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# TESCO PLC

Annual Report and Accounts 1994

449 790



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# 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 26 February 1994.

**Principal Activity and Business Review** The principal activity of the group is the operation of food stores and associated activities within the United Kingdom and, following the acquisition of Ets. Catteau S.A. in May 1993, France. A review of the business is contained on pages 5 to 23.

**Group Results** Group turnover excluding VAT increased by £1,018.4m to £8,599.9m, representing an increase of 13.4%.

Group profit on ordinary activities before taxation for the year was £435.5m compared with £558.0m for the previous year.

The amount allocated to the employee profit sharing scheme this year was £22.6m compared with £25.5m for last year.

After provision for tax of £136.7m and dividends, paid and proposed, of £152.1m, profit retained for the financial year amounted to £146.1m.

**Dividends** The directors recommend the payment of a final dividend of 5.30p per ordinary share to be paid on 1 July 1994 to members on the Register at the close of business on 6 May 1994. An interim dividend of 2.45p per share was paid in November 1993 making a total for the year of 7.75p (1993 – 7.10p).

**Corporate Governance** The company has complied with all the provisions of the Cadbury Committee's Code of Best Practice, with the exception of the provisions relating to the reports by directors on internal control and going concern where the necessary institutional guidance has yet to be developed. The company's auditors, Price Waterhouse, have reviewed our compliance with the specific matters in the Code which the Cadbury Committee recommended that the auditors should review. They have reported to the Board that they are of the opinion that it is appropriate for the directors to make the statement that the company complies with those aspects of the Code.

The Board of Tesco PLC includes five independent non-executive directors, one former executive director and nine executive directors. The full Board meets on a monthly basis; day-to-day and operational control is in the hands of the Executive Committee, comprising the executive directors, which meets formally every week. A formal schedule of matters reserved for the decision of the full Board covers key aspects of the group's affairs including 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 company has an Audit Committee, chaired by John Padovan, whose terms of reference cover the points recommended by the Code. The Committee consists entirely of non-executive directors.

The Remuneration Committee, chaired by Baroness O'Cathain, has responsibility for approving the remuneration and other benefits, including the executive incentive scheme, of the executive directors.

The assets of the pension funds established for the benefit of the group's employees are held separately from those of the group. The full-time employee scheme is managed by Trustees and the part-time scheme is managed by the Equitable Life Assurance Company. The Trustees of the full-

# Directors' report continued

time scheme include five executive directors, two senior managers, and three members appointed from staff and pensioners. The assets of the fund are independently managed and there is no self investment in either shares of, or property occupied by, the Tesco group.

The Board remains committed to ensuring that proper standards of corporate governance are operating in the group and will keep procedures under review as the Code develops.

**Tangible Fixed Assets** Capital expenditure amounted to £779m compared with £653m during the previous year.

A summary of the changes in fixed assets is shown in note 11 to the financial statements. The directors are of the opinion that the properties of the group have a market value in excess of the book value of £3,888m included within these accounts.

**Share Capital** The authorised and issued share capital of the company, together with details of the shares issued during the period, are shown in notes 21 and 22 on pages 46 and 47.

**Company's Shareholders** An analysis of the company's shareholders is shown on page 57. So far as the company is aware at the date of this report Prudential Corporation, for itself and others, holds interests in 86,506,023 ordinary shares (4.4%). The company is not aware of any other interests in its ordinary shares of 3% or more.

**Directors and their Interests** The names of the present directors together with their biographical details are set out on pages 24 and 25.

Mr D E Reid, Mr J M Wemms, Mr J A Gardiner and Baroness O'Cathain retire from the Board by rotation in accordance with the company's Articles of Association and, being eligible, offer themselves for re-election.

Mr J A Gardiner was appointed a Deputy Chairman on 22 November 1993.

The service contracts of Mr D E Reid and Mr J M Wemms are terminable on three years' notice from the company. Mr J A Gardiner and Baroness O'Cathain do not have service contracts of more than one year's duration.

The interests of directors and their immediate families in the shares of Tesco PLC and details of directors' share options are set out in note 23 on pages 47 to 49.

None of the directors had any material interest, at any time during the year, in any contract of significance with the company or any of its subsidiaries.

