

**TESCO PLC**  
**INTERIM STATEMENT OF RESULTS**  
**24 WEEKS ENDED 12 AUGUST 2000**

**TESCO GROWTH ACCELERATES**

**Terry Leahy, Chief Executive, comments:**

“These are strong results reflecting the successful implementation of our strategy against a tough background at home. We have accelerated earnings and have the fastest organic growth rate of any major international retailer giving us 45% of group space overseas by 2002. Tesco is moving from being a domestic player to being an international retailer of real scale giving us a strong position in the league of major international retailers.”

**GROUP SALES £10.1bn, UP 10.7%**

**UNDERLYING GROUP PROFIT BEFORE TAX\* UP 10.2% TO £422m**

**ADJUSTED DILUTED EPS\* UP 10.1% TO 4.48p**

**DIVIDEND PER SHARE UP 10.4% TO 1.48p**

**UK SALES UP 7.5 % TO £8.9bn INCLUDING LIKE-FOR-LIKE GROWTH OF 3.9%**

**INTERNATIONAL SALES UP STRONGLY:**

- **Total International sales up 42% to £1,176m**
- **Sales from rest of Europe up 27% to £806m**
- **Sales in Asia up 90% to £370m**

**20,000 JOBS TO BE CREATED WORLD-WIDE THIS YEAR**

\* Excluding net loss on disposal of fixed assets, integration costs and goodwill amortisation.

## **FINANCIAL – ‘Strong results, profit growth accelerates to double digit’**

**Group sales** including VAT increased by 10.7% to £10,084m (1999 - £9,112 m).

**Group profit before tax** increased 10.2% to £422m, excluding the net loss on disposal of fixed assets, goodwill amortisation and integration costs. Group profit before tax rose by 8.9 % to £415m.

**UK sales** (excluding property development sales) grew by 7.5% to £8,904m (1999 - £8,284m) of which 3.9% came from existing stores and 3.6% from net new stores. Existing store growth has been driven by strong volumes as we have seen zero inflation in total and deflation in our grocery business.

**UK operating profit** was 9.6% higher at £447m (1999 - £408m). The operating margin remained broadly flat at 5.4%. Tesco continues to offer customers better value and service performing above the market.

**Total international sales** grew by 42% to £1.2bn and contributed £15m to group profits, 67% more than last year.

**In the Rest of Europe** total sales rose by 27.3% to £806m (1999 - £633m) and contributed an operating profit of £13m, up from £10m last year.

Within this, sales in the **Republic of Ireland** were ahead 7.3% in local currency as our customers continue to benefit from the extended range, improved service and better value.

In **Central Europe** total sales at constant exchange rates were up 94%. This reflects strong growth from our increasing number of hypermarkets in the region. We opened five new hypermarkets in the first half-year giving us 24 in total with 2.6m sq. ft. of selling space.

Our **Asian** businesses contributed sales of £370m up 90% on the previous year and made a profit of £2m compared to a loss of £1m last year.

Our Tesco Lotus business in **Thailand** now comprises 24 hypermarkets and has shown strong sales growth up 55% on last year. We currently have 2.6m sq. ft. of selling space in Thailand where the business is already profitable.

In **South Korea**, our 2 stores have continued to trade exceptionally well.

**Tesco Personal Finance** made a small profit in the first half compared to a £3m loss last year.

**Joint ventures** profit for the first half was £10m compared to £5m last year.

**Net interest payable** was £50m (1999 - £39m) primarily reflecting the borrowings that fund our investment plans.

**Corporation tax** has been charged at an effective rate of 27.4% (1999– 28.1%). Prior to accounting for the net loss on disposal of fixed assets, integration costs and goodwill amortisation, our underlying tax rate was 26.9% (1999 – 27.9%).

**Adjusted diluted earnings per share** (excluding the net loss on disposal of fixed assets, integration costs and goodwill amortisation) increased by 10.1% to 4.48p (1999 – 4.07p).

### **Dividend**

The Board has proposed an interim net dividend of 1.48p (1999 – 1.34p). This represents an increase of 10.4% giving interim dividend cover of 3.0 times (1999 – 3.0 times). The interim dividend will be paid on 1 December 2000 to shareholders on the Register of Members at the close of business on 29 September 2000. Shareholders will continue to have the right to receive the dividend in the form of fully paid ordinary shares instead of cash and forms of election will be sent to shareholders from 6 October 2000.

