

TESCO HOME SHOPPING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 FEBRUARY 2007

Registered number: 03639975



TESCO HOME SHOPPING LIMITED

DIRECTORS' REPORT

Directors' Report for the year ended 24 February 2007

The directors present their report and financial statements of Tesco Home Shopping Limited ("the company") for the year ended 24 February 2007

Business review and principal activities

The principal activity of the company is internet home shopping. These financial statements represent the 52 week period to 24 February 2007.

On 29 August 2006, Grattan Plc sold its investment in Tesco Home Shopping Limited to Tesco PLC, thus at year end the company is a wholly owned subsidiary of Tesco PLC. From this date, the trade of Tesco Home Shopping Limited has been transferred to Tesco PLC, hence the company had ceased trading by year end. It is the directors' intention to transfer the remaining assets and liabilities of the company to Tesco Stores Limited in 2008, and following this to place the company into Members' Voluntary Liquidation.

The results for the period show a pre-tax loss of £1,628k (2006 profit of £290k) and sales of £12,567k (2006 £35,583k).

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. These risks are discussed on page 16 of the Tesco PLC group annual report which does not form part of this report.

Key performance indicators

Given the straightforward nature of the business, the directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Employees

The company had no employees during the period (2006 none).

Proposed dividend

The directors do not recommend the payment of a dividend (2006 £nil).

Directors

The directors who held office during the period were as follows:

AT Higginson	
L Wade-Gery	(appointed 20 October 2006)
JP O'Reilly	
C West	(appointed 1 June 2006, resigned 29 August 2006)
AJ Skelsey	(resigned 29 August 2006)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

TESCO HOME SHOPPING LIMITED

DIRECTORS' REPORT (continued)

Directors' Report for the year ended 24 February 2007 (continued)

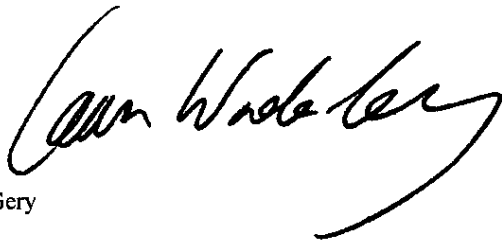
Political and charitable donations

The Company made no political or charitable donations or incurred any political expenditure during the year

Auditors

KPMG Audit Plc has audited the accounts for the year ending 24 February 2007. The company will invite PricewaterhouseCoopers to audit the accounts for the period 2007/08, as they audit the parent company, Tesco PLC

By order of the Board

A handwritten signature in black ink, appearing to read 'L Wade-Gery', with a long, sweeping underline.

L Wade-Gery
Director

Tesco House
Delamare Road
Cheshunt
Hertfordshire
EN8 9SL

19 December 2007

TESCO HOME SHOPPING LIMITED

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They 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



KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of Tesco Home Shopping Limited

We have audited the financial statements of Tesco Home Shopping Limited for the year ended 24 February 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of Tesco Home Shopping Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 24 February 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG Audit Plc
Chartered Accountants
Registered Auditor

19 December 2007

TESCO HOME SHOPPING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 24 FEBRUARY 2007

	Notes	2007 £'000	2006 £'000
Turnover		12,567	35,583
Cost of sales		(10,912)	(28,645)
Gross profit		1,655	6,938
Distribution costs		(918)	(2,711)
Administrative expenses		(2,239)	(3,929)
Other operating income		-	2
Operating (loss)/profit		(1,502)	300
Interest payable and similar charges	4	(126)	(10)
(Loss)/profit on ordinary activities before taxation	2-3	(1,628)	290
Tax on profit on ordinary activities	5	-	47
(Loss)/profit for the financial year	10	(1,628)	337

There are no recognised gains or losses other than those shown in the Profit and Loss account above

There are no differences between the (loss)/profit on ordinary activities before taxation for the financial year stated above and their historical cost equivalents

The notes on pages 9 to 14 form part of these financial statements

TESCO HOME SHOPPING LIMITED

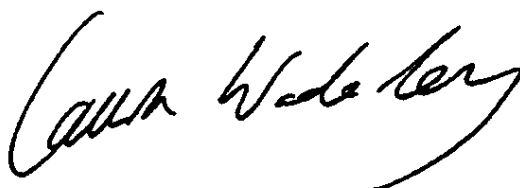
BALANCE SHEET AS AT 24 FEBRUARY 2007

	Notes	2007 £'000	2006 £'000
Current assets			
Stock – goods for resale		-	1,430
Debtors – due within one year	6	33	1,607
		33	3,037
Creditors – amounts falling due within one year			
	7	(3,526)	(4,902)
Net liabilities		(3,493)	(1,865)
Capital and reserves			
Called up share capital	9	26,000	26,000
Profit and loss account	10	(29,493)	(27,865)
Shareholders' deficit	11	(3,493)	(1,865)

