



TESCO

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REVIEW

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14 USING OUR STRENGTHS TO DELIVER UNBEATABLE VALUE we operate more efficiently in every part of our business to create value for our customers.

16 SHARING KNOWLEDGE we exchange expertise between different parts of our business to create a cycle of continuous improvement that supports our global strategy.

18 TREATING PEOPLE HOW WE LIKE TO BE TREATED we have an integrated policy of corporate social responsibility to support our local communities and protect the environment.

20 LOOKING AFTER OUR PEOPLE SO THEY CAN LOOK AFTER OUR CUSTOMERS we are developing a world-class team to operate effectively in our competitive international markets.

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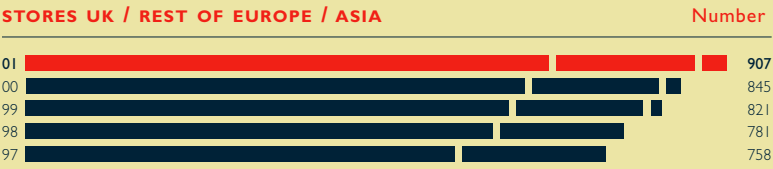
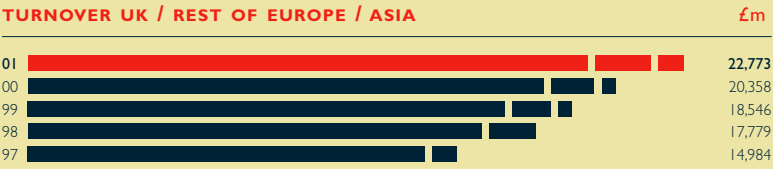
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TESCO OPERATES 907 STORES AND EMPLOYS 240,000 PEOPLE, GIVING US ACCESS TO A POPULATION OF 260 MILLION ACROSS OUR NINE MARKETS. OVER THE PAST FIVE YEARS, WE HAVE EXPANDED FROM OUR TRADITIONAL UK SUPERMARKET BASE INTO NEW COUNTRIES, PRODUCTS AND SERVICES, INCLUDING A MAJOR NON-FOOD BUSINESS, PERSONAL FINANCE AND INTERNET SHOPPING. THE INCREASING SCALE AND INTERNATIONALISATION OF OUR SALES AND PURCHASING OPERATIONS MAKES A SIGNIFICANT CONTRIBUTION TO OUR EFFICIENCY AND PROFITABILITY, AS WE PROGRESS TOWARDS OUR LONG-TERM GOAL OF BECOMING A TRULY INTERNATIONAL RETAILER.

		NUMBER OF STORES	SALES AREA	NEW STORES OPENED IN 2000/01	PLANNED OPENINGS IN 2001/02
UNITED KINGDOM	Our largest, most experienced operation, serving a population of 60 million. Outstanding value, service, quality and choice maintain our leadership against intense competition.	692	18.0m sq ft	48	80
REPUBLIC OF IRELAND	Business acquired in 1997. Now market leader having rebranded all our stores, developed local partnerships, purchased more Irish products, introduced Clubcard and Tesco Personal Finance. Two new stores opened this year.	76	1.7m sq ft	2	5
HUNGARY	Entered market in 1994 and already in profit. Opened 15 hypermarkets in five years, including our two largest, in Budapest. Critical mass now achieved and looking to a centralised distribution system.	45	1.7m sq ft	6	6
POLAND	Entered market in 1995. Huge potential for long-term growth and profitability in a country of 39 million people. We now have ten hypermarkets increasing to 15 in 2001.	40	1.4m sq ft	6	5
CZECH REPUBLIC	Entered market in 1996. Acquisition of six Kmart department stores gave us regional buying power and non-food knowledge. We have quickly grown the business and now have 12 stores in total including six hypermarkets.	12	1.2m sq ft	2	2
SLOVAKIA	Entered market in 1996. Acquisition of seven Kmart department stores gave us regional buying power and non-food knowledge. We have quickly grown the business and now have ten stores in total including five hypermarkets.	10	0.8m sq ft	3	5
THAILAND	Invested in the Lotus chain of 13 hypermarkets in 1997. We are now the market leader with 24 hypermarkets and have a leading position in, and around, Bangkok.	24	2.8m sq ft	7	9
SOUTH KOREA	Entered market in 1999 through the acquisition of two high-turnover stores. In 2000 we added five further hypermarkets, new systems and a distribution depot.	7	0.7m sq ft	5	6
TAIWAN	Opened our first hypermarket in December 2000. We plan to open a further two stores in 2001.	1	0.1m sq ft	1	2
		907	28.4m sq ft	80	120



RETAILING SERVICES UK

Tesco Personal Finance was established in 1997 and now has 2 million customers, with 15 products and services and is already profitable.

tesco.com is the largest grocery e-tailer in the world. The offer is being expanded into non-food and to our international markets.

NON-FOOD RETAILING

We have a 4% market share in the UK and world-wide we added 1.5m sq ft of non-food space, keeping us on track to achieve £5bn of Group non-food sales by the end of 2002.



UNITED KINGDOM



REST OF EUROPE



ASIA

Our successful long-term growth strategy has four elements:

strong UK core business – continues to grow and to build market share

non-food – making excellent progress towards our goal of being as strong in non-food as food

retailing services – following the customer into new areas such as personal finance and on-line retailing

international – our long-term organic growth programme is progressing well and we are on track for 45% of Group space by 2002.

All aspects of our strategy reflect our core purpose:

Creating value for customers, to earn their lifetime loyalty

In the UK and internationally, the way we do things at Tesco is defined by our values. They are fundamental to our business and support the core purpose. They are:

No-one tries harder for customers

Understand customers better than anyone

Be energetic, innovative and first for customers

Use our strengths to deliver unbeatable value to our customers

Look after our people so they can look after our customers.

Treat people how we like to be treated

All retailers, there's one team... the Tesco Team

Trust and respect each other

Strive to do our very best

Give support to each other and praise more than criticise

Ask more than tell and share knowledge so that it can be used

Enjoy work, celebrate success and learn from experience.

The business review in this document illustrates how all aspects of our business reflect these values.

FINANCIAL HIGHLIGHTS

GROUP SALES	UP	11.9%
GROUP PROFIT BEFORE TAX [†]	UP	12.0%
EARNINGS PER SHARE ^{†‡}	UP	11.1%
DIVIDEND PER SHARE	UP	11.2%

2001
52 weeks

2000
52 weeks

Group sales (including value added tax) (£m)	22,773	20,358
Profit on ordinary activities before tax [†] (£m)	1,070	955
Earnings per share ^{†‡} (p)	11.31	10.18
Dividend per share (p)	4.98	4.48
Group enterprise value (market capitalisation plus net debt) (£m)	21,590	13,591

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

[‡] Adjusted diluted.

the Tesco Group has achieved outstanding results driven by our determination to be number one for customers

The Tesco Group achieved outstanding full year results. Group sales have risen by 11.9% to £22.8 billion and underlying pre-tax profits are up by 12.0% to £1,070m, with adjusted diluted earnings per share increasing 11.1% to 11.31 pence.

DIVIDEND

The Board has recommended a final dividend of 3.50 pence. This, together with the interim dividend of 1.48 pence, gives a total for the year of 4.98 pence up 11.2% and maintains dividend cover at 2.27 times.

