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TESCO CAPITAL No 1 LIMITED
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 25 FEBRUARY 2006

(Registered Number: FC015640)

WEDNESDAY



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TESCO CAPITAL No 1 LIMITED

DIRECTORS' REPORT

The directors present their annual report and financial statements for the 52 weeks ended 25 February 2006.

Principal activity

The company is a wholly owned subsidiary of Tesco PLC and is incorporated in Jersey. The company is engaged in the raising of funds for other members of the Tesco Group.

Review of business and future developments

The company acts as a financial intermediary for other group companies, and is expected to continue this function in subsequent years.

Results and dividends

The net profit of the company after taxation for the year was £32,918,000 (2005: £31,204,000). During the year, preference dividends of £14,575,000 (2005: £14,575,000) were paid. The directors do not recommend payment of a final dividend (2005: £nil).

Company Secretary

H O'Keeffe

Directors and their interests

The directors who served during the year were:

M J Field
N Maurant
L Neville-Rolfe
T J R Mason

None of the directors had any interests in the share capital of the company during the year.

T J R Mason was also a director of Tesco PLC, the company's ultimate parent company, and as such his interests in the share capital of Tesco PLC are disclosed in the financial statements of that company.

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		25 February 2006, or at resignation if earlier	Share options*			26 February 2005, or at appointment if later
	25 February 2006, or at resignation if earlier	26 February 2005, or at appointment if later		Granted	Exercised		
M J Field	86,390	95,943	137,817	29,598	(15,550)		123,769
N Maurant	97,930	111,678	230,300	36,598	(16,338)		210,040
L Neville-Rolfe	297,727	270,740	369,413	109,348	(68,345)		328,410

* 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.

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DIRECTORS' REPORT (continued)

Directors' responsibilities

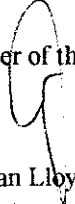
The Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year which shall be in accordance with generally accepted principles and show a true and fair view of the profit or loss of the company for the financial year and of the state of the company's affairs at the end of the financial year.

In preparing financial statements the directors should:

- State where all applicable standards have been followed subject to any material departures disclosed and explained in the financial statements;
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on a 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 which disclose with reasonable accuracy, at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with laws and regulations.

By order of the Board on 13th December 2006



Jonathan Lloyd
Director

Tesco Capital No 1 Limited
Registered Number FC015640

TESCO CAPITAL No 1 LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2006

	Note	2006 £'000	2005 £'000
Income from shares in group undertakings		-	-
Operating profit	2	-	-
Interest receivable	3	47,026	44,577
Profit on ordinary activities before tax		47,026	44,577
Tax charge on ordinary activities	4	(14,108)	(13,373)
Profit for the financial year		32,918	31,204
Dividends	5	(14,575)	(14,575)
Retained profit for year	10	18,343	16,629

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


The notes on pages 5 to 9 form part of these financial statements.

TESCO CAPITAL No 1 LIMITED

BALANCE SHEET AS AT 25 FEBRUARY 2006

	Note	2006 £'000	2005 £'000 restated
CURRENT ASSETS			
Debtors	6	983,066	950,616
Cash at bank and in hand		3	3
		983,069	950,619
CREDITORS: amounts falling due within one year	7	(29,355)	(15,248)
NET CURRENT ASSETS		953,714	935,571
NET ASSETS			
		953,714	935,571
CAPITAL AND RESERVES			
Called up share capital	8	2,536	2,536
Capital contribution		622,843	622,843
Share premium account	9	249,750	249,750
Profit and loss account	10	78,585	60,242
Equity		703,714	685,371
Non-equity		250,000	250,000
TOTAL SHAREHOLDER'S FUNDS	11	953,714	935,371

Approved by the Board on 13th December 2006


Jonathan Lloyd
Director

The notes on pages 5 to 9 form part of these financial statements.

TESCO CAPITAL No 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2006

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with applicable United Kingdom 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.

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

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 shareholders' funds of the Company.

2 OPERATING PROFIT

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

The directors received no emoluments in respect of their office (2005: £nil).

3 NET INTEREST RECEIVABLE

	2006 £'000	2005 £'000
Bank interest payable	-	(4)
Loan interest receivable	47,026	44,581
Net interest receivable	47,026	44,577

TESCO CAPITAL No 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2006 (continued)

4 TAXATION

	2006 £'000	2005 £'000
(a) Analysis of change in year		
Current Tax :		
UK Corporation tax at 30% (2005 : 30%)	14,108	13,373
Tax on profit on ordinary activities	14,108	13,373
(b) Factors affecting tax charge for the year		
The tax assessed for the year is at the standard rate of corporation tax in the UK (30%) (2005: Lower). The differences are explained below:		
Profit on ordinary activities before tax	47,026	44,577
Profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2005: 30%)	14,108	13,373
Effects of :		
Income not taxable (Profit on disposal of investment to group company)	-	-
Income not taxable (Dividends from UK companies)	-	-
Current tax charge for the year	14,108	13,373

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.

