TESCO PLC — INTERIM REPORT 2004

AROUND THE WORLD

EUROPE

UNITED KINGDOM

CZECH REPUBLIC

HUNGARY

POLAND

REPUBLIC OF IRELAND

SLOVAKIA

TURKEY

ASIA

CHINA

JAPAN

MALAYSIA

SOUTH KOREA

TAIWAN

THAILAND

FINANCIAL HIGHLIGHTS

GROUP SALES	**+ 12.2%**
UNDERLYING GROUP PROFIT BEFORE TAX†	**+ 24.4%**
GROUP PROFIT BEFORE TAX	**+ 28.0%**
UNDERLYING DILUTED EARNINGS PER SHARE†	**+ 16.6%**
DILUTED EARNINGS PER SHARE	**+ 21.5%**
DIVIDEND PER SHARE	**+ 10.6%**

	2004 24 weeks	2003 24 weeks
Group sales (£m) (including value added tax)	16,495	14,703‡
Underlying Group profit before tax† (£m)	822	661
Group profit before tax (£m)	804	628
Underlying diluted earnings per share† (p)	7.45	6.39
Diluted earnings per share (p)	7.22	5.94
Dividend per share (p)	2.29	2.07
Group enterprise value (£m) (market capitalisation plus net debt)	23,396	21,307

†Excluding net profit/(loss) on disposal of fixed assets £26m (2003 – £2m loss), integration costs £18m (2003 – £8m) and goodwill amortisation £26m (2003 – £23m).
‡Restated.

CHAIRMAN'S STATEMENT

Group profit up

RESULTS Group sales, including VAT, increased by 12.2% to £16.5bn (last year £14.7bn‡). At constant rates, sales grew by 13.7%. Group underlying pre-tax profit increased by 24.4% to £822m.

UK Sales in the UK increased by 11.5% to £13.1bn (last year £11.8bn‡), with like-for-like growth of 8.3%, including volume of 8.0% and 3.2% from net new stores. Inflation of 0.3%, was entirely driven by cost increases in our petrol business. We continued to see deflation in our stores as we invested in lower prices.

Petrol had a significant impact in the second quarter. Total like-for-like growth was 8.8%, 7.0% excluding petrol. We did not pass on all the oil cost increases in our petrol prices, resulting in lower margins, which were partially compensated by very strong petrol volumes.

UK underlying operating profit was 13.3% higher at £707m (last year £624m). The operating margin increased slightly by 0.1% to 5.9%.

International Total international sales grew by 14.9% to £3.4bn and by 23.0% at constant exchange rates. International contributed £140m to underlying operating profits, up 42.9% on last year. At constant exchange rates, international profit grew by 52.4%.

In The Rest of Europe, sales rose by 11.4% to £1.9bn (last year £1.7bn‡). At constant rates, sales grew by 18.3%. Underlying operating profit increased by 26.3% to £72m (last year £57m). In Asia, sales grew by 19.4% to £1.5bn (last year £1.3bn‡). At constant rates, sales grew by 29.2%. Underlying operating profit increased by 65.9% to £68m (last year £41m).

Joint Ventures and Associates Our share of profit (excluding goodwill amortisation) for the first half was £60m compared to £38m last year.

Net interest payable was £85m (last year £99m), giving cover of 10.5 times at the half year (last year 7.3 times). Tax has been charged at an effective rate of 30.1% (last year 31.1%). Prior to accounting for the net profit on disposal of fixed assets (resulting mainly from the transfer of stores into the property joint venture with Topland), as well as goodwill amortisation and integration costs, our underlying tax rate was 29.5% (last year 29.6%).

Underlying diluted earnings per share increased by 16.6% to 7.45p (last year 6.39p).

Dividend The Board has proposed an interim dividend of 2.29p per share (last year 2.07p). This represents an increase of 10.6%, in line with our stated policy. The interim dividend will be paid on 26 November 2004 to shareholders on the Register of Members at the close of business on 1 October 2004. Shareholders will continue to have the right to receive the dividend in the form of fully paid ordinary shares instead of cash. The first day of dealing in the new shares will be on 26 November 2004.

Cash Flow and Balance Sheet The Group generated net cash of £631m during the first half, benefiting from strong operating cash flow (up 18.7% to £1.4bn) and the proceeds of £650m from our property joint venture with Topland.