**Directors' and Officers' Liability Insurance** During the financial year ended 26 February 1994 the company had directors' and officers' liability insurance in force.

**Employment Policies** The ability of the group to achieve its objectives is dependent upon the contribution of employees throughout the group with employees being actively encouraged to increase their contribution wherever they are working.

The provision of first class service to customers is a key business priority which is supported by ongoing training programmes that focus on ensuring our employees understand our customer service objectives and strive to achieve them.

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

Internal communications, which include a staff magazine, videos and staff briefing sessions are designed to ensure that employees are well informed about the business of the group. Research of staff attitudes is carried out frequently through surveys and store visits so we can respond positively to their needs.

Employees are encouraged to become involved in the financial performance of the group through a variety of schemes. The principal schemes are 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 known as The Tesco Employee Trust with Barclays Private Bank & Trust (Isle of Man) Limited as the trustee. The principal role of the trust is to purchase shares in order to satisfy the company's profit sharing scheme requirements.

**Political and Charitable Donations** Contributions to charity via the Tesco Charity Trust and to community projects amounted to £285,000 (1993 – £278,000). 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 the end of the period 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 ordinary and special business to be considered at the Annual General Meeting on 20 May 1994.

This report was approved by the Board on 11 April 1994.

By Order of the Board  
Rowley Ager  
Secretary  
11 April 1994



Tesco PLC  
Registered Number:  
445790



# Group profit and loss account

|  |             | 1994           | 1993           |
|--|-------------|----------------|----------------|
|  |             |                | (Restated)     |
| <i>52 weeks ended 26 February 1994</i>   | <i>Note</i> | <i>£m</i>      | <i>£m</i>      |
| Sales at net selling prices  |             |                |                |
| Continuing operations  |             | 8,966.5        | 8,128.5        |
| Acquisitions   |             | 280.2          | —              |
|  |             | 9,246.7        | 8,128.5        |
| Value added tax  |             | 646.8          | 547.0          |
| Turnover excluding value added tax   | 1           |                |                |
| Continuing operations  |             | 8,347.1        | 7,581.5        |
| Acquisitions   |             | 252.8          | —              |
|  |             | 8,599.9        | 7,581.5        |
| Cost of sales  | 2 & 4       | 7,878.0        | 6,871.9        |
| Gross profit   |             | 721.9          | 709.6          |
| Administration expenses  | 2           | 178.1          | 155.3          |
| Employee profit sharing  | 3           | 22.6           | 25.5           |
| Operating profit   | 1, 4 & 5    |                |                |
| Continuing operations  |             | 513.0          | 528.8          |
| Acquisitions   |             | 8.2            | —              |
|  |             | 521.2          | 528.8          |
| Net loss on disposal of properties   | 4           | (92.9)         | (2.3)          |
| Interest receivable less payable   | 7           | 7.2            | 31.5           |
| Profit on ordinary activities before taxation                                      |             |                |                |
| Profit before loss on disposal of properties                                       |             | 528.4          | 560.3          |
| Net loss on disposal of properties   |             | (92.9)         | (2.3)          |
|  |             | 435.5          | 558.0          |
| Tax on profit on ordinary activities   | 8           | 136.7          | 163.3          |
| Profit on ordinary activities after taxation                                       |             | 298.8          | 394.7          |
| Minority interests   |             | 0.6            | —              |
| Profit for the financial year  |             | 298.2          | 394.7          |
| Dividends  | 9           | 152.1          | 138.7          |
| Retained profit for the financial year   | 24          | 146.1          | 256.0          |
| Earnings per share   | 10          | pence<br>15.22 | pence<br>20.28 |
| Adjustment for loss on disposal of properties after taxation                       |             | 4.05           | 0.12           |
| Adjusted earnings per share excluding loss on disposal of properties               | 10          | 19.27          | 20.40          |
| Fully diluted earnings per share   | 10          | 15.06          | 19.78          |
| Adjustment for loss on disposal of properties after taxation                       |             | 3.74           | 0.11           |
| Adjusted fully diluted earnings per share excluding loss on disposal of properties | 10          | 18.80          | 19.89          |
| Dividends per share  | 9           | 7.75           | 7.10           |

Accounting policies and notes forming part of these financial statements are on pages 34 to 53.  
All group operations for the financial period are continuing.

