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TESCO CAPITAL NO. 1 LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011

Registered Number: FC015640

WEDNESDAY



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## **TESCO CAPITAL NO. 1 LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011**

The Directors present their report and the audited financial statements of Tesco Capital No 1 Limited (the "Company") for the 52 week period ended 26 February 2011 (Prior period 52 weeks ended 27 February 2010)

#### **Business review and principal activities**

The principal activity of the Company is to act as a financial intermediary for Tesco PLC group entities. There has been no significant change in the nature or level of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

#### **Results and dividends**

The results for the period show a pre-tax profit of £6.3m (2010 £27.2m)

The Company paid preference dividends amounting to £14.6m (2010 £14.6m)

#### **Principal risks and uncertainties**

The main financial risk of the company is fluctuations in interest rates.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Tesco PLC group (the "Group") and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Company, are discussed on page 51 of the Tesco PLC group annual report for the 52 weeks ending 26 February 2011 which does not form part of this report.

#### **Charitable and political contributions**

There were no charitable or political donations for the period (2010 none)

#### **Future outlook**

The Company's performance is expected to continue throughout the next financial period and it is anticipated that the current performance levels will be maintained.

The Company's future developments form a part of the Group's long-term strategy, which is discussed on page 34 of Tesco PLC's Annual Report for the 52 weeks ended 26 February 2011, which does not form part of this report.

#### **Key performance indicators (KPI's)**

The development, performance and position of the UK operations of the Group, which includes the Company, is discussed on pages 48 to 49 of Tesco PLC's Annual Report which does not form part of this report.

#### **Research and development**

The Company does not undertake any research and development activities.

## **TESCO CAPITAL NO. 1 LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)**

#### **Supplier payment policy**

The Company does not have any direct supplier relationships. Any relationships with suppliers are handled through Tesco Stores Limited. The Group policy and practice in relation to its suppliers is disclosed in Tesco Stores Limited's annual report.

The Company's ultimate parent company, Tesco PLC, is a signatory to the Prompt Payment Code in the UK. More information about the Code can be found at [www.promptpaymentcode.org.uk](http://www.promptpaymentcode.org.uk). Payment terms and conditions are agreed with suppliers in advance and the Group pays its creditors in accordance with those terms. Payment terms vary according to the type of product and territory in which the suppliers operate. Tesco PLC is a holding company and therefore has no trade creditors on its balance sheet.

#### **Employees**

The Company had no employees during the period (2010: none).

#### **Directors and their interests**

The following Directors served during the period and up to the date of signing the financial statements:

J Lloyd  
T Mason  
L Neville-Rolfe

Save as set out below, none of the Directors had any disclosable interests in the Company during this period.

T Mason and L Neville-Rolfe are also directors of Tesco PLC, the Company's ultimate parent company, and as such their disclosable interests in Tesco PLC are all declared in the financial statements of that company.

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the Tesco PLC directors listed above and the Tesco PLC company secretary (who is also a Director of the Company) in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial period.

#### **Cautionary statement regarding forward-looking information**

Where this review contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. A number of important factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement.

## **TESCO CAPITAL NO. 1 LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)**

#### **Statement of Directors' responsibilities**

The directors are required by the Companies (Jersey) Law 1991 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 5 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 (Jersey) Law 1991

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

On behalf of the Board

~~21st~~ November 2011

  
J Lloyd  
Director  
Tesco Capital No 1 Limited  
Registered Number FC015640  
Registered office 22 Grenville Street, St Helier, Jersey, Channel Islands

## TESCO CAPITAL NO. 1 LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011

	Notes	52 weeks to 26 February 2011 £'000	52 weeks to 27 February 2010 £'000
Interest receivable and similar income	3	6,281	27,207
<b>Profit on ordinary activities before taxation</b>		<b>6,281</b>	<b>27,207</b>
Tax on profit on ordinary activities	4	-	-
<b>Profit for the financial period</b>		<b>6,281</b>	<b>27,207</b>

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

There are no material differences between the profit on ordinary activities before taxation and the profit for the period stated above and their historical cost equivalents

All operations are continuing for the financial period

The notes on pages 7 to 12 form part of these financial statements

# TESCO CAPITAL NO. 1 LIMITED

## BALANCE SHEET AS AT 26 FEBRUARY 2011

		26 February 2011 £'000	27 February 2010 £'000
	Notes		
<b>Current assets</b>			
Debtors – amounts falling due within one year	5	1,120,294	1,114,012
Cash at bank and in hand		3	3
		<b>1,120,297</b>	<b>1,114,015</b>
Creditors – amounts falling due within one year	6	(58,972)	(44,397)
<b>Net current assets</b>		<b>1,061,325</b>	<b>1,069,618</b>
<b>Net assets</b>		<b>1,061,325</b>	<b>1,069,618</b>
<b>Capital and reserves</b>			
Called up share capital	7	2,536	2,536
Share premium		249,750	249,750
Capital contribution		622,843	622,843
Profit and loss account		186,196	194,489
<b>Total equity shareholder's funds</b>	9	<b>1,061,325</b>	<b>1,069,618</b>

The financial statements on pages 5 to 12 were approved by the board of Directors on 21 November 2011 and were signed on its behalf by



J Lloyd  
Director  
Tesco Capital No 1 Limited  
Registered Number FC015640

## **TESCO CAPITAL NO. 1 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011**

#### **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 (Jersey) Law 1991. The company's principal accounting policies have been applied consistently during the period and are set out below.

