CHAMPION OF THE CUSTOMER

This year we launched Customer Champions in over 300 stores to be the friendly face of Tesco. We have over 800 champions who welcome customers as they enter the store and resolve any customer queries or concerns.

Europe

Our businesses in Europe continue to achieve results and gain momentum, supported by learnings from the UK. We are now the leading hypermarket retailer in four of our five European markets, serving three million customers a week and employing 41,000 people. This year saw Europe-wide sales growth of 25.6% and profit growth of 28.6%.



WE SELL FOR LESS

As in the UK our policy is to offer the best value of any food retailer. We launched price-cutting campaigns in all our European markets, bringing value to our customers. We introduced hundreds of own-label lines and now offer customers Value lines in each country.

Republic of Ireland has **76 stores**, employing **10,500 people**, with a total floor space of 1.7m sq ft.



REPUBLIC OF IRELAND We opened four stores, Killarney and Tralee in Co Kerry, Newbridge in Co Kildare and Clearwater in Dublin.



16

HYPERMARKETS OPENED IN EUROPE THIS YEAR. IN ADDITION TO OUR HYPERMARKETS WE HAVE 147 SUPERMARKETS AND DEPARTMENT STORES IN OUR FIVE EUROPEAN COUNTRIES.



First class bakeries at Tesco Budaörs store in Budapest, Hungary.

Central Europe has **52 hypermarkets**, employing **30,500 people**.



Mazgorzata Balik and Bozena Mackiewicz, Tesco Mory store, Poland.

POLAND

CZECH REPUBLIC

SLOVAK REPUBLIC

HUNGARY

HUNGARY We are market leader, having opened six new stores this year. We now have 48 stores with a total selling space of 2.1m sq ft. We launched our new own-label clothing range and will be opening an ambient distribution centre at Herceghalom in June.

POLAND Increased sales and delivered profit this year. We opened four new hypermarkets, bringing the total number of hypermarkets and supermarkets to 46. Our Lubin store is a record breaker, opening just 16 weeks after construction started. Around 50% of grocery distribution is centralised and all stores carry Tesco own-label products – 420 new own-label lines were launched this year.

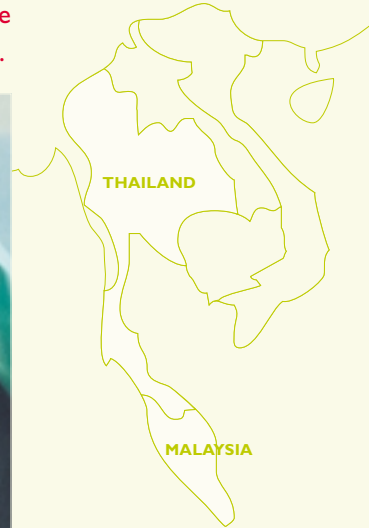
OTHER EUROPE We are hypermarket leader in the Slovak Republic and Czech Republic. We opened three new stores this year in the Slovak Republic, bringing the total to 13. In the Czech Republic we now have 15 stores, having opened three this year. In France we have our Vin Plus store near Calais, stocking around 1,200 products at savings of up to 50% on UK prices.

Asia

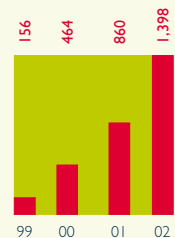
The milestone 100th international Tesco hypermarket opened this year, in Ulsan, South Korea. We now have international scale and a significant world presence. In Asia, as elsewhere, we employ local management and staff to deliver for customers – only one in a thousand of our total international staff are ex-pats because we develop capability and skills locally, recruit and develop local people.



Mai and Darunee serving dessert in the food hall at the Rama IV store, in Bangkok, Thailand.



TURNOVER £m ASIA



Asia has **50 hypermarkets**
employing **24,000 people**.

THAILAND Our lead country in the region is Thailand, where we employ over 16,000 people. We are the market leader, opening nine new hypermarkets this year, bringing the total to 33. We launched Tesco own-brand, over 500 Value (SuperSaver) lines and a Tesco store card. We also opened our first Lotus Express store showing we can export our format expertise overseas, and we plan to roll out more by the end of 2002. Topping a successful year, Tesco Lotus was awarded the title of Best Retail Business in the Thai press.

SOUTH KOREA

SOUTH KOREA Five out of the top ten Group stores are in South Korea and Homeplus Youngdeungpo store took over £1.1 million on opening day, a world record for Tesco. Samsung Tesco won numerous awards this year, including the Corporate Culture Award for the second consecutive year. We are already profitable, a year ahead of schedule, and see South Korea as a good opportunity for growth. We were the first retailer in the country to launch an online education site for employees.

TAIWAN



7 NEW HYPERMARKETS IN SOUTH KOREA BRINGING THE TOTAL TO 14. WE HAVE 420 HOMEPLUS OWN-BRAND PRODUCTS AND SERVE 750,000 CUSTOMERS A WEEK.



Tesco Homeplus store, Youngdeungpo, South Korea.

TAIWAN Two new stores were opened, in Tainan and Taoyuan Chingkou, bringing the total to three. This year we plan to open a further store. A golden award was presented to Tesco in January for our high standards of customer service.

MALAYSIA We have started work on our first store in the country, a supermarket in Puchong, which will open in May. During the coming year we plan to open three further stores in a joint venture with Sime Darby.

NEW MARKETS We are currently researching China and Japan as part of our continuing quest for new markets.

