TESCO PLC **ANNUAL REPORT AND ACCOUNTS 1996**

customer *driven*

Responding to customers is the core of Tesco strategy. We deliver real benefits to them and good returns to shareholders, through the energy of our staff and in partnership with our suppliers.

Best value

First Class Service

Expanded choice

Flexible store formats

Partnership approach

LC 5790

corporate *strategy*

Tesco is one of Britain's leading food retailers with 545 stores throughout England, Scotland and Wales. There are also 108 stores in France operated by Catteau, 45 in Hungary operated by Global and 36 in Poland operated by Savia.

Tesco is committed to delivering shareholder value through the energy of our staff and in partnership with our suppliers in these ways:

Customer loyalty

With over eight million cards in issue, Clubcard has become the most popular loyalty card in the UK, delivering benefits to customers and to the business.

Value for money

Tesco is determined to give customers the greatest choice and highest quality at the best value.

Customer service

In our industry, our reputation for First Class Service to our customers is second to none. Helping customers is at the centre of everything we do.

Product offer

We aim to provide products which are always in perfect condition thus ensuring that customers are always satisfied with everything they buy.

Store format

Our stores are designed to reflect customer needs for value, products and services. Our store formats give us the flexibility to respond to customers, wherever they live or work.

Contents

We would like to thank the following employees who are pictured in this report:

Mr Joe Rouco – Baker, Hammersmith store (front cover)

Ms Elizabeth Fairbairn – General Assistant, Henley store (page 5)

Mr Mike Reynolds – General Manager, Leighton Buzzard store (page 11, top left)

Mrs Catriona McMichael – Customer Service Manager, Head Office (page 11, top centre)

Mr Lee Tyler – Ambient Trading Manager, Leighton Buzzard store (page 11, top right)

Miss Leanne Quatromini – Checkout Operator, Canary Wharf Metro store (page 11, bottom left)

Miss Janet Elliston – Customer Service Officer, Sandhurst store (page 12)

Mr Steve Rudge – Technical Manager, Vegetables, Head Office (page 13, bottom left)

Mr Roy Maynard – Buying Controller, Vegetables, Head Office (page 13, bottom right)

Group sales up by 19.8%

Group operating profit up by 17.3%

Profit before tax up by 14.5%

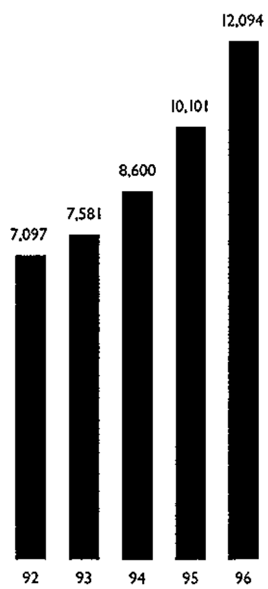
Dividends per share up by 11.6%

financial *highlights*

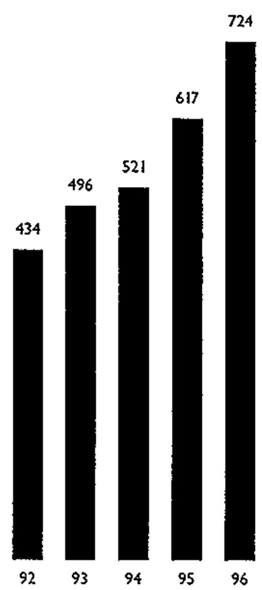
	1996 *£m*	*1995* *£m*
Group turnover *(excluding value added tax)*	***12,094***	*10,101*
Group operating profit	***724***	*617**
Profit on ordinary activities before tax *(excluding net loss on disposal of fixed assets)*	***681***	*595**
Fully diluted earnings per share *(excluding net loss on disposal of fixed assets)*	***21.9p***	*20.1p**
Dividends per share	***9.60p***	*8.60p*

**1995 figures exclude Wm Low integration costs*

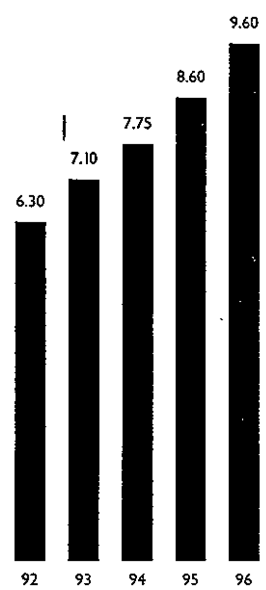
Group turnover (£m)



Group operating profit (£m)*



Dividends per share (pence)



CHAIRMAN'S STATEMENT

We have worked more closely than ever with our customers, suppliers, and staff this year to provide better quality products, better value for money, improved customer service and more attractive stores. Illustrated in this report are some of the ways in which we have achieved this. All these efforts have resulted in a very satisfactory performance, which has strengthened our already strong trading base.

"In responding to customer needs for value, quality and service, record sales and profits have been achieved. Our success is built on the dedication and determination of all our staff."

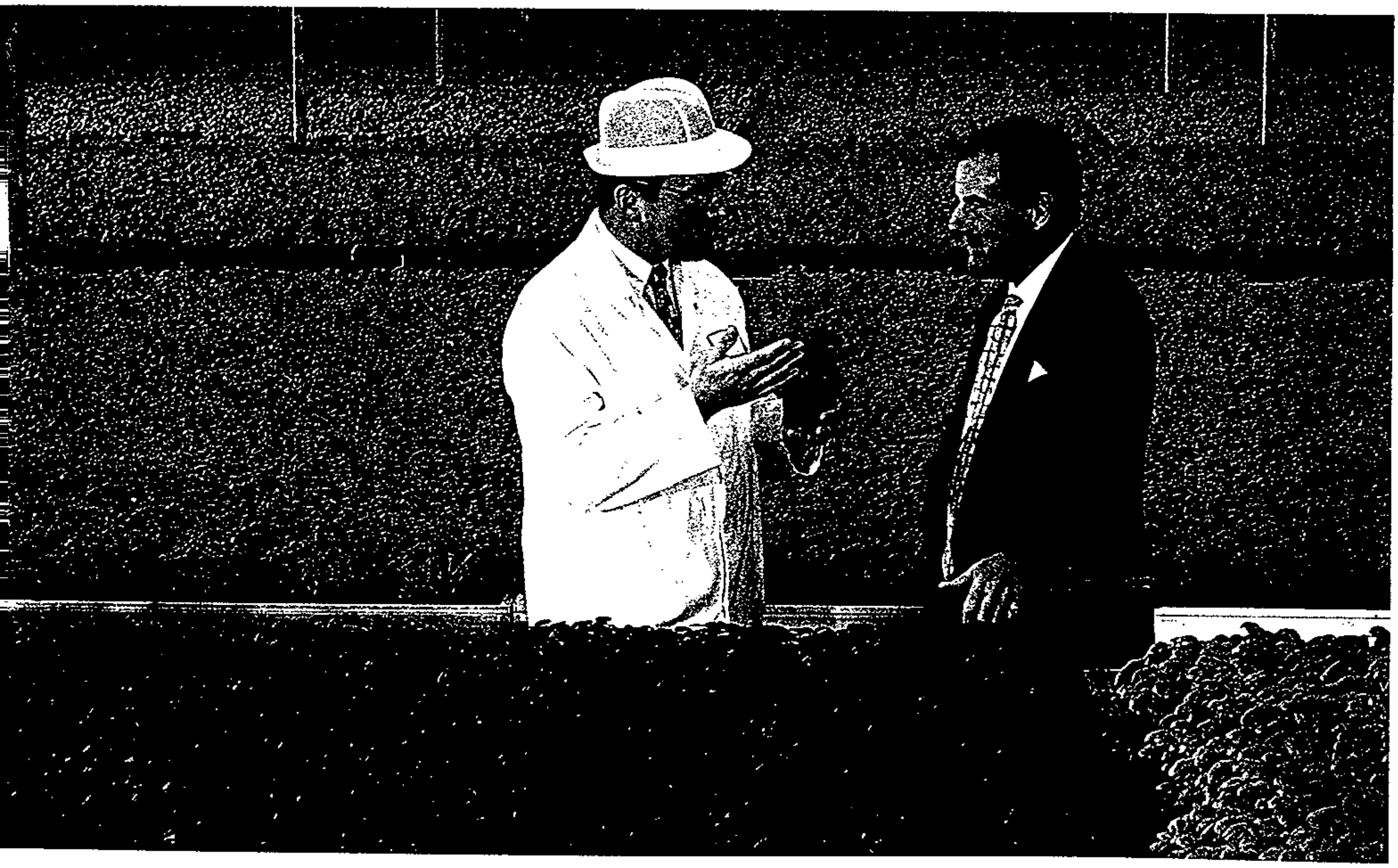
performance

Competition continued to be fierce throughout the year. Price continues to be at the forefront of the customer's mind and to be one of the key determinants of where people choose to shop. To meet their expectations, we have continued to keep prices low across the board and in two important areas, bakery and produce, we introduced new initiatives to significantly reduce prices.

Group sales grew by 19.8%. In the UK, sales in existing stores rose by 8.9% on the previous year and total sales increased by 19.8%. New stores' sales, net of closures, contributed 10.9%. Operating margins in the UK were maintained at 6.2%. Group profit before tax, excluding the net loss on disposal of fixed assets, increased by 14.5% to £681m. The Financial Review beginning on page 22 describes this performance in greater depth.

The driving force is our staff, who have done a sterling job in all parts of the company. Wherever we go, people tell us how brilliant our staff are and how well they look after customers. We are determined to improve opportunities for their training and development, as well as to offer them one of the best pay and

Tesco Chairman Sir Ian MacLaurin, inspecting herb-growing facilities with Jeff Ellis, Product Manager at West Sussex-based Van Heyningen Brothers Limited. Their six acre greenhouse provides Tesco with herbs like basil and parsley, all year round.



benefits packages in the retail sector. For example this year, we have allocated £29m (1995 - £25m) to our employee profit sharing scheme which will benefit over 70,000 of our staff. With their ongoing involvement and interest, the company will continue to move forward steadily and surely.

clubcard

The enthusiasm with which staff launched Clubcard is an example of the difference they can make. During the past twelve months it has grown into the UK's most popular loyalty card, with over eight million cards in issue. Customers clearly enjoy the discounts and other benefits of belonging to the club, which include special Christmas shopping evenings and wine and cheese tastings. We started to extend these benefits, for example, by linking with B&Q and also Lunn Poly through Thomson Holidays. We are also beginning to use the information we receive about shopping patterns to focus special offers and promotions more accurately to meet customers' preferences. We are planning a range of new developments over the next few months which we believe Clubcard members will find attractive and appropriate to them.

"In just one year and with over eight million cards in issue, Clubcard has become the most popular loyalty club in the UK."

wm low

This year saw the first full year's contribution from Wm Low. We completed our integration plan so that all stores now operate on Tesco systems. We have consolidated our distribution at Dundee and the expanded Livingston site, where in addition, we have established a new recycling centre. The store refit plan will be completed in the year ahead.

The performance of the stores has gone from strength to strength with the support of loyal customers and thanks to great staff. Since we acquired the business in 1994, sales have increased by almost 40% and operating profits have more than doubled. We expect further progress in the year ahead.

"Wm Low is now fully integrated with Tesco systems. Since acquisition, sales have grown by almost 40% and operating profits have more than doubled."

store development programme

We opened 23 new stores this year adding 673,000 sq ft of new selling space. This includes ten superstores, eleven compact stores (supermarkets of less than 26,500 sq ft) and two Metro stores. We also opened six Express stores adding a further 12,000 sq ft.

This achievement has been in the face of continuing change in government planning policy. The Government seek to encourage store development in town centres and to discourage driving, in order to reduce vehicle emissions. The proposed new guidelines to local councils discriminate, however, against new stores on the edge of towns, near where people actually live and to which, for bulk shopping, they need to drive only a short distance. It is still possible, but difficult, to negotiate planning permissions for suitable sites with local authorities who want to stop food shopping taking place outside their local communities. Meanwhile, we continue also to invest in town centres through the Metro format.

We took our first steps in Northern Ireland, acquiring three sites, two in Belfast and one in Lisburn, County Antrim. Two of these sites are subject to public enquiry in the early summer, and the Metro, in the centre of Belfast, will open in the autumn.

europe

In France, Catteau increased sales, helped along by continued investment in lower prices. We also continued to invest in improved systems to strengthen the business. Four new stores were opened, including two in the outskirts of Paris.

Our investment in Global in Hungary in 1994 signalled our intention to expand into Central Europe. We believe that there are good prospects for growth in this region, where there has been very little investment in retailing and distribution. In November 1995, we invested £8m in Savia, a small food retail chain in southern Poland. And just after the year end, in March, we announced that we had agreed to buy the two retailing businesses of the US retailer, Kmart in the Czech Republic and Slovakia for approximately £77m. The transaction is expected to be completed in April.

We will then be operating in four countries in Central Europe which form a coherent geographical region. This will give us advantages as we develop the supply chain and other aspects of the business.

In accordance with our strategy of developing a European retailing business, with Kmart, we will have invested £340m in France and Central Europe. We expect to invest further in the future.

community involvement

I should like to pay personal tribute to all the staff who continue to raise substantial sums of money for charities which help children, the elderly, sick and disadvantaged. The Riding for the Disabled Association received £850,000 as Tesco Charity of the Year for 1995/96. And in many other ways, in hospices, hospitals, community associations and schools, our staff have given their time and experience to help others. My Board colleagues and I enormously appreciate and endorse these activities. We are also pleased that Computers for Schools, in its fifth year, continues to be so popular with teachers, parents and pupils alike. So far, over 21,000 computers have been claimed by over 12,000 schools. And their interest continues to grow.

board appointments

In November, I announced key changes which the Board have agreed to implement over the next two years. David Malpas, who joined the Board in 1979 and became Managing Director in 1983, will retire in early 1997. Terry Leahy, current Deputy Managing Director, will then become Chief Executive.

I will retire from the Chair at the conclusion of the Annual General Meeting in June 1997. John Gardiner, a Deputy Chairman, will succeed as Chairman on a part-time basis.

Victor Benjamin will retire as a Deputy Chairman at the Annual General Meeting in June 1996 after 14 years' service. His professional skills, wisdom and wide experience have given the Board an invaluable perspective, and have contributed significantly to the company's progress and expansion. I thank him for his help and support and wish him a very happy retirement. David Reid will be appointed a Deputy Chairman and will also continue as Finance and Distribution Director.

And finally, I welcome John Melbourn, a director of National Westminster Bank Plc, who was appointed a non-executive director on 15 April 1996.

dividends

The Board has reviewed the dividend policy established in January 1994. In the light of improved returns and the investment opportunities now available, the Board believes that it is appropriate to pay progressive dividends but at a growth rate much closer to that of earnings, thereby retaining dividend cover close to current levels. The Board has proposed a final net dividend of 6.55 pence per share. The total dividend for the year therefore amounts to 9.60 pence, an increase of 11.6% over last year.

current trading and prospects

Since the end of our financial year, there have been a number of developments. We have introduced Clubcard on petrol sales, reduced prices in a number of product areas including our Value Lines, and introduced customer assistants nationwide. All of these developments have proved very popular with customers.

The BSE crisis has caused many of our customers to alter their buying habits. Our overall sales of meat, fish and poultry have been satisfactory. We remain committed to British farming and we continue to work closely with the industry so that our customers can buy British beef with confidence.

The current petrol price war has affected industry sales and margins. This has been exacerbated by recent cost price increases without corresponding increases in retail prices. Our profit from petrol will be impacted in the current year, if these conditions continue throughout the year. We will work hard to offset any adverse effect by our performance in other parts of the business.

We have made a good start to the year ahead and for the first five weeks, UK sales from existing stores rose by 7% above last year and total UK sales grew by 13%. However, the market remains very competitive. We will continue to introduce a host of new ideas which we believe will appeal to our customers and help us maintain our forward momentum.

conclusion

We have achieved excellent results in a very competitive climate. We met the short term market challenges and also invested for the long term. We developed Clubcard as a means of rewarding customers and understanding more closely their wishes. We also continued to provide better pay and benefits and opportunities for development for our staff. Our traditional trading philosophy, based on keeping prices down, is right for these times.

My Board colleagues and I continue to see good opportunities for growth in the UK. And the steps we have taken to reinforce our strategy in France and Central Europe will result over time in additional growth. We are committed to delivering benefits to our customers and staff, wherever they are, and thereby provide a good return for our shareholders.

Sir Ian MacLaurin *Chairman*

A new, more environmentally friendly refrigeration system is being introduced into all new stores. The first, at Henley, incorporates a non ozone depleting refrigerant, more efficient compressors and cooling system, and a reduction in energy consumption.

"On behalf of every **customer** thank you for the Associate Clubcard Scheme. Now I can let my husband get the shopping when I am otherwise occupied. Thanks also for the Clubcard vouchers and the extra discount coupons."

Mrs Vera J May, Whittington (Customer)

"Our cheese and wine evening was a way of thanking customers for their loyalty It was a great opportunity to get to know them and from the feedback I've had, they loved it."

