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SPEN HILL MANAGEMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 FEBRUARY 1999



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SPEN HILL MANAGEMENT LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The company's principal activity is to act as an agent on all the Tesco British Land Property Partnership properties in accordance with a partnership agreement between Tesco (Partnership) Ltd and The British Land (T) Partnership Properties Ltd.

RESULTS AND DIVIDENDS

The company made neither profit nor loss for the period (1998-nil). The directors do not recommend the payment of a dividend (1998-nil).

DIRECTORS AND THEIR INTERESTS

The following directors served during the period:-

R S Ager
P V Mercer
J A Bailey

None of the directors had any interest in the share capital of the company during the year.

Mr R S Ager is a director of Tesco PLC, his disclosable interests in Tesco PLC are declared in the financial statements of that company.

For the directors who were not also directors of the ultimate holding company, their interests and those of their families in the shares of Tesco PLC are given below:-

	Ordinary Shares		Share Options *			
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>Granted</u>	<u>Exercised</u>	<u>1998</u>
J A Bailey	36,386	36,531	182,645	68,849	72,855	186,651
P V Mercer	244,250	50,307	454,915	259,015	474,645	670,545

* 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 include the Tesco PLC bonus issue which was made on the 3rd of July 1998 on the basis of two new shares for everyone held.

SPEN HILL MANAGEMENT LIMITED

DIRECTORS' REPORT / continued...

DIRECTORS' RESPONSIBILITIES

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

The directors consider that in preparing the financial statements on pages 4 to 6, 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 23 December 1999



J A Bailey

DIRECTOR

Spenn Hill Management Limited

Registered Number 2460426

SPEN HILL MANAGEMENT LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF SPEN HILL MANAGEMENT LTD

We have audited the financial statements on pages 4 to 6 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.

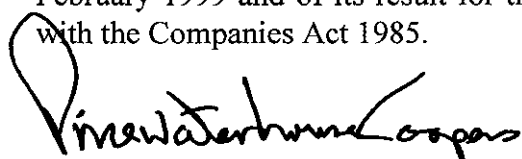
BASIS OF AUDIT OPINION

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

23 December 1999

SPEN HILL MANAGEMENT LIMITED

BALANCE SHEET AS AT 27 FEBRUARY 1999

	<u>NOTES</u>	<u>1999</u>	<u>1998</u>
		£	£
CURRENT ASSETS			
Other debtors		-	76,942
Cash at bank		633,199	433,148
		<u>633,199</u>	<u>510,090</u>
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	3	<u>(633,197)</u>	<u>(510,088)</u>
NET CURRENT ASSETS		<u>2</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	4	<u>2</u>	<u>2</u>
EQUITY SHAREHOLDERS' FUNDS		<u>2</u>	<u>2</u>

Approved by the Board on 23 December 1999


J A Bailey DIRECTOR

The notes on pages 5 and 6 form part of these financial statements.

SPEN HILL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 FEBRUARY 1999

1. ACCOUNTING POLICIES

Basis of Accounts

The financial statements are prepared in accordance with applicable accounting standards, under the historical cost convention and are in accordance with the Companies Act 1985. The principal accounting policies which the directors have adopted within that convention are set out below.

In accordance with FRS 1 (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. PROFIT AND LOSS ACCOUNT

The company has made neither profit or loss as it acts only as an agent for the recharging of costs. Other than the directors, the company has no employees (1998-Nil). None of the directors have received any emoluments in respect of their services to the company (1998-Nil).

Auditors remuneration was paid by another group company.

3. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1999</u>	<u>1998</u>
	£	£
Other tax and social security	13,991	51,852
Amounts owed to group undertakings	231,752	358,393
Other Creditors	387,454	99,843
	<u>633,197</u>	<u>510,088</u>

4. SHARE CAPITAL

	<u>1999</u>	<u>1998</u>
	£	£
2 authorised, issued and fully paid ordinary shares of £1 each	<u>2</u>	<u>2</u>

5. MOVEMENT IN SHAREHOLDERS' FUNDS

There has been no movement in shareholders' funds during the year.

SPEN HILL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 FEBRUARY 1999 / (continued)

6. HOLDING COMPANY

The immediate parent undertaking is Spen Hill Properties (Holdings) PLC.

The ultimate holding company is Tesco PLC which is a company incorporated in Great Britain and registered in England and Wales, and 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, 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.