WORLDWIDE SOURCING A cutting-edge IT system now links our worldwide sourcing hubs in Bangalore, Hong Kong, Bangkok and Prague back to our UK head office. This enables us to source from anywhere in the world and track progress and costs of orders from product idea to delivery in any country in which we operate.



still growing

Winning at home and abroad The Tesco four part strategy, strong core UK business, non-food, retailing services and international growth have all delivered outstanding results, and contributed to Group profits. This is underpinned by our core purpose and values, which define the way we run our business.

Our **UK BUSINESS** remains our core market. We have increased our food market share. Our focused strategy of providing exceptional value and choice for customers has continued to serve us well, and there is still plenty of opportunity for future growth. This year we have again invested in price. Price comparisons on over 70% of everything we sell show we offer the best value products for our customers. Value is not only about price. This year, for our customers, we have also embarked on a programme of refreshing our Superstores, asking our staff and customers what they like and dislike about their local store, delivering improvements for our customers and staff through people, service, operations, equipment and general store environment. We have continued to innovate for our customers by introducing new ranges such as 'The Food Doctor' and 'Free From', and over 3,500 new lines, including 300 Finest lines. This year we have further improved Clubcard through the introduction of Air Miles, giving our customers more choice than ever.

NON-FOOD Huge progress has been made in non-food this year. We have introduced thousands of new lines and launched our own Value brand on non-food lines. You will now see opticians in many stores and we purchased a majority stake in The Nutri Centre, the complementary medicine retailer. We have grown our market share to over 4% and more customers than ever now have access to our non-food offer.

RETAILING SERVICES have been a major success for us. Tesco Personal Finance achieved a profit of £40m of which our share was £20m. The business continues to go from strength to strength by bringing outstanding value, and convenience to the customer.

Tesco.com now operates successfully in four countries: USA, South Korea and the Republic of Ireland alongside the UK. 85,000 customers a week love the convenience it provides them with. Tesco.com in total is in profit (excluding USA start-up costs) and continues to provide opportunities for growth.

INTERNATIONAL Our strategy of building an international business of scale continues to gain momentum. We have made good progress in all markets, and are confident of achieving both our profit target and returns. We announced the start of our development in Malaysia in December. After five years, we are well positioned to become the leading retailer in Central Europe and South East Asia in terms of both sales and profit. We now have 42% of Group space overseas, putting us on track to have broadly the same international space as in the UK by 2003/04.

IN SUMMARY Five years ago we laid out a strategy that would transform Tesco's prospects for future growth. This year we have strengthened our lead in the UK and seen our non-food business grow rapidly. Tesco Personal Finance has achieved material contributions to Group profit, and through organic growth we have arrived as a major International Group.



Terry

Terry Leahy Chief Executive

still delivering



one team

BUILDING A WORLD-CLASS TESCO TEAM is key to delivering our business strategy. As we expand around the globe we create a continuous demand for additional talent, meeting that need by developing our people, sharing learning, recruiting the best locally and creating jobs where people are valued wherever we operate. All our 260,000 staff are encouraged to go the extra mile for customers. We look after our people so that they in turn look after our customers.



DEVELOPING THE BEST Comprehensive training and development plus a new talent spotting scheme bring out the best in our staff. This year we promoted many of our people, placed 2,500 trainees on development programmes and appointed 2,520 new managers in the UK. Over 560 of our store managers have now attended the Management Programme at Manchester Business School. Key directors and managers have also been trained in managing change, to enable them to involve staff in delivering improvements for customers.

INVESTING IN OUR PEOPLE Our staff enjoy an industry-leading package that includes the largest share ownership scheme of any British employer. In February 2002, £116 million was paid out to 37,000 staff when two Save-As-You-Earn share schemes matured. Buy-As-You-Earn, a tax-efficient share buying scheme for staff, was launched in October.

VALUING STAFF The Tesco Values are a set of principles that describe the way we work together at Tesco. The two main

values are 'Treat people how we like to be treated' and 'No-one tries harder for customers'. Our Values award scheme has helped us to understand the great things our people do every day for each other and our customers. We have issued over 75,000 awards to members of staff this year.

The safety of our staff and customers is a top priority for Tesco. As the UK's biggest private sector employer and construction client we pride ourselves on our excellent safety record. Further information on our commitment to health and safety will be featured on the Tesco website this year.

The UK's biggest retailing careers website was launched by Tesco this year, at www.tesco.com/careers. The site complements the ways in which we already recognise and develop the talent of our people.

PENSIONS We are giving staff more security with our pension scheme by moving from a defined contribution to a defined benefit scheme.

catering for

Tesco is Britain's best value supermarket. Not only is no supermarket cheaper than Tesco on products of the same quality, but we also offer unbeatable quality, range and service. We understand our customers have different tastes and requirements. Our in-store offer ranges from the Finest products to our Value range, catering for every customer in every community.

ORGANICS Already the UK's largest organics retailer, Tesco has plans to grow sales to £1 billion over five years. We recently announced a further £12 million of organic produce being sourced in the UK. Responding to customer demand, we also extended our organics range to over 1,000 lines and cut prices on the 50 most popular lines.

FINEST The Finest range has grown by 300 lines over the year to 800, with additions including Finest Roast Onion Mayonnaise and Finest whisky. The brand is now worth over £400 million. Tesco Finest is also sold internationally – in Taiwan you'll find Finest jams and sauces.