Mr Roy Brennan, Store Manager, Horsham

TWO-WAY LOYALTY WORKS ONE WAY – A BETTER DEAL FOR EVERYONE

Tesco has always worked hard to develop a close relationship with customers, and since the launch of Clubcard in February 1995 we have been able to communicate directly with over eight million members.

We can thank Clubcard members for their regular shopping through money-off vouchers and product coupons. In addition, we can tailor our services to meet individual needs through the information we receive about their purchases.

Listening to customers is central to Clubcard's development. Since the launch, the customer freephone helpline (0800 591688) has answered over half a million enquiries.

As a result, we have adapted the scheme to meet the needs of frequent customers, such as pensioners and students, whose spending did not always exceed the £10 threshold required to qualify for points. Associate cards, where points are collected in one account by two separate card holders, were also introduced because of members' suggestions.

Over 25,000 vegetarians and diabetics have now registered their dietary requirements with the Clubcard helpline and as a result receive special product coupons.

Clubcard evenings have become a regular feature in many stores. Over 100,000 members have enjoyed a variety of events, from hairdressing demonstrated by celebrity Nicky Clarke, to cheese and wine tasting and late-night shopping.

Members have also been able to collect Clubcard points on their holidays through a special promotion with Lunn Poly and Thomson Holidays. More Clubcard initiatives with leading companies are planned to give customers even more benefits.

Clubcard evenings have become a regular feature in stores. Members have been invited to taste special wines and cheese, with expert demonstrators on hand to assist. Before Christmas, special late-night shopping evenings were organised, along with seasonal tastings. Hair care events have also proved popular.

"The reason I have always shopped at Tesco is because of its **value** for money. For price and choice you cannot be beaten. The staff are all very friendly and helpful. It never seems such a chore when I shop at Tesco."

Ms Stephanie Lyttle, Alfreton (Customer)

"At Tesco, value for money stands for the quality of the product we sell, the personal service of our staff and the pleasant surroundings in our store."

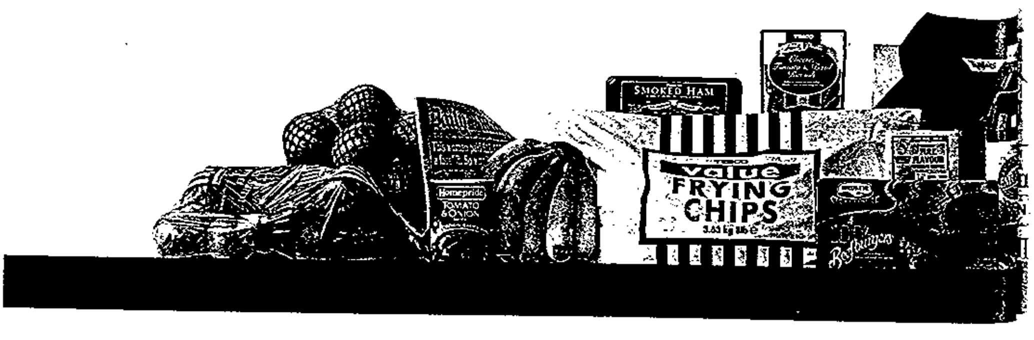
Ms Alison Halstead, Personnel Manager, Sevenoaks

Tesco is determined to give customers the greatest choice and highest quality at the best value for money. We achieve this by passing on the benefits of a highly efficient supply chain and ensuring that we sell only the very best products available.

Fresh produce is delivered daily to our stores from depots which are supplied by producers from Britain and many other countries. From field or producer, products can now be in customers' baskets within 24 hours of picking or manufacture.

Our commitment to the best value for money can be seen throughout our product range. In addition to New Deal pricing and Value Lines, there are around 1,000 products in every store which are on special price promotion at any one time. As part of our continuous emphasis on value, we reduced prices on 30% of the most popular in-store bakery products.

Price and quality guarantees, however, are not the complete picture in providing value for money. It is also about making the store environment pleasant and about ensuring that staff are ready and willing to help.



BEST OFFERS FROM BAKED BEANS . . .

. . . TO BAKED ALASKA

"I write to thank you and your staff for the first class service you give. I am a regular Tesco customer and it is always a pleasure to shop with you. Your staff deserve a big thank you for all the hard work they put in to make everything run so smoothly."

Mrs J Colombari, Thetford (Customer)

"The customer service in our stores gives us the edge over our competitors. Our aim is to lead the industry in innovation, operational efficiency and customer satisfaction."

Ms Clare Cooke, Head of Customer Service, Head Office

IMPROVING SERVICE FROM ALL POINTS OF VIEW

Tesco staff are the key to our customer service. They make the difference for customers, finding products and helping at every stage of the shopping trip. Our high standards can be achieved only by enabling our staff to act on their own initiative and to be themselves with customers.

It is by providing a First Class Service to customers that our staff can hear first hand their views and ideas. These views are vital in helping Tesco develop new services to meet customer needs. The customer service desks in stores receive hundreds of comments and suggestions every year. The customer freephone takes one thousand calls a week on a wide variety of topics, from store opening hours and products to compliments and queries.

The dialogue at customer panels is an important way for us to learn first hand what customers want and think. Over 22,000 people have attended the panels, which have been held all over the country. Customer panels held in advance of our new store openings, have enabled us to identify those elements of our service offer which match local requirements. Panels are also held shortly after a new store opening, so that the new management team can hear how they are doing to meet customers' needs. All customer views are carefully considered and wherever possible put into action.

"What a splendid employee and an asset to your company."

Customer Alan Offord, who shops at our Cardington Road store in Bedford, asked at the bakery for special soft top rolls. Bakery Manager Walter Jamieson was only too pleased to help out, and now supplies Mr Offord with rolls baked to his own special requirements.

"We are pleased that suggestions from customers are taken on board."

Customer panels are a very enjoyable and vital part of our effort to receive first-hand feedback. Apart from answering many different queries, they also give us the opportunity to explain in-depth issues like store layout and labelling. Customers regularly express an interest in fresh produce pricing and regional ranging. The panels are held in local hotels, with a mixture of store and head office staff on hand to tackle the many different questions.

"A week later it was on your shelves and cheaper than I buy it in Barbados!"

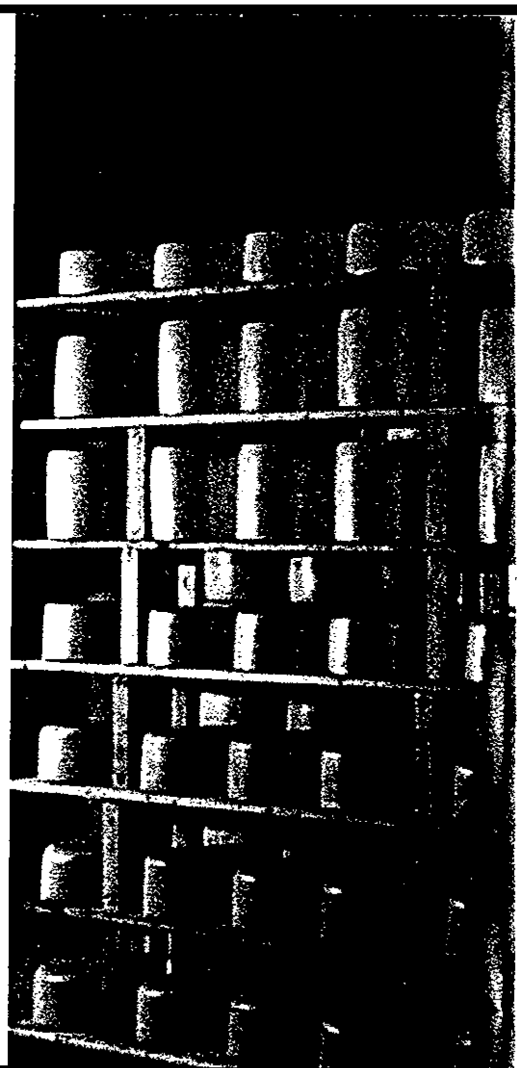
Bajan beer from his home country of Barbados was one taste customer Dale Pile really missed. He mentioned the drink to the Customer Service Manager during one of his regular trips to the Canary Wharf Metro. Within a week, the beer was sourced in the Caribbean and was on sale in the store.

"Now everybody who's involved in preparing every **product** makes a decision about whether or not the quality is right."

Mr Martin Sawyer, General Manager of soup, sauce and recipe dishes, Geest

"To ensure we ***offer*** *the highest quality, we are asking every member of staff throughout our stores, distribution depots and suppliers' factories to look at our products and ask themselves 'Would I Buy It?'"*

Mr Colin Smith, Commercial Director, Head Office



Would I Buy It?

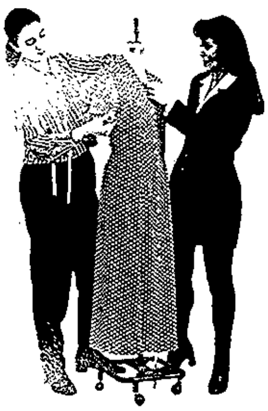
SHARING A THOUGHT ALL DOWN THE LINE – GROW

The aims of Would I Buy It? are simple: to ensure that Tesco sells only products which are in perfect condition and that customers are always satisfied with everything they buy. It gives all staff the freedom to act on their own initiative and to take a personal pride in the standard of goods being sold in their stores. The objective is never to sell a bad product or to disappoint a customer.

The process starts with suppliers, wherever they are around the world. Many of them have now adopted the principles as their own and are committed to supplying Tesco with the very best they have. They know that the transport and delivery of inferior products is not acceptable, and to return below standard products is costly and time consuming.

From field to factory, checks are made to ensure that there is no break in the search for perfection. Training videos and courses produced by Tesco for suppliers ensure that every person in the chain knows what is expected. The energy and enthusiasm of staff is now focused on attaining the highest standards possible. Suppliers' staff and our own added together give Tesco over half a million quality controllers testing our products at every stage of the supply chain. There is only one standard which they all apply. It's the question which customers ask every time they look at our displays – 'Would I Buy It?'

ERS, PICKERS, MIXERS, PACKERS, TASTERS, STACKERS, BUYERS, TRYERS . . .



Would I Buy It?

Would I Buy It?

Would I Buy It?

"It is a pleasure to shop at Tesco. There is so much variety of **product** one is spoilt for choice. Every item is clearly marked, and is always so fresh."

Mrs Monica Deards, Crawley (Customer)

"We are continually expanding our product range in our efforts to ***offer*** *our customers a wider choice, with the highest possible quality, in both foods and non-foods."*

Mr Steve Duffield, General Manager, Lymington

Health and Beauty

The Tesco health and beauty range covers the needs of the whole family.

LOCAL TIES ADD TO CHOICE

Tesco offers customers the widest choice and the finest products from around the world. Yet the best supplies are often to be found on our very own doorstep.

As part of our commitment to home products, we have continued to increase the amount of British goods sold in our stores. All our milk and eggs come solely from home suppliers, and the volume of fresh fruit and vegetables we buy in this country accounts for a quarter of the entire British market. Working closely with British suppliers, we have encouraged innovation so that products traditionally purchased abroad can now be produced at home.

A factory, built specifically to supply Tesco with ready-made Italian chilled meals, has opened in Warrington, Cheshire, creating two hundred jobs for local people.

New regional contracts, providing Tesco suppliers with greater financial security and commitment, have encouraged investment in new technology. For instance, extended growing seasons now mean that carrots and swedes can be produced in Britain all year round, so reducing the need to import from countries with warmer climates.

Investment in technology is also allowing us to make good use of other British crops. Trials have begun on a new British computer programme which uses weather information accurately to predict crop growth up to ten weeks in advance, allowing planned price promotions and substantially reducing waste.

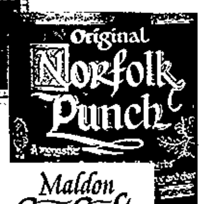
Items clothing

The new Items clothing range, offering style and value for money, was launched in August 1995 and caters for all ages and tastes.

When Tesco acquired Wm Low, we kept a large number of local products on sale in stores. Shoppers north of the border can sample Strathmore spring water, Scottish Golden Wonder Potatoes and Scotch Orange Marmalade.

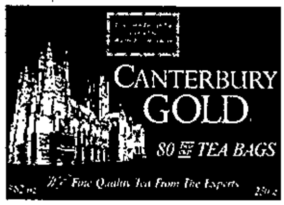
Responding to local customer needs is a key priority for Tesco - hence Blackpool bread is on sale in the north west of England along with other locally sourced products.

Taste buds in the Midlands can be tempted by Lincolnshire Sausages and Blue Shropshire cheese. Tesco stores sell a wide variety of local cheeses, catering for regional preferences.

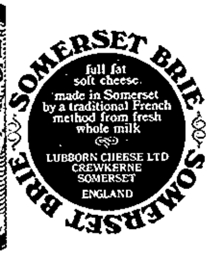


A taste of the countryside is provided in Wales, thanks to products such as Welsh butter and Cariad table wine.

Tesco stores in the south east of England cater for customers with products such as New Forest charcoal, Gloucester honey and Canterbury teabags.



The south west of England has a strong identity, which is reflected in products such as Fairings biscuits and Somerset Brie.



"Your compact **store** format is excellent and has given busy people a chance to shop in quality stores with sensible prices."

Mrs E Stevens, Erith (Customer)

"In our Metro store ***format*** *we have a product request book for customers, and since we opened we have introduced around 700 extra lines."*

Mr Julian Griffiths, Manager, Newbury Metro

Superstores offer customers a comfortable shopping environment, with a large range of products, a wide variety of customer services, together with surface level car parking

Compact stores are smaller superstores but include all of the features that customers need.

Metro stores on the High Street are designed for convenience, providing a full food range for office workers, shoppers and for people on their way home.

Express is a unique combination of a convenience store offering a carefully chosen range of products plus a petrol forecourt.

CUSTOM BUILT AT EVERY LEVEL

Tesco stores are designed to meet the needs of customers and to reflect and enhance their local surroundings. Each represents a substantial investment in the local community and we are careful to choose designs which blend easily into the area.

Four store formats give us the flexibility to respond to customers, wherever they live or work.

Superstores, offering the widest range of products and services, continue to be extremely popular, and this year Tesco opened ten more. In Winchester, the site was designed around mature trees, to help the store fit sympathetically into the landscape. Many stores now have a glass frontage, increasing the amount of natural light and creating an open, airy and inviting appearance.

Smaller compact stores continue to offer customers the largest range of high quality goods in their neighbourhoods. The new store at Midsomer Norton – one of eleven compact stores opened this year – features a glass skylight running the length of the store, with large, painted banners depicting local scenes.

Metro stores, bringing Tesco quality into the High Street, have opened in Andover and Richmond.

Eight Express stores, offering a carefully chosen range of Tesco products on a petrol forecourt, are now serving their local communities.

To supply four store formats efficiently can be achieved only through a highly advanced supply chain. Improvements in distribution continue, and a reduction in store stockholding during the year has enabled us to increase sales space in 14 stores by utilising floorspace previously used for storage.

The Chipping Ongar Tesco Express opened in September 1995. It offer a unique combination of convenier shopping with value for money fue

The Richmond Metro was designed around the shell of a listed building. It is located on the high street and was opened in May 1995.

The Honiton compact store opened in November 1995. It combines a large range of products with the convenience of a flat car park and 12 pump petrol filling station.

The Portsmouth superstore was the fir store to display the redesigned corpora The largest Tesco store to open on the coast last year, with a 47,000 sq ft sales it has a modern design featuring a glass

"I felt I just had to write to congratulate your company on its long term commitment to the community and your environmental awareness of the importance of recycling. Keep up your brilliant work."

Mr R G H Chapman, Poole (Customer)

"We welcome the chance to work with any company which recognises its social responsibilities and is prepared to make a genuine commitment to conservation and the environment."

Mr Robin Pellew, Director, World Wide Fund for Nature (UK)

BENEFITS FOR ENVIRONMENT AND BUSINESS

Tesco takes its environmental responsibilities very seriously and tries to find practical solutions to environmental issues.

In September, the Secretary of State for the Environment, the Rt Hon John Gummer MP, opened the first of nine Recycling and Service Units. Located close to Tesco composite warehouses, they will reclaim over 160,000 tonnes of used cardboard every year. The cardboard will be converted into building materials such as plasterboard. 10,000 tonnes of shrink-wrap is also being salvaged, ending up as plastic bin liners. A further 50,000 tonnes of cardboard will be saved every year through the introduction of new plastic product trays. The trays are washed at the units before collection by suppliers for reuse. The £12 million a year saved through the scheme proves that being environmentally sensitive can make good business sense.