### **Capital Expenditure**

Group capital expenditure in the first half was £659m (1999 - £532m), with £360m in the UK, including £195m on new stores and £50m on extensions and refits. Total international capital expenditure was £299m including £163m in Asia. We forecast group capital expenditure increasing to be £1.6bn for the year. In addition we will spend £200m on the re-purchase of properties previously part of sale and leaseback agreements.

### **Change in Net Debt**

Net debt in the first half increased by £387m to £2,447m (February 2000 - £2,060m), with gearing increased to 49% (February 2000 – 43%).

## **STRATEGY**

Food retailing will become more global as we see mergers and consolidation in mature markets and organic growth in emerging markets. Successful retailers will be those that can manage these changes and generate higher sales and earnings growth.

There are three key elements needed to be a successful international retailer – growth, capability and scale. We are accessing growth through our fast growing organic international expansion, we have proven capability in understanding the customer and our rapid expansion plans are building scale.

We believe we have the right strategy to be successful and give Tesco a strong position in the league of major international retailers.

Our strategy has four key elements.

### **First - Strong UK Core Business**

We have continued to outperform the industry by offering value and innovation for customers against a background of difficult trading conditions. This business will continue to grow and compete effectively.

### **Second - Non-Food**

We are progressing with our aim to be as strong in non-food as we are in food. We are on track to secure a 6% share of the UK market. Non-food sales will grow faster than food as new space comes on stream and as we extend global sourcing and global non-food capability. By 2002 we expect group non-food sales to be £5bn.

### **Third - Retailing Services**

We follow the customer into new areas of expenditure as shopping habits change. We have the largest internet grocery business in the world, we have doubled our mobile phone business in the past year and we are vigorously growing our financial services business.

### **Fourth - International Growth**

The pace of our international business is accelerating and experience is growing as we move through the development phase into profits and returns. By the year-end this business will be four times larger than it was four years ago and our lead countries Hungary and Thailand will be in profit. Overall we are on track to deliver 45% space overseas by 2002 and looking to expand into other countries in the longer term.

## **UK BUSINESS**

In the first half there has been intense competition for customers. Tesco is at the centre of this, driving prices down and value for shoppers up. This has been tough for the industry, but in this environment we continue to trade strongly and gain market share.

Looking forward we believe competition will remain strong, but overall conditions may be helped by the easing of seasonal deflation.

The Competition Commission has completed its work and the Secretary of State is considering the outcome. We look forward to the results and expect it to confirm what we and customers already know, that it is an intensely competitive market that works for the benefit of consumers.

Tesco continues to lead on value in the UK. We measure thousands of prices every week and in the first half-year we have significantly improved our leading value position against all the competition.

Whilst cutting prices, we have been responding to other customer needs. We have improved product availability on the shelves and service at the tills, extended trading hours, re-launched our Organics range and further developed our Finest food brand.

Despite investing for the customer we have broadly held our operating margin as a result of volume increases and savings from our change programmes.

Our step change programmes will deliver significant efficiencies of over £150m this year. A key change programme is Continuous Replenishment. This is a store replenishment system that will give the customer the right product at the right time. It is now operational in ambient products and on trial in fresh foods.

In the future we expect further savings to come from the World-Wide Retail Exchange which uses the internet to standardise procedures and reduce the cost of doing business, giving access for small suppliers to many more retailers.

## **NON-FOOD**

We are having a major impact in non-food which will contribute £5bn to group turnover by 2002. In the UK we are creating space and growing market share rapidly by bringing non-food to more customers:

Our extension programme allows us to bring a full non-food offering to many more stores. This offer will be in 140 stores by February 2001 increasing from 90 at the last year-end.

Our Extra format, where non-food occupies 50% floor space, draws on our world-wide hypermarket experience. We will see a further step forward for the model when our latest Extra opens at Bar Hill, Cambridge in November.

We have also opened our first 60k sq. ft., Extra store at Wrexham with a full non-food offering. This allows us to roll out Extras at a greater pace and bring value and choice for customers to many more locations.

We are developing non-food on the internet to bring further choice and convenience to the customer.