VALUE Value lines can now be found in all our European markets. Hungary has Value vodka and cheese. You'll find Value dumplings in Poland, while the Czech Republic has 200 Value lines across all ranges, including fresh foods and grocery. In Thailand we have Tesco own-brand products and over 500 Supersaver lines, while Value lines in Taiwan include fresh fruit and vegetables.



all tastes

BRINGING PRICES DOWN Our consistent approach to forcing down prices has resulted in £1.2 billion of price cuts over the past six years. February saw a further £70 million of price cuts across 1,500 lines in the UK. We employ the same strategy internationally, aiming to be the best value retailer wherever we operate.

PROVIDING LOCAL FLAVOUR Wherever we operate we cater for local tastes, providing customers with the products they want, at the prices they want. Our local products are clearly identified with country or county of origin – sometimes even the farm they came from. Providing products to meet local customers' needs is also clearly visible in our international operations. We sell Welsh beef in all our Welsh stores. Our stores in Poland sell live carp, while in our South Korean stores you can buy 6-foot long strips of seaweed, live octopus and giant radishes weighing 2.5kg.

EXCELLENT EXPORTS This year Tesco was named Retail Exporter of the Year. Our Special Reserve Whisky is going down a treat in Taiwan, where the popularity of Tesco Lemon Curd has also spread. Customers in Thailand, the Czech Republic and Taiwan have now got a taste for Tesco Muesli, having seen it featured in the film Bridget Jones's Diary.

INNOVATION ON A PLATE We introduced 3,500 new food lines this year, including our 'Ready to Bake' range for special dietary needs. New counters are being rolled out to some stores, including olive bars, pizza and Grab and Go. Responding to customer needs, we now plan up to 32 seasonal ranges a year, up from four just three years ago. This year we also acquired a majority stake in The Nutri Centre, enhancing our health and beauty offer and meeting our customers' desire for natural products.

HEALTHY EATING We now have nearly 400 Healthy Eating lines in stores. January saw the launch of our Healthy Living Campaign. Two new food ranges – 'Free From' for special dietary needs and the naturally healthy 'Food Doctor' – were launched and backed by a new Healthy Living Club and website (www.tesco.com/healthyliving). The Healthy Living brand also covers our 5 A Day campaign to encourage people to eat five servings of fruit and vegetables a day to help reduce the risk of cancer.



Seaweed by the foot in South Korea.



Serve yourself at the olive bar, Tesco Extra, Bar Hill, Cambridge.

one-stop

KEY UK HIGHLIGHTS

WE SOLD 190,000 CAMERAS LAST YEAR, UP FROM 59,000 THE YEAR BEFORE.

OVER THE PAST 12 MONTHS WE SOLD MORE THAN ONE MILLION HARRY POTTER PAPERBACKS.

WE ARE THE MARKET LEADER IN MOBILE PHONE AIRTIME RETAILING, SELLING £3.3 MILLION OF AIRTIME EVERY WEEK.

ELECTRONIC TOP-UP ACCOUNTS FOR 25% OF ALL OUR AIRTIME SALES.

IN THE PAST YEAR WE SOLD TEN MILLION CDS.

DVD SOFTWARE SALES INCREASED BY 254%.

SALES OF OUR AUDIO RANGE, INCLUDING HI-FI'S AND WALKMANS, ROSE BY 300%.

HOMESHOP HAS NOW BEEN ROLLED OUT TO 160 STORES FROM A BASE OF 15 JUST TWO YEARS AGO.

PURCHASED A MAJORITY STAKE IN THE NUTRI CENTRE, OUR COMPLEMENTARY MEDICINE RETAILER.

INTRODUCED OPTICIANS INTO MANY OF OUR EXTRA STORES.

WE ARE THE VOLUME MARKET LEADER IN TOILETRIES.

WE WON THE MOTHER AND BABY RETAILER OF THE YEAR AWARD.

OUR FLORENCE AND FRED CLOTHING RANGE HAS SEEN STRONG GROWTH, WITH THE MEN'S 2001 AUTUMN/ WINTER RANGE UP 86% THIS YEAR.

Customers love our non-food offer. In the UK we have over a 4% market share, on track for our target of 6%. Our extensive non-food range offers the quality, range, service and price that our customers expect – whether it be in our Extra stores, Superstores or online. This year we have launched thousands of new lines offering more choice in more markets for our customers.

OFFERING BEST PRICES

We have significantly reduced the price of thousands of health and beauty lines resulting in market leadership in sales volumes. This year we saved customers over £70 million by significantly reducing prices on many non-food lines, including branded goods such as Levi Jeans and Apple Mac computers. Following the end of Resale Price Maintenance on medicines we cut our prices by up to 50%. We continue to campaign to have more freedom to import branded goods from outside the European Community so that we can bring even greater value to our customers. The introduction of Value lines into our clothing offer saw adult jeans for £7.99, kids' jeans for £4.99 and adult T-shirts for £2.99.

OVERSEAS OFFER In Thailand we have a strong offer in electricals, while in Poland you can find an extensive range of ski wear. In Hungary, all manner of sporting goods are on offer. A typical overseas hypermarket has 55% of its floor space allocated to non-foods.



A wide selection of washing machines available at the Tesco Mory store, Poland.

shop

FOLLOWING A SUCCESSFUL TRIAL WHERE WE SOLD **2,000 SOFAS IN 12 WEEKS** FROM 19 STORES, WE NOW HAVE PERMANENT FURNITURE DEPARTMENTS IN TEN EXTRA STORES. OTHER NON-FOOD LINES INTRODUCED THIS YEAR INCLUDE DIY, CARCARE AND LIGHTING.



