

TESCO CARD SERVICES LIMITED
(formerly known as Tesco Merchant Services Limited)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 22 FEBRUARY 2003

4012238



LD5
COMPANIES HOUSE

L77RCR4X

0374
23/12/03

TESCO CARD SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report on the affairs of the company, together with the financial statements and auditors' report, for the 52 weeks ended 22 February 2003.

Principal activities

The principal activity of the company is to act as a financial services provider.

Company Name Change

The company changed its name from Tesco Merchant Services to Tesco Card Services on 18th April 2003.

Review of business and future developments

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

Results and dividends

The net profit of the company after tax for the year was £167,014,000 (2002: £114,424,000).

An interim dividend of £120,000,000 was paid during the year (2002: £Nil).

Directors and their interests

The following directors served during the period:

R S Ager
J A Bailey

John Bailey resigned and Martin Field was appointed as a director on 30th May 2003.

None of the directors had any disclosable interests in the company during the period.

R S Ager is also a director of Tesco PLC, the company's ultimate parent company, and his interests in Tesco PLC are all declared in the financial statements of that company.

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

	Ordinary shares			Share options*		
	2003	2002		Granted	Exercised	2002
J A Bailey	37,214	30,751	125,125	33,188	(1,283)	93,220

* 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.

TESCO CARD SERVICES LIMITED

DIRECTORS' REPORT (continued)

Directors' responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year on a going concern basis 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 9 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 a 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 23 February 2003 and the directors appointed as its successor, PricewaterhouseCoopers LLP as auditors. PricewaterhouseCoopers LLP 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 11 December 2003



M Field
Director

Tesco Card Services Limited
Registered Number 04012238

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF TESCO CARD SERVICES LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 the 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. The other information comprises only the directors' report.

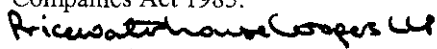
Basis of audit opinion

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 22 February 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


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

19 December 2003

TESCO CARD SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 22 FEBRUARY 2003

	Note	2003 £'000	2002 £'000
Sales		294,479	216,057
Cost of Sales		(55,684)	(52,620)
Gross Profit		238,795	163,437
Administration Expenses		(140)	(107)
Profit on Ordinary Activities Before Interest and Tax		238,655	163,330
Interest payable	2	(64)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	238,591	163,330
Tax on ordinary activities	4	(71,577)	(48,906)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		167,014	114,424
Dividends		(120,000)	-
RETAINED PROFIT FOR THE FINANCIAL YEAR	8	47,014	114,424

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

The notes on pages 6 to 9 form part of these financial statements.

TESCO CARD SERVICES LIMITED

BALANCE SHEET AS AT 22 FEBRUARY 2003

	Note	2003 £'000	2002 £'000
CURRENT ASSETS			
Debtors	5	210,896	156,667
Cash at bank and in hand		40,284	119,780
		251,180	276,447
<hr/>			
CREDITORS (amounts falling due within one year)	6	(72,775)	(145,056)
<hr/>			
NET CURRENT ASSETS		178,405	131,391
<hr/>			
NET ASSETS		178,405	131,391
<hr/>			
CAPITAL AND RESERVES			
Called up share capital	7	10,000	10,000
Profit and loss account	8	168,405	121,391
TOTAL SHAREHOLDER'S FUNDS	9	178,405	131,391

Approved by the Board on 19 December 2003



M J Field
Director

The notes on pages 6 to 9 form part of these financial statements.

TESCO CARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2003

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared on a going concern basis in accordance with applicable accounting standards, under the historical cost convention, and are in accordance with the Companies Act 1985. Group accounts have not been prepared because the company is a wholly owned subsidiary of a body corporate, incorporated in Great Britain.

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

In accordance with FRS2, consolidated financial statements are not prepared because the company is a wholly owned subsidiary of a body corporate, incorporated in Great Britain.

Group relief on taxation

Group relief is payable to group companies and is consequently shown as a charge in the profit and loss account.

Turnover

Income is generated from commissions receivable arising from the provision of acquiring services for card payments. Income is recognised as it falls due.

2 INTEREST PAYABLE

	2003 £'000	2002 £'000
Bank interest payable	64	-

3 OPERATING PROFIT

The auditors' remuneration for the period was borne by other group companies.

The company had no employees during the year (2002: Nil).

The directors did not receive any emoluments for their services to the company (2002: Nil).

Expenses charged to the profit and loss account include irrecoverable VAT where applicable.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED
22 FEBRUARY 2003 (continued)**

4 TAXATION

	2003 £'000	2002 £'000
(a) Analysis of charge in the year		
Current Tax :		
UK Corporation tax at 30% (2002 : 30%)	71,577	48,906
Tax on profit on ordinary activities	71,577	48,906

(b) Factors affecting tax charge for the year

The tax assessed for the year is equal to the standard rate of corporation tax in the UK of 30% (2002:30%).

The differences are explained below:

Profit on ordinary activities before tax	238,591	163,330
Profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2002: 30%)	71,577	48,999
Effects of :		
Other items	-	(93)
Current tax charge for the year	71,577	48,906

5 DEBTORS

	2003 £'000	2002 £'000
Amounts due from group undertakings	119,038	-
Other debtors	91,858	156,667
Amounts due from group undertakings	210,896	156,667

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

6 CREDITORS

	2003 £'000	2002 £'000
Amounts falling due within one year:		
Amounts due to group undertakings	1,198	97,334
Corporation tax payable	71,577	47,708
Accruals	-	14
	72,775	145,056

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

TESCO CARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2003 (continued)

7 CALLED-UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised:		
Equity:		
10,000,000 Ordinary shares of £1 each	10,000	10,000
	10,000	10,000
Allotted, issued and fully paid up:		
Equity:		
10,000,000 Ordinary shares of £1 each	10,000	10,000
	10,000	10,000

8 PROFIT AND LOSS RESERVE

	2003 £'000	2002 £'000
Opening Profit and Loss reserve	121,391	6,967
Retained profit for the period	47,014	114,424
Closing profit and loss reserve	168,405	121,391

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2003 £'000	2002 £'000
Opening shareholder's funds	131,391	16,967
Profit for the period	47,014	114,424
Closing shareholder's funds	178,405	131,391

10 ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent company 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED
22 FEBRUARY 2003 (continued)**

11 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.

12 CONTINGENT LIABILITY

The company is party to an unlimited composite joint and several guarantee with other group companies to secure all liabilities of each other.