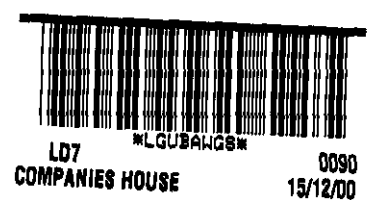


3193655

TESCO DISTRIBUTION HOLDINGS LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 26 FEBRUARY 2000



# TESCO DISTRIBUTION HOLDINGS LIMITED

## DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 26 February 2000.

### Principal activity

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

### Review of business and future developments

The company has continued to perform in line with group expectations and should continue to do so.

### Results and dividends

The company has made neither a profit nor a loss after taxation for the year (1999: £50m). The directors do not recommend payment of a final dividend (1999: £nil).

### Directors and their interests

The directors who served during the year were:

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 parent company, and as such their disclosable interest in Tesco PLC are all declared in the financial statements of the company.

For the one director as at 26 February 2000, who was not also a director of the ultimate parent company, his interests in the shares of Tesco PLC at the beginning and end of the year are given below:

	Ordinary shares			Share options*		
	2000	1999	2000	Granted	Exercised	1999
J A Bailey	37,111	36,386	118,336	1,283	65,592	182,645

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

### 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.

# TESCO DISTRIBUTION HOLDINGS LIMITED

## DIRECTORS' REPORT (continued)

### Directors' responsibilities (continued)

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 and achieved its objective of ensuring business continuity over the Millennium period. Additionally, there were no significant issues surrounding the recognition of the leap day at the end of February 2000.

The cost of the programme has been borne by the Group and more detail can be obtained from the Group Financial Statements.

Management continues to monitor and review the Year 2000 issue.

### 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 [24/10/00]

J A Bailey  
Director



Tesco Distribution Holdings Limited  
Registered Number 3193655

## AUDITORS' REPORT TO THE SHAREHOLDERS OF TESCO DISTRIBUTION HOLDINGS LIMITED

PricewaterhouseCoopers  
10 Bricket Road  
St Albans AL1 3JX  
Telephone +44 (0) 1727 844155  
Facsimile +44 (0) 1727 845039

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 6.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on pages 1 and 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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.

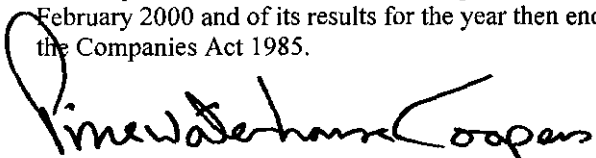
### Basis of audit opinion

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 26 February 2000 and of its results 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

24 October 2000  
[date]

# TESCO DISTRIBUTION HOLDINGS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 26 FEBRUARY 2000

	Note	2000 £'m	1999 £'m
Dividend income from shares in group undertakings		-	50
Profit on ordinary activities before taxation	2	-	50
Tax on profit on ordinary activities		-	-
Retained profit for the year	5,6	-	50

The company had no recognised gains or losses other than those reflected in the profit and loss account above.

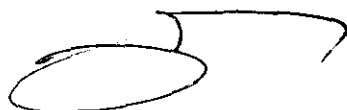
The notes on pages 6 and 7 form part of these financial statements.

# TESCO DISTRIBUTION HOLDINGS LIMITED

## BALANCE SHEET AS AT 26 FEBRUARY 2000

	Note	2000 £'m	1999 £'m
FIXED ASSETS			
Investments	3	150	150
CURRENT ASSETS			
Cash at bank and in hand		50	50
CREDITORS: amounts due to group undertakings		(150)	(150)
NET CURRENT ASSETS		(100)	(100)
NET ASSETS		50	50
CAPITAL AND RESERVES			
Called up share capital	4	-	-
Profit and loss account	5	50	50
EQUITY SHAREHOLDERS' FUNDS	6	50	50

Approved by the Board on 24/10/00



J A Bailey  
Director

The notes on pages 6 and 7 form part of these financial statements.

# TESCO DISTRIBUTION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 FEBRUARY 2000

### 1 ACCOUNTING POLICIES

#### Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention, and are in accordance with the Companies Act 1985.

In accordance with FRS2, group accounts have not been prepared because the company is a wholly owned subsidiary of a body corporate, incorporated in the UK.

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 OPERATING PROFIT

Auditors' remuneration for the year has been borne by other group companies.

The company had no employees during the period (1999: nil).

The directors did not receive any emoluments for their services to the company (1999: £nil).

### 3 INVESTMENTS

	2000 £'m	1999 £'m
Investment in Tesco Distribution Limited	150	150

Tesco Distribution Holdings Limited owns 100% of the Ordinary share capital of Tesco Distribution Limited.

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

	2000 £'m	1999 £'m
Authorised, allotted, issued and fully paid up:		
2 ordinary shares of £1 each	-	-

# TESCO DISTRIBUTION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 FEBRUARY 2000 (continued)

### 5 RESERVES

	£'m
Profit and loss account as at 27 February 1999	50
Retained profit for the year	-
Profit and loss account as at 26 February 2000	50

### 6 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £'m	1999 £'m
Profit for financial year	-	50
Opening shareholders' funds	50	-
Closing shareholders' funds	50	50

### 7 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Tesco Holdings Limited.

The ultimate parent undertaking is 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.

### 8 RELATED PARTY TRANSACTIONS

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption under Financial Reporting Standard 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.