TESCO BLUE (FINCO1) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 23 FEBRUARY 2008

Registered Number: 5888925

TESCO BLUE (FINCO1) LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements of Tesco Blue (Finco1) Limited ("the company") for the period ended 23 February 2008.

Business review and principal activities

The principal activity of the company is to act as a finance company.

The results for the period show a pre tax profit of £19,003 (2007:£7,186). The partnership has net assets at the period end of £18,333 (2007: £5,031). The directors do not recommend the payment of a dividend (2007: Nil).

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. These risks are discussed on page 15 of the Tesco PLC group annual report for the period ended 23 February 2008 which does not form part of this report.

Key performance indicators

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.

Research and development

The company does not undertake any research and development activities.

Employees

The company had no employees during the period (2007: nil).

Directors and their interests

The directors who served during the period were:

A Clark
E O'Hare
M Risk (resigned 7 April 2008)
D Potts
R Brasher

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

D Potts and R Brasher 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.

TESCO BLUE (FINCO1) LIMITED

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there will be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each director who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board 15th December 2008

Alistair Clark
Director
Tesco Blue (Finco1) Limited
Registered Number 5888925

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TESCO BLUE (FINCO1) LIMITED

We have audited the financial statements of Tesco Blue (Finco1) Limited for the period ended 23 February 2008 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
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 23 February 2008 and of its results for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
St Albans

15th December *2008*

TESCO BLUE (FINCO1) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 23 FEBRUARY 2008

	Notes	52 Weeks to 23 February 2008 £	30 Weeks to 24 February 2007 £
Interest receivable		**12,687,960**	4,306,484
Interest payable		**(12,668,957)**	(4,299,298)
Profit on ordinary activities before taxation	2	**19,003**	7,186
Taxation on profit on ordinary activities	3	**(5,701)**	(2,156)
Profit for the financial period	9	**13,302**	5,030

There are no recognised gains or losses other than those reflected in the profit and loss account above.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents.

The notes on pages 7 to 9 form part of these financial statements.

TESCO BLUE (FINCO1) LIMITED

BALANCE SHEET AS AT 23 FEBRUARY 2008

	Notes	23 February 2008 £	24 February 2007 £
Non-current assets			
Debtors – due after one year	5	**190,042,864**	190,042,864
Current assets			
Cash at bank and in hand		**23,587**	4,583
Debtors – due within one year	4	**1,716,894**	1,598,607
		1,740,481	1,603,190
Creditors (amounts falling due within one year)	6	**(1,722,148)**	(1,598,159)
Net current assets		**18,333**	5,031
Total assets less current liabilities		**190,061,197**	190,047,895
Creditors (amounts falling due after more than one year)	7	**(190,042,864)**	(190,042,864)
Net assets		**18,333**	5,031
Capital and reserves			
Called up share capital	8	**1**	1
Profit and loss account	9	**18,332**	5,030
Total equity shareholders' funds	10	**18,333**	5,031

The financial statements on pages 5 to 10 were approved by the board of directors on 15th December 2008 and were signed on its behalf by:

Alistair Clark
Director
Tesco Blue (Finco1) Limited
Registered Number 5888925

TESCO BLUE (FINCO1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2008

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 Act 1985. The principal accounting policies have been applied consistently during the period and are set out below.

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.

Taxation

The amount included in the Profit and Loss account is based on profit 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.

Interest payable and receivable

Interest payable and receivable is calculated on an accruals basis.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The directors received no emoluments in respect of their services to the company. (2007: nil)

There were no employees of the company during the period. (2007: None)

Auditors' remuneration for the period has been borne by another group company (2007: Nil).

TESCO BLUE (FINCO1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2008 (continued)

3. TAXATION

	52 Weeks to 23 February 2008 £	30 Weeks to 24 February 2007 £
Current tax:		
UK Corporation tax on profit for the financial period	**5,701**	2,156
Total current tax	**5,701**	2,156
Tax on profit on ordinary activities	**5,701**	2,156

The tax assessed for the period is the same (2007: 30%) as the standard rate of corporation tax in the UK (30%).

	52 Weeks to 23 February 2008 £	30 Weeks to 24 February 2007 £
Profit on ordinary activities before tax	**19,003**	7,186
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2007: 30%)	**5,701**	2,156
Taxation on profit on ordinary activities	**5,701**	2,156

Factors that may affect future tax charges:
The standard rate of Corporation Tax in the UK changes to 28% with effect from the 1 April 2008.

4. DEBTORS - DUE WITHIN ONE YEAR

	23 February 2008 £	24 February 2007 £
Amounts owed from group undertakings	**1,716,894**	1,598,607

Amounts owed from group undertakings are unsecured, interest free and repayable on demand.

5. DEBTORS - DUE AFTER ONE YEAR

	23 February 2008 £	24 February 2007 £
Loan to Tesco Blue Limited Partnership	**190,042,864**	190,042,864

The loan earns interest at a variable rate based on the 3-month average LIBOR + 0.81% per annum and is repayable on 9 October 2017.

6. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	23 February 2008 £	24 February 2007 £
Corporation tax	**5,701**	2,156
Amounts owed to group undertakings	**1,716,447**	1,596,003
	1,722,148	1,598,159

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

7. CREDITORS -AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	23 February 2008 £	24 February 2007 £
Loan from Tesco PLC	**190,042,864**	190,042,864

The loan incurs interest at a variable rate based on the 3-month average LIBOR + 0.80% per annum and is repayable on 9 October 2017.

8. CALLED UP SHARE CAPITAL

	23 February 2008 £	24 February 2007 £
Authorised:		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid:		
1 ordinary share of £1	**1**	1

9. RESERVES

	Profit and loss account	
	23 February 2008 £	24 February 2007 £
As at beginning of period	**5,030**	-
Profit for the financial period	**13,302**	5,030
As at end of period	**18,332**	5,030

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS FOR THE PERIOD ENDED 23 FEBRUARY 2008

	23 February 2008 £	24 February 2007 £
Issue of ordinary share capital	-	1
Profit for the financial period	**13,302**	5,030
Net increase to shareholder's funds	**13,302**	5,031
Opening shareholder's funds	**5,031**	-
Closing shareholder's funds	**18,333**	5,031

11. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Tesco Blue (GP) Limited.

The company's ultimate parent undertaking and controlling party 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2008 (continued)

12. RELATED PARTY TRANSACTIONS

Transactions with other companies within the Tesco PLC group and Tesco Blue (GP) Limited 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 above.

13. POST BALANCE SHEET EVENT

A number of changes to the UK Corporation Tax system were announced as part of the March 2007 budget statement. Certain of these changes were substantively enacted in the 2007 Finance Act on 26 June 2007. The impact of these changes has been recognised in these financial statements.

Certain other changes are expected to be enacted in the 2008 Finance Act. The impact of these changes will be recognised in the period in which the 2008 Finance Act becomes substantively enacted, which is expected to be in the next financial year.