Net debt reduced to £3.5bn at the half year (£5.0bn last year) representing gearing of 41%.

‡ Last year sales figures restated due to FRS 5, Application Note G, 'Revenue Recognition'.

24.4%

Group capital expenditure during the first half was £0.9bn (last year £1.0bn). We expect Group capital expenditure to be around £2.4bn for the full year, excluding the costs of the Hymall (China) and Fre'c (Japan) acquisitions. UK capital expenditure was £637m, including £319m on new stores and £103m on extensions and refits. Total international capital expenditure was £245m, including £90m in Asia and £155m in Europe.

Return on Capital Employed When we announced our share placing last January, we believed we could increase our post-tax return on capital employed (ROCE) of 10.2%, in the 2002/3 financial year, by up to 200 basis points over five years on current plans. The excellent progress we have made in the first half combined with the effect of the Topland property funding initiative, means that ROCE is on track to exceed 11% this year.

International Financial Reporting Standards (IFRS) We are preparing for the adoption of International Accounting Standards. For our 2004/5 year-end, we will include an update on our progress in the Annual Report and Financial Statements. In 2005/6, we will produce fully IFRS compliant accounts, reconciled to UK GAAP. To help understanding of the key issues, we will be holding a seminar for investors and analysts in early 2005. We are also intending to issue restated 2004/5 accounts approximately one month after our 2004/5 full year results announcement.

Year-end Convergence We have taken a decision to align our UK and International accounting periods, due to the increasing contribution our international businesses make to Group results. We will do this for the 2005/6 year-end, which will be at the end of the first calendar quarter.

STRATEGY We have continued to make excellent progress during the first half, with all four parts of our strategy contributing strongly to our growth.

Core UK Business UK sales grew by 11.5% in the first half, including like-for-like growth of 8.3%.

We have seen significant growth in customer numbers at our stores and they are choosing to spend more per visit, despite our continued investment in lowering prices. This reflects our success in improving our inclusive offer on all fronts.

We have maintained our position as the UK's best value retailer and have invested £120m in further improving our price position, with two price campaigns, in April and July, launched during the first half. In early September we announced a further £30m of price cuts and our investment so far in 2004 amounts to an average reduction in prices of £5m per week.

The development of our Value brand continues and the range now extends to over 2,000 products, including non-food items. Our Finest range also continues to develop, with 400 new lines launched in the first half and a further 200 planned for Christmas.

As an extra thank you for shopping with us, our eight million regular Clubcard users received vouchers worth an average of £14 during the first half.

Tesco re-invests efficiency savings for customers. Our Step-Change programme is on track to deliver £270m of savings in total this year, on top of almost £200m achieved last year.

CHAIRMAN'S STATEMENT CONTINUED

We have continued to invest in our stores and the development of our newer formats has made good progress. By the end of the year we will have opened our 100th Extra hypermarket in the UK, having opened the first, at Pitsea, only in 1997. Even in the current challenging planning environment, we anticipate being able to open up to 20 new Extras a year, mostly through extensions to existing superstores.

Through the growth of our Express convenience business, we are able to bring the Tesco offer and lower prices to many new neighbourhoods. We converted 90 T&S stores during the first half, bringing the total number of Express stores to over 380.

We have completed the sale of those T&S stores which did not fit our requirements. We have also begun the conversion to Express of the Adminstore convenience outlets in London (Cullens, Europa and Harts). The first, at Clifton Road, Maida Vale, re-opened in late August. We now expect to hit our target of 500 Express stores this year before Christmas, several months earlier than planned.

Our regeneration store development partnerships have proved very successful. So far, ten new stores, with 700,000 square feet of space, have resulted from these partnerships, bringing jobs and modern retail standards to deprived urban areas. We have four more projects currently under development.

A total of 409,000 square feet of new sales area was opened during the first half in all our formats. Of this, 56,000 square feet was in extensions to existing stores. Overall, including the ten former Safeway stores (with 250,000 square feet of selling space) which we recently agreed to buy from Wm Morrison, subject to regulatory approval, we expect to open over 1.5m square feet of new selling space this year, including 373,000 square feet of extensions.