THE MYSTERIES OF THE EAST ARE UNCOVERED WITH OUR FENG SHUI RANGE OF HEALTH AND BEAUTY PRODUCTS



We now have opticians in many of our UK and Asian hypermarkets.

Listening to customers allows us to fine-tune our ranges, opening hours and even the type of store we build in a local community. Catering for individual needs and employing local people not only benefits customers – it's also good for staff, shareholders and society as a whole. We pursue our focus on customers wherever in the world we operate.

UNDERSTANDING

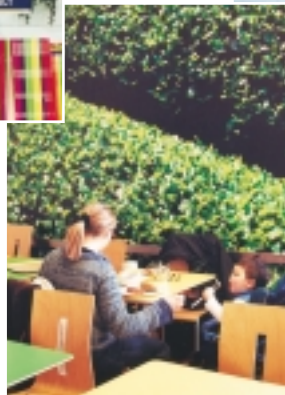
Tesco Homeplus store, Youngdeungpo, South Korea.



Tesco Extra, Irlam, Manchester.



Tesco Lotus Rama IV, Thailand.



Tesco café, Clearwater, Republic of Ireland.



Tesco Homeplus store, Jakjon, South Korea.



Tesco Express, Romford.



SELLING SPACE 01/02

FORMATS THAT FIT

Our customers have different shopping needs, so we vary our store format for them, tailoring the design so each store is better able to serve its community and make shopping more convenient.

EXTRA STORES provide destination shopping with an extensive food and non-food offer, on major sites.

SUPERMARKETS provide one-stop shops for the weekly shop.

METRO STORES provide convenience in our high streets.

EXPRESS STORES for top-up and impulse shopping, can be found in busy thoroughfares.

local CUSTOMERS



Tesco Budaörs store, Budapest, Hungary.

STAYING LOCAL Wherever in the world we operate, we stay local. The majority of store managers in Europe and Asia are local people and we have development programmes to grow our local talent for the future. Local sourcing, wherever practicable, means many products are sourced from within each national market.

KEEPING IT SIMPLE In October we unveiled an innovative new concept in store design at Irlam, Manchester. We put together in one store a host of new initiatives aimed at making things better for customers, simpler for staff and cheaper for Tesco. Our new store layout ensures that high volume products are moved as little as possible, many counters have self-service options and the flow of products to and from the sales floor has been improved.

SHOP AROUND THE CLOCK We now have 365 UK stores open 24 hours a day, meeting the needs of people with different lifestyles right across the country. This year, Taoyuan Chingkou became the first hypermarket in Taiwan to operate 24 hours a day, 365 days a year; many of our international hypermarkets operate on a 24 hour basis.

A REFRESHING CHANGE Refresh My Superstore was launched this year, giving customers a real say in how their store is improved. Before any work is carried out, customers and staff are asked what changes they would like made, from the product ranges to the car park layout. Their feedback forms the basis of the work then carried out. In the coming year we plan to refresh over 100 of our UK stores.

INVESTING AND



INNOVATING



TESCO PLC 23

OUR UK STEP CHANGE PROGRAMME ACHIEVED SAVINGS OF OVER £200M IN ITS SECOND YEAR. BASED ON THE PRINCIPLES OF BETTER, SIMPLER AND CHEAPER, OUR OPERATIONS WERE IMPROVED AND EFFICIENCIES INCREASED. A COMBINATION OF NEW SYSTEMS AND NEW PROCESSES REALISED THESE SAVINGS:

BREAKING NEW GROUND: LEADING EDGE SYSTEMS

- ❄ Our Continuous Replenishment system, where products are ordered automatically based on continuous information flows from our checkouts, is now operating on nearly all food and drink lines, raising availability and simplifying operations.
- ❄ Using the world's first store-specific merchandising system we can now tailor each store range to meet the precise needs of its customers. Linked to continuous replenishment, product space is allocated to demand.
- ❄ A new automatic scheduling system in stores works out the optimum staffing levels required at checkouts, to match 12 million customers per week with 18,000 checkouts.

EXTENDING THE SUPPLY CHAIN PROCESS A new team has been established to increase our efficiency by better managing the movement of goods between suppliers and our regional distribution centres. By working with suppliers, hauliers and consolidators we can reduce costs, miles travelled empty and lead times. We expect significant savings in the next three years following our successful pilot in 2001.

STRENGTHENING THE DISTRIBUTION NETWORK Two new distribution centres opened in the UK this year at Thurrock and Daventry. These provide an 18% increase in our capacity. A new distribution centre in Hungary is also under construction.

TAKING STEP CHANGE FURTHER In the year step change programmes, based on the successful UK template, were established in Central Europe and Thailand. This has made operations better for customers, simpler for staff and cheaper for the business.

TESCO

Personal Finance

Tesco Personal Finance (TPF) is one of the UK's fastest growing financial services businesses. Over one million accounts and policies were opened this year and our share of profit rose from £3 million to £20 million. TPF now has over 2.5 million accounts. With 20% of sales now originating from the internet and 80% of business coming through the stores, our products are available where and when our customers want them.



SAVINGS

Total savings balances grew by more than 30% in 2001.

NEW THIS YEAR The cheque pay-in facility at Tesco checkouts is a world-first initiative. This was rolled out this year to over 500 stores.