## **NEW SPACE**

It continues to be difficult to get new space in the UK but we have added 19 new stores in the first half of the year. Our store opening and extension programme is adding over 1m sq.ft. in the UK this year. This programme will continue as we find innovative ways of opening new space for example:

In the current year 27 of our 30 new stores will be built on brownfield sites.

We are developing nine partnerships throughout the UK to build new stores in regeneration areas. The first of these will be an Extra in Seacroft near Leeds opening in October.

We continue with our plans to bring 150 convenience stores to many more locations through our popular Express format.

We will increase the number of Metros by 19 this year.

## **E-COMMERCE**

As part of our move into retail services we have also been developing our e-commerce business extending our leading position in grocery home shopping since the creation of tesco.com in April.

In the last 6 months we have:-

Grown registered customers to 750,000;

Grown orders to 60k per week giving sales of over £5m;

Finished our UK roll-out ahead of schedule;

Achieved 90% UK penetration, a level not seen anywhere else in the world;

Delivered our millionth order;

Re-launched the on-line site making it easier for customers to use and halving the time it takes to place an order;

Tried on-line Clubcard redemption;

Achieved like-for-like growth of over 100%;

Agreed a joint venture with i-Village the highly successful women's internet site;

Progressed our international e-commerce strategy.

## **TESCO PERSONAL FINANCE**

Tesco Personal Finance was our first retail services business and continues to grow rapidly as we roll out new products and services. We now have 1.7m customers and double the number of accounts since this time last year. We continue to recruit new customers with over 175,000 new credit cards issued since the year-end.

Our superior economics allow us to be both profitable and fast growing. Tesco Personal Finance is one of the fastest growing retail banks in the country. It made a small profit in the first half, we expect to make a profit for the year and grow profitability significantly next year.

## **INTERNATIONAL BUSINESS**

We are looking to accelerate group growth by concentrating our international investment in two key regions, Asia and Europe building strong positions in each market. In these markets we currently access populations of 260m and continue to research other markets.

Our opening programmes in Europe and Asia show how we have rapidly moved from just two hypermarkets in 1997 to have 68 open by the year-end and plan 130 by 2002.

Success is not just about opening stores, it is about achieving sales, delivering our added value initiatives and moving into profit. We are pleased with opening sales levels and overall performance against the budgets we have set to achieve our targeted returns.

Total international first half-year sales at constant exchange rates are up 48%, within this Central Europe is up 94%, Ireland up 7% and Asia 84%. With this level of sales, we are on track with our estimate of achieving £5bn of emerging market turnover in 2002.

Trading has consistently out performed our projections giving us growing confidence. Our two lead countries Hungary and Thailand will be in profit this year and are on track to deliver their targeted returns.

In Thailand we have 24 hypermarkets open and we are well advanced with our supply chain. We already have a modern dry grocery depot handling 85% of products and plans to build a composite depot next year.

In Hungary with 12 hypermarkets open we now have critical mass and are looking to get the benefits of centralised distribution next year.

We have set up a world non-food sourcing team who are expanding our global sourcing network. We have sourcing hubs established in Hong Kong, China, India and the Czech Republic with a further two planned. Already 20% of non-food is sourced through our world non-food sourcing teams and this will increase to 40% by 2003.

Our driver for success in all of these countries has been the application of a global operating platform together with the Tesco way of working giving local managers full responsibility for customers. The obsession with the customer which proved to be successful in the UK has been tailored by them to their individual markets. This is driving sales and helping our businesses to perform.

It is not a one way process. The learning that we have brought back to the UK can be seen in our new stores at Newcastle and Wrexham.

Lastly on hypermarket development we will again open over 30 international hypermarkets next year.

## **CENTRAL EUROPE**

In Central Europe we have a strong position and a good opening programme.

We have made great progress in all our European countries especially in Hungary, our lead country where by the year-end we will have 15 hypermarkets. We have a further three sites planned for Budapest giving us a leading position in Hungary's capital city.

In Poland, our business continues to make good progress. By the year-end we will have ten hypermarkets open including excellent new stores in Warsaw and Krakow. We expect to open at least six hypermarkets in Poland next year.

New planning regulations are being introduced in Poland. We don't yet know what the impact will be but we will work with the new regulations to maintain our programmes.

In the Czech Republic and Slovakia we are on track with our opening plans and we will open five new hypermarkets by the end of the year taking the total to 11.