Looking forward, we are aiming with our programme of space development, to maintain our growth in selling area, from a combination of extensions and new stores.

Non-Food The transformation of our non-food offer has continued at a fast pace, resulting in sales growth, in the UK alone, of 17% during the first half. Volume growth was even higher at 20%, driven by our ability to reduce prices for customers, funded by our growing scale and supply chain efficiency, including direct sourcing.

We have made excellent progress in major non-food categories. For example, our home entertainment sales grew by 26% and our stationery, news and magazines category grew by 23%. Our share of the UK non-food market has grown to 6.5% (last year 6.0%).

Our clothing brands Cherokee and Florence & Fred have once again achieved significant growth, and remain the fastest expanding in the UK market in both sterling and volume. Clothing sales, whilst still a small proportion of our overall business, grew by 39% in the first half. The fashion press has again regularly featured our products.

‡ Last year sales figures restated due to FRS 5, Application Note G, 'Revenue Recognition'.

Retailing Services Our retailing services operations have all performed well in the first half.

In Telecoms, we have just extended our offer with our entry into the broadband internet access market, priced at just £19.97. We are now very competitive in mobiles, domestic fixed line and internet access. We now have a total of 650,000 Telecoms customers, with considerable scope for further growth.

Tesco.com sales grew by 27% to £307m and profits increased by 95% to £15m. We are attracting many new shoppers and average customer spend has increased by nearly 7% over the last three years. We have added eDiets and Legal Store to our offer during the first half.

The growth momentum in Tesco Personal Finance (TPF) has continued, with total profit increasing to £84m (last year £56m), of which our share is £42m. TPF is providing excellent returns in only its seventh year. We now have 4.6m customer accounts, of which 1.6m are credit cards and 1.4m are motor insurance policies. Customer numbers are currently growing at around 90,000 per month.

International Our international operations have made good progress. While we have faced challenges in some of our markets, mainly arising from sluggish consumer spending, profit growth and returns have benefited from strong marketing, improved productivity, better buying, the benefits of central distribution and reduced start-up costs. In almost every country we are continuing to grow market share.

At constant exchange rates, sales increased by 23.0% in the first half. At actual rates, sales grew by 14.9% to £3.4bn. Profit grew by 42.9% to £140m, with operating margins rising to 4.6% (last year 3.7%‡). At constant exchange rates, international profit grew by 52.4%.

A total of 34 stores, with 1.0m square feet of selling area, were opened in the first half, including a further 13 hypermarkets. A further 65 stores are planned to open during the second half, adding 1.8m square feet of selling area. Our formats are rapidly being rolled out in our key international markets. By the end of the first half, our international operations were trading from 471 stores, including 212 hypermarkets, with a total of 23.1m square feet of selling space.

In September, we successfully completed the acquisition of a 50% holding in Ting Hsin's Hymall business in China, extending our presence into Asia's largest market. Hymall trades from a first class portfolio of 25 hypermarkets, mainly located in and around Shanghai. Including Hymall, over half of our selling space is now outside the UK.

In Europe, sales increased by 18.3% at constant exchange rates and by 11.4% at actual rates. Profits grew by 26.3%.

- In **Hungary**, we celebrated our tenth anniversary during September. In the first half we have seen strong growth in sales, profits and returns. We have strengthened our market leading position. In early September, we opened our new fresh food distribution centre at Gyal and we have recently opened our third petrol filling station.

CHAIRMAN'S STATEMENT CONTINUED

- In **Poland**, the economic background has remained difficult, although recent signs of improving consumer confidence has been reflected in positive like-for-like sales in our stores. Our business is strong, we are growing market share and we remain well-placed to benefit from sustained economic upturn. 60% of our volume now goes through our 400,000 square feet central distribution centre, which opened in January. We have invested significantly in cutting prices during the first half, in two separate campaigns.
- In the **Republic of Ireland**, we have traded well. Our new formats, led by Ireland's first hypermarket at Clarehall, Dublin, our three Express stores and our three petrol stations, have all been well-received by customers. We have reduced prices by €30m so far this year.
- We have experienced competitive market conditions in the **Czech Republic**. During the first half we cut prices and launched 150 Value lines. We have opened our first Czech compact hypermarket in Melnik.
- In **Slovakia**, our new store programme will also be supported going forward by the growth of our compact hypermarket format. We now have four such stores, with four more planned to open in the second half. We opened a 110,000 square foot hypermarket at Lamač during the first half.
- In **Turkey** we have improved margins in our Kipa stores, whilst lowering prices and increasing staff levels. Customer numbers grew 12% in the first half.