Instant Travel Insurance rolled out this year to 450 stores, a new and convenient way to buy travel insurance with no form filling and no fuss – just pick up a pack in store and pay at the checkout.

ATM charity payout was a UK first, with TPF donating 1p to charity for every withdrawal from our TPF cashpoint machines; £265,000 was raised for The Alzheimer's Society.

FIRST FOR

CLUBCARD Ten million Clubcard customers – members of the biggest and best loyalty card scheme in the UK. Over £1 billion in vouchers has already been given to customers since Clubcard's launch in 1995.



CREDIT CARD With a 1.5% introductory rate and a standard variable 15.9% APR. Over one million credit cards are in issue earning customers extra Clubcard points every time they pay by credit card.

loans
from £2,000 to £25,000

LOANS Personal loans grew to over £1 billion and we won awards from MoneyFacts and Your Money Direct magazine.



MOTOR INSURANCE Since its launch in March 2000, we have attracted over 500,000 new customers.



ATMS Over 450 own branded cashpoint machines installed handling over one million transactions each week.



PET INSURANCE We are the fastest growing pet insurer in the UK with almost 250,000 dogs and cats covered.



HOME INSURANCE

5% discount for online customers, plus a further 5% discount for holders of Tesco Motor insurance. We have 100,000 policies in force this year.



LIFE INSURANCE

Being at the top of 'Best Buy' tables in the press has helped to grow the value of written policies.



TRAVEL MONEY Increasing in popularity with customers, this service delivers currency and travellers cheques to their home address.

FINANCE



TRAVEL INSURANCE Our customers have saved up to 50% on travel agents' charges.



OVERSEAS We successfully launched a credit card in the Republic of Ireland this year, following a successful pilot in which nearly 10,000 accounts were opened. The potential for international growth remains an exciting opportunity as Tesco expands its activities overseas.



ISA Helping to make more complicated products easier to understand, we offer customers a choice of three equity ISAs.



ONLINE BANKING

A free service for Instant Access Savings Account and Clubcard Plus customers.



Tesco.com is the biggest online supermarket operator in the world. Covering 95% of the UK population, we have delivered to over a million homes. The site receives millions of unique visits each month. This year turnover reached £356 million.

e-@sy shopping



TESCO.COM also sells a huge range of non-food products. A new wine warehouse was launched in 2001 offering a much larger range of wine by the case than at a conventional store. Our broad range of online warehouses offers everything from prams to flowers and TVs to dishwashers. For example, our online entertainment warehouse carries 1.2 million books plus every single CD, video, DVD and computer game on UK release.



TESCO.COM...

...was voted E-tailer of the Year in the 2001 Retail Week Awards, Best E-Commerce Service at the World Communication Awards and won the Large Corporate category at the Daily Telegraph and Barclays Bank @chievement 2001 awards.

...is pioneering internet home shopping for blind and partially sighted people. The new Tesco.com access site (www.tesco.com/access) is much simpler to use for visually impaired people, allowing text to be increased in size. If shoppers use a screen reader, a voice from the computer guides them as they shop online. This technology has also opened up shopping on the move via a pocket PC or smartphone.

85,000 GROCERY HOME SHOPPING ORDERS PER WEEK



OVERSEAS Tesco.com now operates on three continents. January saw the launch of the Tesco.com internet home shopping model in the USA, with Safeway Inc. The deal combines Tesco expertise in store-based home shopping with Safeway Inc's leading presence in the American market. Customers in Portland, Oregon, were first to try the new service, followed by San Francisco. Tesco.com is growing rapidly in the Republic of Ireland, where the service covers 70% of the population. You can also shop online with Tesco in South Korea, where we launched our e-homeplus service from the Homeplus store in Ansan, near Seoul.



ELECTRICAL



FLOWERS



WINE



HOME LIVING



TESCO PERSONAL FINANCE



HEALTHY LIVING

supporting our local

A website, detailing our integrated policy for **corporate social responsibility** was launched this year at www.tesco.com/everylittlehelps



Knowing their onions – brothers Bill and John Rix from Essex, who grow onions and potatoes, have seen their business grow through their excellent supply of produce to Tesco.

WORKING WITH SUPPLIERS

WE ARE COMMITTED TO SELLING LOCAL PRODUCE AND ALREADY STOCK AROUND 7,000 REGIONAL LINES FROM ALL OVER THE UK.

WE ARE DEVELOPING A MASTERCLASS PROGRAMME WITH AGRICULTURAL COLLEGES TO HELP FARMERS GAIN A GREATER UNDERSTANDING OF THE RETAILING INDUSTRY – AFTER ALL, WE ARE UK FARMERS' BIGGEST CUSTOMER.

TESCO HAS ISSUED A CHALLENGE TO GROW OUR ORGANICS SALES TO £1 BILLION WITHIN FIVE YEARS, GIVING FARMERS THE OPPORTUNITY TO DEVELOP THEIR BUSINESSES.

DURING THE FOOT AND MOUTH CRISIS, TESCO WAS THE FIRST TO CONTRIBUTE TO A FUND SUPPORTING BRITISH FARMERS.

communities

Great responsibility comes with being the UK's largest food retailer. That's why Tesco has a firm commitment to support local people and communities, and protect the environment.



CHARITABLE SUPPORT TO COMMUNITIES in the UK and overseas, including contributions in cash and in kind from the Tesco Group and grants through the Tesco Charity Trust, amounted to £9.0 million. Tesco is a member of the Business in the Community Per Cent Club, having once again given 1% of our pre-tax profits to support community activity.