The notes on pages 9 to 14 form part of these financial statements

The financial statements were approved by the board of directors on 19 December 2007 and were signed on its behalf by

L Wade-Gery
Director



TESCO HOME SHOPPING LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 24 FEBRUARY 2007

	Note	2007 £000	2006 £000
Cash flow from operating activities	15	1,093	308
Returns on investment & servicing of finance	16	(126)	(10)
Taxation		-	26
Increase in cash	17	<u>967</u>	<u>324</u>

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

Increase in cash in the year	<u>967</u>	<u>324</u>
Movement in net debt in the year	<u>967</u>	<u>324</u>
Net debt at the start of the year	<u>(993)</u>	<u>(1,317)</u>
Net debt at the end of the year	<u>(26)</u>	<u>(993)</u>

TESCO HOME SHOPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 FEBRUARY 2007

1 ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements are prepared on the going concern basis in accordance with applicable United Kingdom accounting standards, under the historical cost convention, and in accordance with the Companies Act 1985. These have been applied consistently during the period.

Tesco PLC, the ultimate parent undertaking, has indicated their willingness to continue financial and business support for the foreseeable future.

The accounting period is for the 52 week period ended 24 February 2007 with the comparative period being 52 weeks ended 25 February 2006.

In accordance with FRS 2 "Accounting for Subsidiary Undertakings" and Section 228 of the Companies Act 1985, group financial statements have not been prepared because the company is a wholly owned subsidiary of a body corporate, incorporated in England and Wales.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date and which could give rise to an obligation to pay more or less taxation in the future. Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the Balance Sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the prices prevailing on the Balance Sheet date. All differences are taken to the Profit and Loss account for the period.

Stock

Stock, which consists of goods for resale, is valued at the lower of purchase price and estimated net realisable value.

Turnover

Turnover represents the sales value net of VAT, sales discounts and sales returns provision, and is recognised on a net despatch basis.

TESCO HOME SHOPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 FEBRUARY 2007 (continued)

1 ACCOUNTING POLICIES (continued)

Taxation

The amount included in the Profit and Loss account is based on the profit or loss on ordinary activities before taxation and is calculated at current local tax rates, taking into account timing differences and the likelihood of realisation of deferred tax assets and liabilities

Group relief on taxation

The company will receive group relief from and provide group relief to group companies without payment and consequently there is no tax charge in the Profit and Loss account

2 NOTES TO THE PROFIT AND LOSS ACCOUNT

	2007 £'000	2006 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration – audit of these financial statements	7	17

3 DIRECTORS' EMOLUMENTS

The company does not employ any staff directly but instead utilises seconded staff from Tesco PLC and Grattan Plc. Recharges in respect of employee and director's costs up until 29 August 2006 are detailed in note 12. Recharges in respect of director's costs were £36k in the year (2006 £71k)

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
Interest payable on overdrafts and bank loans	126	10

TESCO HOME SHOPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 FEBRUARY 2007 (continued)

5 TAXATION

a) Analysis of tax credit in the year

	2007 £'000	2006 £'000
<i>UK Corporation tax</i>		
Adjustment in respect of prior periods	-	47
Total current tax credit and tax on (loss)/profit on ordinary activities	-	47

b) Factors affecting the tax credit for the year

The current tax credit for the year is lower than (2006 lower than) the standard rate of corporation tax in the UK (30%, 2006 30%) The differences are explained below

	2007 £'000	2006 £'000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(1,628)	290
Current tax at 30% (2006 30%)	(488)	87
<i>Effects of</i>		
Current period losses carried forward	114	-
Utilisation of tax losses brought forward	-	(87)
Expenses not deductible for tax purposes	44	-
Losses surrendered for group relief	330	-
Adjustment to tax charge in respect of previous periods	-	47
Total current tax credit (see above)	-	47

The company is subject to transfer pricing legislation under which arms length terms are applied with UK connected parties Any adjustments required under this legislation would not have any impact on the amount of tax payable as compensating payments will be made between the parties affected to restore them to their position before application of this legislation

6 DEBTORS – DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Trade debtors	23	755
Consortium relief recoverable from the parent	-	43
Other debtors	10	272
Prepayments and accrued income	-	537
	33	1,607

TESCO HOME SHOPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 FEBRUARY 2007 (continued)

7 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Bank loans and overdrafts	26	993
Trade creditors	347	2,019
Amounts due to group undertakings	3,027	1,288
Accruals and deferred income	126	602
	3,526	4,902

Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment

8 PROVISIONS FOR LIABILITIES AND CHARGES

	2007 £'000	2006 £'000
The deferred tax asset not recognised is as follows		
Taxation on unrelieved losses carried forward	4,132	4,018
	4,132	4,018

A deferred tax asset was not been recognised in the year due to the uncertainty as to when relief would be obtained Any future realisation of this will reduce further tax charges

9 CALLED UP SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
£1 A ordinary shares	10,400	10,400
£1 B ordinary shares	15,600	15,600
	26,000	26,000
Allotted, called up and fully paid		
£1 A ordinary shares	10,400	10,400
£1 B ordinary shares	15,600	15,600
	26,000	26,000

A and B ordinary shares carry equal rights

10 RESERVES

	Profit and loss account £'000
As at 28 February 2006	(27,865)
Loss for the financial year	(1,628)
As at 24 February 2007	(29,493)

TESCO HOME SHOPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 FEBRUARY 2007 (continued)

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS For the year ended 24 February 2007

	2007 £'000	2006 £'000
(Loss)/profit for the financial year	(1,628)	337
Net (reduction in)/addition to shareholders' funds	(1,628)	337
Opening shareholders' deficit	(1,865)	(2,202)
Closing shareholders' deficit	(3,493)	(1,865)

12 ULTIMATE PARENT UNDERTAKING

On 29 August 2006, Grattan Plc's 40% stake in Tesco Home Shopping Limited was sold to Tesco PLC

From 29 August 2006, the company's immediate and ultimate parent company, and controlling party, 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 Tesco PLC financial statements can be obtained from the Company Secretary, Tesco PLC, Tesco House, PO Box 18, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL.

Until 29 August 2006, Tesco Home Shopping Limited was a joint venture, whose ultimate parents were Tesco PLC, owning 60% of the allotted share capital, and Grattan Plc, owning 40% of the allotted share capital. The consolidated accounts of Grattan Plc are available to the public and are available from Grattan Plc, Otto House, Ingleby Road, Bradford, West Yorkshire, BD99 2XG.

13 RELATED PARTY TRANSACTIONS

Transactions with other companies within the Tesco PLC group are not disclosed as the company has taken advantage of the exemption under Financial Reporting Standard 8 "Related Party Disclosures", as the consolidated accounts of Tesco PLC, in which the company is included, are available at the address in note 12.

During the year, Grattan Plc provided a wide range of services to the company including accounting, merchandising, buying, computing, warehousing and distribution. A summary of the transactions between the company and Grattan Plc up to 29 August 2006, when Grattan Plc sold its investment in Tesco Home Shopping Limited, are as follows:

	2007 £'000	2006 £'000
Operational charges (including call centre, warehouse and fixed asset charges)	1,303	3,900
Wages and salaries of seconded staff	201	336
Stock purchases	6,409	19,557
Total transactions	7,913	23,793
Balance owing to Grattan Plc at end of year	347	1,518

All of the transactions were carried out at arms length and on a commercial basis.

TESCO HOME SHOPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 FEBRUARY 2007 (continued)

13 RELATED PARTY TRANSACTIONS (continued)

During the year, Tesco PLC has also provided a wide range of services to the company. A summary of the transactions between the company and Tesco PLC up to 29 August 2006, when the company became a wholly owned subsidiary of Tesco PLC, are as follows

	2007 £'000	2006 £'000
Operational charges (including call centre, warehouse and fixed asset charges)	(342)	(1,056)
Wages and salaries of seconded staff	245	530
Total transactions	(97)	(526)
Balance owing to/(from) Tesco PLC at end of year	3,027	(230)

All of the transactions were carried out at arms length and on a commercial basis

14 POST BALANCE SHEET EVENT

A number of changes to the United Kingdom Corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes had not been substantively enacted at the Balance Sheet date and, therefore, are not included in these financial statements. This non-adjusting post balance sheet event has no material impact on the financial statements.

It is the directors' intention to transfer the remaining assets and liabilities of the company to Tesco Stores Limited in 2008, and following this to place the company into Members' Voluntary Liquidation.

15 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH FROM OPERATING ACTIVITIES

	2007 £'000	2006 £'000
Operating (loss)/profit	(1,502)	300
Decrease/(increase) in stock	1,430	(954)
Decrease/(increase) in debtors	1,574	(595)
(Decrease)/increase in creditors	(409)	1,557
Net cash inflow from operating activities	1,093	308

16 ANALYSIS OF CASH FLOWS

	2007 £'000	2006 £'000
Returns on investment and servicing of finance		
Interest paid	(126)	(10)

17 ANALYSIS OF NET DEBT

	1 March 2006 £'000	Cash Flow £'000	24 February 2007 £'000
Overdraft	(993)	967	(26)
Total	(993)	967	(26)