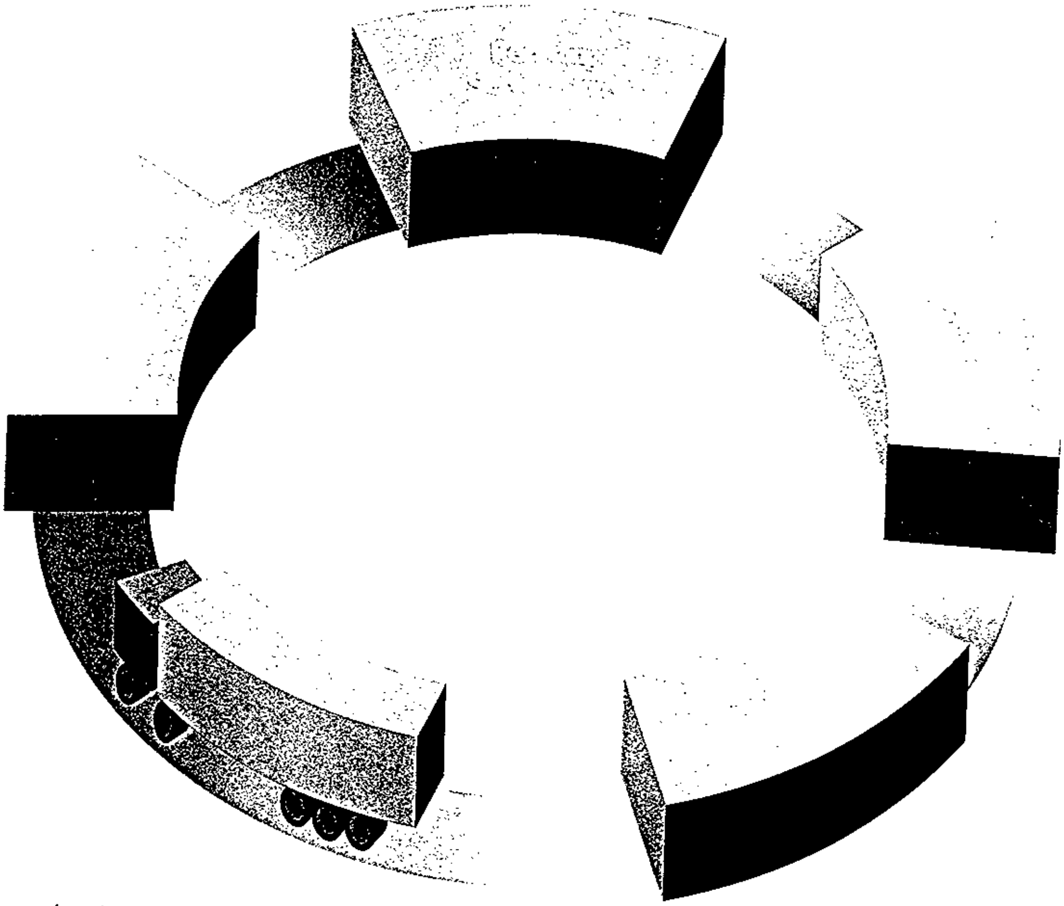
Tesco is also improving its distribution system to reduce the number of lorries on Britain's roads. The primary distribution project has been tested in three parts of the country, and has proved so successful that it is now being introduced throughout the company. The initiative involves approved contractors collecting products from several suppliers and consolidating the loads before delivering full lorries to the Tesco composite warehouses. Pollution and traffic congestion are cut, as are the costs to suppliers who presently have to use their own lorries. Plans are now underway to extend the system throughout Europe and eventually to all our suppliers worldwide.

Turning junk mail into wheelchairs

Over the Christmas period more than 300 Tesco stores participated in the Blue Peter appeal to recycle junk mail and Christmas cards to buy wheelchairs for disabled children. The collecting bins were in recycling centres which also collect glass bottles, aluminium cans and paper.

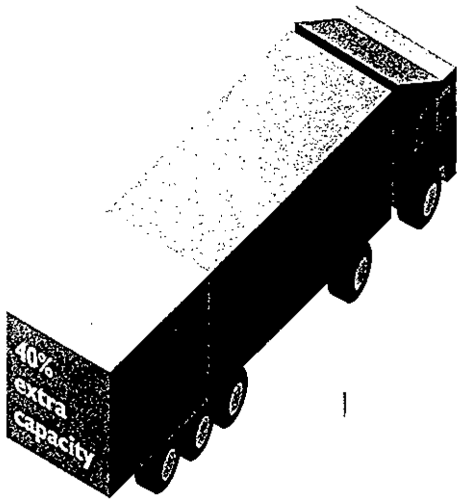
Over £100,000 pledged to the World Wide Fund for Nature

Joining forces with the World Wide Fund for Nature, Tesco has pledged to give over £100,000 to save endangered species. Special breakfast cereal packs were produced to spread the conservation message to an enormous new audience. Three quarters of the packaging used came from recycled materials.



o fewer lorries

couraging small suppliers to consolidate oads with approved haulage contractors, mber of lorries entering our depots reduced by up to 25%. This benefits rs by reducing their transport costs, ollution and increases depot efficiency.



asing recycling – asing waste

ost advanced recycling programme of d in Europe is being operated for Tesco istian Salvesen. Waste cardboard outer ing which would have been sent to sites is now converted into building als. Shrink-wrap is consolidated and nto bin liners.

40% extra capacity saves space

The introduction of a new design of plastic reusable tray has not only cut the amount of cardboard used in the business by 50,000 tonnes a year, but has also enabled us to transport nearly twice as many empty trays in the same space. Lorry journeys across Britain and Europe have been cut, with real environmental benefits.

BOARD OF DIRECTORS

an MacLaurin, DL
irman
an MacLaurin, who is 59, was inted Chairman of Tesco in 1985. He d Tesco as a management trainee in 9 and was appointed to the Board 970. He became Managing Director 973 and Deputy Chairman in 1983. an is a non-executive director of onal Westminster Bank Plc and eagles plc.

* **Victor Benjamin**
Deputy Chairman
Victor Benjamin, who is 61, was appointed a part-time executive director of Tesco in 1982 and became Deputy Chairman in 1983. He has been with Berwin Leighton, the company's solicitors, for over 30 years. He is also Deputy Chairman of Lex Service PLC, Chairman of Beazer Homes Plc and on the board of Gartmore plc.

* **David Malpas**
Managing Director
David Malpas, who is 56, was appointed Managing Director of Tesco in 1983. He joined Tesco in 1966 and was appointed to the Board in 1979. He is a non-executive director of Perkins Foods plc and Kleinwort High Income Trust plc.

Terry Leahy
Deputy Managing Director
Terry Leahy, who is 40, was appointed to the Board of Tesco in 1992. He joined the company in 1979 and held a number of marketing appointments until 1986 when he became Commercial Director of Fresh Foods for Tesco Stores Limited.

ley Ager
npany Secretary
ley Ager, who is 50, was appointed Board of Tesco in 1992. He joined in 1986 from B.A.T. Industries nd became Company Secretary of in 1990. He is a non-executive or of Colleagues Group plc and s Stores Plc.

Tim Mason
Marketing Director
Tim Mason, who is 38, was appointed to the Board of Tesco in February 1995. He joined the company in 1982 and held a number of marketing and buying positions until 1990 when he became a Regional Managing Director. In 1993 he became Marketing Operations Director of Tesco Stores Limited.

Lesley James
Human Resources Director
Lesley James, who is 46, was appointed to the Board in February 1995. She joined Tesco in 1985 as Regional Personnel Manager and became Personnel and Training Director of Tesco Stores Limited in December 1993.

*†◇ **John Gardiner**
Deputy Chairman – Non-executive
John Gardiner, who is 59, was appointed a non-executive director of Tesco in 1988 and Deputy Chairman in 1993. He is Chairman of Laird Group PLC, a non-executive director of Enterprise Oil plc and 3i Group plc, and Chairman of the School Teachers' Review Body.

David Reid, C.A.
Finance and Distribution Director
David Reid, who is 49, was appointed to the Board of Tesco in 1985, having joined the company in the same year. He is responsible for finance, distribution, stock control and systems. He is a non-executive director of Westbury plc, The Greenalls Group plc and Legal & General Group Plc.

Michael Wemms
Retail Director
Michael Wemms, who is 56, was appointed to the Board of Tesco in 1989 as Personnel Director. He joined the company in 1972 as a trainee manager and was appointed Regional Managing Director in 1984. He became Retail Director in 1992.

John Gildersleeve
Commercial and Trading Director
John Gildersleeve, who is 51, was appointed to the Board of Tesco in 1984 as Personnel and Marketing Director. He joined the company in 1965. He is a non-executive director of Lloyds TSB.

Baroness O'Cathain, OBE
Non-executive
Baroness O'Cathain, who is 58, was appointed a non-executive director of Tesco in 1985. She is also a non-executive director of BET plc, British Airways plc and BNP UK Holdings Ltd.

†◇ Dr Gwyn Jones
Non-executive
Dr Gwyn Jones, who is 47, was appointed a non-executive director of Tesco in 1992. He is a National Governor of the BBC, a Director of INVESCO English and International Trust plc and has interests in media and technology.

***† Graham Pimlott**
Non-executive
Graham Pimlott, who is 46, was appointed a non-executive director of Tesco in 1993. He is Chief Executive of the Merchant Banking Division of BZW, which he joined in 1989. He was previously a Corporate Finance Director of Kleinwort Benson and a partner in the firm of Lovell White Durrant.

John Melbourn, CBE
Non-executive
John Melbourn, who is 58, was appointed a non-executive director of Tesco on 15 April 1996. He was appointed a Director of National Westminster Bank Plc in 1989 and became Deputy Group Chief Executive in 1994.

† Member of the Audit Committee
◇ Member of the Remuneration Committee
** Member of the Nominations Committee*

K sales grew by 19.8%, as follows:

les growth		%
isting stores		8.9
– Inflation	4.1	
– Volume	4.8	
et new stores		10.9
otal UK		19.8

FINANCIAL REVIEW

UK operating performance

We achieved strong sales growth in the year with stores open more than one year increasing their sales by 8.9%. Of this, 4.8% was due to an increase in the volume of products sold and 4.1% was due to inflation. The trend in existing stores sales growth is shown in Chart 1. On this measure, we continue to outperform the industry average.

Sales from new stores continue to be encouraging, with all formats - superstores, compact, Metro and Express – trading in line with our expectations. New stores (after allowing for closures) contributed 10.9% to our overall sales growth. For the year ahead, we expect a further useful contribution despite a smaller opening programme weighted towards the year end.

Our total UK sales increase was 19.8%. This contributed to the estimated rise in our market share from 12.0% to 13.6% (see Chart 2).

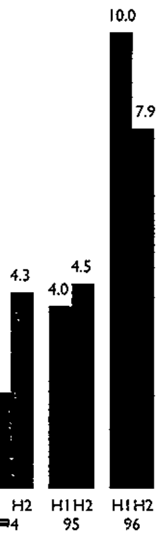
The market continues to be highly competitive. Our ongoing commitment to offer customers excellent value for money has meant we have reduced selling prices on many products. Through managing improvements in our sales mix, better buying and more efficient sourcing we have been able to limit the impact of reduced prices on gross margins which fell by only 0.2%.

We have continued our drive to improve the productivity of all areas. This has helped us to finance the significant improvements we have made to checkout service and more labour intensive departments such as pharmacies. As a result, UK wages as a percentage of sales reduced by 0.2% to 9.7% and other operating costs reduced by 0.5%.

The launch of Clubcard has allowed us to target more precisely our marketing activities and improve the value for money we obtain from marketing expenditure. Clubcard has contributed to our strong sales performance which has more than offset the costs of the scheme of 0.5% of sales. For the first time in recent years, we did not advertise on television during the important Christmas trading period and instead targeted marketing spend on our regular customers.

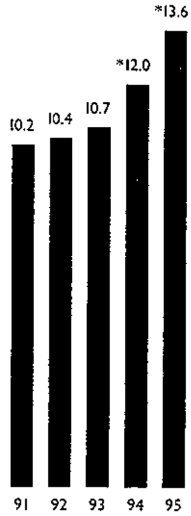
The purchase of Wm Low was completed 20 months ago adding a further 57 stores. Since acquisition all stores have been totally integrated with Tesco replenishment and front end systems, and we are planning to complete the refit programme in the year ahead. The performance of the business since acquisition has been excellent and in line with our high expectations. Sales in former Wm Low stores increased this year which, together with integration benefits, generated an improvement in the operating margin. Wm Low stores contributed £609m (1995 – £260m) to group sales and £36m (1995 – £11m) to operating profits.

hart 1
isting stores
les growth (%)



Overall, UK operating margins were maintained at 6.2%, a considerable achievement in a competitive market. We see no signs of competitive pricing lifting. However, we are working hard to offset further margin investment by better sourcing, supply chain savings, new product development as well as experiencing the benefits of trading up following the recovery from recession. We will also continue to improve on our First Class Service, which is reinforced by the recent introduction of our 4,500 customer assistants. The cost of this is some £20m. We have set ourselves the task to offset a large part of this by productivity initiatives.

Chart 2
UK market share (%)
(source: IGD/Tesco)
Year ended 31 December



*estimated

Europe

Sales in the year were £596m up 19.9% on the previous year. Operating profit decreased to £11m (1995 - £17m). Sales in Europe are going well, but profits, inevitably, are affected in the short term by the substantial investment in infrastructure and other projects which we are putting in place.

In France, Catteau increased retail sales by 13.9% of which 4.2% was due to the increased volume of products sold and 1.4% of deflation. New stores contributed 11.1% to sales growth. We have continued to invest in lower prices in addition to people, systems and infrastructure. This caused operating margins to fall by 1.6% giving an operating profit of £10.5m (1995 - £16m). The investments we have made will provide benefits in future years.

Sales at Global in Hungary increased by 52% in local currency. Sales in existing stores were ahead by 37.5% of which volume growth accounted for 7.9%. We are starting to invest in supply chain systems and people to provide a platform for the growth of the business. In November 1995, we opened our second new Tesco store since acquisition and we plan to open our first superstore in Budapest in the year ahead.

On 9 November 1995 we acquired a majority stake in Savia, a small food retailer operating in southern Poland, for £8m. Savia operates 36 stores with a total sales area of 190,000 sq ft. The results of Savia have been consolidated for the seven weeks from acquisition to 31 December 1995. In this period, Savia contributed £4m to group sales with a negligible effect on profit.

On 5 March 1996, we announced that we had agreed to acquire the two retailing businesses of the US retailer Kmart in the Czech Republic and Slovakia for £77m. The businesses consist of 13 food and general merchandise stores in the main cities in these two countries. We expect to complete the acquisition by the end of April.

Our Central European businesses will then allow us to start exploring

European performance was as follows:

	Sales £m	Operating profit £m
France	551	10.5
Hungary	41	0.5
Poland	4	–
Total	596	11.0

Chart 3
Interest cover
No. of times

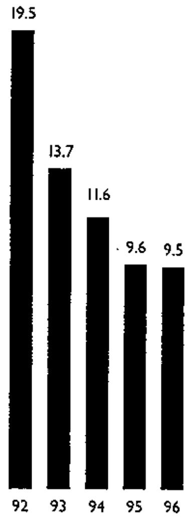
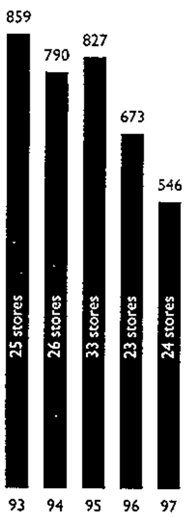


Chart 4
UK new store sales area
opened and planned
(000 sq ft) – excluding Express



the benefits available through buying opportunities, logistics and systems, in addition to our plans to develop new stores.

Group profit before tax

Profit sharing for our employees increased to £29m (1995 - £25m). This represents over 4% of qualifying employee's earnings and more than 70,000 of them will benefit this year. Over the last five years, the profit share awarded has totalled over £125m.

Net losses on the disposal of fixed assets were £6m (1995 - £5m). This is mainly the loss arising from surplus sites which did not receive planning permission.

The net interest payable of £43m (1995 - £22m) was in line with expectations and reflected a higher average level of borrowings and interest rates. Capitalised interest came down again to £33m (1995 - £42m) reflecting reduced capital expenditure on new stores. Interest cover remains strong at 9.5 times (1995 - 9.6 times), as shown in Chart 3.

Profit before tax increased by 22.5% to £675m. After excluding Wm Low integration costs from the 1995 figure and the net loss on disposal of fixed assets from both years, the increase was 14.5% to £681m (1995 - £595m).

Taxation

The effective rate of tax was 31% (1995 - 30.9%). In the year, the underlying tax rate rose to 33% from 31% because less of our capital expenditure qualified for capital allowances. The effect of this increase has been partially offset by favourable agreement of prior year tax computations. We would expect the effective rate for the year ahead to remain at 31%.

Store development and capital expenditure

During the year we opened 23 superstores, compacts and Metro stores in the UK with a total sales area of 673,000 sq ft as well as six Express stores (see Chart 4). Three stores were closed.

We continue to invest in our supporting infrastructure. During the year we opened a new semi-automated composite warehouse in Southampton and eight regional recycling centres (see page 18). We also continued with the development of our leading edge supply chain system to improve product availability to our customers, reduce stock levels and lower supply chain costs.