Our **URBAN REGENERATION** schemes have created around 1,000 jobs in the UK over the past year. These schemes are sited in high unemployment areas and provide training, family support and childcare as well as jobs. Our schemes in Seacroft, Leeds, and St Rollox, Glasgow, won awards in 2001 for helping the long-term unemployed return to work. Other schemes in the pipeline include Rotherham and Beckton, East London.



COMPUTERS FOR SCHOOLS this year saw a 137% rise in vouchers issued. So far over £70 million worth of computer-related equipment has been given to 22,000 schools. The annual Tesco Our School Awards recognise young people for their outstanding contributions to school and community life.

Our **CHARITY OF THE YEAR** for 2001 was The Alzheimer's Society and Alzheimer Scotland – Action on Dementia will receive over £2 million. This year we will be raising money for The Cystic Fibrosis Trust. The Tesco Charity Trust made cash grants of over £773,000 in 2001/2002 to local and national charities. Sponsorship of the **Race for Life** in the coming year by Tesco will help raise £12 million for research into women's cancers.



A scheme to **RECYCLE** millions of unwanted mobile phones has been launched by Tesco and XS Tronix. Recycling saves them from being dumped in landfill sites where they can release potentially dangerous substances. Some handsets will be re-used in developing countries and every recycled phone generates a donation to charity. We also encouraged our customers to recycle their Christmas cards and carrier bags through our stores this year.



A GLOBAL COMMITMENT When floods devastated parts of Poland in the summer, Tesco led the fundraising for the homeless – action that was recognised officially by the Polish government. In the Republic of Ireland we launched our Charity of the Year scheme, raising €380,000 for the Irish Cancer Society. In South Korea we are recognised by the Ministry of the Environment as being the leading retailer for the promotion of environmental products. In Thailand we support a wide range of community projects including agriculture, vocational training and development of small suppliers.



Our efforts have won us a place in the latest FTSE4Good index of socially responsible companies.

board of directors

JOHN GARDINER 65

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.



TERRY LEAHY 46

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.



DAVID REID 55

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 and is Chairman of Tartan TV Ltd.



ROWLEY AGER 56

COMPANY SECRETARY ■

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



TIM MASON 44

MARKETING & 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.



DAVID POTTS 44

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.



CHARLES ALLEN 45

NON-EXECUTIVE ◆◆▲

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

PHILIP CLARKE 41**LOGISTICS & 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.

**JOHN GILDERSLEEVE 57**
COMMERCIAL & 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.

**ANDREW HIGGINSON 44**
FINANCE DIRECTOR

Andrew Higginson was appointed to the Board in 1997. He is a member of the 100 Group of Finance Directors and the Financial Reporting Review Panel.



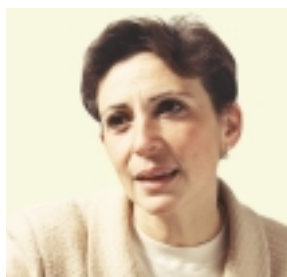
- ◆ Member of the Audit Committee
- Member of the Compliance Committee
- Member of the Nominations Committee
- ▲ Member of the Remuneration Committee

**DR HARALD EINSMANN 67**
NON-EXECUTIVE ●

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

**JOHN MELBOURN CBE 64**
NON-EXECUTIVE ◆◆▲

John Melbourn was appointed a Non-executive Director in 1996. He is a Director of Gulf International Bank (U.K.) Ltd.

**VERONIQUE MORALI 43**
NON-EXECUTIVE

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

**GRAHAM PIMLOTT 52**
NON-EXECUTIVE ◆◆▲

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

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 23 February 2002 and complies with the applicable requirements of Section 251 of the Companies Act 1985, and the regulations made thereunder.

PRICEWATERHOUSECOOPERS 

Chartered Accountants
and Registered Auditors

London 9 April 2002

summary directors' report

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, Slovak Republic, Thailand, South Korea and Taiwan. The business review is within the summary financial statement on pages 34 to 35.

DIVIDENDS The Directors recommend the payment of a final dividend of 3.93p per ordinary share to be paid on 28 June 2002 to members on the Register at the close of business on 19 April 2002. Together with the interim dividend of 1.67p per ordinary share paid in December 2001 the total dividend for the year comes to 5.60p, compared with 4.98p for the previous year, an increase of 12.4%.

DIRECTORS Details of the current members of the Board are shown on pages 30 and 31. Sir Terry Leahy, Mr J Gildersleeve, Mr T J R Mason and Mr DT Potts 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.

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 2002.

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 2002. Copies of the Executive Directors' contracts of employment are available for inspection by shareholders as required.

DIRECTORS' EMOLUMENTS

	Salary £000	Profit- sharing £000	Benefits £000	Incentive scheme		Total 2002 £000	Total 2001 £000
				Short-term £000	Long-term £000		
Mr J A Gardiner	333	—	14	—	—	347	314
Sir Terry Leahy	842	8	25	819	763	2,457	1,608
Mr D E Reid	651	8	61	635	635	1,990	1,342
Mr R S Ager	417	8	18	409	433	1,285	862
Mr C L Allen	45	—	—	—	—	45	42
Mr P A Clarke	411	8	20	418	284	1,141	653
Dr H Einsmann	33	—	—	—	—	33	30
Mr J Gildersleeve	555	8	68	542	564	1,737	1,189
Mr A T Higginson	460	8	49	457	334	1,308	809
Mr T J R Mason	460	8	22	457	423	1,370	874
Mr J W Melbourn	45	—	—	—	—	45	42
Mrs V Morali	33	—	—	—	—	33	14
Baroness O'Cathain (a)	—	—	—	—	—	—	13
Mr G F Pimlott	58	—	—	—	—	58	55
Mr D T Potts	411	8	16	418	297	1,150	651
Mr J M Wemms (a)	—	—	—	—	—	—	318
	4,754	64	293	4,155	3,733	12,999	8,816

(a) Former Director.