In Asia, sales increased by 29.2% at constant exchange rates and by 19.4% at actual rates, and profits were up by 65.9%.

- Lotus has made good progress in **Thailand**, posting strong sales, profit and market share growth. The successful development of new formats continues and we now have 84 stores trading across four formats, including 27 Express stores.
- Despite the effects of the consumer credit squeeze in **Korea**, Homeplus has continued to make excellent progress, delivering increased sales, including a resumption in like-for-like growth, profits and returns. We opened two new hypermarkets in the first half and two Express stores since the half year.
- In **Taiwan**, our stores have delivered a strong sales performance, increased market share and sharply reduced losses.
- In **Malaysia**, we have seen strong sales growth and with four new hypermarkets under construction, we expect to double the size of our business next year.
- After the half year, C Two-Network completed its acquisition of 25 Fre'c stores in **Japan** for the equivalent of £13m through an innovative deal with the Industrial Revitalisation Corporation.

CORPORATE SOCIAL RESPONSIBILITY We focus our corporate social responsibility programme on practical activities that make a real difference. Three recent highlights are:

- More Fairtrade products are bought from Tesco than any other UK retailer.
- We have been instrumental in developing and promoting SEDEX, a cross-business, not-for-profit system for harmonising the assessment of our labour standards in the supply chain. Enforcing labour standards is vital but when businesses operate separate assessment programmes it risks duplication and unnecessary burdens on suppliers. By encouraging other companies to join SEDEX, we help to keep costs down and improve both the assessments and the procedures for corrective action if poor standards are found.
- Tesco has again been national sponsor for Cancer Research UK's Race for Life. More than 400,000 women took part this year, including 18,000 Tesco employees around the UK. Race for Life is well on target to beat all records, raising over £20m.

SUMMARY These results confirm that it has been an outstanding first half. We have met the competitive challenges, delivered excellent sales and profit performance and continue to deliver for shareholders and customers.

DAVID REID CHAIRMAN

DIRECTORS

* David Reid
Chairman

* Rodney Chase
Deputy Chairman

Terry Leahy
Chief Executive

Richard Brasher

Philip Clarke

Andrew Higginson

Tim Mason

David Potts

* Charles Allen CBE

* E Mervyn Davies

* Dr Harald Einsmann

* Ken Hydon

* Veronique Morali

* Graham Pimlott

* Non-executive Directors

COMPANY SECRETARY

Lucy Neville-Rolfe

GROUP PROFIT AND LOSS ACCOUNT UNAUDITED

24 weeks ended 14 August 2004

	note	2004 £m	2003 restated £m
Sales at net selling prices	3	16,495	14,703
Turnover including share of joint ventures		15,283	13,597
Less: share of joint ventures' turnover		(140)	(95)
Group turnover excluding value added tax	3	15,143	13,502
Operating expenses			
– Normal operating expenses		(14,267)	(12,755)
– Employee profit-sharing		(29)	(25)
– Integration costs		(18)	(8)
– Goodwill amortisation		(25)	(22)
Operating profit	4	804	692
Share of operating profit of joint ventures and associates		59	37
Net profit/(loss) on disposal of fixed assets		26	(2)
Profit on ordinary activities before interest and taxation		889	727
Net interest payable		(85)	(99)
Profit on ordinary activities before taxation		804	628
Underlying profit before net profit/(loss) on disposal of fixed assets, integration costs and goodwill amortisation		822	661
Net profit/(loss) on disposal of fixed assets		26	(2)
Integration costs		(18)	(8)
Goodwill amortisation		(25)	(22)
Goodwill amortisation in joint ventures and associates		(1)	(1)
Tax on profit on ordinary activities		(242)	(195)
Profit on ordinary activities after taxation		562	433
Minority interests		(2)	(2)
Profit for the financial period		560	431
Dividends		(177)	(151)
Retained profit for the financial period		383	280
		Pence	Pence
Earnings per share	5	7.29	5.97
Underlying earnings per share†	5	7.52	6.42
Diluted earnings per share	5	7.22	5.94
Underlying diluted earnings per share†	5	7.45	6.39
Dividend per share		2.29	2.07
Dividend cover (times)		3.25	3.09

† Excluding net profit/(loss) on disposal of fixed assets, integration costs and goodwill amortisation.