5 DIVIDENDS

	2006 £'000	2005 £'000
Non equity preference dividends	14,575	14,575

6 DEBTORS

	2006 £'000	2005 £'000
Amounts owed by group undertakings	983,066	950,616

Of the amount owed by Tesco Stores Ltd, £650,544,654 bears interest at LIBOR plus 0.35%, is unsecured and guaranteed by Tesco PLC. Of the amounts owed by Tesco Property Holdings Ltd, £282,043,633 bears interest at LIBOR and is repayable on demand. The remainder of the amount due from Tesco Stores Ltd and Tesco Property Holdings Ltd represents accrued interest on the aforementioned loans.

TESCO CAPITAL No 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2006 (continued)

7 CREDITORS: amounts falling due within one year

	2006 £'000	2005 £'000 restated
Amounts owed to group undertakings	29,355	15,248

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

8 CALLED-UP SHARE CAPITAL

	2006 £'000	2005 £
Authorised:		
4,593 preferred ordinary shares of £0.01 each	-	-
2,285,550 A ordinary shares of £0.50 each	1,143	1,143
2,285,550 B ordinary shares of £0.50 each	1,143	1,143
25,000,000 guaranteed fixed rate cumulative preference shares of £0.01 each	250	250
	2,536	2,536
Allotted, called up and fully paid :		
4,593 preferred ordinary shares of £0.01 each	-	-
2,285,550 A ordinary shares of £0.50 each	1,143	1,143
2,285,550 B ordinary shares of £0.50 each	1,143	1,143
25,000,000 guaranteed fixed rate cumulative preference shares of £0.01 each	250	250
	2,536	2,536

The holders of A and B ordinary shares are entitled to attend and vote at General Meetings of the Company.

The preferred ordinary shares do not carry any right to receive notice of, nor attend and vote at any general meeting of the company.

The holders of preference shares are only able to vote if preference share dividends have not been paid for two consecutive dividend periods.

Holders of all classes of share have the right to attend a meeting if there is a proposed resolution to abrogate, vary or modify any of the rights or privileges of the holders of that class of share or for winding up the company, in which case they are entitled to vote on such a resolution.

Dividends voted by the company are used firstly to provide a 5.83% dividend calculated on a daily basis to the preference shares, then the payment of a "special dividend" on the preferred ordinary shares (see below). Any remainder would be paid equally to the A and B ordinary shares.

TESCO CAPITAL No 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2006 (continued)

The preferred ordinary shares shall only be entitled to participate pro rata in a dividend (the "special dividend") equal in aggregate to the amount of interest (at LIBOR plus 0.35%), less the effect of tax, on the reserves of the company, plus the called-up value of the preference shares (less the aggregate of £200,000 and any accrued but not paid preference dividend), at 19 December 2003 (the date of adoption of the revised Articles of Association), reduced by the amount of preference dividend accruing in the period.

If the company is wound up, the preferred ordinary shares shall be paid the "special dividend", then the preference shares will be repaid their called-up amount, with any balance allocated equally between the ordinary shares.

The preference shares shall be redeemed at the company's option, by service of a written notice upon the preference shareholders at any time on or after the tenth anniversary of the subscription date. The associated premium of £9.99 per share is repayable on redemption.

9 SHARE PREMIUM ACCOUNT

	2006 £'000	2005 £'000
Premium on issue of preference shares	249,750	249,750

10 PROFIT AND LOSS ACCOUNT

	2006 £'000
Balance as at 26 February 2005	60,242
Retained profit for the year	18,343
Balance as at 25 February 2006	78,585

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2006 £'000	2005 £'000
Profit for financial year	32,918	31,204
Dividends paid	(14,575)	(14,575)
Net addition to shareholder's funds	18,343	16,629
Capital contribution from A and B ordinary shareholders	-	-
Opening shareholder's funds	935,371	918,942
Closing shareholder's funds	953,714	935,371

TESCO CAPITAL No 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2006 (continued)

12 ULTIMATE PARENT UNDERTAKING

The immediate parent and 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.

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.