PERFORMANCE

These results reflect the strong contribution made by all parts of the Tesco business. In particular:

First – the great efforts of our people underlined at home by their remarkable performance through both the petrol and foot and mouth crises and keeping our stores open during the floods. We could not have done this without the support of our suppliers and it illustrates what a great job we do when working together.

All their efforts have been acknowledged by winning numerous awards including retailer of the year and e-tailer of the year in the UK, as well as many international awards.

What people do is crucial to our business. World-wide we employ 240,000 people and will create a further 20,000 jobs in the coming year.



Second – our business strategy which is delivering double digit earnings growth from the fastest organic growth rate of any major international retailer.

BOARD CHANGES

Baroness O'Cathain, Non-executive Director, and Michael Wemms, Retail Director both retired after 14 and 28 years respectively with the Group. I would like to thank them both for their valued contributions during this time.

I would also like to welcome Veronique Morali, who was appointed as a Non-executive Director in September 2000.

A handwritten signature in black ink, reading "John Gardiner". The signature is stylized with a large, sweeping flourish at the end.

John Gardiner Chairman

We sell for **LESS**



'This year the Tesco strategy has continued to deliver for the customer.

All four parts of this strategy – a strong core UK business, non-food, retailing services and our international business – have contributed to these strong results. We made good progress on our long-term transformation from a domestic to an international retailer and our sales momentum is delivering the fastest organic growth rate of any major international retailer.'

creating value for customers to earn their lifetime loyalty

Our core purpose and values define the way we do business. This creates a culture and environment in which all four parts of our strategy continue to deliver strong results.

1 A STRONG UK CORE BUSINESS Our customer focused strategy and commitment to value have increased market share and we see plenty of opportunity for future growth.

Tesco leads on value in the UK and we have significantly improved our leading position, driven by our £1 billion investment in price over the last five years. But while cutting prices, we constantly respond to other customer needs. In the year we have relaunched our organics range, extended our Finest range, extended 24 hour trading to over 300 stores and improved availability on the shelves at all times.

2 NON-FOOD Good progress has been made towards our goal of being as strong in non-food as we are in food. We already have 4% market share in the UK and in the year we added 1.5m sq ft of non-food space around the world. We are on track to achieve £5 billion of Group non-food sales by the end of 2002.

3 RETAILING SERVICES Tesco Personal Finance is now in profit and is one of the UK's fastest growing financial services businesses. Tesco.com is firmly established as the largest grocery e-tailer in the world. It is progressing well, achieving our business plans and financial targets.

4 INTERNATIONAL GROWTH Our organic growth programme is progressing well. At the year end, our international business represented 37% of Group space and we are on track to deliver 45% by 2002.

As forecast, our lead countries, Thailand in Asia and Hungary in Central Europe, have moved into profit helping both Central Europe and Asia deliver overall profits.

OTHER ISSUES

We participated in an exhaustive and wide-ranging Competition Commission enquiry. We welcomed their findings which were that the market was competitive, profits were not excessive, prices were competitive compared to other markets and there was a high degree of consumer satisfaction.

The Commission recommended a binding code of conduct governing relationships between suppliers and the five leading supermarkets. We support this and expect it to operate from early Autumn.

Foot and mouth has been a tragedy for British farmers. We are working closely with all the farmers' unions to ease their plight and maintain confidence in British agriculture.

This has been a huge effort by everybody in the industry. Farmers know they can count on the support of Tesco customers and staff.

OVERALL

This year we have delivered strong results, made good progress with our transformation from a domestic to an international retailer and achieved sales growth that is gaining momentum – delivering the fastest organic growth rate of any major international retailer.

We are establishing an international business with real capability and growth prospects that will make a substantial difference to the Tesco Group over the next ten years.



Terry Leahy Chief Executive



we
sell
for
LESS

sell
for
LESS

1000's
of products are
now cheaper

1000's
of products are
now cheaper
than last year

also at www.tesco.com

We sell for LESS

We sell
for
LESS

Fruit
for

The best prices for our customers

We have invested over £1 billion in UK price cuts since 1996. We are able to continue reducing prices on everyday items by buying better around the world, introducing world-leading technology, searching for efficiencies within our business and increasing sales volume. We adopt the same strategy of offering value internationally, aiming to be the best-value retailer wherever we operate.

NO-ONE TRIES HARDER FOR CUSTOMERS

Wherever Tesco operates, we aim to offer great value products and services which meet the diverse requirements of every customer, in every community. We are already the UK's leading supermarket and this focus on the customer as an individual has helped us to gain market share faster than our competitors. This same approach is helping us to establish leading positions in our international markets.



Tesco has the biggest range of organic products of any UK retailer.

OFFERING A REAL ORGANIC OPTION

The number of customers buying organic products at our stores has trebled over the past year. Tesco is responding to the demand with the biggest range of organic products offered by any UK retailer, and we now have nearly 30% of the UK market. In our larger stores, everything from curry to cereals and toffee to gin is available in the organic range, and at least 100 of the most popular lines are always available in over 650 of our stores across the country. We are supporting organic research at two leading universities which are looking at long-term effects on the environment, yield and sustainability.



Floor to ceiling value lines offered at Seacroft Extra, Leeds.



FINEST IS NOW A £350m BRAND AND THIS YEAR WE BOOSTED OUR RANGE
MORE PRODUCTS
BY ADDING 175 NEW PRODUCTS, GIVING OVER 500 PRODUCTS IN TOTAL.

W I D E N I N G the value range

Our Value range offers the best everyday products at the lowest prices. In the UK this range, which has been so successful in food, has now been extended to non-food, for example stationery and cookware. Value lines in Central Europe are sourced within each home market. In Thailand, we have also introduced our own label value product called Supersave, and we have plans for a similar range in South Korea.



UNDERSTA

UK STORE PROFILE

	number
EXTRAS	23
SUPERSTORES	274
COMPACT STORES	96
METRO STORES	38
EXPRESS STORES	45
OTHER STORES	216
TOTAL	692

Tesco Extra at Bar Hill, Cambridge, which opened in November 2000, reflects our international hypermarket blueprint.

formats to suit every customer

Understanding customers is central to all that we do. Our five distinctive UK formats are tailored to meet the needs of different customers in different areas.

Extra stores give us the space to develop our non-food offer without compromising on the food range. Bar Hill in Cambridge, our latest Extra has 50% of its 100,000 sq ft allocated to non-food. Through an effective use of space, we are now able to get a similar non-food range into our 60,000 sq ft Extras such as Wrexham.

Meanwhile, to meet a different kind of customer requirement, we have 45 Express stores which offer fast, convenient local shopping. Through our joint venture with Esso we plan to have 100 of these stores by the end of 2001.

CLUBCARD – KEY TO THE CUSTOMER RELATIONSHIP



Clubcard is the biggest and best-known loyalty card scheme in the UK, with more active users than ever before. From Clubcard data, we understand our customers, so we can deliver the right products and services. Members can spend their Clubcard vouchers in-store or on a range of travel and leisure deals.

ENDING CUSTOMERS better than anyone

Tesco understands its customers better than anyone – because we listen to them, talk to them and employ local managers to serve them wherever we operate. The relationship is direct and effective, enabling us to respond quickly and innovatively to changing customer requirements.

OPEN AROUND THE CLOCK



Evening aerobics classes are organised by Tesco outside the Rama IV store in Bangkok, Thailand.