# Statement of total recognised gains and losses

|  | Note | Group      |       | Company |      |
|--|------|------------|-------|---------|------|
|  |      | 1994       | 1993  | 1994    | 1993 |
|  |      | (Restated) |       |         |      |
|  |      | £m         | £m    | £m      | £m   |
| <i>52 weeks ended 26 February 1994</i>                           |      |            |       |         |      |
| Retained profit for the financial year                           |      | 146.1      | 256.0 | 44.1    | 10.1 |
| Gain on foreign currency translation                             |      | 1.5        | 0.2   | —       | —    |
| Total recognised gains and losses relating to the financial year |      | 147.6      | 256.2 | 44.1    | 10.1 |
| Prior period adjustment  | \$   | (59.4)     |       |         |      |
| Total gains and losses recognised since last Annual Report       |      | 88.2       |       |         |      |

## Reconciliation of movements in shareholders' funds

|  |      | Group   |            | Company |         |
|--|------|---------|------------|---------|---------|
|  |      | 1994    | 1993       | 1994    | 1993    |
|  |      |         | (Restated) |         |         |
| 52 weeks ended 26 February 1994                | Note | £m      | £m         | £m      | £m      |
| Profit for the financial year                  |      | 298.2   | 394.7      | 196.2   | 148.8   |
| Dividends                                      |      | 152.1   | 138.7      | 152.1   | 138.7   |
|  |      | 146.1   | 256.0      | 44.1    | 10.1    |
| Gain on foreign currency translation           |      | 1.5     | 0.2        | —       | —       |
| New share capital subscribed less expenses     |      | 8.3     | 20.7       | 8.3     | 20.7    |
| Payment of dividends by shares in lieu of cash |      | 7.7     | 6.1        | 7.7     | 6.1     |
| Goodwill arising on acquisition                |      | (108.3) | —          | —       | —       |
| Net addition to shareholders' funds            |      | 55.3    | 283.0      | 60.1    | 36.9    |
| Shareholders' funds at 27 February 1993        |      |         |            |         |         |
| restated for prior period adjustment           | \$   | 2,693.5 | 2,410.5    | 1,535.1 | 1,498.2 |
| Shareholders' funds at 26 February 1994        |      | 2,748.8 | 2,693.5    | 1,595.2 | 1,535.1 |

Accounting policies and notes forming part of these financial statements are on pages 34 to 53.



# Balance-sheets

|   |    | Group   |                    | Company |         |
|---|----|---------|--------------------|---------|---------|
|   |    | 1994    | 1993<br>(Restated) | 1994    | 1993    |
|   |    | £m      | £m                 | £m      | £m      |
| <b>26 February 1994</b>                       |    |         |                    |         |         |
| <b>Fixed Assets</b>                           |    |         |                    |         |         |
| Tangible assets                               | 01 | 4,440.6 | 3,974.3            | -       | -       |
| Investments                                   | 12 | 5.1     | 5.8                | 197.3   | 20.4    |
|   |    | 4,445.7 | 3,980.1            | 197.3   | 20.4    |
| <b>Debtors</b>                                |    |         |                    |         |         |
| Amounts falling due after more than one year  | 19 | 1.8     | 2.6                | 2,751.8 | 2,050.0 |
| <b>Current Assets</b>                         |    |         |                    |         |         |
| Stocks (goods for resale)                     |    | 287.0   | 240.0              | -       | -       |
| Debtors                                       | 13 | 90.5    | 46.8               | 363.8   | 139.4   |
| Money market investments and deposits         | 04 | 93.9    | 232.6              | 80.4    | 228.1   |
| Cash at bank and on hand                      |    | 47.4    | -                  | -       | -       |
|   |    | 523.8   | 525.4              | 444.2   | 367.5   |
| <b>Creditors</b>                              |    |         |                    |         |         |
| Amounts falling due within one year           | 14 | 1,235.9 | 1,035.7            | 930.6   | 371.7   |
|   |    | (712.1) | (630.9)            | (546.4) | (4.2)   |
| <b>Net current liabilities</b>                |    |         |                    |         |         |
|   |    | 3,735.6 | 3,412.0            | 2,402.7 | 2,066.2 |
| <b>Total assets less current liabilities</b>  |    |         |                    |         |         |
|   |    |         |                    |         |         |
| <b>Creditors</b>                              |    |         |                    |         |         |
| Amounts falling due after more than one year  | 16 | 890.0   | 649.7              | 741.4   | 527.5   |
| <b>Provisions for liabilities and charges</b> | 17 | 94.0    | 78.8               | 66.1    | 3.6     |
|   |    | 2,751.6 | 2,693.5            | 1,595.2 | 1,535.1 |
| <b>Capital and Reserves</b>                   |    |         |                    |         |         |
| Called up share capital                       | 21 | 98.2    | 97.8               | 98.2    | 97.8    |
| Share premium account                         | 24 | 939.9   | 924.3              | 939.9   | 924.3   |
| Other reserves                                | 23 | 30.6    | 39.6               | -       | -       |
| Profit and loss account                       | 24 | 1,671.1 | 1,631.8            | 557.1   | 513.0   |
|   |    | 2,748.8 | 2,693.5            | 1,595.2 | 1,535.1 |
| Minority interests                            |    | 2.8     | -                  | -       | -       |
|   |    | 2,751.6 | 2,693.5            | 1,595.2 | 1,535.1 |

