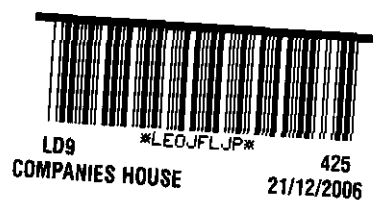


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TESCO (FOXTROT 1) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 FEBRUARY 2006



TESCO (FOXTROT 1) LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the period ended 25 February 2006.

Principal activities

The principal activity of the company is to lease assets.

Review of business and future developments

The profit for the period relates to lease interest receivable, less interest payable on loans from another group company and bank loans.

Directors and their interests

The following directors served during the period:

A T Higginson
L Neville-Rolfe
T J R Mason
R Brasher
N Maurant

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

A T Higginson, T J R Mason, and R Brasher were also directors of Tesco PLC, the company's ultimate parent company, and as such their disclosable interest in Tesco PLC are declared in the financial statements of that company.

For the directors as at 25 February 2006, who were not also directors of the ultimate parent company, their interests in the shares of Tesco PLC at the beginning and end of the period are given below:

	Ordinary shares		25 February 2006	Share options*		26 February 2005
	25 February 2006	26 February 2005		Granted	Exercised	
L Neville-Rolfe	297,727	270,740	369,413	109,348	(68,345)	328,410
N Maurant	97,930	111,678	230,300	36,598	(16,338)	210,040

* 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 (FOXTROT 1) LIMITED

DIRECTORS' REPORT (continued)

Directors' responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for the financial period.

The directors consider that in preparing the financial statements on pages 4 to 10 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.

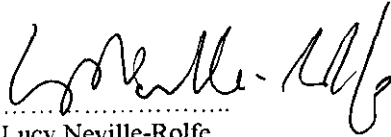
The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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

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

As approved by the Board on 19th December 2006



.....
Lucy Neville-Rolfe

Director

Tesco (Foxtrot 1) Limited

Registered Number 5225620

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TESCO (FOXTROT 1) 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 (Foxtrot 1) 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
19th December 2006

TESCO (FOXTROT 1) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 25 FEBRUARY 2006

	Note	Period ended 25 February 2006 £'000	Period ended 26 February 2005 £'000 Restated*
Lease income		1,964	925
Operating profit	2	1,964	925
Interest payable	3	(1,924)	(870)
Profit on ordinary activities before tax		40	55
Tax charge on ordinary activities	4	-	-
Profit on ordinary activities after tax		40	55
Retained profit for the period	11	40	55

*Prior year comparatives have been restated (see note 1).

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

The notes on pages 6 to 10 form part of these financial statements.

TESCO (FOXTROT 1) LIMITED

BALANCE SHEET AS AT 25 FEBRUARY 2006

	Note	25 February 2006 £'000	26 February 2005 £'000 Restated*
CURRENT ASSETS			
Cash at bank and in hand		1,613	-
Debtors: amounts receivable within one year	5	16,430	16,137
		18,043	16,137
CREDITORS: amounts falling due within one year	6	(17,348)	(14,270)
NET CURRENT ASSETS		695	1,867
DEBTORS: amounts receivable after more than one year	7	16,185	31,558
CREDITORS: amounts falling due after more than one year	8	(16,585)	(33,170)
		(400)	(1,612)
NET ASSETS		295	255
CAPITAL AND RESERVES			
Called up share capital	9	200	200
Profit and loss account	10	95	55
TOTAL SHAREHOLDER'S FUNDS	11	295	255

*Prior year comparatives have been restated (see note 1).

Approved by the Board on 19th December 2006



.....
Lucy Neville-Rolfe
Director

The notes on pages 6 to 10 form part of these financial statements.

TESCO (FOXTROT 1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 FEBRUARY 2006

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

In accordance with FRS 1 (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.

Finance leases

Equipment leased to lessees under finance leases is deemed to be sold at normal selling value. Debtors due under finance leases represent outstanding amounts due under the lease less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments.

Interest

All interest is accounted for on an accruals basis.

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 28
- FRS 25

As required by FRS 25 the Directors have reviewed the presentation of preference shares. The effect of the change was to reclassify preference shares of £500,000 (2005: £500,000) from equity to liabilities and the related dividends of £27,000 (2005: £9,000) are recognised as an interest cost.

All of the other standards noted above did not have an impact on the shareholders' funds of the Company.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The auditors' remuneration is borne by another Group company.

The company had no employees during the period (2005: none).

Directors received no emoluments for their services to the company (2005: £nil).