Total capital expenditure for the year was £649m (1995 - £771m) of which £42m was spent in Europe. Our core UK capital expenditure is running at close to £600m which is higher than we anticipated three years ago. This is partly due to our ability to negotiate a reasonable supply of planning permissions for our flexible formats, and partly to the opportunities we have identified to invest in existing stores, particularly through major extensions. In addition to our investment in France, with the Kmart acquisition, we will have established operations in four Central European countries. We expect to spend almost £100m in the year ahead principally in developing new stores in Europe. Total group capital expenditure is therefore expected to be somewhat ahead of £700m.

Cash flows

As planned the business generated a net cash inflow of £5m (1995 – £329m outflow). The net cash inflow from operating activities was £1,046m (1995 - £872m) reflecting our strong trading performance. Our total cash outflow on investments, including our acquisitions and capital expenditure programme, was lower than in previous years at £612m (1995 - £865m). Group net debt reduced from £1,040m to £813m primarily due to conversion of the £200m convertible capital bonds in October 1995 and £22m from the issue of share options. As a result, year end gearing fell to 22.7% (1995 – 33.5%).

Shareholder returns and dividends

Fully diluted earnings per share (excluding the net loss on disposal of fixed assets and Wm Low integration costs in 1995) was 21.9p, up 9.0% on the previous year.

Our last review of dividend policy took place in January 1994 when we committed to pay progressive dividends well ahead of earnings growth. Since then, our corporate return on capital has increased from 15.7% to 16.9% reflecting a better performance in the base business and investment in new stores. In the light of the investment opportunities available, we believe it is now appropriate to pay progressive dividends but at a rate of growth which is much closer to that of earnings and thereby retain dividend cover close to current levels. We will also aim to deliver good returns to shareholders as the business grows. The Board has proposed a final dividend of 6.55p taking the total net dividend for the year to 9.6p (1995 - 8.6p) as shown in Chart 5. This represents an increase of 11.6% over last year and leaves dividend cover at 2.3 times.

Shareholders' funds rose by £484m to £3,588m. Of this £260m resulted from retained profits, £236m from the issue of new shares, principally in connection with the conversion of the convertible capital bonds, offset mainly by a goodwill write-off of £11m arising on the small acquisitions we have made during the year. Return on shareholders' funds improved to 20.4% (1995 - 20.3%).

UK opening programme 1995/96	*Sales area (s*
superstores	
Ashby de la Zouch	*32,000*
Beckenham	*31,500*
Brent Cross, Hendon	*36,500*
Falkirk	*32,000*
Handforth	*49,000*
Norwich	*39,000*
Osterley, Brentford	*46,000*
Portsmouth	*47,000*
Prestwich	*46,000*
Winchester	*39,000*
compact	
Aberdare	*25,500*
Blandford Forum	*20,000*
Dunblane	*10,500*
Hammersmith	*26,500*
Henley-on-Thames	*24,500*
Honiton	*23,000*
Leyton	*20,000*
Maidstone	*24,500*
Midsomer Norton	*26,000*
St Neots	*25,500*
Thornbury	*20,000*
metro	
Andover, Chantry Way	*15,500*
Richmond, George Street	*13,500*
Total	*673,000*

We also opened six Express stores.

UK opening programme 1996/97	*Sales area (sq*
superstores	
Ashford, London	*39,000*
Bangor	*32,500*
Barkingside	*32,500*
Bury St Edmunds	*29,500*
Llandudno	*32,000*
Newport, Gwent	*32,000*
Sheffield	*39,000*
Sutton	*33,500*
compact	
Ashford, Kent	*26,500*
Aviemore	*9,000*
Braintree	*17,500*
Cupar	*13,000*
Faversham	*21,500*
Havant	*26,000*
March	*23,000*
Penzance	*21,000*
Pinner Green	*21,000*
Potters Bar	*24,500*
Princes Risborough	*13,000*
Woodford, London	*21,500*
metro	
Belfast, Royal Avenue	*9,500*
City of London, Cheapside	*8,500*
Dundee, Murraygate	*11,000*
Manchester, Market Street	*9,500*
Total	*546,000*

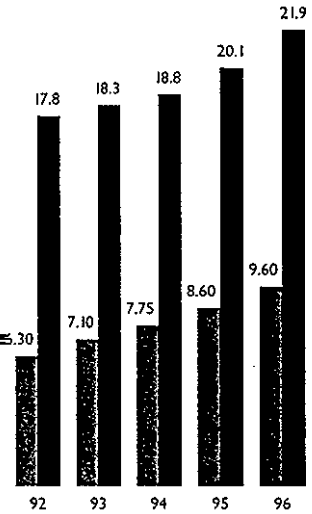
A further six Express stores will be opened.

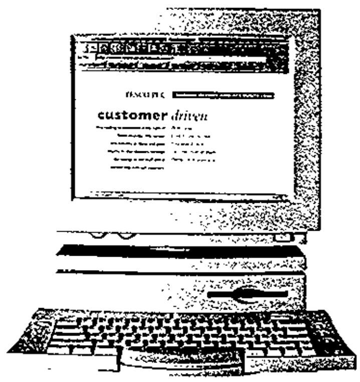
Chart 5

Dividends and earnings trends (pence)

Dividends per share

Fully diluted earnings per share (excluding net loss on disposal of fixed assets and Wm Low integration cost)





The 1995 Tesco Annual Report and Accounts was the first FTSE 100 company report to be placed on the Internet. During the year it has been surfed by thousands of people on the World Wide Web.

The 1996 Tesco Annual Report and Accounts is also available on the Internet at http://www.tesco.co.uk/

The share price finished the year at 271p having reached a peak of 338p in September 1995 and a low of 245p earlier in the year.

Treasury management

Our treasury activity is managed through policies which are regularly reviewed by the Board and monitored by our internal and external auditors. The operating parameters of treasury management are established under formal Board authority. Dealing mandates have been issued to all banks with which deals are authorised.

One of the main group policies is to maintain debt at prudent levels. In this respect the mix of debt between fixed rate and floating rate is monitored to take account of expected relative interest rate movements and future cash flows. Where debt has originally been raised in fixed rate form, interest rate swaps have been used to make our funding costs largely variable with floating interest rates. In the long term this policy should reduce our interest bill and counter balance the cyclical nature of the retail sector. At the year end, 84% of our net debt was in floating form and the average interest rate paid during the year was 8.4%.

In support of our short term funding activities, £365m of committed bank facilities with an average maturity of four years was available at the year end. The average maturity of our net debt and committed facilities was over six years with no more than £250m repayable in any one year.

We also cover a substantial part of our translation exposure to exchange rate movements by using foreign currency swaps and loans. Only basic financial instruments are used as they are more cost effective and easier to monitor and control.

The counterparties to our dealing activities are selected from banks and financial institutions which have good credit quality for the relevant transactions. Credit quality is normally determined by reference to the major credit rating agencies.

CONTENTS OF ACCOUNTS

CORPORATE GOVERNANCE

The company has complied with all the provisions of the Cadbury Committee's Code of Best Practice ("the Code"). The Board is committed to proper standards of corporate governance and will continue to keep procedures under review should the Code develop.

Board and Board committees

The Board of Tesco PLC comprises five independent non-executive directors and ten executive directors. The full Board, which meets every month, manages overall control of the group's affairs by the schedule of matters reserved for its decision. These include the approval of financial statements, major acquisitions and disposals, authority levels for expenditure, treasury policies, risk management policies and succession plans for senior executives.

The Board delegates day-to-day and business management control to the Executive Committee which comprises the executive directors. This meets formally every week and its decisions are communicated throughout the group on a regular basis. They are responsible for implementing group policy, the monitoring and performance of the business and reporting to the full Board thereon.

The company has an Audit Committee, which meets three times a year, whose terms of reference cover the points recommended by the Code. Its duties include monitoring internal control throughout the group, approving the group's accounting policies and reviewing the interim and annual financial statements before submission to the Board. The Committee is chaired by John Gardiner and consists entirely of non-executive directors.

The Remuneration Committee, also composed entirely of non-executive directors, is chaired by Baroness O'Cathain, and meets three times a year. The report of the Remuneration Committee is given below.

The Nominations Committee, chaired by Sir Ian MacLaurin, is responsible for selecting and appointing the company's executive and non-executive directors and meets as required.

Internal financial control

The Board of directors has overall responsibility for the systems of internal financial control. Implementation and maintenance of the internal financial control system is the responsibility of executive management. The Board, through the Audit Committee, has reviewed the effectiveness of the systems of internal financial control for the accounting year and the period to the date of approval of the financial statements although it should be understood that such systems are designed to provide reasonable but not absolute assurance against material misstatement or loss.

The company has an established framework of internal financial controls, the key features of which are as follows:

Organisational structure The responsibilities of the Board set out above ensure effective control over strategic, financial and compliance issues.

Financial framework The company operates a comprehensive system of financial reporting to the Board and senior management, based upon an annual budget and regular forecasts. Weekly and periodic reports of actual results together with key performance indicators are produced.

Policies and procedures The group employs 135,000 people including over 1,200 senior managers. Management control is formalised at all levels and is regulated by cascading limits of authority. Formal policies and procedures also exist for areas which are identified, by their nature, as being significant risk areas. Policies and procedures are regularly subject to compliance audits.

Quality and integrity of personnel The company attaches high importance to the values of trust, honesty and integrity of personnel in responsible positions and operates a policy of recruiting and promoting suitably experienced personnel with clearly defined accountabilities.

Investment appraisal The capital investment programme is subject to stringent formalised review procedures with key criteria requiring to be met. All major initiatives require business cases to be prepared, normally covering a minimum period of five years. Post investment appraisals are also carried out.

Control monitoring The group maintains an internal audit function whose work is focused on areas of perceived highest risk, as identified by risk analysis and who regularly provide reports to the Audit Committee. Our external auditors, Price Waterhouse, also contribute an independent perspective on certain aspects of the internal financial control system arising from their audit work and annually report their findings to the Audit Committee. Price Waterhouse have confirmed that, in their opinion, the group are complying with the Companies Act 1985 requirement to keep proper books and records.

Report of the Remuneration Committee

Directors' remuneration policy The remuneration packages of executive directors and other senior executives are determined by the Remuneration Committee ("the Committee"). It ensures that the remuneration is appropriate for their responsibilities, taking into consideration the overall financial and business position of the group, the highly competitive industry of which the group is part and the importance of recruiting and retaining management of the appropriate calibre.

Compliance The company has adopted the provisions of the Code of Best Practice ("the Code") issued by the Study Group on Directors Remuneration ("Greenbury Committee") in advance of the mandatory requirement to do so. The Committee is constituted and operated throughout the period in accordance with the principles outlined in the Stock Exchange Listing Rules derived from Section A of the best practice provisions of the Code. In framing the remuneration policy, full consideration has been given to the best practice provisions set out in Section B, annexed to the Listing Rules. The Auditors' Report set out on page 31 confirms that the scope of that report covers the disclosures contained in this report that are specified for audit by the London Stock Exchange.

Details of directors' emoluments and interests, including executive and savings-related share options, are set out in note 6 to the financial statements on pages 41 to 44.

The following summarises the remuneration packages for executive directors. Copies of the executive directors' contracts of employment are available for inspection by shareholders as required.

Base salary and benefits The base salary and benefits (which comprises car benefits, life, disability and health insurance) of executive directors and other senior executives are normally reviewed annually by the Committee, having regard to competitive market practice supported by external, independent surveys.

Executive incentive scheme The executive incentive scheme was introduced in March 1993 and also includes the senior executives of the company's principal trading subsidiary, Tesco Stores Limited.

Long term share bonuses are awarded annually based on improvements in earnings per share, achievement of strategic corporate goals and comparative performance against peer companies. The maximum long term bonus is 25% of salary. Shares awarded have to be held for a period of four years conditional upon continuous service with the company. The share equivalent of dividends which would have been paid on the shares is added to the award during the deferral period.

Short term share bonuses are awarded annually based on improvements in earnings per share and on the achievement of strategic corporate goals. The maximum short term bonus payable is 25% of salary which is augmented by a further 12½% if the participants elect for the trustees of the scheme to retain the fully paid ordinary shares awarded for a minimum period of two years conditional upon continuous service with the company. The share equivalent of dividends which would have been paid on the shares is added to the award during the deferral period.

The Committee sets performance targets annually for the incentive scheme for each of the criteria noted above, confirms achievement of performance and awards to be made under the scheme and directs the general administration of the scheme.

Profit sharing The group operates an approved employee profit sharing scheme for the benefit of all employees, including executive directors, with over two years service with the group at its year end. Shares in the company are allocated to participants in the scheme on a pro-rata basis to base salary earned up to Inland Revenue approved limits.

Pensions Executive directors are members of the Tesco PLC Pension Scheme which provides a pension of up to two-thirds of base salary on retirement dependent upon service. The scheme also provides for dependants' pensions and lump sums on death in service.

Share options Executive directors are included in an approved executive share option scheme (ESOS), and are eligible to join the employees' savings-related share option scheme (SAYE) when they have completed one years service.

Executive options granted since 1995 may only be exercised subject to the achievement of performance criteria related to growth in earnings per share, in accordance with ABI guidelines.

Service agreements Executive directors have service contracts with entitlement to notice of 24 months.

Non-executive directors Non-executive directors do not have contracts but each appointment is subject to review every three years. Non-executive directors receive a basic fee plus an additional sum in respect of committee membership. Mr John Gardiner, a Deputy Chairman, receives a further fee for his extra duties and responsibilities and Baroness O'Cathain has the benefit of the use of a company car.

Going concern

The directors consider that the group has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements. As with all business forecasts the directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

Pension fund

The assets of the pension funds established for the benefit of the group's employees are held separately from those of the group. The pension scheme for full-time employees is managed by trustees and the part-time scheme by the Equitable Life Assurance Society. The trustees of the full-time scheme comprise six executive directors, one senior manager and three members appointed from staff and pensioners. The assets of the fund are independently managed and there is no self-investment in Tesco shares or property occupied by the Tesco group. Details of pension commitments are set out in note 25 to the financial statements on page 55.

REPORT BY THE AUDITORS TO THE DIRECTORS OF TESCO PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements we have reviewed your statements on pages 28 to 30 concerning the group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of opinion

We carried out our review having regard to the Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's systems of internal financial control or corporate governance procedures nor on the ability of the group to continue in operational existence.

Opinion

In our opinion, your statements on internal financial controls on pages 28 and 29 and on going concern on page 30, have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the company and examination of relevant documents, your statement on pages 28 to 30 appropriately reflects the group's compliance with the other paragraphs of the Code specified for our review.

Price Waterhouse
Chartered Accountants
London
15 April 1996

Price Waterhouse

DIRECTORS' REPORT

The directors present their Annual Report to shareholders on the affairs of the group together with the audited consolidated financial statements of the group for the 52 weeks ended 24 February 1996.

Principal activity and business review

The principal activity of the group is the operation of food stores and associated activities in the United Kingdom, France, Hungary and Poland. A review of the business is contained on pages 6 to 26.

Group results

Group turnover excluding VAT rose by £1,993m to £12,094m, representing an increase of 19.7%. Group profit on ordinary activities before taxation for the year was £675m compared with £551m for the previous year. The amount allocated to the employee profit sharing scheme this year was £29m as against £25m for last year. After provision for tax of £209m and dividends, paid and proposed, of £206m, profit retained for the financial year amounted to £260m.

Dividends

The directors recommend the payment of a final dividend of 6.55p per ordinary share to be paid on 1 July 1996 to members on the Register at the close of business on 30 April 1996. Together with the interim dividend of 3.05p per ordinary share paid in December 1995 the total for the year comes to 9.60p compared with 8.60p for the previous year, an increase of 11.6%.

Tangible fixed assets

Capital expenditure amounted to £649m compared with £771m during the previous year. Changes in fixed assets are summarised in note 11 to the financial statements on page 47. In the directors' opinion, the properties of the group have a market value in excess of the book value of £4,768m included in these financial statements.

Acquisitions

During the year the group acquired, for a total consideration of £30m, a controlling interest in the Polish food retailer Savia, additional shares in the Hungarian food retailer Global and a number of small businesses in France through Catteau. Details of acquisitions are set out in note 30 to the financial statements on page 56.

Post balance sheet event

On 5 March 1996 the Board announced that it will acquire two retailing businesses in the Czech Republic and Slovakia for approximately £77m in cash from Kmart Corporation. The acquisition is expected to be completed in April 1996.

Share capital

The authorised and issued share capital of the company, together with details of the shares issued during the period, are shown in note 22 to the financial statements on page 52.

Company's shareholders

An analysis of the company's shareholders is shown on page 60. So far as the company is aware, at the date of this report Prudential Corporation holds 68,083,417 ordinary shares (3.2% of the total) on behalf of itself and others. The company is not aware of any other ordinary shareholders with interests of 3% or more.

Directors and their interests

The names and biographical details of the present directors are set out on pages 20 and 21.

Mr J Gildersleeve, Mr T P Leahy, Mr T J R Mason and Mr G F Pimlott retire from the Board by rotation according to the company's Articles of Association. Being eligible, they offer themselves for re-election.