Sir Ian MacLaurin

D E Reid C A

Directors

Financial Statements approved by the Directors on 11 April 1994

Accounting policies and notes forming part of these financial statements are on pages 34 to 53

## Group cash flow statement

|   |      | 1994    | 1993       |
|---|------|---------|------------|
|   |      |         | (Restated) |
| 52 weeks ended 26 February 1994                                       | Note | £m      | £m         |
| Net cash inflow from operating activities                             | 29   | 821.4   | 639.4      |
| Returns on investments and servicing of finance                       |      |         |            |
| Interest received   |      | 97.9    | 89.1       |
| Interest paid   |      | (95.5)  | (117.3)    |
| Interest element of finance lease rental payments                     |      | (7.4)   | (8.0)      |
| Dividends paid  |      | (135.2) | (121.1)    |
| Net cash outflow from returns on investments and servicing of finance |      | (140.2) | (157.3)    |
| Taxation  |      |         |            |
| Corporation tax paid (including advance corporation tax)              |      | (108.9) | (93.6)     |
| Investing activities  |      |         |            |
| Payments to acquire tangible fixed assets                             |      | (723.5) | (605.1)    |
| Receipts from sale of tangible fixed assets                           |      | 57.3    | 81.6       |
| Purchase of subsidiary undertaking                                    | 30   | (158.3) | —          |
| Decrease/(Increase) in investment in associated undertaking           |      | 0.8     | (5.5)      |
| Net cash outflow from investing activities                            |      | (823.7) | (529.0)    |
| Net cash outflow before financing                                     |      | (251.4) | (140.5)    |
| Financing   |      |         |            |
| Ordinary shares issued for cash                                       |      | 8.9     | 21.2       |
| Issue of 8½% bonds  |      | 200.0   | —          |
| New finance leases  |      | 12.6    | 26.4       |
| Increase in other loans   |      | 0.1     | 1.8        |
| Capital element of finance leases repaid                              |      | (33.9)  | (30.3)     |
| Decrease in short-term deposits                                       |      | 60.4    | 53.2       |
| Expenses paid in connection with share issues                         |      | (0.6)   | (0.5)      |
| Net cash inflow from financing  | 31   | 247.5   | 71.8       |
| Decrease in cash and cash equivalents                                 | 33   | (3.9)   | (68.7)     |

Accounting policies and notes forming part of these financial statements are on pages 34 to 53.

# 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 26 February 1994 apart from Ets. Cateau S.A. which has a 31 December 1993 year-end. In the opinion of the directors it is necessary for the French company to prepare accounts 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 on reserves.

The group's share of associated undertakings' profits/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 are valued on the basis of first in first out 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 except as stated in note 14. 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% on cost.
- Freehold and leasehold buildings with greater than 40 years unexpired -- at 2.5% on 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 are 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.