Notes forming part of these accounts are on pages 13 to 15.

GROUP BALANCE SHEET UNAUDITED

	14 Aug 2004 £m	28 Feb 2004 restated £m	9 Aug 2003 restated £m
Fixed assets			
Intangible assets	1,015	965	995
Tangible assets	14,110	14,094	13,572
Investments	8	6	8
Investments in joint ventures	297	309	286
Investments in associates	21	21	19
	15,451	15,395	14,880
Current assets			
Stocks	1,167	1,199	1,117
Debtors	673	826	651
Investments	895	430	202
Cash at bank and in hand	606	670	490
	3,341	3,125	2,460
Creditors: falling due within one year	(5,136)	(5,618)	(5,591)
Net current liabilities	(1,795)	(2,493)	(3,131)
Total assets less current liabilities	13,656	12,902	11,749
Creditors: falling due after more than one year	(4,626)	(4,368)	(4,273)
Provisions for liabilities and charges	(617)	(586)	(535)
Net assets	8,413	7,948	6,941
Capital and reserves			
Called up share capital	386	384	366
Share premium account	3,538	3,470	2,610
Other reserves	40	40	40
Profit and loss account	4,403	4,009	3,879
Equity shareholders' funds	8,367	7,903	6,895
Minority interests	46	45	46
Total capital employed	8,413	7,948	6,941

Notes forming part of these accounts are on pages 13 to 15.

GROUP CASH FLOW STATEMENT UNAUDITED

24 weeks ended 14 August 2004

	note	2004 £m	2003 restated £m
Net cash inflow from operating activities	6	1,433	1,207
Dividends from joint ventures and associates			
Income received from joint ventures and associates		45	1
Returns on investments and servicing of finance			
Interest received		39	32
Interest paid		(143)	(131)
Interest element of finance lease rental payments		(5)	(2)
Cash received on sale of financial instruments		–	171
Net cash (outflow)/inflow from returns on investments and servicing of finance		(109)	70
Taxation			
Corporation tax paid		(215)	(157)
Capital expenditure			
Payments to acquire tangible fixed assets		(901)	(1,023)
Receipts from sale of tangible fixed assets		710	28
Net cash outflow from capital expenditure		(191)	(995)
Acquisitions			
Purchase of subsidiaries		(52)	(164)
Net cash at bank and in hand acquired with subsidiaries		1	31
Invested in joint ventures		(24)	(23)
Invested in associates and other investments		(4)	(3)
Net cash outflow from acquisitions		(79)	(159)
Equity dividends paid		(322)	(167)
Cash inflow/(outflow) before management of liquid resources and financing		562	(200)

Notes forming part of these accounts are on pages 13 to 15.

	note	2004 £m	2003 restated £m
Management of liquid resources			
(Increase)/decrease in short-term deposits		(457)	37
Financing			
Ordinary shares issued for cash		28	12
Net purchase of own shares for share trusts		(96)	(51)
(Decrease)/increase in other loans		(173)	245
New finance leases		128	75
Capital element of finance leases repaid		(51)	(29)
Net cash (outflow)/inflow from financing		(164)	252
(Decrease)/increase in cash		(59)	89
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash		(59)	89
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		96	(291)
Increase/(decrease) in liquid resources		457	(37)
Loans acquired with subsidiary		–	(2)
Amortisation of 4% unsecured deep discount loan stock, RPI and LPI bonds		(8)	(8)
Foreign exchange differences		145	(7)
Decrease/(increase) in net debt in the period		631	(256)
Opening net debt at February	7	(4,090)	(4,737)
Closing net debt at August	7	(3,459)	(4,993)

Notes forming part of these accounts are on pages 13 to 15.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
UNAUDITED

24 weeks ended 14 August 2004

	2004 £m	2003 £m
Profit for the financial period	560	431
Gain on foreign currency net investments	9	8
Total recognised gains and losses relating to the financial period	569	439