## **REPUBLIC OF IRELAND**

We have nearly completed our refit programme with the final 15 stores to be finished by early 2001 and we continue to modernise the supply chain with 50% of our products distributed centrally.

Even without the benefit of new stores we still see strong sales growth of 7% strengthening our position as market leader. We recently launched a significant price investment in a number of key lines and will continue to maintain price leadership.

We will open our first two stores at Castlebar and Maynooth in the next few months and we have planning approval for five further stores.

## **ASIA**

In Asia, where we first invested just over two years ago, we will have 32 hypermarkets open at the year-end moving to 61 by 2002.

Our lead country in Asia is Thailand. This business shows strong sales increases up 55% on last year. Our new store at Rama IV in Bangkok that opened in April has the highest turnover of any store in Thailand despite the opening of a competitor hypermarket across the road.

In South Korea this is an exciting year as we will open five hypermarkets in the space of ten weeks. Next year we plan to open at least six more hypermarkets across the country and launch a home shopping service.

South Korea has just opened its first new store this year at Ansan. It joins our stores at Pusan and Taegu, and has the highest ever takings at a Tesco store in the first week. Our three stores are the top trading stores in the country.

In Taiwan we have brought forward our first store opening to December. This is a 100,000 sq.ft. hypermarket located within the Taimall shopping centre on the outskirts of Taipei. This store, bought from Makro, is in addition to the two stores we will open next year and at least three stores a year thereafter.

We continue to explore opportunities in Malaysia, Japan and China.

## **CONCLUSION**

In the UK, our core business will continue to compete effectively and there is still plenty of growth to come.

Non-food will grow faster than food as new space comes on stream, as we develop global sourcing and our global non-food capability.

Retailing services will continue to grow as we follow the customer into new areas of expenditure like e-commerce and Tesco Personal Finance.

Our international businesses will achieve real scale. By 2002 we will have 45% of our selling space outside the UK and from emerging markets we will have turnover of £5bn.

Overall, we are on track to deliver the demanding targets we have set ourselves and we are looking to expand into other countries in the longer term.

Our strategy has already taken us to double-digit growth in the first half and there is a strong momentum in Tesco that is moving us from being purely a domestic player to an international retailer of real scale.

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TESCO PLC

GROUP PROFIT AND LOSS ACCOUNT (Unaudited)

24 weeks ended 12 August 2000	note	2000 £m	1999 £m	Increase %
<b>Sales at net selling prices</b>	2	10,084	9,112	+10.7
<b>Turnover excluding value added tax</b>	2	9,302	8,423	+10.4
- Operating expenses		(8,821)	(7,988)	
- Employee profit sharing		(19)	(18)	
- Integration costs		-	(3)	
- Goodwill amortisation		(3)	(3)	
<b>Operating profit</b>	3	459	411	+11.7
Share of operating profit of joint ventures		10	5	
Net (loss)/profit on disposal of fixed assets		(4)	4	
<b>Profit on ordinary activities before interest</b>		465	420	+10.7
Net interest payable		(50)	(39)	
<b>Profit on ordinary activities before taxation</b>		415	381	+8.9
<b>Profit before integration costs, net (loss)/profit on disposal of fixed assets and goodwill amortisation</b>		422	383	+10.2
Goodwill amortisation		(3)	(3)	
Integration costs		-	(3)	
Net (loss)/profit on disposal of fixed assets		(4)	4	
Taxation		(114)	(107)	
<b>Profit on ordinary activities after taxation</b>		301	274	+9.9
Minority interest		-	-	
<b>Profit for the financial period</b>		301	274	+9.9
Dividends		(101)	(90)	
<b>Retained profit for the financial period</b>		200	184	
<b>Earnings per share</b>	4	Pence 4.45	Pence 4.10	
<b>Diluted earnings per share</b>	4	4.38	4.04	
<b>Adjusted diluted earnings per share</b> (excluding integration costs, net (loss)/profit on disposal of fixed assets and goodwill amortisation)	4	4.48	4.07	+10.1
<b>Dividend per share</b>		1.48	1.34	+10.4