We know our customers' lifestyles are changing, and that people want to shop at times that are convenient to them. We have over 300 UK stores open 24 hours bringing the convenience of round the clock shopping to most of the country. In Central Europe and Asia we have an increasing number of stores trading around the clock, including Rama IV, in Thailand, which is also our first store to open 24 hours a day, 365 days of the year.

STRONG GROWTH IN NON-FOODS

Wherever we trade, customers love our non-food. They appreciate the convenience of one-stop shopping and recognise the choice, quality and value of the products we sell.

We are working hard to bring our non-food range to more customers through our new store and extension programmes.

We are making progress in all non-food areas. Some highlights in the UK include:

- ★ selling £45m worth of TVs and DVD players in our first year as a major electrical retailer.
- ★ extending our clothing range, as Florence and Fred.
- ★ growing our offer – including seasonal launches, we added 8,000 new products in the year.

Internationally our hypermarkets allocate 50% of their selling space to non-food and in many of them non-food sales already account for 40% of turnover. At our new Ansan store in South Korea, more than 60% of the first week's turnover came from non-food.

We are on track to have £5bn of Group non-food sales by the end of 2002.

ONE-STOP-SHOP

ADULTS' AND CHILDREN'S CLOTHING
BABY CARE
BATHROOM ACCESSORIES
BEDDING
BOOKS
COMPUTERS, GAMES AND SOFTWARE
COSMETICS
DOMESTIC APPLIANCES
FOOTWEAR
FURNITURE
GREETINGS CARDS
JEWELLERY
KITCHEN ACCESSORIES
LAUNDRY PRODUCTS
MOBILE PHONES
MUSIC, VIDEOS AND DVDS
NEWSPAPERS AND MAGAZINES
OPTICIANS
PHARMACIES
SOFT FURNISHINGS
SPORTS AND LEISURE EQUIPMENT
STATIONERY
TOYS
TV, VIDEO AND HI-FI





AWARD WINNERS

The many awards we received around the world this year include:

- ★ Retailer of the year and e-tailer of the year in the Retail Week Awards.
- ★ South Korea won eight awards ranging from recognition for corporate culture to the in-house newsletter.
- ★ The Republic of Ireland won the Irish Post Millennium Business Influence award.
- ★ The Grand Prix at the IPA's Advertising Effectiveness Awards for the Dotty campaign.
- ★ Bela Kovacs, director of Miskolc store in Hungary, was voted the country's hypermarket manager of the year.
- ★ Computers for Schools won the Nestlé Social Commitment award at the Food and Industry Awards.
- ★ The Best Use of Electricity award in the Energy Industry Awards 2000.

NUMBER ONE FOR SERVICE

OUR NUMBER ONE FOR SERVICE INITIATIVE ENCOURAGES OUR PEOPLE TO REFOCUS ON THE SIX STEPS TO EXCELLENT CUSTOMER SERVICE.

1
I COULD GET AROUND THE STORE EASILY

2
I WAS TAKEN TO THE PRODUCT I COULDN'T FIND

3
I DIDN'T HAVE TO QUEUE

4
I COULD GET MY BAGS PACKED

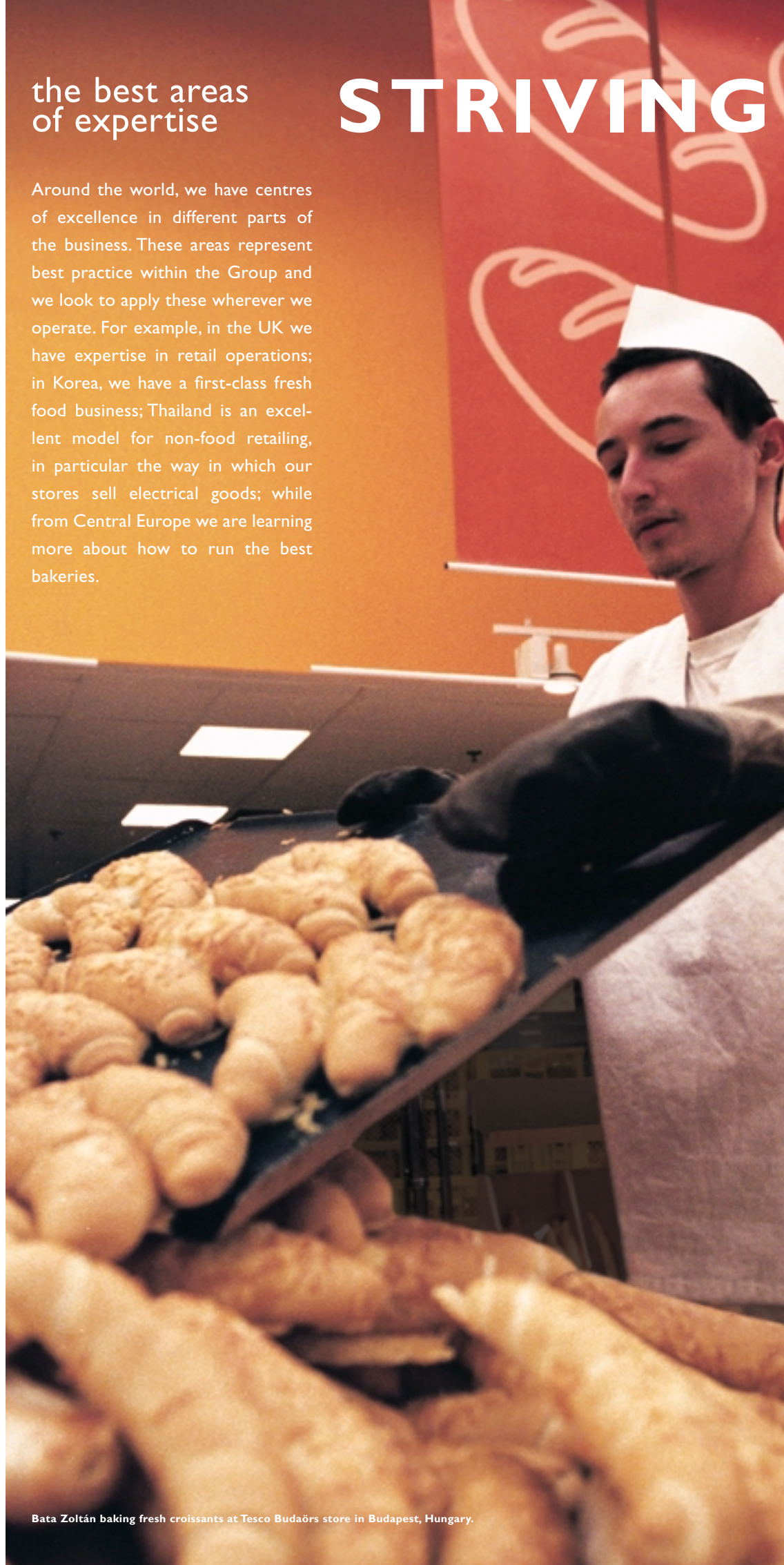
5
I WAS HELPED AT THE CHECKOUT

6
STAFF WERE FRIENDLY AND HELPFUL

the best areas of expertise

Around the world, we have centres of excellence in different parts of the business. These areas represent best practice within the Group and we look to apply these wherever we operate. For example, in the UK we have expertise in retail operations; in Korea, we have a first-class fresh food business; Thailand is an excellent model for non-food retailing, in particular the way in which our stores sell electrical goods; while from Central Europe we are learning more about how to run the best bakeries.