# Notes to the financial statements

## Note 1 Segmental Analysis of Turnover, Profit and Net Assets

The group's operations of food retailing and associated activities are carried out in the United Kingdom and France.

|   | 1994           |              |                | 1993<br>(Restated) (Restated) |              |                |
|---|----------------|--------------|----------------|-------------------------------|--------------|----------------|
|   | Turnover<br>£m | Profit<br>£m | Assets<br>£m   | Turnover<br>£m                | Profit<br>£m | Assets<br>£m   |
| Continuing operations                         |                |              |                |                               |              |                |
| Food retailing – United Kingdom               | 8,347.1        | 513.0        | 3,408.7        | 7,581.5                       | 528.8        | 3,164.6        |
| Food retailing – France                       | 252.8          | 8.2          | 75.8           | –                             | –            | –              |
|   | <u>8,599.9</u> |              |                | <u>7,581.5</u>                |              |                |
| Operating Profit                              |                | 521.2        |                |                               | 528.8        |                |
| Net loss on sale of properties                |                | (92.9)       |                |                               | (2.3)        |                |
| Interest receivable less payable              |                | 7.2          |                |                               | 31.5         |                |
| Profit on ordinary activities before taxation |                | <u>435.5</u> |                |                               | <u>558.0</u> |                |
| Capital Employed                              |                |              | 3,484.5        |                               |              | 3,164.6        |
| Net borrowings (note 17)                      |                |              | <u>(735.7)</u> |                               |              | <u>(471.1)</u> |
| Net Assets                                    |                |              | <u>2,748.8</u> |                               |              | <u>2,693.5</u> |

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

|                         | 1994                  |              |                | 1993<br>(Restated)    |          |                |
|-------------------------|-----------------------|--------------|----------------|-----------------------|----------|----------------|
|                         | Continuing operations |              |                | Continuing operations |          |                |
|                         | Acqui-<br>sitions     | Total        |                | Acqui-<br>sitions     | Total    |                |
|                         | £m                    | £m           | £m             | £m                    | £m       | £m             |
| Turnover                | 8,347.1               | 252.8        | 8,599.9        | 7,581.5               | –        | 7,581.5        |
| Cost of sales           | <u>7,640.2</u>        | <u>237.8</u> | <u>7,878.0</u> | <u>6,871.9</u>        | <u>–</u> | <u>6,871.9</u> |
| Gross Profit            | 706.9                 | 15.0         | 721.9          | 709.6                 | –        | 709.6          |
| Administration expenses | 171.3                 | 6.8          | 178.1          | 155.3                 | –        | 155.3          |
| Employee profit sharing | <u>22.6</u>           | <u>–</u>     | <u>22.6</u>    | <u>25.5</u>           | <u>–</u> | <u>25.5</u>    |
| Operating Profit        | <u>513.0</u>          | <u>8.2</u>   | <u>521.2</u>   | <u>528.8</u>          | <u>–</u> | <u>528.8</u>   |

# Notes to the financial statements continued

**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 properties and taxation.

| <b>Note 4 Profit on Ordinary Activities</b> |  | 1994  | 1993  |
|---|--|-------|-------|
|   |  | £m    | £m    |
|   | Operating profit is stated after charging the following: |       |       |
|   | Depreciation and amortisation (a)                        | 213.3 | 150.2 |
|   | Operating lease costs                                    | 81.4  | 79.7  |
|   | Auditors' remuneration (b)                               | 0.4   | 0.3   |
|   | Employment costs (note 6a)                               | 861.3 | 764.6 |
|   | Net loss on disposal of properties (c)                   | 22.9  | 2.3   |

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

a) Following a reassessment of the estimated useful lives of the group's building assets the directors have decided to provide depreciation on freehold and leasehold buildings with greater than 40 years unexpired at the rate of 2½% of cost, per annum starting on 28 February 1993. This change has resulted in an additional depreciation charge against operating profit of £36.4m.

This change does not constitute a change in accounting policy under the terms of Statement of Standard Accounting Practice 12 and consequently no prior period adjustment has been made.

