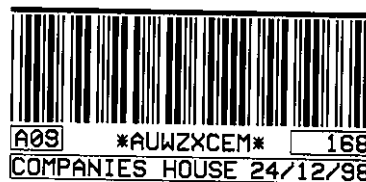


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TESCO DISTRIBUTION HOLDINGS LTD
(Formerly Yesterdirect Ltd.)

REPORT AND ACCOUNTS

FOR THE 53 WEEKS ENDED 28 FEBRUARY 1998



TESCO DISTRIBUTION HOLDINGS LIMITED
(Formerly Yesterdirect Ltd.)

DIRECTORS' REPORT

The directors present their report and audited financial accounts for the 53 weeks ended 28 February 1998.

PRINCIPAL ACTIVITY

The principal activity of the company is to act as a holding company.

REVIEW OF THE BUSINESS

On 27 February 1998 the company acquired the investment in Tesco Distribution Limited , previously held by Tesco Holdings Limited . The Company has made neither profit or loss. The directors do not recommend payment of a dividend (1997-nil)

CHANGE OF NAME

On 27 February 1998 the company changed its name from Yesterdirect Limited to Tesco Distribution Holdings Limited.

DIRECTORS AND THEIR INTERESTS

The following Directors served during the year:-

D E Reid
R S Ager
J A Bailey

None of the directors had any disclosable interests in the company during the year. D E Reid and R S Ager are also directors of Tesco PLC, the company's ultimate holding company, and as such their disclosable interests in Tesco PLC are all declared in the accounts of that Company.

For the one director as at 28 February 1998 who was not also a director of the ultimate holding company, his interests in the shares of Tesco PLC, at the beginning and end of the year, are given below:-

	<u>Ordinary Shares</u>		<u>ShareOptions*</u>	
	<u>28 Feb</u> <u>1998</u>	<u>22 Feb</u> <u>1997</u>	<u>28 Feb</u> <u>1998</u>	<u>22 Feb</u> <u>1997</u>
J A Bailey	12,177	6,017	62,217	70,315

* 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 accounts of Tesco PLC.

TESCO DISTRIBUTION HOLDINGS LIMITED
(Formerly Yesterdirect Ltd.)

DIRECTORS' REPORT/ continued

RESPONSIBILITIES OF DIRECTORS

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 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.

AUDITORS

On 1 July 1998 Price Waterhouse merged with Coopers and Lybrand. Price Waterhouse have resigned as auditors and the new merged firm, PricewaterhouseCoopers has been appointed to fill the casual vacancy.

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the next Annual General Meeting .

By order of the Board on 16/12/98



M J Field
Secretary

Tesco Distribution Holdings Ltd
Registered Number 3193655

TESCO DISTRIBUTION HOLDINGS LIMITED
(Formerly Yesterdirect Ltd.)

AUDITORS' REPORT TO THE SHAREHOLDERS OF TESCO DISTRIBUTION HOLDINGS 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

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


BASIS OF OPINION

We conducted our audit in accordance with the 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 affairs of the company as at 28 February 1998 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

16 December 1998

TESCO DISTRIBUTION HOLDINGS LTD
(Formerly Yesterdirect Ltd.)

BALANCE SHEET AS AT 28 FEBRUARY 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		£	£
Investments	3	149,999,999	-
CURRENT ASSETS			
DEBTORS:			
Amounts due from group undertakings		-	2
CREDITORS:			
Amounts due to group undertakings		(149,999,997)	-
NET CURRENT ASSETS		<u>(149,999,997)</u>	<u>2</u>
NET ASSETS		<u><u>2</u></u>	<u><u>2</u></u>
CAPITAL AND RESERVES			
Called up share capital	4	2	2
EQUITY SHAREHOLDERS' FUNDS	5	<u><u>2</u></u>	<u><u>2</u></u>

Approved by the Board on 16/12/98



J A BAILEY

DIRECTOR

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

TESCO DISTRIBUTION HOLDINGS LIMITED
(Formerly Yesterdirect Ltd.)

NOTES TO THE ACCOUNTS - 28 FEBRUARY 1998

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.

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 a statement itself.

2. **PROFIT AND LOSS ACCOUNT**

The company's only trade has been to acquire the entire share capital of Tesco Distribution Limited from a fellow group company. Accordingly the company has made neither profit or loss.

Auditors remuneration is paid by other Group companies.

The company had no employees during the year. (1997 - Nil)

The directors did not receive any emoluments for their services to the company (1997 - Nil)

3. **INVESTMENTS**

	<u>1998</u> £	<u>1997</u> £
Investment in Tesco Distribution Limited	<u>149,999,999</u>	<u>-</u>

Tesco Distribution Holdings Limited owns 100% of the Ordinary Share Capital of its subsidiary.

Tesco Distribution Limited is a company registered and operating in the United Kingdom. Its principal activity is the transportation and storage of goods.

4. **CALLED UP SHARE CAPITAL**

	<u>1998</u> £	<u>1997</u> £
Authorised		
2 Ordinary Shares of £1.00 each	<u>2</u>	<u>2</u>
Allotted and Fully Paid		
2 Ordinary Shares of £1.00 each	<u>2</u>	<u>2</u>

TESCO DISTRIBUTION HOLDINGS LIMITED
(Formerly Yesterdirect Ltd.)

NOTES TO THE ACCOUNTS - 28 FEBRUARY 1998 / continued

5. **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<u>1998</u>	<u>1997</u>
	£	£
Result for the year	-	-
New share capital	-	2
Opening Shareholders' funds	2	-
Closing Shareholders' funds	<u>2</u>	<u>2</u>

6. **PARENT COMPANY**

The company is a wholly owned subsidiary of Tesco PLC which is incorporated in Great Britain, and registered in England, and is the ultimate holding company. Copies of the Group accounts can be obtained from 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 accounts of Tesco PLC in which the company is included are available at the address noted above.