STRIVING



Bata Zoltán baking fresh croissants at Tesco Budaörs store in Budapest, Hungary.

TO

DO OUR VERY BEST

Tesco aims to deliver excellent products and services to our customers, through the best stores and by the best people. We want to establish ourselves as the retailer, and the business, people value more than any other. This desire to improve in every part of our operation drives our company forward.



Customer assistant Sun Oak Yun serving a customer at Tesco Homeplus store in Pusan, South Korea.

THE BEST CUSTOMER SERVICE

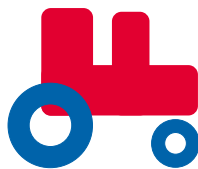
Listening to customers has always been key to our success and we reinforce this through a number of initiatives. For example in the UK:

- Through the **Number One For Service** initiative we asked our staff to refocus on how they serve customers, and
- Our **Every Customer Offered Help** initiative aims to ensure that every single UK Tesco shopper is offered assistance at the checkout.

Similar customer service initiatives operate in our international businesses. In South Korea for example we have been recognised for our high standards of customer service with the Best Customer Satisfaction Award.

setting the highest standards

We build partnerships with suppliers and other organisations to drive up standards for customers.



Tesco and the National Farmers Union have developed a new industry standard, the British Farm Standard, recognised by a red tractor logo. It is used on

British produce which has been independently verified as food that consumers can trust, produced in a way that is kind to animals and caring to the environment.

Nature's Choice is a code of practice which applies to all our UK suppliers of fresh fruit, vegetables and flowers, who have to meet strict guidelines which protect wildlife and the environment. Nature's Choice is now being introduced in Spain, a major supplier of our fruit and vegetables.

We are also a member of the Marine Stewardship Council, adding our weight and expertise in the battle to conserve fish stocks and support sustainable fisheries.



Pete Chong, displaying fresh fruit at Tesco Extra, Wrexham.

AND



Richard Flann, delivering a customer order in Hammersmith, London, for tesco.com.

BEING ENERGETIC, INNOVATIVE FIRST FOR CUSTOMERS

TPF PRODUCTS AND SERVICES

ISAS

VISA CARD

SAVINGS ACCOUNTS

LOANS

TRAVEL INSURANCE

HOME INSURANCE

MOTOR INSURANCE

PET INSURANCE

ON-LINE BANKING

PENSIONS

LIFE INSURANCE

A MORTGAGE FINDER
SERVICE ON THE INTERNET

TRAVEL MONEY

PAY-AT-THE-TILL
TRAVEL INSURANCE

INVESTMENT BOND

Tesco follows the customer into new areas of retailing services, pushing back traditional boundaries in our determination to put the customer first. This innovation has led us to develop a whole range of successful new services including Tesco Personal Finance and tesco.com.

rapid expansion of financial services

TESCO PERSONAL FINANCE is now profitable and expanding rapidly in all areas. It is a success with customers as it brings new levels of service and value to the banking sector. We have 2 million customers and 15 products and services, giving us 400,000 savings accounts and 900,000 credit cards. New products launched this year include pay-at-the-till travel insurance, a mortgage finder service on the internet and travel money.

Customers love Tesco Personal Finance, which reflects

our strong brand values of simplicity, value for money, excellent customer service and convenience. Some 80% of all TPF business comes from our stores, which play a vital role in building trust and provide the convenience that customers want – cheques can be deposited at the till in 100 of our stores, and 50% of TPF transactions are made when banks are closed.

We have launched our Visa card in Ireland and are now looking towards launches in Asia and Europe.

2
million

customers



NUMBER ONE ON THE NET FOR GROCERIES

TESCO.COM is a real success in internet shopping. We have established ourselves as the number one internet business for grocery, with a store-based service that is already profitable and is the perfect combination of 'clicks and mortar'. We now reach 90% of the UK population through 300 stores and make 70,000 deliveries per week. In 2000, we introduced the service in Ireland and we are now looking to launch in South Korea.

We are developing the brand into other areas. A new 'virtual' store allows us to make a massive increase in our product offer; in particular in non-food, so we can stock extended ranges we could never fit into a real store. This year we established separate sites for electrical goods, clothing, gifts and wine. We also relaunched BabyClub on-line, set direct links to Tesco Personal Finance and announced a joint venture with iVillage, providing a UK-based version of the successful US-based women's internet portal.

We are making tesco.com easier to use all the time. A recent site relaunch has halved ordering time for our customers, and offers pre-bookable delivery slots.

★ Average basket size is £85

★ Nearly 1 million customers signed up

★ £300m annualised sales

★ £6m in sales per week

★ Available on-line to over 90% of the UK population

★ 1.2 million books and 160,000 CDs now on-line

★ tesco.com came top in a MarketingWeek survey of 50 major retailers' websites

£85
1 million
£300 million
£6 million
90%
1.2 million
1st

USING OUR STRENGTHS TO

Tesco's core purpose is to create value for customers to earn their lifetime loyalty. Customers see value in our stores and we are able to offer this by operating more efficiently, by purchasing goods more effectively around the world and by selling more products.

£150million

BENEFIT THROUGH BETTER OPERATIONS

By investing in technology and simplifying the way we work, we are able to run the business more efficiently and serve our customers better. This year, we brought together all our change programmes into one step-change programme, delivering over £150m of benefit to pass on to the customer. A figure of £200m is projected for next year. We are focused on five key processes:

SERVICE PRODUCTIVITY A concerted effort saw all customer service measures improve this year.

BUYING BETTER We have strengthened our world-wide non-food sourcing, setting up hubs in Hong Kong, India, Thailand and Central Europe. This allows us to buy products on a global scale, achieving highly competitive prices for our customers. For example, all our own-brand batteries across the world now come from one supplier.

STOCK REPLENISHMENT Continuous replenishment (CR), where products are ordered automatically according to information processed at the tills, is already giving us significant business benefits and will be rolled out further in the coming year. It has improved availability by 1.5%, reduced stockholding by over 10% and significantly increased productivity.

BUILDING, REFITTING AND MAINTAINING STORES Our new stores are simpler for staff to work in, easier for customers to shop in, and cheaper for Tesco to build and run.

BUSINESS SUPPORT We are introducing new IT office systems. A new knowledge management system, common to our businesses around the world, will enable us to improve communication and share knowledge more efficiently.



Krisztina Bordás checking stock levels in the office at Tesco Budaörs store in Budapest, Hungary.

DELIVER UNBEATABLE VALUE

strengthening the supply chain

Around the globe, we are strengthening the supply chain as we transfer our world-class expertise from the UK to our international businesses. In Thailand, for example, a new distribution centre near Bangkok is giving us considerable competitive advantage. Goods arrive direct from suppliers and most are distributed immediately to stores, reducing stockholding dramatically.

We have a new distribution centre in South Korea, and we are looking to develop a central distribution depot in Hungary. Meanwhile, in the UK, as volumes in our business continue to grow, we are building one of the most modern freezer distribution centres in the world at Daventry, and a new grocery distribution centre in Thurrock.