Depreciation and amortisation also includes a charge of £32.1m in respect of the amortisation of land premiums (note 5).

b) The auditors also received £0.9m (1993 – £0.3m) in respect of non-audit services of which £0.4m (1993 – nil) related to the acquisition of overseas operations.

c) Following a decision by the directors to reduce the level of the future store opening programme, the current portfolio of land and commitments in respect of land for future development has been reviewed and a small proportion is now assessed as surplus to requirements. A sum of £85m has been provided and charged in the year against loss on disposal of properties in order to reduce the balance sheet value of these sites to their estimated net realisable value. In addition, after the offset of profits of £15.0m (1993 – £13.3m), a net loss of £7.9m has been made in respect of other property disposals (1993 – £2.3m).

**Note 5 Prior Period Adjustment** The prior period adjustment arises from the change in accounting policy to amortise the premiums paid to acquire food superstore sites over the estimated trading life of the superstore.

Under the new policy the premiums paid for land in excess of the alternative use values on acquisition, which reflect the additional return that may be earned from operating food superstores on such sites, are being amortised in equal annual instalments over a period of 25 years from the date of store opening. This results in a charge to operating profit in the year of £32.1m (1993 – £22.9m, 1992 and prior – £36.5m).

| <b>Note 6 Employment Costs</b> |                                     | 1994  | 1993  |
|--------------------------------|-------------------------------------|-------|-------|
|                                |                                     | £m    | £m    |
|                                | a) Employment costs during the year |       |       |
|                                | Wages and salaries                  | 769.5 | 686.1 |
|                                | Social security costs               | 56.3  | 46.5  |
|                                | Other pension costs (note 25)       | 35.5  | 22.1  |
|                                |                                     | 861.3 | 754.7 |

b) Number of persons employed

The average number of employees per week during the year was: UK 90,926 (1993 – 86,066), France 2,413 and the average number of full time equivalents was: UK 60,199 (1993 – 58,046), France 2,175.

c) Directors' emoluments

The remuneration of executive directors is determined by the Remuneration Committee, constituted in accordance with the Cadbury Committee Code of Best Practice.

Notes to the financial statements *continued*

Note 6 Employment Costs *continued* Aggregate emoluments of the directors of the parent company were as follows:

|   | 1994<br>£000 | 1993<br>£000 |
|---|--------------|--------------|
| Directors' emoluments   | 3,523        | 3,208        |
| Performance related incentive payments  |              |              |
| 1987 scheme (d)   | -            | 1,408        |
| 1993 scheme (d) - short term bonuses  | 418          | -            |
| - long term bonuses   | 348          | -            |
| Pension contributions (including - £151,000 in respect of the Chairman (1993 - £148,000)) | 758          | 692          |
|   | <u>5,047</u> | <u>5,308</u> |

The comparative performance related incentive payments of £1.4m shown for 1992/93 represents the entitlement in 1992/93 under the 1987 scheme, in respect of the three year cycle from 1990/91 to 1992/93. Over this three year period earnings per share grew by 57%. The amount of £1.4m was charged against profit in those three years.

The emoluments, excluding pension contributions, of the Chairman, who was also the highest paid director, are analysed as follows:

|  | 1994<br>£000 | 1993<br>£000 |
|--|--------------|--------------|
| Emoluments                             | 635          | 624          |
| Performance related incentive payments |              |              |
| 1987 scheme (d)                        | -            | 343          |
| 1993 scheme (d) - short term bonuses   | 87           | -            |
| - long term bonuses                    | 72           | -            |
|  | <u>794</u>   | <u>967</u>   |