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
UNAUDITED

24 weeks ended 14 August 2004

	2004 £m	2003 restated £m
Profit for the financial period	560	431
Dividends	(177)	(151)
	383	280
Gain on foreign currency net investments	9	8
Reduction in own shares held	10	5
New share capital subscribed less expenses	20	5
Payment of dividends by shares in lieu of cash	42	143
Net addition to shareholders' funds	464	441
Opening shareholders' funds at February	7,903	6,454
Closing shareholders' funds at August	8,367	6,895

Notes forming part of these accounts are on pages 13 to 15.

NOTES TO THE ACCOUNTS

The figures for the 53 weeks ended 28 February 2004 have been extracted from the Group Financial Statements 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 14 August 2004 were approved by the Directors on 20 September 2004.

NOTE 1 Accounting policies

These accounts have been prepared using the accounting policies set out in the Annual Report and Financial Statements 2004, with the exception of the policy on classification of own shares.

UITF 38 – Accounting for ESOP Trusts, changes the presentation of an entity's own shares held in an employee share trust from requiring them to be recognised as assets to requiring them to be deducted in arriving at shareholders' funds.

The reclassification of shares acquired by the share trusts from fixed assets and debtors to equity has reduced net assets by £32m at 14 August 2004 (9 August 2003 £57m) and 28 February 2004 £42m. In addition, the net cash outflow arising from the purchase of shares by the share trusts has been reclassified from capital expenditure and financial investment to financing.

In the Annual Report and Financial Statements 2004 the Group revised its accounting policy for turnover in accordance with FRS 5 Application Note G 'Revenue Recognition' (issued November 2003). As a consequence the comparative sales and cost of sales figures for the 24 weeks ended 9 August 2003 have been restated. The change, which has no impact on operating profit or cash flow, reduces sales and cost of sales by £198m.

NOTE 2 Subsequent Events

On 1 September 2004 the company formed a joint venture with Ting Hsin investing in the Hymall chain of stores in China. The cost of the investment was £140m. Hymall currently operates a chain of 25 hypermarkets mainly located in high quality shopping mall developments.

NOTE 3 Group turnover analysis

	2004		2003	
	Sales including VAT £m	Turnover excluding VAT £m	Sales including VAT restated £m	Turnover excluding VAT restated £m
UK	13,113	12,079	11,760	10,829
Rest of Europe	1,852	1,629	1,662	1,474
Asia	1,530	1,435	1,281	1,199
	16,495	15,143	14,703	13,502

NOTES TO THE ACCOUNTS CONTINUED

NOTE 4 Group operating profit analysis

	24 weeks 2004 £m	24 weeks 2003 £m
UK	707	624
Rest of Europe	72	57
Asia	68	41
	847	722
Integration	(18)	(8)
Goodwill amortisation	(25)	(22)
Operating profit	804	692
UK operating margin	5.9%	5.8%
Rest of Europe operating margin	4.4%	3.9%
Asia operating margin	4.7%	3.4%

NOTE 5 Earnings per share and diluted earnings per share

The calculation of earnings is based on the profit for the period of £560m (2003 – £431m). For the purpose of calculating earnings per share, the number of shares is the weighted average in issue during the 24 weeks of 7,679 million (2003 – 7,224 million).

	24 weeks to 14 Aug 2004	24 weeks to 9 Aug 2003
Weighted average number of shares in issue in the period (million)	7,679	7,224
Weighted average number of dilutive share options (million)	78	38
Total number of shares for calculating diluted earnings per share (million)	7,757	7,262

NOTE 6 Reconciliation of operating profit to net cash inflow from operating activities

	24 weeks 2004 £m	24 weeks 2003 £m
Operating profit	804	692
Depreciation and goodwill amortisation	371	336
Decrease in stocks	45	35
Increase in development property	(3)	(1)
Decrease in debtors	1	60
Increase in trade creditors	32	19
Increase in other creditors	183	66
Decrease in working capital	258	179
Net cash inflow from operating activities	1,433	1,207