Mr J W Melbourn was appointed as a director on 15 April 1996. In accordance with the company's Articles of Association, he retires and, being eligible, he offers himself for re-election.

The service contracts of Mr J Gildersleeve, Mr T P Leahy and Mr T J R Mason are terminable on two years' notice from the company. Mr J W Melbourn and Mr G F Pimlott do not have a service contract.

The interests of directors and their immediate families in the shares of Tesco PLC, along with details of directors' share options, are set out in note 6 to the financial statements on pages 41 to 44.

At no time during the year did any of the directors have a material interest in any significant contract with the company or any of its subsidiaries.

Directors' and officers' liability insurance

Directors' and officers' liability insurance was in force throughout the financial year ended 24 February 1996.

Employment policies

The group depends on the skills and commitment of its employees in order to achieve its objectives. Company staff at every level are encouraged to make their fullest possible contribution to Tesco success.

A key business priority is to provide First Class Service to the customer. Ongoing training programmes seek to ensure that employees understand the company's customer service objectives and strive to achieve them.

The group's selection, training, development and promotion policies ensure equal opportunities for all employees regardless of gender, marital status, race, age or disability. All decisions are based on merit.

Internal communications are designed to ensure that employees are well informed about the business of the group. These include a staff magazine, videos and staff briefing sessions. Staff attitudes are frequently researched through surveys and store visits and management seeks to respond positively to the needs of employees.

Employees are encouraged to become involved in the financial performance of the group through a variety of schemes, principally the Tesco employee profit sharing scheme and the savings-related share option scheme.

Employee profit sharing

The company has established a discretionary trust for the benefit of employees. Its main role is to purchase shares in order to satisfy the requirements of the group's profit sharing scheme. The trustee is Barclays Private Bank & Trust (Isle of Man) Limited.

Political and charitable donations

Contributions to community projects and to charity via the Tesco Charity Trust amounted to £727,000 (1995 – £403,000). There were no political donations.

Income and Corporation Taxes Act 1988

The company is not a close company for the purposes of this Act. This status has not changed from 24 February 1996 to the date of this report.

Auditors

Price Waterhouse have expressed their willingness to continue in office. In accordance with section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Price Waterhouse as auditors of the company will be put to the Annual General Meeting.

Annual General Meeting

A separate circular accompanying the Annual Report and Accounts explains the special business to be considered at the Annual General Meeting on 7 June 1996.

This report was approved by the Board on 15 April 1996.

By Order of the Board
Rowley Ager *Secretary*
15 April 1996

Tesco PLC
Registered Number: 445790

GROUP PROFIT AND LOSS ACCOUNT

52 weeks ended 24 February 1996	*Note*	1996 £m	1995 £m
Sales at net selling prices	*1*	**13,028**	10,877
Value added tax		**934**	776
Turnover excluding value added tax	*1&2*	**12,094**	10,101
Operating expenses	*2*	**11,341**	9,498
Employee profit sharing	*3*	**29**	25
Operating profit	*1&2*	**724**	578
Net loss on disposal of fixed assets	*4*	**(6)**	(5)
Net interest payable	*7*	**(43)**	(22)
Profit on ordinary activities before taxation	*4*		
Profit before net loss on fixed assets and integration costs		**681**	595
Wm Low integration costs		**–**	(39)
Net loss on disposal of fixed assets		**(6)**	(5)
		675	551
Tax on profit on ordinary activities	*8*	**209**	170
Profit on ordinary activities after taxation		**466**	381
Minority equity interests		**–**	1
Profit for the financial year		**466**	380
Dividends	*9*	**206**	177
Retained profit for the financial year	*24*	**260**	203

		pence	pence
Earnings per share	*10*	**22.2**	18.9
Adjustment for integration costs after taxation		**–**	1.5
Adjustment for net loss on disposal of fixed assets after taxation		**0.3**	0.3
Adjusted earnings per share	*10*	**22.5**	20.7
Fully diluted earnings per share	*10*	**21.6**	18.4
Adjustment for integration costs after taxation		**–**	1.4
Adjustment for net loss on disposal of fixed assets after taxation		**0.3**	0.3
Adjusted fully diluted earnings per share	*10*	**21.9**	20.1
Dividends per share	*9*	**9.60**	8.60

Accounting policies and notes forming part of these financial statements are on pages 38 to 57.
All group operations for the financial period are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

52 weeks ended 24 February 1996	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
Profit for the financial year	**466**	380	**307**	227
Loss on foreign currency translation	**(1)**	–	–	–
Total recognised gains and losses relating to the financial year	**465**	380	**307**	227

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

52 weeks ended 24 February 1996	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
Profit for the financial year	**466**	380	**307**	227
Dividends	**206**	177	**206**	177
	260	203	**101**	50
Loss on foreign currency translation	**(1)**	–	–	–
New share capital subscribed less expenses	**22**	25	**22**	25
Conversion of capital bonds	**200**	–	**200**	–
Payment of dividends by shares in lieu of cash	**14**	11	**14**	11
Shares issued for acquisition of Wm Low & Company PLC	–	181	–	181
Goodwill arising on acquisitions	**(11)**	(65)	–	–
Net addition to shareholders' funds	**484**	355	**337**	267
Shareholders' funds at 25 February 1995	**3,104**	2,749	**1,862**	1,595
Shareholders' funds at 24 February 1996	**3,588**	3,104	**2,199**	1,862

Accounting policies and notes forming part of these financial statements are on pages 38 to 57.

BALANCE SHEETS

24 February 1996	*Note*	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
Fixed assets					
Tangible assets	*11*	**5,466**	5,204	**–**	–
Investments	*12*	**19**	10	**3,224**	3,458
		5,485	5,214	**3,224**	3,458
Current assets					
Stocks	*13*	**559**	415	**–**	–
Debtors	*14*	**80**	104	**1,093**	488
Investments	*15*	**54**	131	**31**	101
Cash at bank and in hand		**38**	44	**–**	–
		731	694	**1,124**	589
Creditors: falling due within one year	*16*	**2,002**	1,781	**1,581**	1,353
Net current liabilities		**(1,271)**	(1,087)	**(457)**	(764)
Total assets less current liabilities		**4,214**	4,127	**2,767**	2,694
Creditors: falling due after more than one year					
Convertible capital bonds	*17*	**–**	200	**–**	–
Other	*18*	**598**	721	**485**	753
Provisions for liabilities and charges	*20*	**22**	93	**83**	79
		3,594	3,113	**2,199**	1,862
Capital and reserves					
Called up share capital	*22*	**108**	103	**108**	103
Share premium account	*24*	**1,383**	1,152	**1,383**	1,152
Other reserves	*24*	**40**	40	**–**	–
Profit and loss account	*24*	**2,057**	1,809	**708**	607
Equity shareholders' funds		**3,588**	3,104	**2,199**	1,862
Minority equity interests		**6**	9	**–**	–
		3,594	3,113	**2,199**	1,862

Sir Ian MacLaurin, DL
D E Reid, C.A.
Directors
Financial statements approved by the Board on 15 April 1996

Accounting policies and notes forming part of these financial statements are on pages 38 to 57.

GROUP CASH FLOW STATEMENT

52 weeks ended 24 February 1996	*Note*	1996 £m	1995 £m
Net cash inflow from operating activities	*29*	**1,046**	872
Returns on investments and servicing of finance			
Interest received		**61**	41
Interest paid		**(127)**	(114)
Interest element of finance lease rental payments		**(9)**	(6)
Dividends paid		**(172)**	(148)
Net cash outflow from returns on investments and servicing of finance		**(247)**	(227)
Taxation			
Corporation tax paid (including advance corporation tax)		**(182)**	(109)
Investing activities			
Payments to acquire tangible fixed assets		**(624)**	(757)
Receipts from sale of tangible fixed assets		**51**	25
Purchase of subsidiary undertakings	*30*	**(30)**	(132)
Increase in fixed asset investments		**(9)**	(1)
Net cash outflow from investing activities		**(612)**	(865)
Net cash inflow/(outflow) before financing		**5**	(329)
Financing			
Ordinary shares issued for cash		**22**	25
Redemption of ⅛% deep discount bonds		**(50)**	–
New finance leases		**–**	56
Increase in other loans		**6**	1
Capital element of finance leases repaid		**(9)**	(14)
Decrease in short term deposits		**42**	29
Net cash inflow from financing	*31*	**11**	97
Increase/(decrease) in cash and cash equivalents	*33*	**16**	(232)

Accounting policies and notes forming part of these financial statements are on pages 38 to 57.

ACCOUNTING POLICIES

Basis of financial statements

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention, and are in accordance with the Companies Act 1985.

Basis of consolidation

The group profit and loss account and balance sheet consist of the financial statements of the parent company and its subsidiary undertakings, all of which are made up to or around 24 February 1996 apart from Ets. Catteau S.A., Global T.H. and Savia S.A. which have a 31 December 1995 year end. In the opinion of the directors it is necessary for the Continental European companies to prepare financial statements to an accounting date earlier than the rest of the group to enable the timely publication of the group financial statements.

Any excess or deficiency of purchase consideration in relation to the fair value of attributable net assets of subsidiary undertakings at the date of acquisition is adjusted in reserves.

The group's share of associated undertakings' profits or losses is included in the group profit and loss account and added to the cost of investments in the balance sheet. The accounting policies of associated undertakings are adjusted on consolidation to achieve consistent group accounting policies.

Stocks

Stocks comprise goods held for resale and development properties and are valued at the lower of cost and net realisable value. Stocks in stores are calculated at retail prices and reduced by appropriate margins to the lower of cost and net realisable value.

Money market investments

Money market investments are stated at cost. All income from these investments is included in the profit and loss account as interest receivable and similar income.

Fixed assets and depreciation

Fixed assets include amounts in respect of interest paid, net of taxation, on funds specifically related to the financing of assets in the course of construction.

Depreciation is provided on an equal annual instalment basis over the anticipated useful working lives of the assets, after they have been brought into use, at the following rates:

Land premiums paid in excess of the alternative use value on acquisition – at 4% of cost.

Freehold and leasehold buildings with greater than 40 years unexpired – at 2.5% of cost.

Leasehold properties with less than 40 years unexpired are amortised by equal annual instalments over the unexpired period of the lease.

Plant, equipment, fixtures and fittings and motor vehicles – at rates varying from 10% to 33%.

Leasing

Plant, equipment and fixtures and fittings which are the subject of finance leases are dealt with in the financial statements as tangible assets and equivalent liabilities at what would otherwise have been the cost of outright purchase.

Rentals are apportioned between reductions of the respective liabilities and finance charges, the latter being calculated by reference to the rates of interest implicit in the leases. The finance charges are dealt with under interest payable in the profit and loss account.

Leased assets are depreciated in accordance with the depreciation accounting policy over the anticipated working lives of the assets which generally correspond to the primary rental periods.

The cost of operating leases in respect of land and buildings and other assets is expensed as incurred.

Deferred taxation and advance corporation tax

Deferred taxation is provided on accelerated capital allowances and other timing differences, only to the extent that it is probable that a liability will crystallise.

Surplus advance corporation tax on dividends paid and proposed, which is expected to be recoverable, is included within debtors.

Pensions

The expected cost of pensions in respect of the group's defined benefit pension scheme is charged to the profit and loss account over the working lifetimes of employees in the scheme. Actuarial surpluses and deficits are spread over the expected remaining working lifetimes of employees.

Post-retirement benefits other than pensions

The cost of providing other post-retirement benefits, which comprise private healthcare, is charged to the profit and loss account so as to spread the cost over the service lives of relevant employees in accordance with the advice of qualified actuaries. Actuarial surpluses and deficits are spread over the expected remaining working lifetimes of relevant employees.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates. Profits and losses of overseas subsidiaries are translated into sterling at average rates of exchange.

Gains and losses arising on the translation of the net assets of overseas subsidiaries are taken to reserves, less exchange differences arising on related foreign currency borrowings. Other exchange differences are taken to the profit and loss account.

Interest rate swaps

Income and expenditure arising from swap transactions is recognised over the term of the swap as if it were interest receivable or payable. Profits or losses on the early termination of agreements are spread over the life of replacement swaps which are simultaneously arranged for an equal contract amount and covering the remaining period to maturity.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Segmental analysis of sales, turnover, profit and net assets

The group's operations of food retailing and associated activities and property development are carried out in the United Kingdom, France, Hungary and Poland. Continental European operations' results are for the year ended 31 December 1995.

	1996 Sales including VAT £m	1996 Turnover excluding VAT £m	1996 Profit £m	1996 Assets £m	1995 Sales including VAT £m	1995 Turnover excluding VAT £m	1995 Profit £m	1995 Assets £m
Continuing operations								
Tesco	**11,821**	**10,988**	**677**		10,120	9,410	589	
Wm Low	**609**	**570**	**36**		260	245	11	
Food retailing – United Kingdom	**12,430**	**11,558**	**713**	**4,164**	10,380	9,655	600	4,040
Property development	**2**	**2**	**–**	**99**	–	–	–	–
Total United Kingdom	**12,432**	**11,560**	**713**	**4,263**	10,380	9,655	600	4,040
Food retailing – Rest of Europe	**596**	**534**	**11**	**138**	497	446	17	104
	13,028	**12,094**			10,877	10,101		
Operating profit (excluding integration costs)			**724**				617	
Wm Low integration costs			**–**				(39)	
Operating profit			**724**				578	
Net loss on disposal of fixed assets			**(6)**				(5)	
Net interest payable			**(43)**				(22)	
Profit on ordinary activities before taxation			**675**				551	
Capital employed				**4,401**				4,144
Net borrowings (note 19)				**(813)**				(1,040)
Net assets				**3,588**				3,104

The analysis of capital employed by geographical area is calculated on net assets excluding net borrowings.
Inter-segmental turnover between the geographical areas of business is not material.
Turnover is disclosed by origin. There is no material difference in turnover by destination.

Note 2 Analysis of continuing operations

	1996 Continuing operations £m	1996 Acquisitions £m	1996 Total £m	1995 Total £m
Turnover	**12,090**	**4**	**12,094**	10,101
Cost of sales	**11,137**	**3**	**11,140**	9,298
Gross profit	**953**	**1**	**954**	803
Administration expenses	**200**	**1**	**201**	200
Employee profit sharing	**29**	**–**	**29**	25
Operating profit	**724**	**–**	**724**	578

Cost of sales includes warehouse and transportation costs and all store operating costs.

Note 3 Employee profit sharing

This represents the amount allocated to the trustees of the profit sharing scheme and is based on the United Kingdom profit after interest before net loss on disposal of fixed assets and taxation.

Note 4 Profit on ordinary activities before taxation Profit on ordinary activities is stated after charging the following:	1996 £m	1995 £m
Depreciation and amortisation	**285**	247
Operating lease costs	**114**	96
Auditors' remuneration (a)	**–**	–
Employment costs (note 5)	**1,184**	1,001
Net loss on disposal of fixed assets (b)	**6**	5

a) Auditors' remuneration amounted to £0.5m (1995 – £0.4m). The auditors also received £0.6m (1995 – £0.5m) in respect of non-audit services of which £0.3m (1995 – £0.2m) related to overseas operations.
b) Net loss on disposal of fixed assets has been arrived at after the offset of profits of £10m (1995 – £20m).

Note 5 Employment costs

a) Employment costs during the year	1996 £m	1995 £m
Wages and salaries	**1,065**	899
Social security costs	**73**	64
Other pension costs (note 25)	**46**	38
	1,184	1,001

b) Number of persons employed

The average number of employees per week during the year was: UK 130,308 (1995 – 108,113), Europe 4,729 (1995 – 3,346) and the average number of full-time equivalents was: UK 80,650 (1995 – 68,552), Europe 4,245 (1995 – 2,915).

Note 6 Directors' emoluments and interests

Aggregate emoluments of the directors of the parent company were as follows:	1996 £000	1995 £000
Directors' emoluments	**4,213**	3,483
Performance related incentives		
– short term bonuses	**1,262**	860
– long term bonuses	**839**	573
	6,314	4,916
Pension contributions (including – £186,000 in respect of the Chairman (1995 – £169,000))	**932**	788
	7,246	5,704

Note 6 Directors' emoluments and interests *continued*

Emoluments of the directors, including the Chairman who was the highest paid director, but excluding pension contributions were as follows:

	Salary £000	Profit sharing £000	Benefits £000	Incentive scheme Long term £000	Incentive scheme Short term £000	Total 1996 £000	Total 1995 £000
Sir Ian MacLaurin	737	8	30	167	252	**1,194**	1,012
Mr V W Benjamin	251	8	15	–	–	**274**	245
Mr J A Gardiner	40	–	–	–	–	**40**	40
Mr R S Ager	313	8	17	75	113	**526**	454
Mr J Gildersleeve	404	8	30	96	144	**682**	567
Mrs L James	198	8	15	50	75	**346**	15
Dr M G Jones	29	–	–	–	–	**29**	28
Mr T P Leahy	404	8	19	96	144	**671**	484
Mr A D Malpas	546	8	20	129	194	**897**	779
Mr T J R Mason	198	8	17	50	75	**348**	15
Baroness O'Cathain	25	–	10	–	–	**35**	35
Mr G F Pimlott	25	–	–	–	–	**25**	25
Mr D E Reid	404	8	28	96	144	**680**	577
Mr J M Wemms	337	8	21	80	121	**567**	482
	3,911	80	222	839	1,262	**6,314**	4,758

The table excludes emoluments paid to three former directors, who retired from the Board in May 1994, of £77,000, £75,000 and £6,000, excluding pension contributions.