Other directors' aggregate emoluments, excluding pension contributions but including, where appropriate, payments under the performance related incentive scheme, fall within the following scales:

|                           | Number of directors |      |
|---------------------------|---------------------|------|
|                           | 1994                | 1993 |
| From £10,001 to £15,000   | 1                   | -    |
| From £20,001 to £25,000   | -                   | 3    |
| From £25,001 to £30,000   | 4                   | -    |
| From £30,001 to £35,000   | -                   | 1    |
| From £35,001 to £40,000   | 1                   | -    |
| From £40,001 to £45,000   | -                   | 2    |
| From £45,001 to £50,000   | -                   | 1    |
| From £50,001 to £55,000   | -                   | 1    |
| From £55,001 to £60,000   | 1                   | -    |
| From £60,001 to £65,000   | 1†                  | -    |
| From £65,001 to £70,000   | 1†                  | -    |
| From £70,001 to £75,000   | 1†                  | -    |
| From £75,001 to £80,000   | 1†                  | -    |
| From £80,001 to £85,000   | 1†                  | -    |
| From £85,001 to £90,000   | 1†                  | -    |
| From £90,001 to £95,000   | 1†                  | -    |
| From £95,001 to £100,000  | 1†                  | -    |
| From £100,001 to £105,000 | -                   | 1*   |
| From £105,001 to £110,000 | -                   | 1*   |
| From £110,001 to £115,000 | -                   | 1*   |
| From £115,001 to £120,000 | 1†                  | -    |
| From £120,001 to £125,000 | 1†                  | -    |
| From £125,001 to £130,000 | -                   | 1*   |
| From £130,001 to £135,000 | -                   | 1*   |
| From £135,001 to £140,000 | 1†                  | -    |
| From £140,001 to £145,000 | -                   | 1*   |

\*Includes performance related incentive payments under the 1987 incentive scheme (see (d) below).

†Includes performance related incentive payments under the 1993 incentive scheme (see (d) below).

Details of share options granted to directors are given in note 23.



**Note 6**   **Employment  
Costs**  
*continued*

**d) Executive Incentive Scheme**

A new executive incentive scheme was introduced in March 1993 to replace the former performance related incentive scheme established in 1987 for executive directors of the company. The new scheme also covers the directors of the company's principal trading subsidiary, Tesco Stores Limited.

Short term share bonuses are awarded 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.

Long term share bonuses are awarded 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.

**Note 7**   **Interest**

|   | 1994   | 1993   |
|---|--------|--------|
|   | £m     | £m     |
| Interest receivable and similar income on money market investments and deposits | 54.3   | 89.1   |
| Deduct interest payable on:   |        |        |
| Short-term bank loans and overdrafts repayable within 5 years                   | (33.1) | (59.4) |
| Finance charges payable on finance leases                                       | (7.4)  | (8.1)  |
| 9% Convertible capital bond 2005  | (17.9) | (17.9) |
| 4% Unsecured deep discount loan stock 2006 (a)                                  | (7.1)  | (6.8)  |
| E.C.S.C. loans 1996-1998  | (4.1)  | (6.8)  |
| 10½% Bonds 2002   | (20.7) | (20.6) |
| ½% Deep discount bond 2012 (b)  | (6.5)  | (5.7)  |
| ½% Bonds 2003   | (2.4)  | —      |
| Interest capitalised  | 52.1   | 67.7   |
|   | (47.1) | (57.6) |
|   | 7.2    | 31.5   |

a) Interest payable on the 4% unsecured deep discount loan stock 2006 includes £2.0m (1993 – £1.8m) of discount amortisation.

b) Interest payable on the ½% deep discount bond 2012 includes £6.5m (1993 – £5.6m) of discount amortisation.

c) Included within interest receivable is an amount of £1.7m representing the increase in value during the period of the call option against the Tesco PLC 10½% Bonds 2002 (see note 14).

d) Included within interest receivable is an amount of £13.1m representing the allocation to the year ended 26 February 1994 of capital gains arising on the termination of interest rate swaps (see note 15).

Notes to the financial statements *continued*

| Note 8 Taxation                         |  | 1994<br>£m   | 1993<br>£m   |
|---|--|--------------|--------------|
| United Kingdom taxation:                |  |              |              |
| Corporation tax at 33.0% (1993 – 33.0%) |  | 127.5        | 135.1        |
| Prior year items                        |  | (8.5)        | 2.8          |
| Deferred taxation                       |  | 15.2         | 25.2         |
|   |  | <u>134.2</u> | <u>163.1</u> |
| Overseas taxation:                      |  |              |              |
| Corporate taxes                         |  | 2.5          | 0.2          |
|   |  | <u>136.7</u> | <u>163.3</u> |