SUMMARY OF EXECUTIVE SHARE OPTIONS AND DISCLOSABLE SHAREHOLDINGS

	Number of shares					Value realisable 2002 £000	Ordinary shares 23 Feb 2002
	Options held 24 Feb 2001	Granted (a)	Exercised	Options held 23 Feb 2002	Exercise price pence		
Mr J A Gardiner	—	—	—	—	—	—	618,464
Sir Terry Leahy	3,446,937	647,773	—	4,094,710	59.7-247.0	—	1,997,093
Mr D E Reid	2,075,330	502,024	—	2,577,354	59.7-247.0	—	1,990,388
Mr R S Ager	1,175,104	323,886	—	1,498,990	151.7-247.0	—	1,163,582
Mr C L Allen	—	—	—	—	—	—	—
Mr P A Clarke	986,764	299,595	93,999	1,192,360	164.0-247.0	100	323,702
Dr H Einsmann	—	—	—	—	—	—	—
Mr J Gildersleeve	1,788,850	429,149	—	2,217,999	98.3-247.0	—	1,291,365
Mr A T Higginson	932,812	348,178	—	1,280,990	164.0-247.0	—	451,569
Mr T J R Mason	1,174,329	432,566	30,000	1,576,895	151.7-247.0	40	840,590
Mr J W Melbourn	—	—	—	—	—	—	9,690
Mrs V Morali	—	—	—	—	—	—	—
Mr G F Pimlott	—	—	—	—	—	—	31,851
Mr D T Potts	888,288	299,595	—	1,187,883	164.0-247.0	—	453,441

(a) Options granted in the year were at the exercise price of 247.0p.

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

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 2002. 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 2002. 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 9 April 2002.

Terry Leahy
Andrew Higginson
Directors

PROFIT AND LOSS ACCOUNT This was another successful trading year for the Group. Sales increased by 12.7% to £25,654m and underlying pre-tax profit increased by 14.1% to £1,221m. Adjusted diluted earnings per share rose 13.9% to 12.14p. A final dividend of 3.93p per share is proposed, making the full year dividend 5.60p, an increase of 12.4% over last year.

UK sales have grown 9.1% to £21,685m. Like-for-like sales were 6.2%, reflecting strong volumes, along with deflation of 0.6%. New stores continue to perform well, contributing 2.9% to sales growth.

UK operating profit increased to £1,213m up 10.3% 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 and grow profits. In 2002 they exceeded our expectations with over £200m of savings and we anticipate broadly the same level in 2003.

Sales in the Rest of Europe increased to £2,475m, up 25.6% and contributed an operating profit of £90m, up 28.6%. Sales in the Republic of Ireland were up 8.9%.

In Asia, sales were up 62.6% to £1,494m and we made an operating profit of £29m, up 625.0% on last year. Trading profit from Thailand and South Korea has been partly offset by start-up losses in Taiwan.

Total joint ventures profit for the year was £42m compared to £21m last year.

Tax on underlying profit has been charged for the year at an effective rate of 30.4%.

Net interest payable for the year was £153m, an increase of £28m over the previous year reflecting our investment plans.

SUMMARY PROFIT AND LOSS ACCOUNT

	2002 £m	Restated 2001 [‡] £m
Sales at net selling prices	25,654	22,773
Turnover including share of joint ventures	23,804	21,096
Less: share of joint ventures' turnover	(151)	(108)
Group turnover excluding value added tax	23,653	20,988
Normal operating expenses	(22,273)	(19,770)
Employee profit-sharing	(48)	(44)
Goodwill amortisation	(10)	(8)
Operating profit	1,322	1,166
Profit from joint ventures and associates	42	21
Net loss on disposal of fixed assets	(10)	(8)
Interest	(153)	(125)
Profit before tax	1,201	1,054
Profit before net loss on disposal of fixed assets and goodwill amortisation	1,221	1,070
Net loss on disposal of fixed assets	(10)	(8)
Goodwill amortisation	(10)	(8)
Tax	(371)	(333)
Minority interests	—	1
Profit for the financial year	830	722
Dividends	(390)	(340)
Retained profit	440	382
Adjusted diluted earnings per share [†]	12.14p	10.66p
Dividend per share	5.60p	4.98p

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

[‡] Restated due to the adoption of Financial Reporting Standard (FRS) 19, 'Deferred Tax'.

CASH FLOW STATEMENT Cash flow from operations was strong, generating £2,038m. Interest and tax payments were £192m and £378m respectively for the year.

Group capital expenditure was £2,027m including £219m for lease buybacks and freehold purchases. UK capital expenditure was £1,276m, including £498m on new stores, £219m for lease buybacks and freehold purchases and £270m on extensions and refits. Total international capital expenditure was £751m including £426m in Asia. In the year ahead we forecast Group capital expenditure to be £2.0bn.

Net debt at the year end was £3,560m, an increase of £756m on the previous year; and gearing was 64%. This increase mainly reflects continuing investment to implement our international hypermarket development strategy.