Executive share options exercised by directors in the financial year

	Number of shares at exercise price (pence) 177.9	192.1	190.2	214.5	274.0	217.0	Total	Price at exercise (pence)	Value realised 1996 £000	Value realised 1995 £000
Sir Ian MacLaurin	–	–	–	–	307,231	–	**307,231**	321	**144**	474
Mr V W Benjamin	–	124,780	42,063	–	108,036	–	**274,879**	293	**191**	88
Mr R S Ager	–	–	–	–	61,870	69,124	**130,994**	314	**91**	111
Mr J Gildersleeve	–	–	42,064	–	163,532	–	**205,596**	321	**132**	–
Mrs L James	5,151	–	–	6,036	54,722	–	**65,909**	322	**40**	–
Mr T P Leahy	–	–	–	–	50,433	62,212	**112,645**	313	**79**	143
Mr A D Malpas	–	–	–	–	239,622	–	**239,622**	321	**113**	388
Mr T J R Mason	–	–	–	–	115,079	–	**115,079**	331	**66**	–
Mr D E Reid	–	–	–	–	167,891	–	**167,891**	321	**79**	359
Mr J M Wemms	22,878	78,006	52,579	–	110,479	76,981	**340,923**	315	**313**	–
Date of grant	06.07.87	01.11.89	29.05.90	22.10.90	17.05.91	29.10.92				

The value realised from shares acquired on exercise is the difference between the fair market value at exercise and the exercise price of the options. Where individual directors exercised options on different dates the price at exercise shown represents an average of the prices on these dates weighted to the number of options exercised.

Note 6 Directors' emoluments and interests *continued*

Share options held by directors and not exercised at 24 February 1996

Executive share option schemes (1984) and (1994)

Number of shares at exercise price (pence)

	217.0(a)	217.0(b)	210.0(b)	243.0(b)	232.0(b)	271.0(c)	312.0(c)	Total
Sir Ian MacLaurin	–	27,650	701,040	–	–	89,299	–	**817,989**
Mr R S Ager	23,041	68,204	100,952	–	142,446	39,852	85,104	**459,599**
Mr J Gildersleeve	–	14,747	320,911	–	14,656	85,608	207,719	**643,641**
Mrs L James	–	29,340	62,018	–	57,084	74,394	100,016	**322,852**
Mr T P Leahy	20,737	68,203	139,048	157,124	–	132,841	82,752	**600,705**
Mr A D Malpas	–	20,277	538,778	–	–	67,896	–	**626,951**
Mr T J R Mason	–	–	38,619	–	17,333	97,184	145,935	**299,071**
Mr D E Reid	–	14,746	15,238	–	344,818	64,945	185,904	**625,651**
Mr J M Wemms	25,660	36,866	116,191	–	–	42,804	222,201	**443,722**
Date exercisable (d)	29.10.95	27.05.96	10.06.97	12.08.97	29.09.97	27.04.98	13.10.98	

a) The options may be exercised at 185p providing targets related to growth in earnings per share are achieved in accordance with ABI guidelines. If the targets are not met the option holders can exercise the options at 217p.

b) One quarter of the options granted at 217p, 210p, 243p and 232p may be exercised at 185p, 179p, 207p and 198p respectively, except in the case of Sir Ian MacLaurin, providing targets related to growth in earnings per share are achieved in accordance with ABI guidelines. If the targets are not met the option holders retain the right to exercise the option at the higher price.

c) Options granted in the year.

d) Date of expiry seven years from date exercisable.

Savings-related share option scheme (1981)

	Number of shares					Value realised	
	As at 25 Feb 95	Granted	Exercised	As at 24 Feb 96	Exercise price (pence)	1996 £000	1995 £000
Sir Ian MacLaurin	9,979	–	–	**9,979**	174 – 185	–	4
Mr V W Benjamin	9,270	–	–	**9,270**	185 – 204	–	6
Mr R S Ager	12,158	–	2,333	**9,825**	161 – 204	3	–
Mr J Gildersleeve	9,979	–	–	**9,979**	174 – 185	–	4
Mrs L James	9,547	–	–	**9,547**	161 – 204	–	4
Mr T P Leahy	9,270	–	–	**9,270**	185 – 204	–	7
Mr A D Malpas	9,979	–	–	**9,979**	174 – 185	–	4
Mr T J R Mason	10,146	828	1,417	**9,557**	174 – 250	2	4
Baroness O'Cathain	9,191	–	–	**9,191**	204	–	–
Mr D E Reid	9,706	–	–	**9,706**	174 – 204	–	2
Mr J M Wemms	9,270	–	–	**9,270**	185 – 204	–	6

The savings-related share option scheme subscription price was 250p and the option matures in 2001.

Between 24 February 1996 and 15 April 1996 there have been no changes in the number of share options held by the directors.

For further details on the company share option schemes see note 23.

Note 6 Directors' emoluments and interests *continued*

The disclosable interests of the directors, including family interests, were as follows:

	24 February 1996		25 February 1995	
	Ordinary shares	Options to acquire ordinary shares	Ordinary shares	Options to acquire ordinary shares
Beneficial				
Sir Ian MacLaurin	**412,112**	**827,968**	273,969	1,045,900
Mr V W Benjamin	**123,041**	**9,270**	130,807	284,149
Mr J A Gardiner	**17,775**	**–**	17,775	–
Mr R S Ager	**105,395**	**469,424**	63,324	477,795
Mr J Gildersleeve	**147,377**	**653,620**	74,641	565,889
Mrs L James	**59,921**	**332,399**	30,545	223,898
Dr M G Jones	**2,163**	**–**	2,097	–
Mr T P Leahy	**140,054**	**609,975**	103,375	507,027
Mr A D Malpas	**299,345**	**636,930**	192,661	808,656
Mr T J R Mason	**49,784**	**308,628**	29,669	181,177
Baroness O'Cathain	**4,329**	**9,191**	4,197	9,191
Mr G F Pimlott	**8,020**	**–**	7,776	–
Mr D E Reid	**222,752**	**635,357**	144,676	552,399
Mr J M Wemms	**110,607**	**452,992**	53,276	528,910
Non-beneficial				
Sir Ian MacLaurin	**93,075**	**–**	93,075	–

In addition the directors are beneficiaries of the Tesco Employee Trust which held 4,000,000 ordinary shares at 24 February 1996.

Mr J W Melbourn was appointed as a director on 15 April 1996 and at that date held 2,190 ordinary shares.

Options to acquire ordinary shares shown above comprise options under the executive share option scheme (1984), the executive share option scheme (1994) and the savings-related share option scheme (1981) (note 23).

Between 24 February 1996 and 15 April 1996 there have been no changes in the number of shares held by the directors.

Share bonuses awarded to directors under the executive incentive scheme (page 29) are included in the directors' interests shown above. The shares on allocation are held in trust and released to directors, after two years in the case of short term share bonuses or four years for long term share bonuses, both conditional on continuous service with the company.

Note 7 Interest

	1996 £m	1995 £m
Interest receivable and similar income on money market investments and deposits (a) (b) (e)	**63**	64
Deduct interest payable on:		
Short term bank loans and overdrafts repayable within five years	**(49)**	(48)
Finance charges payable on finance leases	**(9)**	(6)
9% convertible capital bonds 2005	**(8)**	(18)
4% unsecured deep discount loan stock 2006 (c)	**(7)**	(7)
E.C.S.C. loans 1996-1999 (d)	**(5)**	(4)
10⅜% bonds 2002	**(21)**	(21)
⅛% deep discount bonds 2012 (e)	**(23)**	(7)
8¾% bonds 2003	**(17)**	(17)
Interest capitalised	**33**	42
	(106)	(86)
	(43)	(22)

a) Included within interest receivable is an amount of £2m (1995 – £4m) representing the increase in value and surplus on disposal during the period of the call option against the Tesco PLC 10⅜% bonds 2002 (note 15).

b) At the year end the company held interest rate swaps with a notional principal amount of £445m (1995 – £495m). The substance of these agreements is to swap certain of the group's fixed rate borrowings into floating rate borrowings. The floating rates are reset every six months with reference to London Inter-Bank Offered Rates (LIBOR).

Swap agreements generated net income, included within interest receivable, as follows:

	1996 £m	1995 £m
Net cash income	**1**	8
Amortisation of prior year gains (note 16)	**5**	5
	6	13

The swap agreements outstanding at the year end will continue to generate net income (including the amortisation of prior year gains) provided six month LIBOR is broadly less than 8.1% over the next two years and 8.3% over the following four years.

c) Interest payable on the 4% unsecured deep discount loan stock 2006 includes £2m (1995 – £2m) of discount amortisation.

d) E.C.S.C. refers to the European Coal and Steel Community.

e) Interest payable on the ⅛% deep discount bonds 2012 includes £3m (1995 – £7m) of discount amortisation. The remaining charge to interest of £20m represents a loss on redemption of the ⅛% deep discount bonds (note 18). Gains on cancellation of the associated deposit and financing arrangement of £26m are included within interest receivable.

Note 8 Taxation

	1996 £m	1995 £m
United Kingdom taxation:		
Corporation tax at 33.0% (1995 – 33.0%)	**293**	177
Prior year items	**(14)**	(10)
Deferred taxation	**(73)**	(1)
	206	166
Overseas taxes	**3**	4
	209	170

Note 9 Dividends

	1996 £m	1995 £m
Declared interim – 3.05p per share (1995 – 2.70p)	**64**	55
Proposed final – 6.55p per share (1995 – 5.90p)	**142**	122
	206	177

Note 10 Earnings per share and fully diluted earnings per share

a) Earnings per share and fully diluted earnings per share excluding net loss on disposal of fixed assets have been calculated in addition to the disclosures required by SSAP3 as amended by FRS3 since, in the opinion of the directors, this will allow shareholders to identify the results of the trading operations of the business.

b) The calculation of earnings per share, including and excluding net loss on disposal of fixed assets, is based on the profit on ordinary activities after taxation and after minority interests divided by the weighted average number of ordinary shares in issue during the year of 2,095m (1995 – 2,009m).

c) The calculation of fully diluted earnings per share, including and excluding net loss on disposal of fixed assets, is based on the profit on ordinary activities after taxation and after adding:

i) the savings of interest net of corporation tax on the 9% convertible capital bonds assuming that they were converted in full into ordinary shares on the first day of the financial year.

ii) the interest income net of corporation tax which would have arisen had all the various ordinary share options granted under the company's various schemes been exercised on the first day of the financial year, or at the date granted if later, and the proceeds invested in 2½% Consolidated Stock on that day.

The amount so derived has been divided by the number of ordinary shares in issue at the beginning of the year together with the weighted average number of ordinary shares assumed to have been issued as indicated above.

Note 11 Tangible fixed assets

	Total land and buildings £m	Plant equipment fixtures & fittings and vehicles £m	Total £m
Cost			
At 25 February 1995	4,963	1,518	6,481
Reclassification (a)	(68)	–	(68)
Currency translation	5	9	14
Additions at cost (b)	407	242	649
Purchase of subsidiary undertakings	15	2	17
	5,322	1,771	7,093
Deduct disposals	62	32	94
At 24 February 1996	**5,260**	**1,739**	**6,999**
Depreciation and amortisation			
At 25 February 1995	397	880	1,277
Currency translation	1	7	8
Charge for period	116	169	285
	514	1,056	1,570
Deduct disposals	22	15	37
At 24 February 1996	**492**	**1,041**	**1,533**
Net book value (c) (d)			
At 24 February 1996	**4,768**	**698**	**5,466**
At 25 February 1995	4,566	638	5,204
Capital work in progress included above (e)			
At 24 February 1996	**110**	**18**	**128**
At 25 February 1995	91	21	112

Notes

a) Reclassification represents the transfer to stock of property identified for development and resale (note 13).

b) Includes £18m (1995 – £29m) in respect of interest capitalised net of tax relief of £9m (1995 – £13m) principally relating to land and building assets.

c) Net book value includes capitalised interest, net of tax relief, at 24 February 1996 of £266m (1995 – £264m).

Plant, equipment, fixtures and fittings and vehicles subject to finance leases included in net book value is:

	Cost £m	Depreciation £m	Net book value £m
At 25 February 1995	198	117	81
Movement in the period	4	21	(17)
At 24 February 1996	**202**	**138**	**64**

d) The net book value of land and buildings comprises:

	1996 £m	1995 £m
Freehold	**3,954**	3,852
Long leasehold – 50 years or more	**541**	522
Short leasehold – less than 50 years	**273**	192
At 24 February 1996	**4,768**	4,566

e) Capital work in progress does not include land.

Note 12 Fixed asset investments

	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
Subsidiary undertakings – shares at cost, less amounts written off (a)	–	–	**207**	449
Loans to group undertakings	–	–	**3,000**	3,000
Associated undertakings – at cost less provisions (b)	**5**	5	**5**	5
Own shares (c)	**12**	4	**12**	4
Other investments	**2**	1	–	–
	19	10	**3,224**	3,458

a) The company's principal operating subsidiary undertakings are:

	Business	Share of equity capital	Country of incorporation
Tesco Stores Limited	Food retail	100%	Registered in England
Tesco Property Holdings Limited	Property investment	100%	Registered in England
Tesco Insurance Limited	Insurance	100%	Guernsey
Tesco Stores Hong Kong Limited	Purchasing	100%	Hong Kong
Spen Hill Properties Limited	Property development	100%	Registered in England
Ets. Catteau S.A.	Food retail	100%	France
Global T.H.	Food retail	74%	Hungary
Tesco Distribution Limited	Distribution	100%	Registered in England
Savia S.A.	Food retail	96%	Poland

All subsidiary undertakings, none of which are owned directly by Tesco PLC, operate in their country of incorporation.

b) The group has one associated undertaking, Shopping Centres Limited, in which the group owns 50% of the allotted ordinary and preference share capital (1995 – 50%). The main activity of the company is property investment and it operates and is registered in England.

The net borrowings of the associated undertaking, as at 24 February 1996, were as follows:

	1996 £m	1995 £m
Cash and deposits	**18**	24
Term bank loan – repayable 1999	**(48)**	(48)
Debenture stock – repayable 2001	**(34)**	(33)
Other loans (£10m from group undertakings)	**(20)**	(20)
	(84)	(77)

There is no recourse to group companies in respect of the borrowings of the associated undertaking, apart from £2m (1995 – £2m) which has been guaranteed by Tesco PLC (note 28).

c) The company operates an employee share ownership plan whereby an employee trust acquires shares in the company for the benefit of group employees. The shares held by the trust at 24 February 1996 were acquired using funds guaranteed by Tesco PLC. Accordingly these shares are included in fixed asset investments and the associated debt included within group borrowings.

Note 13 Stocks

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Goods held for resale	**461**	415	**–**	–
Development property	**98**	–	**–**	–
	559	415	**–**	–

At 25 February 1995 tangible fixed assets included £68m in respect of property now identified for development and resale which was transferred to stock (note 11).

Development property includes capitalised interest at 24 February 1996 of £11m.

Note 14 Debtors

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Amounts owed by group undertakings	**–**	–	**830**	239
Prepayments and accrued income	**34**	34	**260**	245
Advance corporation tax recoverable	**3**	4	**3**	4
Other debtors	**43**	66	**–**	–
	80	104	**1,093**	488
Debtors falling due after one year included above:				
Advance corporation tax recoverable	**3**	4	**3**	4

Note 15 Investments

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Money market deposits (a)	**51**	128	**28**	98
Bonds and certificates of deposit (market value £3m, 1995 – £3m)	**3**	3	**3**	3
Money market investments and deposits	**54**	131	**31**	101

a) Included within money market deposits in 1995 was a call option amounting to £60m which was purchased on normal commercial terms and which gave the company the right to acquire £100m of the Tesco PLC 10⅜% bonds 2002. During the period this option was disposed for a consideration of £62m and the increase in value and surplus arising on disposal of £2m is included within interest receivable (note 7).

Note 16 Creditors falling due within one year

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Bank loans and overdrafts (a)	**241**	298	**776**	878
Trade creditors	**764**	723	**–**	–
Amounts owed to group undertakings	**–**	–	**561**	295
Other creditors	**288**	255	**26**	12
Corporation tax (b)	**259**	171	**67**	36
Other taxation and social security	**86**	68	**1**	1
Accruals and deferred income (c)	**128**	115	**8**	9
E.C.S.C. loans 1996	**74**	–	**–**	–
Finance leases (note 21)	**20**	29	**–**	–
Proposed final dividend	**142**	122	**142**	122
	2,002	1,781	**1,581**	1,353

a) Bank deposits at subsidiary undertakings of £675m (1995 – £614m) have been offset against borrowings in the parent company under a legal right of set-off.

b) The corporation tax liability represents the charge for the year after deducting tax relief for capitalised interest and advance corporation tax recoverable within one year.

c) A gain of £45m, realised in a prior year, on terminated interest rate swaps is being spread over the life of replacement swaps entered into at the same time for similar periods. Accruals and deferred income include £5m (1995 – £5m) attributable to these realised gains with £28m (1995 – £33m) being included in other creditors falling due after more than one year (note 18).