GLOBAL ELECTRONIC TRADING

GUIDING PRINCIPLES OF THE WORLDWIDE RETAIL EXCHANGE

- ★ openness – all retailers have equal status.
- ★ commitment to best technology.
- ★ focus on improving efficiency and lowering costs.
- ★ neutrality – an independent, not-for-profit organisation.
- ★ equivalent fee structures for all participants.
- ★ confidentiality of transaction information.

In April 2000, we became a founder member of the Worldwide Retail Exchange (WWRE), a consortium set up to simplify global trading. This on-line market gives access to many new and innovative sellers and buyers who historically have only been able to trade in one country.

The WWRE is a free, open and non-profit making exchange, at the cutting edge of business practice. By auctioning our demand on the internet we can reach new suppliers, bring down prices and share knowledge, passing the savings on to customers. We have already used the WWRE to buy products such as video tapes, cheese, corned beef and A4 paper.

sharing

we opened 1 million sq ft of selling space in 4 countries in the space of 4 weeks

Tesco has the fastest organic growth rate of any major international retailer. This year we opened 80 stores in nine countries. Momentum for this rapid expansion is created by exchanging expertise across the business. It's a continuous cycle of improvement that supports our international strategy.

transferring world class capability

The expertise built up in our centres of excellence is constantly being transferred world-wide. Our UK supply chain knowledge and site research skills are being put to good use overseas, as are 24-hour trading, own-label products and Value lines. We have launched a successful Visa card in the Republic of Ireland and are now looking to do the same in Asia and Central Europe, while tesco.com is also rolling out in the Republic of Ireland.

In turn, the way seasonal promotions are handled in Central Europe has been introduced to the UK, as have simple merchandising rules from Thailand. Our non-food skills – creating ranges, sourcing and merchandising – have received a massive boost through knowledge gained from international stores.

Our international hypermarkets are helping to shape our UK Extra stores. At the same time, our ability in the UK to get greater non-food merchandise into smaller Extra stores is now capable of being exported back out to create smaller hypermarkets in Central Europe and Asia.

Growth overseas is gaining momentum, we are building a significant global presence with real scale in key markets. In one four-week period this year we opened one million sq ft of selling space in four countries around the world.

Our international expansion is spearheaded by our hypermarket format. In 1997 we had two hypermarkets overseas – by the end of 2002 we will have 130 with around 45% of our selling space outside the UK.

STORE OPENING UPDATE

Mary Kennedy, Maynooth store, Republic of Ireland.



REPUBLIC OF IRELAND Developing the Tesco offer in the Republic of Ireland led to a 6.7% increase in sales. We have 76 stores in the Republic. October saw the opening of the first new Tesco store since 1997, at Maynooth, on the outskirts of Dublin. It was also the first ever in the Republic to be completely designed and built for Tesco.

REST OF EUROPE We opened six stores in Poland throughout the year, and now have ten hypermarkets. In Slovakia, we have ten stores, including three opened in 2000, with a further five to open in 2001. In the Czech Republic, we opened two stores and now have 12, some of which are being refitted.

SOUTH KOREA In 2000, we opened five new stores within a 65-day period, bringing the total to seven. They are producing some of the highest turnovers in the Group and all are trading ahead of plan.

TAIWAN December saw our first store opening, in the Taimall shopping mall. This will give us the opportunity for early learning and we expect to open two more stores in 2001.

MALAYSIA In December we announced a joint venture with Sime Darby Berhad to develop hypermarkets in Malaysia. The £215m project will provide 15 stores across the country once regulatory approval is gained.

CHINA/JAPAN We are continually exploring new markets and are currently researching both China and Japan.

HUNGARY We have 45 stores in Hungary, having opened six this year including the two largest Tesco stores in the world, Budaörs and Megapark, both in Budapest. These opened in November and each have sales areas of around 160,000 sq ft, feature 40,000 products and have 60 checkouts. Our Hungarian business is now in profit.



Tesco Budaörs store, Budapest, Hungary.

knowledge

THAILAND We have 24 stores including seven that opened last year. Rama IV, in Bangkok, is open 24 hours a day and takes more money at night than during the day. The store is part of a shopping mall with a food court that sells 8,000 meals per day. Our Thai operation is now in profit.

Store Manager Khun Nimit takes his daily check of the store at Rama IV, Bangkok, Thailand.





We have an integrated policy for corporate social responsibility, backed by key programmes to support local people and communities and to protect the environment. We monitor performance by setting targets in each of our key areas to drive improvements year on year.

treating people we like to be treated



Roger Darlow, at Seacroft Extra, Leeds, discusses views on behalf of colleagues at the Staff Forum.



WE HAVE LAUNCHED LOCAL PARTNERSHIPS TO BUILD STORES IN THE FOLLOWING REGENERATION AREAS:

ALLOA, CLACKMANNANSHIRE
BATLEY, WEST YORKSHIRE
BECKTON, LONDON
DRAGONVILLE, COUNTY DURHAM
LEYLAND, LANCASHIRE
LITHERLAND, MERSEYSIDE
RUGELEY, STAFFORDSHIRE
SEACROFT, LEEDS
SHETTLESTON, GLASGOW
STAFFORD, STAFFORDSHIRE
STOCKPORT, GREATER MANCHESTER
ST ROLLOX, GLASGOW

creating jobs with a future

We are working in some of the highest unemployment areas of the UK to boost job prospects for the long-term. Over the past year, in partnership with the Government's New Deal scheme, we have created 2,000 jobs for unemployed people, providing training, family support and childcare. Our store opening at Seacroft in Leeds, in November, brought work for 500 local people including 300 through New Deal.

how



reinvesting in the community

Our Charity of the Year for 2000 was Macmillan Cancer Relief and we raised almost £3m. Nearly £400,000 came from a gruelling triathlon in Portugal in which 200 staff, family and friends took part. Next year's charities are The Alzheimer's Society and Alzheimer Scotland, the UK's leading care and research charities for people with all forms of dementia and their carers.

Tesco is a member of the Per Cent Club, having given 1% (£10m) of our pre-tax UK profits this year to support community activity. In addition, to help farmers during the foot and mouth crisis, we supported the industry fund with a £600,000 donation.



COMPUTERS FOR SCHOOLS

Prime Minister Tony Blair officially launched the coming year's Computers for Schools scheme, now celebrating its 10th anniversary (and its fourth in Northern Ireland). So far we have given £62.5m worth of equipment to 22,000 schools. In October, the scheme won the Nestlé Social Commitment prize at the Food and Industry Awards.

BIRTHDAY

Local school children celebrate the 10th anniversary of Computers for Schools at the Wrexham Extra store.

We have a focused programme of environmental activity with annual targets. We monitor our performance to make sure we exceed legal requirements and continuously improve. Our aim is to minimise the environmental impact of our business wherever possible.

In addition, we have a health and safety programme that continually improves the working environment for our staff and the shopping experience for our customers.

MAIN ACHIEVEMENTS IN THE YEAR

- ★ We won the Queen's Award for the environment for our reusable green trays, this saves over 75,000 tonnes of packaging each year.
- ★ We recycle 85% of our packaging waste – more than any other retailer.
- ★ We provide customer recycling units at over 300 stores.
- ★ We build more than 90% of our stores on brownfield sites.
- ★ We won an award for reducing energy consumption by 20%.
- ★ We improved fuel efficiency in our distribution fleet.



looking after our

Tesco is developing world-class people who can operate effectively in our competitive international markets. We invest in our 240,000-strong team to bring out the best in each and every one, so they can continue to do what they do so well – deliver for customers. All our stores, wherever they are around the world, are run by local managers who know and understand their customers better than anyone.