SUMMARY CASH FLOW STATEMENT

	2002 £m	2001 £m
Cash from operations	2,038	1,937
Interest	(192)	(161)
Tax	(378)	(272)
Gross trading cash flow	1,468	1,504
Net capital expenditure	(1,920)	(1,968)
Changes in financing	82	88
Dividends	(297)	(254)
Normal cash flow	(667)	(630)
Business changes	(81)	(76)
Non-cash movements	(8)	(38)
Movement in net debt	(756)	(744)
Opening net debt	(2,804)	(2,060)
Closing net debt	(3,560)	(2,804)

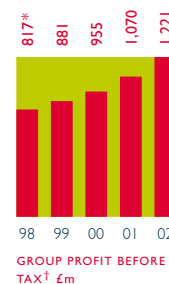
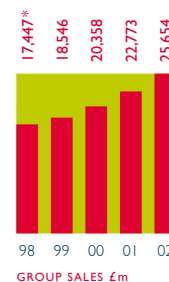
BALANCE SHEET Net assets have increased by £552m over last year to £5,566m.

Fixed assets increased by £1,465m, after charging depreciation and goodwill of £534m, an increase of £58m.

SUMMARY BALANCE SHEET

	2002 £m	Restated 2001 [†] £m
Fixed assets	11,503	10,038
Current assets	2,053	1,694
Short-term creditors	(4,809)	(4,389)
Net current liabilities	(2,756)	(2,695)
Total assets less current liabilities	8,747	7,343
Long-term creditors	(2,741)	(1,927)
Provisions	(440)	(402)
Net assets	5,566	5,014
Equity shareholders' funds	5,530	4,978
Minority interests	36	36
Total capital employed	5,566	5,014

[†] Restated due to the adoption of FRS 19, 'Deferred Tax'.



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

* 52 weeks pro forma

investor information

SUMMARY FIVE YEAR RECORD

	1998 53 weeks £m	1999 £m	2000 £m	2001 Restated £m	2002 £m
Year ended February					
Group sales	17,779	18,546	20,358	22,773	25,654
Turnover excluding VAT					
UK	14,971	15,835	16,958	18,372	20,052
Rest of Europe	1,481	1,167	1,374	1,756	2,203
Asia	–	156	464	860	1,398
	16,452	17,158	18,796	20,988	23,653
Underlying operating profit [†]					
UK	875	919	993	1,100	1,213
Rest of Europe	37	48	51	70	90
Asia	–	(2)	(1)	4	29
	912	965	1,043	1,174	1,332
Underlying pre-tax profit [†]	832	881	955	1,070	1,221
Profit before tax	760	842	933	1,054	1,201
Adjusted diluted earnings per share [‡]	8.84p	9.37p	10.18p	10.66p	12.14p
Dividend per share	3.87p	4.12p	4.48p	4.98p	5.60p
Retail statistics					
UK					
– Number of stores	618	639	659	692	729
– Total sales area (000 sq ft)	15,215	15,975	16,895	17,965	18,822
– Turnover per full-time employee (£)	149,799	151,138	156,427	161,161	165,348
– Weekly sales per sq ft (£)	20.48	21.05	21.43	22.01	22.33
International					
– Number of stores	163	182	186	215	250
– Number of hypermarkets	2	22	38	68	102
– Total sales area (000 sq ft)	3,039	5,378	7,144	10,397	13,669

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

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

SHAREHOLDER PROFILE

	Number of holdings	%	Balance as at 23 Feb 2002	%
Analysis by type of shareholder				
Employees	99,490	37.71	254,669,490	3.64
Other individuals	138,191	52.38	459,695,720	6.57
Corporate institutions	26,155	9.91	6,279,914,501	89.79
	263,836	100.00	6,994,279,711	100.00
Analysis by size of shareholding				
1 – 1,000	153,238	58.08	36,834,362	0.53
1,001 – 10,000	93,571	35.47	310,856,625	4.44
10,001 – 100,000	15,010	5.69	352,173,275	5.04
100,001 – 1,000,000	1,459	0.55	471,540,969	6.74
above 1,000,000	558	0.21	5,822,874,480	83.25
	263,836	100.00	6,994,279,711	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 rich 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 01903 502541

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 ONLINE SERVICE

Tesco financial information, including the Annual Report and Financial Statements 2002, is available on the internet at www.tesco.com/corporateinformation

INVESTOR RELATIONS

Investor Relations department
Tesco PLC
Tesco House
Delamare Road
Cheshunt
Hertfordshire EN8 9SL
Telephone 01992 646484
e-mail investor.relations@uk.tesco.com

SECRETARY AND REGISTERED OFFICE

Rowley Ager
Tesco PLC
Tesco House
Delamare Road
Cheshunt
Hertfordshire EN8 9SL
Telephone 01992 632222

FINANCIAL CALENDAR

	2002
Financial year end	23 February
Results announced	10 April
Final dividend: ex-dividend date	17 April
Final dividend: record date	19 April
Annual Report posted	10 May
AGM and trading statement	14 June
Final dividend pay date	28 June
Half year end	10 August
Interim results announced	17 September
Interim dividend: ex-dividend date	25 September
Interim dividend: record date	27 September
Trading statement	mid November
Interim dividend: pay date	29 November
	2003
Trading statement	mid January
Financial year end	22 February
Results announced	mid April

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Front cover: Customer Assistant Kim Jong-Min at the Homeplus store in Youngdeungpo, South Korea.