3 INTEREST PAYABLE

	Period ended 25 February 2006 £'000	Period ended 26 February 2005 £'000 Restated*
Bank interest payable	1,897	355
Interest payable on loan from group undertaking	-	506
Preference share dividends paid	27	9
	1,924	870

*Prior year comparatives have been restated (see note 1).

TESCO (FOXTROT 1) LIMITED

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

4 TAXATION

	Period ended 25 February 2006 £'000	Period ended 26 February 2005 £'000
(a) Analysis of charge in the period		
Current Tax :		
UK Corporation tax at 30%	-	-
Tax on profit on ordinary activities	-	-
(b) Factors affecting tax charge for the period		
The tax assessed for the period is equal to the standard rate of corporation tax in the UK of 30%.		
	Period ended 25 February 2006 £'000	Period ended 26 February 2005 £'000
		Restated*
Profit on ordinary activities before tax	40	55
Add: Preference share dividends paid	27	9
	67	64
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%.	20	19
Effects of :		
Capital allowances	(3,176)	(1,307)
Repayment of capital treated as revenue for tax purposes	2,570	-
Taxable income on group transactions	379	
Group relief surrendered without payment	207	1,288
Current tax charge for the period	-	-

* Prior year comparatives have been restated (see note 1).

TESCO (FOXTROT 1) LIMITED

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

5 DEBTORS: amounts receivable within one year

	25 February 2006 £'000	26 February 2005 £'000
Net investment in finance leases	15,373	15,212
Prepayments and accrued income	1,057	925
	16,430	16,137
The net investment under finance leases comprises:		
Total amount receivable	33,021	50,204
Less: Interest allocated to future periods	(1,463)	(3,434)
	31,558	46,770
This is analysed as follows:		
Amounts receivable within one year	15,373	15,212
Amounts receivable after more than one year	16,185	31,558
	31,558	46,770

Rentals receivable under finance leases during the period amounted to £nil (2005: £nil).

The cost of assets acquired during the period for onwads finance leasing was £nil (2005: £46,770,000).

6 CREDITORS: amounts falling due within one year

	25 February 2006 £'000	26 February 2005 £'000 Restated*
Bank loan	16,585	12,900
Amounts owed to group undertakings	-	506
Preference dividends payable	9	9
500,000 redeemable preference shares of £1 each	500	500
Accruals and deferred income	254	355
	17,348	14,270

*Prior year comparatives have been restated (see note 1).

The bank loan bears interest at LIBOR plus a margin (as at 25 February 2006 – 4.88812%). The loan is repayable in two instalments on 30 June 2006 and 29 June 2007 of £16,585,200 and £16,585,200, respectively. The bank loan is guaranteed by Tesco PLC, the ultimate parent company.

The preference shares confer on the holder the right to receive a fixed dividend of 5.45% on the nominal value of the preference shares. The dividend is payable on 30 September 2005 and every 12 months thereafter. As regards capital, on a winding-up of the company, the preference shares shall be redeemed in priority to the ordinary shares, together with any arrears of dividend.

TESCO (FOXTROT 1) LIMITED

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

7 DEBTORS: amounts receivable after more than one year

	25 February 2006 £'000	26 February 2005 £'000
Finance lease debtors (see note 5)	16,185	31,558
	<u>16,185</u>	<u>31,558</u>

8 CREDITORS: amounts falling due after more than one year

	25 February 2006 £'000	26 February 2005 £'000
Bank loans (see note 6)	16,585	33,170
	<u>16,585</u>	<u>33,170</u>

9 CALLED-UP SHARE CAPITAL

	25 February 2006 £'000	26 February 2005 £'000
Authorised		
200,000 ordinary shares of £1 each	200	200
	<u>£'000</u>	<u>£'000</u>
Allotted, called up and fully paid		
200,000 ordinary shares of £1 each	200	200
	<u>200</u>	<u>200</u>

*Prior year comparatives have been restated (see note 1).

10 RESERVES

	Profit & loss account £'000
Balance as at 26 February 2005	55
Profit for the period	40
Retained profit at end of the period	<u>95</u>

TESCO (FOXTROT 1) LIMITED

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

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Period ended 25 February 2006 £'000	Period ended 26 February 2005 £'000 Restated*
Opening shareholder's funds	255	-
Share capital issued	-	200
Retained profit for the financial period	40	55
Closing shareholder's funds	295	255

* Prior year comparatives have been restated (see note 1).

12 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is *Tesco Holdings Limited*.

The 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*.

13 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.