Note 17 Convertible capital bonds

During the period the convertible capital bonds were converted into fully paid 9% exchangeable redeemable preference shares in Tesco Capital Limited which were exchanged for fully paid ordinary shares in Tesco PLC at a price of £2.51 per ordinary share. Following the conversion 79,676,401 ordinary shares were issued (note 22).

Note 18 Other creditors falling due after more than one year

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
4% unsecured deep discount loan stock 2006 (a)	**77**	75	**77**	75
Finance leases (note 21)	**76**	76	**–**	–
10⅜% bonds 2002 (b)	**200**	200	**200**	200
⅛% deep discount bonds 2012 (c)	**–**	50	**–**	70
8¾% bonds 2003 (d)	**200**	200	**200**	200
E.C.S.C. loans 1998-1999	**8**	82	**8**	8
Other loans	**9**	5	**–**	–
	570	688	**485**	553
Amounts owed to group undertakings	**–**	–	**–**	200
Accruals and deferred income (note 16 (c))	**28**	33	**–**	–
	598	721	**485**	753

a) The 4% unsecured deep discount loan stock is redeemable at a par value of £125m in 2006.

b) The 10⅜% bonds are redeemable at a par value of £200m in 2002.

c) The ⅛% deep discount bonds were redeemed during the period together with the cancellation of the associated deposit and financing arrangement (note 7).

d) The 8¾% bonds are redeemable at a par value of £200m in 2003.

Note 19 Net borrowings

	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
Due within one year				
Bank and other loans	**315**	298	**776**	878
Finance leases	**20**	29	**–**	–
Due within one to two years				
Bank and other loans	**–**	74	**–**	–
Finance leases	**21**	17	**–**	–
Due within two to five years				
Bank and other loans	**8**	8	**8**	8
Finance leases	**44**	50	**–**	–
Due wholly or in part by instalments after five years				
Finance leases	**11**	9	**–**	–
Due otherwise than by instalments after five years				
Bank and other loans	**486**	530	**477**	545
Convertible capital bonds	**–**	200	**–**	–
Gross borrowings	**905**	1,215	**1,261**	1,431
Deduct:				
Cash at bank and in hand	**38**	44	**–**	–
Money market investments and deposits	**54**	131	**31**	101
Net borrowings	**813**	1,040	**1,230**	1,330

Note 20 Provisions for liabilities and charges

	Amount provided 1996 £m	Amount provided 1995 £m	Potential amount for deferred tax on all timing differences 1996 £m	Potential amount for deferred tax on all timing differences 1995 £m
Deferred taxation – group				
Excess capital allowances over depreciation	**10**	19	**259**	233
Capital gains deferred by rollover relief	**–**	–	**3**	12
Short term timing differences	**12**	74	**12**	74
	22	93	**274**	319

The amount provided for deferred taxation on short term timing differences has decreased as a result of a change in the tax legislation in respect of interest on corporate debt.

Deferred taxation balances in Tesco PLC relate to short term timing differences.

Where possible taxation on capital gains has been or will be deferred by rollover relief under the provisions of the Taxes Acts.

Note 21 Leasing commitments

a) Finance leases

The future minimum finance lease payments to which the group was committed at 24 February 1996 and which have been guaranteed by Tesco PLC are:

	£m
Gross rental obligations	**126**
Deduct finance charges allocated to future periods	**30**
	96

Net amounts payable are:	1996 £m	1995 £m
Within one year	**20**	29
Between one and five years	**65**	67
After five years	**11**	9
	96	105

b) Operating leases

Group commitments during the year to 22 February 1997 in terms of lease agreements expiring are as follows:

	1996 £m	1995 £m
Within one year	**4**	1
Between one and five years	**10**	8
After five years	**104**	91
	118	100

Note 22 Called up share capital

Authorised: £135,500,000 (1995 – £135,500,000)

Allotted, issued and fully paid:

	Ordinary shares of 5p each	
	Number	£m
Issued at 25 February 1995	2,058,244,207	103
Conversion of capital bonds (note 17)	79,676,401	4
Scrip dividend election	5,078,565	–
Share options exercised	11,507,026	1
Issued at 24 February 1996	**2,154,506,199**	**108**

Between 24 February 1996 and 15 April 1996, options on 27,529 ordinary shares and 151,837 ordinary shares have been exercised under the terms of the savings-related share option scheme (1981) and the executive share option scheme (1984) respectively.

As at 24 February 1996 the directors were authorised to purchase up to a maximum in aggregate of 215,450,619 ordinary shares.

Note 23 Share options

Company schemes

The company had three principal share option schemes in operation during the year:

i) The savings-related share option scheme (1981) permits the grant to employees of options in respect of ordinary shares linked to a building society/bank save-as-you-earn contract for a term of five years with contributions from employees of an amount between £10 and £250 per month. Options are capable of being exercised at the end of the five year period at a subscription price not less than 80% of the middle market quotation of an ordinary share immediately prior to the date of grant.

ii) The executive share option scheme (1984) permitted the grant of options in respect of ordinary shares to selected executives. The scheme expired after ten years on 9 November 1994. Options were generally exercisable between three and ten years from the date of grant at a subscription price determined by the Board but not less than the middle market quotation within the period of 30 days prior to the date of grant. Some options have been granted at a discount of 15% of the standard option price but the option holder may only take advantage of that discount if, in accordance with investor protection ABI guidelines, certain targets related to earnings per share are achieved.

iii) The executive share option scheme (1994) was adopted on 17 October 1994. The principal difference between the new scheme and the previous scheme is that the exercise of options will normally be conditional upon the achievement of a specified performance target related to the annual percentage growth in earnings per share over any three year period. There will be no discounted options granted under the new scheme.

The company has granted outstanding options in connection with the three schemes as follows:

Savings-related share option scheme (1981)

Date of grant	Number of executives and employees	Shares under option 24 Feb 96	Subscription price (pence)
24.05.91	5,366	4,395,163	220.0
24.10.91	6,128	6,721,803	204.0
29.10.92	8,877	11,696,807	174.0
22.10.93	10,494	11,830,961	161.0
26.10.94	15,572	15,148,110	185.0
27.10.95	21,911	15,694,735	250.0

Executive share option scheme (1984)

Date of grant	Number of executives	Shares under option 24 Feb 96	Subscription price (pence)
21.07.86	1	30,916	122.8
06.07.87	34	306,020	177.9
03.06.88	1	21,410	143.6
02.06.89	1	36,220	165.0
01.11.89	462	2,106,428	192.1
29.05.90	4	81,779	190.2
22.10.90	2	92,586	214.5
17.05.91	36	437,658	274.0
22.10.91	1	5,000	254.0
29.05.92	562	8,015,522	277.0
29.10.92	4	228,096	217.0
27.05.93	18	811,976	217.0
11.10.93	4	190,164	210.0
10.06.94	552	5,635,057	210.0
12.08.94	1	157,124	243.0
29.09.94	30	861,599	232.0

Note 23 Share options *continued*

Executive share option scheme (1994)

Date of grant	Number of executives	Shares under option 24 Feb 96	Subscription price (pence)
27.04.95	25	1,531,117	271.0
13.10.95	1,019	10,333,613	312.0

The subscription price and number of shares have been adjusted as a result of the rights issue in 1991 and the capitalisation issue in 1987 as appropriate.

Note 24 Reserves

	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
a) Share premium account				
At 25 February 1995	**1,152**	940	**1,152**	940
Acquisition of Wm Low & Company PLC	**–**	177	**–**	177
Conversion of capital bonds	**196**	–	**196**	–
Premium on issue of shares less costs	**21**	24	**21**	24
Scrip dividend election	**14**	11	**14**	11
At 24 February 1996	**1,383**	1,152	**1,383**	1,152
b) Other reserves				
At 24 February 1996 and 25 February 1995	**40**	40	**–**	–
c) Profit and loss account				
At 25 February 1995	**1,809**	1,671	**607**	557
Goodwill arising on acquisition of subsidiary undertakings	**(11)**	(65)	**–**	–
Loss on foreign currency translation	**(1)**	–	**–**	–
Retained profit for the financial year	**260**	203	**101**	50
At 24 February 1996	**2,057**	1,809	**708**	607

Other reserves comprise a merger reserve arising on the acquisition of Hillards plc in 1987.

In accordance with section 230 of the Companies Act 1985 a profit and loss account for Tesco PLC, whose result for the year is shown above, has not been presented in these accounts.

The cumulative goodwill written off against the reserves of the group as at 24 February 1996 amounted to £378m (1995 – £367m).

Note 25 Pension commitments

The group operates a funded defined benefit pension scheme for full-time employees, the assets of which are held as a segregated fund, administered by trustees.

The pension cost relating to the scheme is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial assessment of this scheme was at 5 April 1993. The assumptions which have the most significant effects on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries and pensions. It was assumed that the investment return would be 9% per annum with dividend growth of 4½% per annum, that salary increases would average 6½% per annum and that pensions would increase at the rate of 4% per annum.

At the date of the latest actuarial valuation, the market value of the scheme's assets was £480m and the actuarial value of these assets represented 111% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Benefit improvements to members have been agreed with the trustees which have resulted in an increased company cost. This increasing ongoing cost has been offset by the amortisation of the surplus as a level percentage of pay over nine years.

The pension cost of this scheme to the group was £34m (1995 – £29m).

The group also operates a defined contribution pension scheme for part-time employees which was introduced on 6 April 1988. The assets of the scheme are held separately from those of the group, being invested with an insurance company. The pension cost represents contributions payable by the group to the insurance company and amounted to £10m (1995 – £8m). There were no material amounts outstanding to the insurance company at the year end.

The group also operates defined contribution schemes in France. The contributions payable under these schemes of £2m (1995 – £1m) have been fully expensed against profits in the current year.

Note 26 Post-retirement benefits other than pensions

The company operates a scheme offering post-retirement healthcare benefits. The cost of providing for these benefits has been accounted for on a basis similar to that used for defined benefit pension schemes.

The liability as at 24 February 1996 of £10m, which was determined in accordance with the advice of qualified actuaries, is being spread forward over the service lives of relevant employees and £1m (1995 – £1m) has been charged to the profit and loss account. A provision of £3m (1995 – £2m) is being carried in the balance sheet. It is expected that payments will be tax deductible, at the company's tax rate, when made.

Note 27 Capital commitments

At 24 February 1996:

a) There were commitments for capital expenditure of £200m (1995 – £223m).

b) Capital expenditure authorised by the Board, but not contracted for, amounted to £380m (1995 – £248m).

Note 28 Contingent liabilities

Certain bank loans and overdraft facilities of associated undertakings have been guaranteed by Tesco PLC. At 24 February 1996, the amounts outstanding on these facilities were £2m (1995 – £2m).

Note 29 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £m	1995 £m
Operating profit	**724**	578
Depreciation and amortisation	**285**	247
Increase in goods held for resale	**(44)**	(105)
Increase in development property	**(24)**	–
Decrease/(increase) in debtors	**25**	(3)
Increase in trade creditors	**41**	111
Increase in other creditors	**40**	50
Miscellaneous items	**(1)**	(6)
Net cash inflow from operating activities	**1,046**	872

Note 30 Acquisitions

During the year the group acquired a controlling interest in the Polish food retailer Savia S.A. for £8m. In addition, the group paid £5m to increase its holding from 57% to 74% in the Hungarian food retailer Global T.H. and acquired a number of small businesses in France through Ets. Catteau S.A. for £17m.

All of the group's acquisitions have been accounted for using acquisition accounting.

There were no significant fair value adjustments and the acquisitions have been consolidated into the Tesco group balance sheet as follows:

	Fair value balance sheet £m
Fixed assets	17
Working capital	(1)
Net short term borrowings	–
Minority equity interests	3
Shareholders' funds	19
Goodwill	11
Total purchase consideration	30

The net outflow of cash and cash equivalents for the purchase of subsidiary undertakings is equal to the total purchase consideration of £30m.

Note 31 Analysis of changes in financing during the year

	Share capital (including premium) £m	Net other borrowings and finance lease obligations £m
At 25 February 1995	1,255	864
Cash inflow/(outflow) from financing	22	(11)
Conversion of capital bonds	200	(200)
Scrip dividend election	14	–
At 24 February 1996	**1,491**	**653**

Note 32 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1996 £m	1995 £m
Cash at bank and in hand	**38**	44
Money market investments and deposits	**54**	131
Bank loans and overdrafts	**(241)**	(298)
	(149)	(123)
Less: Deposits exceeding three months to maturity when acquired	**(11)**	(53)
	(160)	(176)

Note 33 Analysis of changes in cash and cash equivalents during the year

	1996 £m	1995 £m
At 25 February 1995	**(176)**	56
Net cash inflow/(outflow)	**16**	(232)
At 24 February 1996 (note 32)	**(160)**	(176)

DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 34 to 57 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 Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE SHAREHOLDERS OF TESCO PLC

We have audited the financial statements on pages 34 to 57 which have been prepared under the historical cost convention and the accounting policies set out on pages 38 and 39.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of affairs of the company and of the group as at 24 February 1996 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

Chartered Accountants
and Registered Auditors
London
15 April 1996

FIVE YEAR RECORD

Year ended February	1992 *(1)*	1993	1994	1995	1996
Financial statistics £m					
Turnover excluding VAT					
UK	7,097	7,581	8,347	9,655	**11,560**
Rest of Europe	–	–	253	446	**534**
	7,097	7,581	8,600	10,101	**12,094**
Operating profit *(2)*					
UK	434	496	513	600	**713**
Rest of Europe	–	–	8	17	**11**
	434	496	521	617	**724**
Operating margin *(3)*					
UK	6.1%	6.5%	6.1%	6.2%	**6.2%**
Rest of Europe	–	–	3.2%	3.8%	**2.1%**
Total group	6.1%	6.5%	6.1%	6.1%	**6.0%**
Net interest (payable)/receivable	66	31	7	(22)	**(43)**
Underlying profit *(4)*	500	527	528	595	**681**
Net margin *(3)*	7.0%	7.0%	6.1%	5.9%	**5.6%**
Wm Low integration costs	–	–	–	(39)	**–**
Net (loss)/surplus on disposal of fixed assets *(5)*	1	(2)	(93)	(5)	**(6)**
Profit before taxation	501	525	435	551	**675**
Taxation	(150)	(163)	(136)	(170)	**(209)**
Profit after taxation	351	362	299	381	**466**
Underlying fully diluted earnings per share *(4)*	17.8p	18.3p	18.8p	20.1p	**21.9p**
Earnings per share	18.1p	18.6p	15.2p	18.9p	**22.2p**
Dividends per share	6.30p	7.10p	7.75p	8.60p	**9.60p**
Net worth – £m *(6)*	2,410	2,693	2,749	3,104	**3,588**
Return on shareholders' funds *(7)*	22.1%	20.7%	19.4%	20.3%	**20.4%**
Return on capital employed *(8)*	17.7%	16.7%	15.7%	16.2%	**16.9%**
Net assets per share *(9)*	124p	138p	140p	151p	**167p**
UK food retail productivity £					
Turnover per employee *(10)*	119,246	130,612	138,658	140,842	**143,335**
Profit per employee *(10)*	7,292	8,545	8,522	8,752	**8,841**
Wages per employee *(10)*	12,250	13,172	13,922	13,941	**13,948**
Weekly sales per sq ft *(11&12)*	15.47	15.69	16.37	17.00	**18.31**
UK food retail statistics					
Market share in food & drink shops *(13)*	10.2%	10.4%	10.7%	12.0%	**13.6%**
Number of stores	396	412	430	519	**545**
Total sales area – '000 sq ft *(12)*	9,661	10,352	11,006	12,641	**13,397**
Sales area opened in year – '000 sq ft	889	859	790	830	**685**
Average store size (sales area) – sq ft *(14)*	24,400	25,200	25,700	24,900	**25,600**
Average sales area of stores opened in year – sq ft *(14)*	35,500	35,400	33,100	28,200	**30,700**
Full-time equivalent employees *(15)*	59,519	58,046	60,199	68,552	**80,650**
Share price – pence					
Highest	296	293	260	255	**338**
Lowest	207	197.5	179	202	**245**
Year end	271	235	223.5	252	**271**

Notes

1 53 week period.

2 Depreciation of freehold and long leasehold buildings was introduced with effect from 1993/94. In order to compar profits, earnings per share and returns o a consistent basis, a notional charge has been calculated as if buildings depreciati had been introduced from 1991/92.

3 Based upon turnover exclusive of VAT.

4 Underlying profit and fully diluted earn per share is after charging notional build depreciation and excludes net (loss)/sur on disposal of fixed assets and Wm Low integration costs.