Bar Hill Extra store manager Richard Wilcock (centre) with Emma Pettengell and Paul Joycellyne.

LIVING THE VALUES

By simplifying everything we do, we are allowing our people to work even harder for customers. A new Values Award scheme officially recognises anyone who goes the extra mile for a colleague or customer. Living our Values encourages mutual support in the quest to be first for customers. The philosophy of being different and enjoying work has a positive effect on the bottom line, as key indicators such as staff turnover, absenteeism and productivity are all much improved.



CY Lee and J H Kim, back office, Tesco Homeplus store, Pusan, South Korea.



László, Tesco Budaörs store, Budapest, Hungary.



Linda Butterfield, Seacroft Extra, Leeds.

...so they can look after o

people...

building a world-class team

Over £10m has been spent on training for front-line staff. In UK stores we have introduced a new programme which concentrates on product knowledge and customer service, with three levels of attainment. With the Manchester Business School, we have developed a store managers' programme, combining financial planning, local marketing, selling strategies and change management.



Prisana, Rama IV, Tesco Lotus, Thailand.

sharing the success

We use our scale to benefit our staff as well as customers. Through the new Extra Choices staff club we are able to leverage the best possible deals for our people, including family holidays, shows and home entertainment.

Around 50% of all eligible staff now take up our Sharesave scheme. This year we made a record payout of £123m, shared between 33,000 staff, and in addition we paid a profit-share bonus of £44m to our UK staff. This year, the Sharesave scheme was introduced to Tesco staff in the Republic of Ireland.

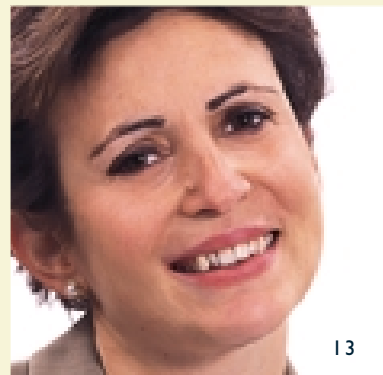
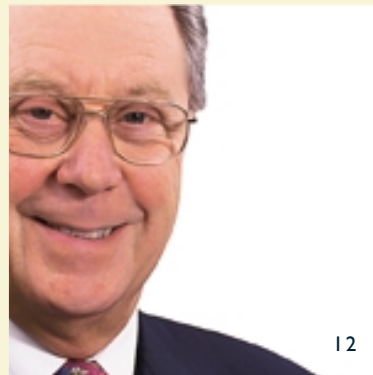
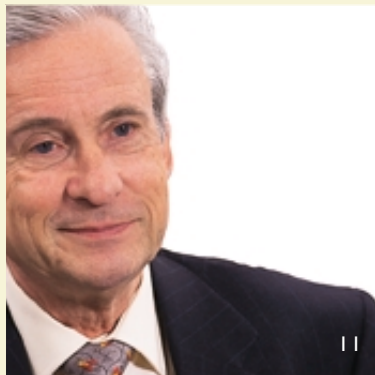
Mary Barcoe, Maynooth store, Republic of Ireland.



Dawn Booth, Wrexham Extra.

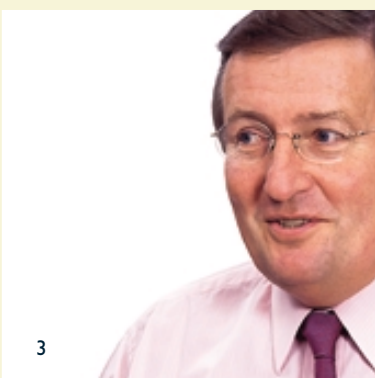
ur customers

board of directors





2



3



8



9



14

1 JOHN GARDINER Non-executive Chairman ♦ ♦ ▲

John Gardiner, 64, 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 Chief Executive ●

Terry Leahy, 45, became Chief Executive in 1997. He joined Tesco in 1979 and held a number of marketing and commercial positions prior to being appointed to the Board of Tesco PLC in 1992.

3 DAVID REID CA Deputy Chairman

David Reid, 54, 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. He is a Non-executive Director of De Vere Group plc.

4 ROWLEY AGER Company Secretary ■

Rowley Ager, 55, was appointed to the Board in 1992. He joined Tesco in 1986 and became Company Secretary in 1990. He is a Non-executive Director of Oasis Stores Plc.

5 PHILIP CLARKE Logistics and IT Director ■

Philip Clarke, 40, 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 Commercial and Trading Director

John Gildersleeve, 56, 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 Finance Director

Andrew Higginson, 43, was appointed to the Board in 1997. He is a member of the 100 Group of Finance Directors.

8 TIM MASON Marketing and E-commerce Director

Tim Mason, 43, 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 Retail Director

David Potts, 43, 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 Irish businesses in Northern Ireland and the Republic of Ireland before returning to the UK in his current role in July 2000.

10 CHARLES ALLEN Non-executive ♦ ♦ ▲

Charles Allen, 44, was appointed a Non-executive Director in 1999. He is Chairman of Granada plc.

11 DR HARALD EINSMANN Non-executive ●

Dr Harald Einsmann, 66, 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, is a Director of British American Tobacco plc and an Operating Partner in E.Q.T. – a private equity group in Sweden.

12 JOHN MELBOURN CBE Non-executive ♦ ♦ ▲

John Melbourn, 63, was appointed a Non-executive Director in 1996. He is a Director of Gulf International Bank (U.K.) Ltd.

13 VERONIQUE MORALI Non-executive

Veronique Morali, 42, was appointed a Non-executive Director in 2000. She is Chief Operating Officer and Director of Fimalac S.A.

14 GRAHAM PIMLOTT Non-executive ♦ ♦ ▲

Graham Pimlott, 51, 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

AUDITORS' STATEMENT TO THE SHAREHOLDERS OF TESCO PLC

We have examined the summary financial statement set out on pages 26 and 27 and the Directors' emoluments and share details included on page 25.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the annual review and summary financial statement. Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the annual report and financial statements and its compliance with the relevant requirements of Section 251 of the United Kingdom 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.

OPINION

In our opinion the summary financial statement is consistent with the annual report and financial statements of Tesco PLC for the year ended 24 February 2001 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 2001

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 and Taiwan. The business review is within the summary financial statement on pages 26 to 27.

DIVIDENDS The Directors recommend the payment of a final dividend of 3.50p per ordinary share to be paid on 29 June 2001 to members on the Register at the close of business on 20 April 2001. Together with the interim dividend of 1.48p per ordinary share paid in December 2000 the total dividend for the year comes to 4.98p, compared with 4.48p for the previous year, an increase of 11.2%.

DIRECTORS Details of the current members of the Board are shown on pages 22 and 23. Mr C L Allen, Mr P A Clarke, Dr H Einsmann and Mr G F Pimlott retire from the Board by rotation. Being eligible, they offer themselves for re-election at the Annual General Meeting. Mrs V Morali, being appointed during the year, will also retire and offer herself for re-election. The service contract of Mr P A Clarke is terminable on two years' notice from the company. Mr C L Allen, Dr H Einsmann, Mr G F Pimlott and Mrs V Morali 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 considers that the current length of two years is both appropriate and necessary although it reviews the matter every year. The Board is committed to proper standards of corporate governance and will continue to keep procedures under review should the Code develop. 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 2001.

