

TESCO CARD SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 25 FEBRUARY 2006

Registered number 04012238



# 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 year ended 25 February 2006.

### Principal activities

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

### Review of business and future developments

During the year the business of the company was transferred to another group company. It will become dormant throughout 2007.

### Results and dividends

The profit of the company after tax for the year was £257,236,000, (2005: £291,599,000). No dividend payment has been made during the year (2005: £534,000,000). The profit retained for the year is £257,236,000, (2005: loss £242,401,000).

### Directors and their interests

The following directors served during the year:

M J Field	(resigned 31 May 2005)
Lucy Neville-Rolfe	
J Lloyd	(appointed 31 May 2005)

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

For the directors who were not also directors of the ultimate parent company, their interests in the shares of Tesco PLC at the beginning of the year (or on appointment if later) and end of the year (or at resignation if earlier) are given below:

	Ordinary shares			Share Options *		
	25 February 2006, or at resignation if earlier	26 February 2005, or at appointment if later	25 February 2006, or at resignation if earlier	Granted	Exercised	26 February 2005, or at appointment if later
L Neville-Rolfe	297,727	270,740	369,413	109,348	(68,345)	328,410
M J Field	83,750	95,943	138,223	28,300	(13,846)	123,769
J Lloyd	175	-	30,000	30,000	-	-

\* Executive share option scheme (1984, 1994 and 1996), discretionary share option plan (2004) 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)

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the Annual General Meeting.

By order of the Board on *18 December 2006*



J Lloyd  
Director

Tesco Card Services Limited  
Registered Number 04012238

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TESCO CARD SERVICES LIMITED

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

We have audited the financial statements of Tesco Card Services Limited for the period ended 25 February 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body 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 into 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 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

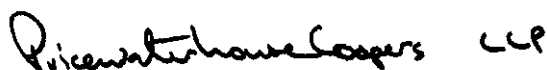
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 25 February 2006 and of its profit for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
St Albans



2006

# TESCO CARD SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 25 FEBRUARY 2006

		2006 £'000	2005 £'000
	Note		
Sales		449,211	474,980
Cost of Sales		(72,997)	(58,342)
<b>GROSS PROFIT</b>		<b>376,214</b>	<b>416,638</b>
Administration Expenses		(55)	(68)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	<b>376,159</b>	<b>416,570</b>
Tax on profit on ordinary activities	3	(118,923)	(124,971)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>257,236</b>	<b>291,599</b>
Dividends	6	-	(534,000)
<b>PROFIT / (LOSS) FOR THE FINANCIAL YEAR</b>	8	<b>257,236</b>	<b>(242,401)</b>

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 25 FEBRUARY 2006

	Note	2006 £'000	2005 £'000
CURRENT ASSETS			
Debtors	4	396,270	130,140
Cash at bank and in hand		1,550	135,415
		397,820	265,555
CREDITORS (amounts falling due within one year)			
	5	-	(124,971)
NET CURRENT ASSETS		397,820	140,584
NET ASSETS		397,820	140,584
CAPITAL AND RESERVES			
Called up share capital	7	10,000	10,000
Profit and loss account	8	387,820	130,584
TOTAL SHAREHOLDER'S FUNDS	9	397,820	140,584

Approved by the Board on *18 December 2006*



J Lloyd  
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 YEAR ENDED 25 FEBRUARY 2006

### 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.

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.

#### Turnover

Income is generated from commissions receivable arising from the provision of acquiring services for card payments. Income is recognised on an accruals basis.

#### Cash

Card transactions awaiting clearance by acquiring banks are disclosed within cash at bank and in hand.

#### Changes in Accounting Policies

During the year, the company adopted the following new Financial Reporting Standards (FRS) in the preparation of the financial statements:

- FRS 17
- FRS 21
- FRS 25
- FRS 28

The adoption of these standards noted above did not have any impact on the results or shareholders' funds of the Company.

### 2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The auditors' remuneration for the period was borne by another group company.

The company had no employees during the period (2005: Nil).

The directors did not receive any emoluments for their services to the company (2005: Nil).

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

### 3 TAXATION

	2006 £'000	2005 £'000
(a) Analysis of charge in year		
Current Tax :		
UK Corporation tax at 30% (2005 : 30%)	118,923	124,971
Tax on profit on ordinary activities	118,923	124,971

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
25 FEBRUARY 2006 (continued)

3 TAXATION (continued)

	2006 £'000	2005 £'000
(b) Factors affecting tax charge for the year		
The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%) (2005: 30%). The differences are explained below:		
Profit on ordinary activities before tax	376,159	416,570
Profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2005: 30%)	112,848	124,971
Effects of :		
Taxable income from group undertakings	6,075	-
Current tax charge for the year	118,923	124,971

4 DEBTORS

	2006 £'000	2005 £'000
Amounts due from group undertakings	396,270	130,140
	396,270	130,140

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

5 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Corporation tax payable	-	124,971
	-	124,971



# TESCO CARD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 FEBRUARY 2006 (continued)

### 6 DIVIDENDS

	2006 £'000	2005 £'000
Interim Dividend paid - £38.90 per ordinary share	-	389,000
Final Dividend paid - £14.50 per ordinary share	-	145,000
	-	534,000

### 7 CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised:		
Equity:		
10,000,000 Ordinary shares of £1 each	10,000	10,000
	10,000	10,000
Allotted, called up and fully paid :		
Equity:		
10,000,000 Ordinary shares of £1 each	10,000	10,000
	10,000	10,000

### 8 PROFIT AND LOSS RESERVE

	2006 £'000	2005 £'000
Opening profit reserve	130,584	372,985
Retained profit / (loss) for the period	257,236	(242,401)
Closing profit and loss reserve	387,820	130,584

### 9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2006 £'000	2005 £'000
Opening shareholder's funds	140,584	382,985
Profit / (loss) for the period	257,236	(242,401)
Closing shareholder's funds	397,820	140,584

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
25 FEBRUARY 2006 (continued)**

**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.

**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.