NOTE 7 Analysis of changes in net debt

	At 28 Feb 2004 £m	Cash flow £m	Other non-cash changes £m	Exchange movements £m	At 14 Aug 2004 £m
Cash at bank and in hand	670	(59)	–	(5)	606
Liquid resources (a)	430	457	–	8	895
Bank and other loans	(775)	342	–	155	(278)
Finance leases	(69)	(19)	–	–	(88)
Debt due within one year	(844)	323	–	155	(366)
Bank and other loans	(4,180)	(169)	(8)	(13)	(4,370)
Finance leases	(166)	(58)	–	–	(224)
Debt due after one year	(4,346)	(227)	(8)	(13)	(4,594)
	(4,090)	494	(8)	145	(3,459)

(a) Liquid resources comprises short-term deposits and money-market investments which mature within 12 months of the date of inception.

NOTE 8 Acquisitions

The company acquired Adminstore Limited, a UK convenience retailer on 17 April 2004. The purchase consideration including fees was £55m, resulting in goodwill of £52m. The principal fair value adjustment made to the net book values of the assets and liabilities of Adminstore Limited comprise the revaluation of freehold property to market value, based on valuations obtained from independent experts. Adjustments have also been made to align accounting policies for tangible assets, these adjustments were immaterial. The acquisition has been accounted for using acquisition accounting.

	Book values of acquired business	Adjustments to align accounting policies	Revaluations	Fair values at date of acquisition
	£m	£m	£m	£m
Fixed Assets	3	–	1	4
Stock	3	–	–	3
Debtors	4	–	–	4
Cash	1	–	–	1
Creditors	(8)	–	–	(8)
Provisions for liabilities and charges	(1)	–	–	(1)
Net assets acquired	2	–	1	3
Consideration – cash				55
Goodwill				52

For the year ended 27 September 2003, Adminstore Limited reported an audited profit after tax of £1.3m. For the period 28 September 2003 to 17 April 2004, the unaudited operating profit before exceptional items was £1.9m and the unaudited post-tax loss after exceptional items was £7.6m.

INDEPENDENT REVIEW REPORT TO TESCO PLC

INTRODUCTION We have been instructed by the company to review the financial information which comprises the group profit and loss account, the group balance sheet, the group cash flow statement, the group statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes. We have read the other information contained in the interim report and considered whether it contains 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 directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which 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 for use in the United Kingdom. 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 United Kingdom 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. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

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 14 August 2004.

PricewaterhouseCoopers LLP
Chartered Accountants
London
20 September 2004

INVESTOR INFORMATION

REGISTRAR AND SHAREHOLDING ENQUIRIES

Administrative enquiries about the holding of Tesco shares (other than ADRs) and enquiries in relation to the scrip dividend scheme should be directed to:

Lloyds TSB Registrars, The Causeway, Worthing,
West Sussex BN99 6DA

Telephone 0870 600 3970

SHARE DEALING SERVICES

Shareview dealing is a telephone and internet service arranged through Lloyds TSB Registrars and provides a simple and convenient way of selling Tesco PLC shares. For telephone sales call 0870 850 0852 between 8.30am and 4.30pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing

A postal dealing service for buying and selling Tesco PLC shares is also available and a form can be obtained by calling 0870 242 4244.

TESCO ON-LINE SERVICE

Tesco financial information, including the Interim Report and the Annual Report and Financial Statements 2004, is available on the internet at www.tesco.com

INVESTOR RELATIONS

Investor Relations department
Tesco PLC, Tesco House, Delamare Road,
Cheshunt, Hertfordshire EN8 9SL

Telephone 01992 646484
www.tesco.com/corporateinfo
email investor.relations@uk.tesco.com

SECRETARY AND REGISTERED OFFICE

Lucy Neville-Rolfe
Tesco PLC, Tesco House, Delamare Road,
Cheshunt, Hertfordshire EN8 9SL

Telephone 01992 632222

FINANCIAL CALENDAR

	2004
Interim dividend: ex-dividend date	29 September
Last date for receipt or revocation of scrip dividend mandates	5.00pm 5 November
Interim dividend pay date	26 November
Trading statement	late November

	2005
Trading statement	mid January
Financial year-end	26 February
Preliminary results announcement	mid April
Final dividend: ex-dividend date	mid April
Annual Report posted	mid May
AGM	mid June
Final dividend pay date	early July

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