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.

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 25. A more detailed analysis is provided in the Annual Report and Financial Statements 2001. 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 2001 £000	Total 2000 £000
				Short-term £000	Long-term £000		
Mr J A Gardiner	300	—	14	—	—	314	305
Mr T P Leahy	771	8	43	252	534	1,608	1,173
Mr D E Reid	613	8	65	195	461	1,342	1,053
Mr R S Ager	398	8	12	126	318	862	698
Mr C L Allen	42	—	—	—	—	42	35
Mr P A Clarke	339	8	26	117	163	653	434
Dr H Einsmann	30	—	—	—	—	30	24
Mr J Gildersleeve	532	8	67	167	415	1,189	964
Mr A T Higginson	422	8	49	135	195	809	644
Mrs L James (a)	—	—	—	—	—	—	307
Mr T J R Mason	422	8	25	135	284	874	680
Mr J W Melbourn	42	—	—	—	—	42	38
Mrs V Morali (b)	14	—	—	—	—	14	—
Baroness O'Cathain (c)	11	—	2	—	—	13	40
Mr G F Pimlott	55	—	—	—	—	55	38
Mr D T Potts	349	8	14	117	163	651	505
Mr J M Wemms (c)	138	8	19	—	153	318	801
	4,478	72	336	1,244	2,686	8,816	7,739

a Former Director.

b Mrs V Morali was appointed to the Board on 18 September 2000.

c Baroness O'Cathain and Mr J M Wemms retired from the Board on 15 June 2000.

Summary of executive share options and disclosable shareholdings

	Number of shares					Value realisable 2001 £000	Ordinary shares 24 Feb 2001
	Options held 26 Feb 2000	Granted (a)	Exercised	Options held 24 Feb 2001	Exercise price pence		
Mr J A Gardiner	—	—	—	—	—	—	507,268
Mr T P Leahy	2,648,777	798,160	—	3,446,937	61.7-209.5	—	1,870,876
Mr D E Reid	1,470,452	604,878	—	2,075,330	70.0-205.0	—	1,963,757
Mr R S Ager	1,180,538	572,771	578,205	1,175,104	151.7-209.5	795	1,338,085
Mr C L Allen	—	—	—	—	—	—	—
Mr P A Clarke	713,610	438,658	165,504	986,764	151.7-209.5	183	197,832
Dr H Einsmann	—	—	—	—	—	—	—
Mr J Gildersleeve	1,271,777	517,073	—	1,788,850	98.3-205.0	—	1,282,598
Mr A T Higginson	924,942	419,512	411,642	932,812	176.7-205.0	445	300,227
Mr T J R Mason	1,039,562	419,512	284,745	1,174,329	151.7-205.0	318	811,528
Mr J W Melbourn	—	—	—	—	—	—	9,690
Mrs V Morali	—	—	—	—	—	—	—
Baroness O'Cathain (b)	—	—	—	—	—	—	46,473
Mr G F Pimlott	—	—	—	—	—	—	27,285
Mr D T Potts	744,132	360,975	216,819	888,288	164.0-205.0	287	324,137
Mr J M Wemms (b)	669,111	—	—	669,111	70.0-176.7	—	1,197,736

a Options granted in the year were at the exercise prices of 209.5p and 205.0p.

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

b Position at retirement on 15 June 2000.

SUMMARY FINANCIAL STATEMENT

Profit and loss account

This was another successful trading year for the Group. Total sales increased by 11.9% to £22,773m and underlying pre-tax profit increased by 12.0% to £1,070m. Adjusted diluted earnings per share rose 11.1% to 11.31p. A final dividend of 3.50p per share is proposed, making the full year dividend 4.98p, an increase of 11.2% over last year.

UK retail sales have grown 8.5% to £19,880m. Like-for-like sales were 4.8%, reflecting strong volumes, with no inflation. New stores continue to perform well, contributing 3.7% to sales.

UK operating profit increased to £1,100m up 10.8% on last year. Our UK operating margin remained broadly 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 2001 they delivered £150m of savings and we expect these savings to be £200m in 2002.

Sales in the Rest of Europe accelerated with total sales up 29.0% to £1,970m and contributed an operating profit of £70m, up 37.3%. Sales in the Republic of Ireland in local currency are up 6.7%. In Central Europe sales are up 85.8% at constant exchange rates. Our 17 new hypermarkets across the region have all traded strongly since opening.

Our business in Thailand has continued to see good growth and the seven new stores have contributed to a sales increase of 56.9%. Thailand is our lead country in Asia, and moved into profit in the year. In South Korea, Tesco Homeplus now has seven hypermarkets and in Taiwan we opened our first store in December. In total the Asian region made an operating profit of £4m.

Tesco Personal Finance has now been trading for nearly four years and our share of profits this year are £3m compared to a £4m loss last year.

Tax on underlying profit has been charged for the year at an effective rate of 26.9%.

Net interest payable for the year was £125m, an increase of £26m over the previous year reflecting our investment plans.

The summary financial statement was approved by the Board on 9 April 2001.

Terry Leahy
Andrew Higginson
Directors

The summary financial statement on pages 26 and 27 and the summary Directors' report on pages 24 and 25 are a summary of information in the Annual Report and Financial Statements 2001. 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 2001. 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.

SUMMARY PROFIT AND LOSS ACCOUNT

	2001 £m	2000 £m
Sales at net selling prices	22,773	20,358
Turnover excluding value added tax	20,988	18,796
Normal operating expenses	(19,770)	(17,712)
Employee profit-sharing	(44)	(41)
Underlying operating profit[†]	1,174	1,043
Profit from joint ventures	21	11
Interest	(125)	(99)
Underlying pre-tax profit[†]	1,070	955
Integration costs	—	(6)
Loss on disposal of fixed assets	(8)	(9)
Goodwill amortisation	(8)	(7)
Profit before tax	1,054	933
Tax	(288)	(259)
Minority interests	1	—
Profit for the financial year	767	674
Dividends	(340)	(302)
Retained profit	427	372
Adjusted diluted earnings per share[†]	11.31p	10.18p
Dividend per share	4.98p	4.48p

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

Cash flow statement

Cash flow from operations was strong, generating £1,937m. Interest and tax payments were £161m and £272m respectively for the year.

Group capital expenditure was £1,944m including £200m for the re-purchase of UK stores previously part of sale and leaseback agreements. UK capital expenditure was £1,206m, including £705m on new stores and £175m on extensions and refits. Total international capital expenditure was £738m including £390m in Asia. In the year ahead we see Group capital expenditure increasing slightly to £2.0bn, including £200m of further store buy-backs.

Net debt at the year end was £2,804m, an increase of £744m on the previous year, and gearing was 52%. This increase mainly reflects continuing investment to implement our international hypermarket development strategy.

