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TESCO (LONDON) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 27 FEBRUARY 1999



TESCO (LONDON) LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 27 February 1999.

PRINCIPAL ACTIVITY

The principal activity of the company is to act as an holding company

REVIEW OF THE BUSINESS

During the period the company has not traded and has not incurred any liabilities and consequently has made neither profit nor loss.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the period were as follows:-

D E Reid
R S Ager
J A Bailey

None of the directors had any disclosable interests in the company. D E Reid and R S Ager are directors of Tesco PLC, the company's ultimate holding company, and as such their disclosable interests in Tesco PLC are declared in the financial statements of that company.

For the director at 27 February 1999 who was not also a director of Tesco PLC, the company's ultimate holding company, his interests in the shares of Tesco PLC at the beginning and end of the period are given below:-

1	Ordinary Shares		1999	Share Options *		1998
	1999	1998		Granted	Exercised	
J A Bailey	36,386	36,531	182,645	68,849	72,855	186,651

* Executive share option scheme (1984, 1994 & 1996) and Savings related share option scheme (1981). Details of those schemes are set out in the annual report and financial statements of Tesco PLC.

The 1998 interests have been restated to reflect the Tesco PLC bonus issue which was made on the 3rd of July 1998 on the basis of two new shares for every one held.

TESCO (LONDON) LIMITED

DIRECTORS' REPORT/ continued

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 4 to 7 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

YEAR 2000

The group has been working on the Year 2000 issue for over three years with the specific objective of ensuring business continuity.

It has worked closely with Government and Action 2000 as well as the Retail Industry bodies. The group has made the necessary changes and re-tested all its business critical computer systems.

The cost of the programme is being incurred by the group and more detail can be obtained from the group financial statements.

EURO

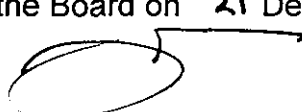
It is believed that the introduction of the euro will not impact the business now, or in the future.

AUDITORS

The auditors PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board on 21 December 1999

J A Bailey
Director



Tesco (London) Limited
Registered Number 334737

AUDITORS' REPORT TO THE SHAREHOLDERS OF TESCO (LONDON) LIMITED

We have audited the financial statements on pages 4 to 7 which have been prepared under the historical cost convention, and the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report, including as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

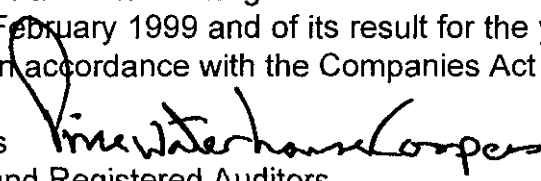
BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 27 February 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers 
Chartered Accountants and Registered Auditors
10 Bricket Road
St Albans, Herts, AL1 3JX

21 December 1999

TESCO (LONDON) LIMITED

BALANCE SHEET AS AT 27 FEBRUARY 1999

	<u>Note</u>	<u>1999</u> £	<u>1998</u> £
FIXED ASSET INVESTMENTS			
Shares in group undertakings	3	1,036,905	1,036,905
DEBTORS			
Amounts owed by group undertakings		4,578,864	4,578,864
CREDITORS -amounts falling due within one year			
Amounts owed to group undertakings		(4,184,517)	(4,184,517)
NET CURRENT ASSETS		394,347	394,347
NET ASSETS		1,431,252	1,431,252
CAPITAL AND RESERVES			
Called up share capital	4	1,681,250	1,681,250
Profit and loss account		(249,998)	(249,998)
EQUITY AND NON EQUITY SHAREHOLDERS FUNDS 5		1,431,252	1,431,252

The company was dormant (within the meaning of Section 250 of the Companies Act 1985) throughout the period ended 27 February 1999.

Approved by the Board on 21 December 1999

DIRECTOR



The notes on pages 5 to 7 form part of these financial statements.

TESCO (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27 FEBRUARY 1999

1. ACCOUNTING POLICY

These financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention.

In accordance with FRS1 (Revised), the company being the wholly owned subsidiary of another company which prepares a cash flow statement including the cash flow of this company, has not prepared such a statement itself.

2. ACTIVITY AND DIRECTORS

The Company has not traded during the year ended 27 February 1999, has not incurred any liability and consequently has made neither profit nor loss.

The directors of the company received no emoluments in respect of their services during the period (1998- Nil).

The company had no employees during the period (1998-Nil).

Auditors' remuneration has been borne by the parent company.

3. FIXED ASSET INVESTMENTS

	<u>1999</u>	<u>1998</u>
	£'000	£'000
Opening shares in group undertakings	1,036,905	1,046,905
Disposals	-	(10,000)
Closing shares in group undertakings	<u>1,036,905</u>	<u>1,036,905</u>

<u>Subsidiary Undertaking</u>	<u>Nature of Business</u>	<u>% Shares Held</u>	<u>Registered In</u>
Anthony Jackson Foodfares Ltd	Non Trading	100%	England
Angel Warehouse & Co Ltd	Non Trading	100%	England
Bargain Centres (London) Ltd	Non Trading	100%	England
Goodworths Ltd	Non Trading	100%	England
London Grocers Ltd	Non Trading	100%	England
Reynolds (Kent) Ltd	Non Trading	100%	England
Tesco (Cheshunt) Ltd	Non Trading	100%	England
Titus Ward & Co Ltd	Non Trading	100%	England
Waltham Properties Ltd	Non Trading	100%	England
WS Chapman & Co Ltd	Non Trading	100%	England

TESCO (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27 FEBRUARY 1999 / (continued)

4. CALLED UP SHARE CAPITAL

	<u>1999</u> £	<u>1998</u> £
Authorised		
3,500,000 ordinary shares of 5p each	175,000	175,000
26,500,000 'A' ordinary shares of 5p each		
Ordinary shares of 5p each	1,325,000	1,325,000
500,000 5% cumulative redeemable preference shares of £1 each	500,000	500,000
	<hr/>	<hr/>
	2,000,000	2,000,000
	<hr/>	<hr/>
Allotted and fully paid		
2,700,000 ordinary shares of 5p each	135,000	135,000
23,925,000 'A' ordinary shares of 5p each	1,196,250	1,196,250
350,000 5% cumulative redeemable preference shares of £1 each	350,000	350,000
	<hr/>	<hr/>
	1,681,250	1,681,250
	<hr/>	<hr/>

5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u>	<u>1998</u>
Opening shareholders' funds	1,431,252	1,441,251
Loss for the year	-	(9,999)
	<hr/>	<hr/>
Closing shareholders' funds	1,431,252	1,431,252
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TESCO (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27 FEBRUARY 1999 / (continued)

6. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of its parent and ultimate holding company Tesco PLC, which is incorporated in Great Britain and registered in England and Wales, and which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the group financial statements can be obtained from The Company Secretary, Tesco PLC, Tesco House, PO Box 18, Delamare Road, Cheshunt, Hertfordshire EN8 9SL.

7. RELATED PARTY DISCLOSURES

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption under Financial Reporting Standard No. 8 "Related Party Disclosures", as the consolidated financial statements of Tesco PLC in which the company is included are available at the address noted above.