# TESCO PLC

## GROUP BALANCE SHEET (Unaudited)

	12 Aug 2000 £m	26 Feb 2000 £m
<b>Fixed assets</b>		
Intangible assets	132	136
Tangible assets	8,561	8,140
Investments	74	79
Investments in joint ventures	193	172
	<u>8,960</u>	<u>8,527</u>
<b>Current assets</b>		
Stocks	780	744
Debtors	233	252
Investments	195	258
Cash at bank and in hand	116	88
	<u>1,324</u>	<u>1,342</u>
<b>Creditors: falling due within one year</b>	<u>(3,474)</u>	<u>(3,487)</u>
<b>Net Current Liabilities</b>	<u>(2,150)</u>	<u>(2,145)</u>
<b>Total Assets Less Current Liabilities</b>	<u>6,810</u>	<u>6,382</u>
<b>Creditors: falling due after more than one year</b>	<u>(1,754)</u>	<u>(1,565)</u>
<b>Provisions for liabilities and charges</b>	<u>(19)</u>	<u>(19)</u>
<b>Total Net Assets</b>	<u>5,037</u>	<u>4,798</u>
<b>Capital and Reserves</b>		
Called up share capital	343	341
Share premium account	1,698	1,650
Other reserves	40	40
Profit and loss account	2,924	2,738
<b>Equity Shareholders' Funds</b>	<u>5,005</u>	<u>4,769</u>
Minority interest	32	29
<b>Total Capital Employed</b>	<u>5,037</u>	<u>4,798</u>

# TESCO PLC

## GROUP CASH FLOW STATEMENT (Unaudited)

<b>24 weeks ended 12 August 2000</b>	<b>note</b>	<b>2000 £m</b>	<b>1999 £m</b>
<b>Net cash inflow from operating activities</b>	5	674	734
<b>Returns on investments and servicing of finance</b>			
Interest received		33	30
Interest paid		(65)	(66)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(32)	(36)
<b>Taxation</b>		(114)	(3)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(760)	(543)
Receipts from sale of tangible fixed assets		32	48
Purchase of own shares		-	(14)
<b>Net cash outflow from capital expenditure and financial investment</b>		(728)	(509)
<b>Acquisitions</b>			
Purchase of subsidiary undertakings		-	(61)
Investments in joint ventures		(23)	(11)
<b>Net cash outflow from acquisitions</b>		(23)	(72)
<b>Equity dividends paid</b>		(195)	(177)
<b>Cash outflow before use of liquid resources and financing</b>		(418)	(63)
<b>Management of liquid resources</b>			
Decrease / (increase) in short term deposits		63	(22)
<b>Financing</b>			
Ordinary shares issued for cash		33	9
New finance leases		13	-
Increase in other loans		343	90
Capital element of finance leases repaid		(12)	(3)
<b>Net cash inflow from financing</b>		377	96
<b>Increase in cash in the period</b>		22	11

# TESCO PLC

## GROUP CASH FLOW STATEMENT (Unaudited)

<b>24 weeks ended 12 August 2000</b>	<b>note</b>	<b>2000 £m</b>	<b>1999 £m</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash in the period		22	11
Cash inflow from increase in debt and lease financing		(344)	(118)
Cash from (decrease) / increase in liquid resources		(63)	22
Amortisation of 4% unsecured deep discount loan stock		<u>(2)</u>	<u>(2)</u>
<b>Movement in net debt in the period</b>		<b>(387)</b>	<b>(87)</b>
Opening net debt at February	6	<u>(2,060)</u>	<u>(1,720)</u>
<b>Closing net debt at August</b>	6	<b><u>(2,447)</u></b>	<b><u>(1,807)</u></b>

# TESCO PLC

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (Unaudited)

<b>24 weeks ended 12 August 2000</b>	<b>2000</b>	<b>1999</b>
	<b>£m</b>	<b>£m</b>
<b>Profit for the financial period</b>	301	274
Loss on foreign currency net investments	(10)	(21)
<b>Total recognised gains and losses relating to the financial period</b>	<b>291</b>	<b>253</b>

## RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS (Unaudited)

<b>24 weeks ended 12 August 2000</b>	<b>2000</b>	<b>1999</b>
	<b>£m</b>	<b>£m</b>
<b>Profit for the financial period</b>	301	274
Interim dividend	(101)	(90)
	200	184
Loss on foreign currency net investments	(10)	(21)
New share capital subscribed less expenses	29	5
Payment of dividends by shares in lieu of cash	17	14
<b>Net addition to shareholders' funds</b>	<b>236</b>	<b>182</b>
<b>Opening shareholders' funds at February</b>	<b>4,769</b>	<b>4,382</b>
<b>Closing shareholders' funds at August</b>	<b>5,005</b>	<b>4,564</b>

# TESCO PLC

## NOTES TO THE ACCOUNTS

The figures for the 52 weeks ended 26 February 2000 have been extracted from the accounts which have been filed with the Registrar of Companies and which contain an unqualified audit report and did not include a statement under Section 237(2) or (3) of the Companies Act 1985.