5 Net (loss)/surplus on the disposal of fixe assets for 1994 includes £85m in respect of the write down of surplus developme sites to their estimated net realisable val

6 Total shareholders' funds at the year end

7 Underlying profit divided by weighted average shareholders' funds.

8 Operating profit divided by average capital employed.

9 Based on number of shares at year end.

10 Based on turnover exclusive of VAT, operating profit and total staff cost per full-time equivalent employee.

11 Based on weighted average sales area and turnover inclusive of VAT.

12 Store sizes exclude lobby and restaurant areas.

13 Based on Tesco food, grocery, non-foo and drink sales and Institute of Grocery Distribution/Department of Trade and Industry data for the year to the previou December. The figures have all been restated following a change in the IGD market definition. The figures for 1995 and 1996 are estimated.

14 Average store sizes exclude Metro and Express stores.

15 Based on average number of full-time equivalent employees in the United Kingdom.

INVESTORS' INFORMATION

Shareholder profile as at 24 February 1996	Number of shareholders	Percentage of number of shareholders	Number of ordinary shares	Percentage of ordinary shares
Analysis by type of shareholder				
Employees	43,624	30.76	55,290,187	2.56
Other individuals	78,506	55.36	187,575,419	8.71
Corporate institutions	19,691	13.88	1,911,640,593	88.73
	141,821	100.00	2,154,506,199	100.00
Analysis by size of shareholding				
1 – 1,000	83,888	59.15	19,903,554	0.92
1,001 – 10,000	51,943	36.62	149,422,950	6.94
10,001 – 100,000	4,733	3.34	121,123,701	5.62
100,001 – 1,000,000	950	0.67	314,391,547	14.59
Above 1,000,000	307	0.22	1,549,664,447	71.93
	141,821	100.00	2,154,506,199	100.00

Corporate institutions such as banks, insurance companies and pension funds represent many thousands of people through their accounts, policies, and memberships and therefore the company works in the interest of a rich variety of investors.

Secretary and Registered Office
Rowley Ager, Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL. Telephone 01992 632222.

Registrar
Administrative enquiries about the holding of Tesco shares (other than ADRs) should be directed in the first instance to the Registrar whose address is: Lloyds Bank Registrars, The Causeway, Worthing, West Sussex, BN99 6DA. Telephone 01903 833412.

Amalgamation of accounts
Shareholders who receive duplicate sets of company mailings owing to multiple accounts in their name should write to Lloyds Bank Registrars to have their accounts amalgamated.

Low cost dealing
The company has arranged a low cost postal share dealing service through Lloyds Bank Registrars in conjunction with the company's brokers, UBS Limited. For details and a dealing form please telephone 01903 833372.

Unsolicited mail
The company is obliged by law to make its share register available to other organisations who may then use it for a mailing list. If you wish to limit the receipt of unsolicited mail you may do so by writing to: The Mailing Preference Service (MPS), Freepost 22, London W1E 7EZ. MPS will then notify the bodies which support its service that you do not wish to receive unsolicited mail.

Corporate personal equity plans (PEPs)
Both a General PEP and Single Company PEP have been available since 1992.

They enable investors to receive dividends on the shares held in the plans free of income tax, to re-invest dividends in the plans to increase the shareholding, and to sell the shares in the plans without liability for capital gains tax.

If you wish to receive a brochure explaining these schemes, please contact: The Plan Manager, Bradford and Bingley (PEPs) Limited, P.O. Box 50, Main Street, Bingley, West Yorkshire, BD16 2LW. Telephone 01274 555677. Bradford and Bingley (PEPs) Limited is regulated by the Personal Investment Authority.

Tesco share price line
Up-to-the-minute share price and company information can be obtained by calling 0891 121200 (calls from within the UK cost 39p per minute reduced rate and 49p per minute at other times).

Annual General Meeting
The Annual General Meeting will be held at the New Connaught Rooms, 61-65 Great Queen Street, London, WC2B 5DA on Friday 7 June 1996 at 11.00 am. The full Notice of Meeting and proxy card accompany this report.

Financial diary	1996	1997
Trading statement	17 January	Mid January
Year end	24 February	22 February
Results announced	16 April	Mid April
Ex-dividend date for final dividend	22 April	Late April
Annual Report posted	7 May	May
AGM	7 June	June
Final dividend pay date	1 July	Early July
Half year end	10 August	9 August
Interim results announced	17 September	Late September
Ex-dividend date for interim dividend	25 September	Late September
Interim dividend pay date	2 December	Early December
Interest paid		
10⅜% Bonds (2002)	29 January	28 January
4% Deep discount loan stock (2006)	31 January	31 January
	31 July	31 July
8¾% Bonds (2003)	20 February	20 February

Scrip dividend
The company currently offers shareholders the option to receive ordinary shares in lieu of cash dividends. The necessary forms will be sent to individual shareholders by the Registrars. Those shareholders who have already elected to take the scrip dividend alternative and wish to continue to do so need take no further action.

Capital gains tax
For the purpose of UK capital gains tax the market value of the company's ordinary shares on 31 March 1982 was 63p after adjustment for the rights issue in 1985, the capitalisation issue in 1987, and the rights issue in 1991.

CREST – share settlement system
This new share and other security settlement system is being developed by the Bank of England and is expected to replace the existing system in 1996. The new system will enable shareholders to hold and transfer shares and securities in electronic form, thereby reducing the need to hold share certificates. Shareholders and their brokers will be able to complete share transactions in electronic form once membership of CREST is obtained.

As the membership system is voluntary, shareholders not wishing to participate can continue to hold their own share certificates.

The Board of Tesco has passed a resolution joining the scheme and this will enable them to make the ordinary shares available for settlement in CREST. The statutory notice and CREST leaflet for shareholders accompany this report.

US dealing facility
Tesco American Depositary Receipts (ADRs) are traded over the counter through the Pink Sheets and Electronic Bulletin Board.

One ADR represents one ordinary share in Tesco PLC. For enquiries on the ADR service please contact our representatives at the Bank of New York by dialling toll free 1(800) 524 4458 or writing to: ADR Division, The Bank of New York, 101 Barclay Street, 22nd Floor, New York, NY 10286.

A guide to Tesco PLC financial statements
The company has prepared a booklet to aid understanding of the financial statements included within the Tesco PLC Annual Report and Accounts. If you would like a free copy of this booklet please contact the Investor Relations Department at the address shown below.

Annual Report on Internet
The 1995 and 1996 Tesco PLC Annual Reports are available via the Internet at http://www.tesco.co.uk/

Investor relations
For investor enquiries please contact: Investor Relations Department, Tesco PLC, Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL. Telephone number 01992 646484. Fax number 01992 644839.

STORE LOCATIONS

England
Abingdon
Aldershot
Altrincham
Amersham
Andover
Andover *Metro*
Ashby de la Zouch
Ashford (2)
Atherton
Aylesbury (2)
Baldock
Banbury
Bar Hill
Barking
Barnes *Express*
Barnsley
Barnstaple
Barrow-in-Furness
Basildon (3)
Basingstoke
Batley
Beckenham
Bedford (2)
Bedworth
Berkhamsted
Bethnal Green
Bexhill
Bicester (2)
Bidston Moss
Birkenhead
Bishop's Stortford
Blackburn
Blackburn *Metro*
Blackpool
Blandford Forum
Bognor Regis
Bootle
Borehamwood
Boston
Bournemouth
Brackley
Bracknell (2)
Bradford
Braintree
Brent Cross
Bridlington
Brighouse
Bristol (5)
Bristol *Metro*
Brixton
Broadstairs
Bromley-by-Bow
Buckingham
Burgess Hill (2)
Burton-on-Trent
Bury
Camborne
Cambridge
Canary Wharf *Metro*
Carlisle (2)
Castle Bromwich
Catford
Chatham
Cheam *Express*
Chelmsford (2)
Cheltenham (2)
Cheshunt (2)
Chester
Chesterfield
Chichester (2)
Chorley
Cirencester (2)
Clacton-on-Sea
Cleckheaton
Cleethorpes
Clevedon
Cleveleys
Clitheroe
Colchester (2)
Colney Hatch
Consett
Cosham
Covent Garden *Metro*
Coventry (3)
Crawley
Crossgates
Deal
Derby (2)
Devizes
Didcot
Doncaster (2)
Dorchester
Dover
Driffield
Dudley
Dunstable
Ealing
East Dereham
East Didsbury
East Molesey
Eastbourne (2)
Eastleigh
Edgbaston
Edgware
Edmonton (2)
Egham
Elephant & Castle *Metro*
Ely (2)
Enfield *Express*
Epping
Evesham
Exeter (2)
Exmouth
Falmouth
Faversham
Felixstowe
Feltham (2)
Ferndown
Finchley
Flitwick
Folkestone
Formby
Garforth
Gateshead (2)
Gatwick
Gillingham
Glossop
Goodge Street
Goodmayes
Goole
Gravesend
Great Dunmow
Great Yarmouth
Greenford
Guildford
Hackney
Halifax
Hammersmith
Hammersmith *Metro*
Handforth
Hanley
Harlow (3)
Harrow (2)
Hartlepool
Hastings
Hatfield
Havant
Hayes
Helston
Hemel Hempstead
Hendon
Henley-on-Thames
Hereford (2)
Hertford
Heswall
High Wycombe (2)
Honiton
Hornchurch
Horsham
Horwich
Hounslow
Huddersfield
Hull
Huntingdon (2)
Hyde
Hythe
Ilkley
Ilkeston
Ipswich (2)
Irlam
Ivybridge
Jesmond
Kettering
Kidlington
King's Lynn
Knowle
Launceston
Leamington Spa *Metro*
Leatherhead
Leeds
Leicester (2)
Leighton Buzzard
Lewes
Lewisham
Lewisham *Express*
Leyton
Lichfield
Lincoln (2)
Littlehampton
Liverpool (3)
Liverpool *Metro*
Loughborough (2)
Lowestoft (2)
Luton
Lymington
Macclesfield (2)
Maidenhead
Maidstone (3)
Maldon
Mansfield (2)
Margate
Market Harborough
Martlesham
Meir
Melton Mowbray
Mexborough
Middleton
Midsomer Norton
Milton Keynes (3)
Mitcham
Morecambe
Neasden
Neston
New Addington
New Malden
New Milton
Newbury
Newbury *Metro*
Newcastle-upon-Tyne
Newmarket
Newton Abbot
Norbury *Express*
Northallerton
Northampton (2)
Northenden
Northfield
Northwich
Norwich (2)
Norwich *Metro*
Notting Hill *Metro*
Nottingham (3)
Oadby
Oldham
Ongar *Express*
Ormskirk
Osterley
Oxford (2)
Oxford Street *Metro*
Paddington
Paignton
Palmers Green
Penzance
Peterborough
Plymouth (2)
Ponders End
Pontefract
Poole (4)
Portslade
Portsmouth (2)
Potters Bar
Preston *Metro*
Prestwich
Purley
Quedgeley
Rainham (Essex)
Rainham (Kent)
Ramsgate
Rayleigh
Reading
Redditch (2)
Redruth
Rickmansworth
Richmond *Metro*
Rochdale
Romford (3)
Rotherham
Royston
Rugby
Runcorn
Ryde
Saffron Walden
Sale
Salford
Salisbury (2)
Sandhurst
Scarborough (2)
Scunthorpe
Selby
Sevenoaks
Sheerness (2)
Sheffield (3)
Shoreham
Shrewsbury
Sidcup
Skipton
Sleaford
Slough
Smethwick
Solihull
South Tottenham
Southampton (3)
Southend
Southport
Southsea
Southwark
Spalding
St Albans
St Austell
St Neots
Stafford
Stamford
Stevenage
Stockport
Stoke-on-Trent
Stourport
Stowmarket
Stratford-upon-Avon
Street
Stretford
Strood
Stroud
Stroud Green
Sudbury
Sunbury
Sunderland *Metro*
Surrey Quays
Sutton
Sutton Coldfield
Swindon
Swindon *Metro*
Teddington
Telford
Tewkesbury
Thetford
Thirsk
Thornbury
Thornton Heath
Tiverton
Trowbridge
Truro
Tunbridge Wells
Twickenham
Uckfield
Upton Park
Uttoxeter
Uxbridge
Victoria
Walkden
Walsall (2)
Walthamstow *Express*
Wandsworth
Ware (2)
Waterlooville
Watford
Welling
Wellingborough (2)
Wells
West Bromwich
West Durrington
West Malling
West Thurrock
Weston super Mare
Weybridge
Weymouth
Whitchurch
Whitehaven
Whitstable
Whitton
Winchester
Winchmore Hill *Express*
Windsor
Winton
Wisbech
Witham
Wokingham
Wolverhampton *Metro*
Worcester (2)
Workington (2)
Worksop
Yate (2)
Yeading
Yeovil
Yiewsley
York (2)

Scotland
Aberdeen
Aberdeen *Metro*
Ayr
Banff
Bathgate
Blairgowrie
Bo'ness
Campbeltown
Carnoustie
Coatbridge
Craigmarloch
Cumbernauld
Dalgety Bay
Dalkeith
Dingwall
Dumfries
Dunbar
Dunblane
Dundee (3)
Edinburgh
Edinburgh *Metro*
Elgin
Falkirk (2)
Forfar
Forres
Fort William
Glasgow
Glasgow *Metro*
Grangemouth
Greenock (2)
Haddington
Helensburgh
Inverness
Inverurie
Irvine
Keith
Kilmarnock (2)
Kirkcaldy (2)
Kirkintilloch
Kirriemuir
Lanark
Linlithgow
Milngavie
Monifieth
Montrose
Oban
Perth (4)
Renfrew
Rosyth
Saltcoats
St Andrews *Metro*
Stirling
Stranraer
Westerhailes
Wishaw

Wales
Aberdare
Abergavenny
Barry
Blackwood
Bridgend (2)
Caernarfon
Caerphilly
Cardiff (3)
Cardiff *Metro*
Cardigan
Carmarthen
Ebbw Vale
Haverfordwest
Llanelli
Merthyr Tydfil
Mold
Neath
Newport
Penarth
Pontypool
Pontypridd
Port Talbot
Shotton
Swansea (3)
Talbot Green
Tredegar
Wrexham

France
Aire-sur-la-Lys (2)
Aix-Noulette
Amiens
Aniche
Arques
Arras
Aubigny-au-Bac
Aubigny-en-Artois
Auchel (2)
Auchy-les-Mines
Audruicq
Autingues
Avesnes-le-Comte
Avion
Baisieux
Bapaume
Barlin
Beaurains
Beaurainville
Bethune (4)
Beuvry
Billy-Montigny
Boismont
Bray Dunes
Bruay (2)
Bully-les-Mines
Caestre
Calais
Calais Tesco Vin Plus
Cauchy-a-la-Tour
Chaulnes
Cergy-Pontoise
Chauny
Clamart
Corbie
Crecy-en-Ponthieu
Divion
Eperlecques
Eragny-sur-Oise
Essars
Estrée-Blanche
Étaples
Feuquières-en-Vimeu
Flines-les-Raches
Frevent
Friville-en-Escabotin
Gamaches
Gravelines
Guines
Halluin
Hazebrouck
Henin-Beaumont
Hersin Coupigny
Hondschoote
Houdain
Hoymille
Le Portel
Lens (2)
Le Touquet
Lieu-Saint-Amand
Lievin
Lille (2)
Lillers (2)
Limay
Linselles
Longfosse
Longuenesse
Loos-en-Gohelle
Loos-lez-Lille
Marquette-lez-Lille
Mericourt
Merville
Montigny-en-Gohelle
Montreuil
Neuville-en-Ferrain
Ostricourt
Oye-Plage
Quesnoy-sur-Deule
Racquinghem
Raimbeaucourt
Rang-du-Fliers
Sailly-sur-la-Lys
Somain
Saint-Martin-au-Laert
Saint-Omer
St-Pol-sur-Ternoise
Saint-Venant
Steenvoorde
Thérouanne
Thumeries
Tourcoing (2)
Vendin-le-Vieil
Villeneuve-d'Ascq
Villers-Bocage
Violaines
Wambrechies
Wattignies
Waziers
Wizernes

Franchises
Boulogne-sur-Mer
Houplines
Laventie
Lumbres
Oisemont

Hungary
Györ (21)
Levél
Mosonmagyaróvár (7)
Sopron (15)
Szombathely

Poland
Andrychów (2)
Bielsko-Biała (8)
Cieszyn (2)
Kęty (5)
Oświęcim (4)
Skoczuw (3)
Sucha Beskidzka (3)
Ustrón
Wadowice (4)
Zywiec (4)

We would like to thank the following customers and supplie[rs] who are pictured in this report:

Mr and Mrs Heald and baby Harriet (customers)

Miss Milsted (supplier)

Mr Ellis (supplier)

Mr Pile (customer)

Mrs Hall (supplier)

Mr Billing (supplier)

Mr Barnham (customer)

Miss Knight (supplier)
Miss Komodromos (supplier)

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Designed by Tor Pettersen & Partners

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