##### **Going concern**

It is the current intention of the Company's ultimate parent undertaking to continue to finance the Company so as to enable it to meet its liabilities as they fall due and to carry on its business without any significant curtailment of operations for the foreseeable future. Accordingly the accounts have been prepared on a going concern basis.

##### **Cash flow statement**

The Company is a wholly owned subsidiary of Tesco PLC and is included in the consolidated financial statements of Tesco PLC which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.

##### **Foreign currencies**

Transactions in foreign currencies are translated into pounds sterling 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 into pounds sterling at the exchange rates prevailing at the Balance Sheet date. All foreign exchange differences are taken to the Profit and Loss Account for the period.

##### **Current 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 may receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the Profit and Loss Account.

# TESCO CAPITAL NO. 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

### 2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The directors received no emoluments for their services to the company (2010 nil)

The company had no employees during the period (2010 none)

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 26 Feb 2011 £'000	52 weeks to 27 Feb 2010 £'000
Interest receivable on loans to group undertakings	6,281	27,207
	<b>6,281</b>	<b>27,207</b>

### 4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

#### Factors that have affected the tax charge

The overall corporation tax rate for the Company for the full period is 28% (2010 28%)

	52 weeks to 26 Feb 2011 £'000	52 weeks to 27 Feb 2010 £'000
<b>Current tax:</b>		
UK Corporation tax on profit for the financial period	-	-
Adjustments in respect of previous financial periods	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax:</b>		
Current period tax	-	-
Prior period items	-	-
<b>Total deferred tax</b>	-	-
<b>Tax on profit on ordinary activities</b>	-	-

The tax assessed for the period is lower (2010 lower) than the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are explained below

	52 weeks to 26 Feb 2011 £'000	52 weeks to 27 Feb 2010 £'000
Profit/(loss) on ordinary activities before tax	6,281	27,207
Profit/(loss) on ordinary activities multiplied by standard rate in the UK 28% (2010 28%)	<b>1,759</b>	7,618
Effects of		
Group relief received without payment	(1,759)	(7,618)
<b>Current tax charge/(credit) for the financial period</b>	-	-



## TESCO CAPITAL NO. 1 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

#### 5. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Amounts owed by group undertakings	1,120,294	1,114,012
	1,120,294	1,114,012

An amount due of £670m incurs interest receivable calculated at LIBOR plus 35 base points (resetting quarterly) and an amount due of £281m incurs interest receivable calculated at LIBOR, resetting annually on the 15<sup>th</sup> of December. The remaining amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

#### 6. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Amounts owed to group undertakings	58,972	44,397
	58,972	44,397

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

## TESCO CAPITAL NO. 1 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

#### 7. CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted, called up and fully paid		
4,593 preferred ordinary shares of £0.01 each (2010 4,593)	-	-
2,285,550 A ordinary shares of £0.5 each (2010 2,285,550)	1,143	1,143
2,285,550 B ordinary shares of £0.5 each (2010 2,285,550)	1,143	1,143
25,000,000 guaranteed fixed rate cumulative preference shares of £0.01 each (2010 25,000,000)	250	250
	<b>2,536</b>	<b>2,536</b>

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 entitled to receive notice of and attend general meetings. They 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. Any remainder would be paid equally to the A and B ordinary shares

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

## TESCO CAPITAL NO. 1 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2011 (continued)

#### 8. RESERVES

	Share Premium £'000	Capital contribution £'000	Profit and loss reserve £'000
As at 27 February 2010	249,750	622,843	194,489
Profit for the financial period			6,281
Dividends (note 10)			(14,574)
As at 26 February 2011	249,750	622,843	186,196

#### 9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS AS AT 26 FEBRUARY 2011

	2011 £'000	2010 £'000
Profit for the financial period	6,281	27,207
Dividends (note 10)	(14,574)	(14,575)
Net additions to shareholders' funds	(8,293)	12,632
Opening shareholders' funds	1,069,618	1,056,986
Closing shareholders' funds	1,061,325	1,069,618

#### 10. DIVIDENDS

	52 weeks to 26 Feb 2011 £'000	52 weeks to 27 Feb 2010 £'000
Preference dividends	14,574	14,575

#### 11. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate and ultimate parent company, and controlling party, is Tesco PLC, which is 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.