The accounts for the 24 weeks ended 12 August 2000 were approved by the directors on 18 September 2000.

### Note 1 Accounting policies

These accounts have been prepared using the accounting policies set out in the Annual Report and Financial Statements 2000.

### Note 2 Group turnover analysis

	24 weeks 2000		24 weeks 1999	
	Sales inc. VAT £m	Turnover exc. VAT £m	Sales inc. VAT £m	Turnover exc. VAT £m
UK	8,908	8,233	8,284	7,669
Rest of Europe	806	722	633	573
Asia	370	347	195	181
	<u>10,084</u>	<u>9,302</u>	<u>9,112</u>	<u>8,423</u>

### Note 3 Group operating profit analysis

	24 weeks 2000 £m	24 weeks 1999 £m
UK	447	408
Rest of Europe	13	10
Asia	2	(1)
	<u>462</u>	<u>417</u>
Goodwill amortisation	(3)	(3)
Integration costs	-	(3)
<b>Operating profit</b>	<u>459</u>	<u>411</u>
UK operating margin	5.4%	5.3%

# TESCO PLC

## NOTES TO THE ACCOUNTS (continued)

### Note 4 Earnings per share and diluted earnings per share

The calculation of earnings, including integration costs, net (loss)/profit on disposal of fixed assets and goodwill amortisation is based on the profit for the period of £301m (1999 – £274m)

For the purpose of calculating earnings per share, the number of shares is the weighted average in issue during the 24 weeks of 6,768m (1999 – 6,678m).

	<b>24 weeks to 12 Aug 2000 million</b>	<b>24 weeks to 14 Aug 1999 million</b>
Weighted average number of dilutive share options	117	106
Weighted average number of shares in issue in the period	6,768	6,678
<b>Total number of shares for calculating diluted earnings per share</b>	<b>6,885</b>	<b>6,784</b>

### Note 5 Reconciliation of operating profit to net cash inflow from operating activities

	<b>24 weeks 2000 £m</b>	<b>24 weeks 1999 £m</b>
Operating profit	459	411
Depreciation and amortisation	220	195
Increase in stocks	(37)	(42)
Decrease / (increase) in debtors	22	(7)
(Decrease) / increase in trade creditors	(11)	175
Increase in other creditors	21	2
(Increase) / decrease in working capital	(5)	128
<b>Net cash inflow from operating activities</b>	<b>674</b>	<b>734</b>

**TESCO PLC****NOTES TO THE ACCOUNTS (continued)**

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**Note 6 Analysis of changes in net debt**

	<b>At 26 Feb 2000</b>	<b>Cash flow</b>	<b>Other non cash changes</b>	<b>At 12 Aug 2000</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash at bank and in hand	88	28	-	116
Overdrafts	(35)	(6)	-	(41)
	<hr/> 53	<hr/> 22	<hr/> -	<hr/> 75
Money market investments and deposits	258	(63)	-	195
Bank and other loans	(797)	(152)	(2)	(951)
Finance leases	(15)	(3)	-	(18)
Debt due within one year	<hr/> (812)	<hr/> (155)	<hr/> (2)	<hr/> (969)
Bank and other loans	(1,508)	(191)	-	(1,699)
Finance leases	(51)	2	-	(49)
Debt due after one year	<hr/> (1,559)	<hr/> (189)	<hr/> -	<hr/> (1,748)
	<hr/> <hr/> (2,060)	<hr/> <hr/> (385)	<hr/> <hr/> (2)	<hr/> <hr/> (2,447)

# **INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF TESCO PLC**

## **Introduction**

We have been instructed by the company to review the financial information set out on pages 12 to 19 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 24 weeks ended 12 August 2000.

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London

18 September 2000