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TESCO CAPITAL NO. 1 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 25 FEBRUARY 2012

Registered Number: FC015640



TESCO CAPITAL NO. 1 LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2012

The Directors present their Report and the audited financial statements of Tesco Capital No 1 Limited (the "Company") for the 52 week period ended 25 February 2012 (Prior period 52 weeks ended 26 February 2011)

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 £14,875,000 (2011 £6,281,000)

The Directors do not recommend payment of a dividend for the 52 weeks ended 25 February 2012 (2011 £nil)

The Company accrued for preference dividends payable amounting to £14,575,000 (2011 £14,574,000)

The retained profit / (loss) for the 52 weeks ended 25 February 2012 amounted to £300,000 (2011 (£8,293,000))

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 pages 40 to 47 of the Tesco PLC Group Annual Report for the 52 weeks ending 25 February 2012, which does not form part of this Report.

Charitable and political contributions

There were no charitable or political donations for the period (2011 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 pages 10 to 23 of the Group's Annual Report for the 52 weeks ended 25 February 2012, which does not form part of this Report.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

The development, performance and position of the UK operations of the Tesco PLC Group (the "Group"), which includes the Company, is discussed on pages 29 to 32 of the Group'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 25 FEBRUARY 2012 (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. 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 (2011: 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 25 FEBRUARY 2012 (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

20 November 2012

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 25 FEBRUARY 2012

	Notes	52 weeks to 25 February 2012 £'000	52 weeks to 26 February 2011 £'000
Interest receivable and similar income	3	14,875	6,281
Profit on ordinary activities before taxation		14,875	6,281
Tax on profit on ordinary activities	4	-	-
Profit for the financial period	8/9	14,875	6,281

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 10 form part of these financial statements

TESCO CAPITAL NO. 1 LIMITED

BALANCE SHEET AS AT 25 FEBRUARY 2012

		25 February 2012 £'000	26 February 2011 £'000
	Notes		
Current assets			
Debtors – due within one year	5	1,135,169	1,120,294
Cash at bank and in hand		3	3
		1,135,172	1,120,297
Current liabilities			
Creditors – amounts falling due within one year	6	(73,547)	(58,972)
Net current assets		1,061,625	1,061,325
Total assets less current liabilities		1,061,625	1,061,325
Net assets/(liabilities)		1,061,625	1,061,325
Capital and reserves			
Called up share capital	7	2,536	2,536
Share premium account	8	249,750	249,750
Capital contribution	8	622,843	622,843
Profit and loss account	8	186,496	186,196
Total equity shareholder's funds	9	1,061,625	1,061,325

The financial statements on pages 5 to 10 were approved by the board of Directors on ~~20 November~~ 2012 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 25 FEBRUARY 2012

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.

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 "Cash Flow Statements".

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.

2. OPERATING PROFIT

The Directors received no emoluments for their services to the Company (2011: £nil).

The Company had no employees during the period (2011: none).

The auditors' remuneration for the current and prior period was borne by another Group company.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 25 Feb 2012 £'000	52 weeks to 26 Feb 2011 £'000
Interest receivable on loans to Group undertakings	14,875	6,281
	14,875	6,281

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NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2012 (continued)

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

Factors that have affected the tax charge

The standard rate of Corporation Tax in the UK was changed from 28.0% to 26.0% with effect from 1 April 2011. This gives an overall blended Corporation Tax rate for the Company for the full year of 26.2%.

	52 weeks to 25 Feb 2012 £'000	52 weeks to 26 Feb 2011 £'000
Total current tax	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

The tax assessed for the period is lower (2011: lower) than the blended rate of corporation tax in the UK of 26.2% (2011: 28%). The differences are explained below:

	52 weeks to 25 Feb 2012 £'000	52 weeks to 26 Feb 2011 £'000
Profit on ordinary activities before tax	14,875	6,281
Profit on ordinary activities multiplied by blended rate in the UK 26.2% (2011: 28%)	3,897	1,759
Effects of:		
Group relief received without payment	(3,897)	(1,759)
Current tax charge/(credit) for the financial period	-	-

5. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Amounts owed by Group undertakings	1,135,169	1,120,294
	1,135,169	1,120,294

Included within amounts owed by Group undertakings are amounts that are interest free, unsecured, have no fixed date of repayment and are repayable on demand.

An amount due of £324m incurs interest receivable calculated at 12 months GBP Libor resetting annually.

An amount due of £793m incurs interest receivable calculated at 3 months GBP Libor plus 35 basis points resetting quarterly.

TESCO CAPITAL NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2012 (continued)

6. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Amounts owed to Group undertakings	73,547	58,972
	73,547	58,972

Included within amounts owed to Group undertakings are amounts that are interest free, unsecured, have no fixed date of repayment and are repayable on demand

7. CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted, called up and fully paid		
4,593 Preferred Ordinary shares of £0.01 each (2011 4,593)	-	-
2,285,550 A Ordinary shares of £0.50 each (2011 2,285,550)	1,143	1,143
2,285,550 B Ordinary shares of £0.50 each (2011 2,285,550)	1,143	1,143
25,000,000 Guaranteed Fixed Rate Cumulative Preference shares of £0.01 each (2011 25,000,000)	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 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 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2012 (continued)

8. RESERVES

	Share Premium £'000	Capital contribution £'000	Profit and loss account £'000
As at 26 February 2011	249,750	622,843	186,196
Profit for the financial period	-	-	14,875
Dividends (note 10)	-	-	(14,575)
As at 25 February 2012	249,750	622,843	186,496

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS AS AT 25 FEBRUARY 2012

	2012 £'000	2011 £'000
Profit for the financial period	14,875	6,281
Dividends (note 10)	(14,575)	(14,574)
Retained profit/(loss) for the financial period	300	(8,293)
Net additions/(reductions) to shareholder's funds	300	(8,293)
Opening shareholder's funds	1,061,325	1,069,618
Closing shareholder's funds	1,061,625	1,061,325

10. DIVIDENDS

	52 weeks to 25 Feb 2012 £'000	52 weeks to 26 Feb 2011 £'000
Preference dividend	14,575	14,574

11. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

12. RELATED PARTY TRANSACTIONS

Transactions with other subsidiary companies within the group are not disclosed as the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 "Related Party Disclosures", as the consolidated financial statements of Tesco PLC, in which the Company is included, are available at the address noted in note 11.