SUMMARY CASH FLOW STATEMENT

	2001 £m	2000 £m
Cash from operations	1,937	1,513
Interest	(161)	(131)
Tax	(272)	(213)
Gross trading cash flow	1,504	1,169
Net capital expenditure	(1,968)	(1,229)
Changes in financing	88	20
Dividends	(254)	(262)
Normal cash flow	(630)	(302)
Business changes	(76)	1
Non-cash movements	(38)	(39)
Movement in net debt	(744)	(340)
Opening net debt	(2,060)	(1,720)
Closing net debt	(2,804)	(2,060)

Balance sheet

Total net assets have increased by £594m over last year to £5,392m.

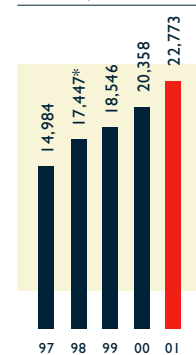
Fixed assets increased by £1,511m, after charging depreciation and goodwill of £476m, an increase of £41m.

SUMMARY BALANCE SHEET

	2001 £m	2000 £m
Fixed assets	10,038	8,527
Current assets	1,694	1,342
Short-term creditors	(4,389)	(3,487)
Net current liabilities	(2,695)	(2,145)
Total assets less current liabilities	7,343	6,382
Long-term creditors	(1,927)	(1,565)
Provisions	(24)	(19)
Total net assets	5,392	4,798
Equity shareholders' funds	5,356	4,769
Minority interests	36	29
Total capital employed	5,392	4,798

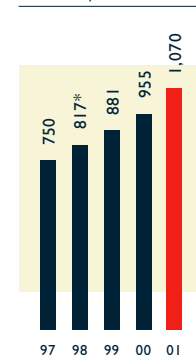
GROUP SALES £m

*52 weeks pro forma



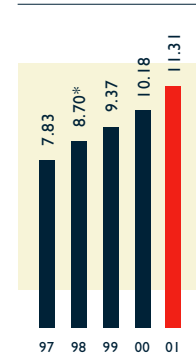
GROUP PROFIT BEFORE TAX £m

*52 weeks pro forma



EARNINGS PER SHARE Pence

*52 weeks pro forma



INVESTOR INFORMATION

SUMMARY FIVE YEAR RECORD

Year ended February	1997 £m	1998 53 weeks £m	1999 £m	2000 £m	2001 £m
Turnover including VAT	14,984	17,779	18,546	20,358	22,773
Turnover excluding VAT					
UK	13,118	14,971	15,835	16,958	18,372
Rest of Europe	769	1,481	1,167	1,374	1,756
Asia	–	–	156	464	860
	13,887	16,452	17,158	18,796	20,988
Underlying operating profit [†]					
UK	760	875	919	993	1,100
Rest of Europe	14	37	48	51	70
Asia	–	–	(2)	(1)	4
	774	912	965	1,043	1,174
Underlying pre-tax profit [†]	750	832	881	955	1,070
Profit before tax	750	760	842	933	1,054
Adjusted diluted earnings per share	7.83p	8.84p	9.37p	10.18p	11.31p
Dividend per share	3.45p	3.87p	4.12p	4.48p	4.98p
Retail statistics					
UK – Number of stores	568	618	639	659	692
– Total sales area (000 sq ft)	14,036	15,215	15,975	16,895	17,965
– Turnover per full-time employee (£)	146,326	149,799	151,138	156,427	161,161
– Weekly sales per sq ft (£)	19.74	20.48	21.05	21.43	22.01
International – Number of stores	190	163	182	186	215
– Number of hypermarkets	7	2	22	38	68
– Total sales area (000 sq ft)	2,711	3,039	5,378	7,144	10,397

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

SHAREHOLDER PROFILE

	Number of holdings	%	Balance as at 24 Feb 2001	%
Analysis by type of shareholder				
Employees	88,533	36.32	195,006,549	2.81
Other individuals	126,373	51.84	479,964,814	6.93
Corporate institutions	28,875	11.84	6,257,253,840	90.26
	243,781	100.00	6,932,225,203	100.00
Analysis by size of shareholding				
1 – 1,000	133,217	54.65	32,706,096	0.47
1,001 – 10,000	92,961	38.13	313,752,066	4.53
10,001 – 100,000	15,545	6.38	364,435,521	5.26
100,001 – 1,000,000	1,499	0.61	479,200,224	6.91
above 1,000,000	559	0.23	5,742,131,296	82.83
	243,781	100.00	6,932,225,203	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.

Amalgamation of accounts

Shareholders who receive duplicate sets of company mailings owing to multiple accounts in their name should write to Lloyds TSB Registrars to have their accounts amalgamated.

Low cost dealing

The company has arranged a low cost postal share dealing service through Lloyds TSB Registrars. For details and a share dealing form please telephone 0870 6003970.

Individual Savings Account (ISA)

The ISA was introduced by the Government on 6 April 1999 as the replacement for PEPs and Tax Exempt Special Savings Account (TESSA).

The ISA enables you to invest without paying tax – no personal income tax and no capital gains tax on any profits should you decide to sell your investment. You don't even need to show details of your ISA in your tax return.

The company has made arrangements for Lloyds TSB Registrars to operate a Tesco single company ISA, enabling shareholders to hold Tesco shares in a tax advantageous manner. For more details please contact: Lloyds TSB Registrars, ISA Team, The Causeway, Worthing, West Sussex BN99 6DA, telephone 0870 2424244.

Corporate Personal Equity Plans (PEPs)

No new PEPs have been available since 6 April 1999, however, existing PEPs can continue to be held alongside an ISA. For details of your corporate PEP, please contact the Plan Manager, The Share Centre Limited, PO Box 1000, Tring, Herts HP23 5AN, telephone 01442 890800/890811.

The Share Centre Limited is regulated by the Personal Investment Authority.

Tesco share price line

Up-to-the-minute share price and company information can be obtained by calling 0891 121200 (calls from within the UK cost 50p per minute).

Capital gains tax

For the purpose of UK capital gains tax the market value of the company's ordinary shares on 31 March 1982 was 21p after adjustments for the rights issues in 1985 and 1991, and capitalisation issues in 1987 and 1998.

A guide to Tesco PLC financial statements

The company has prepared a booklet to aid understanding of the financial statements included within the Tesco PLC Annual Report and Accounts. If you would like a free copy of this booklet please contact the Investor Relations department at the address shown in the panel above.

Annual Report on internet

The 2001 Tesco PLC Annual Report and the 2001 Tesco PLC Annual Review and Summary Financial Statement are available via the internet at www.tesco.com

SECRETARY AND REGISTERED OFFICE

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

REGISTRAR

Lloyds TSB Registrars,
The Causeway, Worthing,
West Sussex BN99 6DA
Telephone 01903 502541

INVESTOR ENQUIRIES

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

ANNUAL GENERAL MEETING

Royal Lancaster Hotel,
Lancaster Terrace,
London W2 2TY
on Friday 15 June 2001
at 11.00 am

FINANCIAL CALENDAR

	2001
Financial year end	24 February
Results announced	10 April
Final dividend: ex-dividend date	18 April
Final dividend: record date	20 April
Annual Report posted	11 May
AGM and trading statement	15 June
Final dividend pay date	29 June
Half year end	11 August
Interim results announced	late September
Interim dividend: ex-dividend date	late September
Interim dividend: record date	late September
Trading statement	mid November
Interim dividend pay date	early December
	2002
Trading statement	mid January
Financial year end	23 February
Results announced	mid April

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

Front cover: Customer Assistant Carl Mills displaying fresh fish at the Tesco Extra store in Seacroft, Leeds.