The corporation tax charge reflects tax relief of £13.4m in respect of loss on disposal of properties (note 4(c)).

| Note 9 Dividends                                  |  | 1994<br>£m   | 1993<br>£m   |
|---|--|--------------|--------------|
| Declared interim – 2.45p per share (1993 – 2.25p) |  | 47.9         | 43.7         |
| Proposed final – 5.30p per share (1993 – 4.85p)   |  | 104.2        | 95.0         |
|   |  | <u>152.1</u> | <u>138.7</u> |

**Note 10 Earnings Per Share and Fully Diluted Earnings Per Share**

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

b) The calculation of the earnings per share, including and excluding net loss on disposal of properties, 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 1,559,652,489 (1993 – 1,946,444,226).

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

- the savings of interest net of corporation tax on the 9% convertible bonds, assuming that they were converted in full into ordinary shares on the first day of the financial year.
- 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<br>Land and<br>Buildings<br>£m | Plant<br>Equipment<br>Fixtures &<br>Fittings and<br>Vehicles<br>£m | Total<br>£m |
|--|--------------------------------------|--|-------------|
| <b>Cost</b>  |                                      |  |             |
| At 27 February 1992                                | 3,556.3                              | 1,039.6  | 4,595.9     |
| Currency translation                               | (2.0)                                | (1.9)  | (3.9)       |
| Additions at cost (a)                              | 581.8                                | 197.5  | 779.3       |
| Purchase of subsidiary undertaking                 | 77.7                                 | 71.4   | 149.1       |
|  | 4,213.8                              | 1,306.6  | 5,520.4     |
| Deduct disposals                                   | 44.1                                 | 36.4   | 80.5        |
| At 26 February 1994                                | 4,169.7                              | 1,270.2  | 5,439.9     |
| <b>Depreciation and amortisation</b>               |                                      |  |             |
| At 27 February 1993 (Restated)                     | 101.9                                | 559.7  | 661.6       |
| Currency translation                               | (0.4)                                | (1.1)  | (1.5)       |
| Charge for period                                  | 81.7                                 | 131.6  | 213.3       |
| Provision for permanent diminution in value        | 85.0                                 | —  | 85.0        |
| Purchase of subsidiary undertaking                 | 13.3                                 | 42.7   | 56.0        |
|  | 281.5                                | 732.9  | 1,014.4     |
| Deduct disposals                                   | —                                    | 15.3   | 15.3        |
| At 26 February 1994                                | 281.5                                | 717.6  | 999.1       |
| <b>Net book value (b)</b>                          |                                      |  |             |
| At 26 February 1994                                | 3,888.2                              | 552.6  | 4,440.8     |
| At 27 February 1993 (Restated)                     | 3,454.4                              | 479.9  | 3,934.3     |
| <b>Capital work in progress included above (c)</b> |                                      |  |             |
| At 26 February 1994                                | 173.9                                | 20.8   | 199.7       |
| At 27 February 1993                                | 191.6                                | 10.3   | 201.9       |

**Notes**

a) Includes £35.1m (1993 – £46.1m) in respect of interest capitalised net of tax relief of £16.6m (1993 – £21.3m) principally relating to land and building assets.

b) Net book value includes interest capitalised, net of tax relief, and plant, equipment, fixtures and fittings and vehicles subject to finance leases. The amount included in respect of capitalised interest, net of tax relief, at 26 February 1994 is £235.6m (1993 – £207.2m). The amount included in respect of plant, equipment, fixtures and fittings and vehicles subject to finance leases is:

|                        | Cost<br>£m | Depreciation<br>£m | Net book<br>Value<br>£m |
|------------------------|------------|--------------------|-------------------------|
| At 27 February 1993    | 169.2      | 74.7               | 94.5                    |
| Movement in the period | 9.9        | 21.1               | (11.2)                  |
| At 26 February 1994    | 179.1      | 95.8               | 83.3                    |

c) Capital work in progress does not include land.

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

|                                      | 1994<br>£m | 1993<br>(Restated)<br>£m |
|--------------------------------------|------------|--------------------------|
| Freehold                             | 3,313.1    | 2,872.6                  |
| Long leasehold – 50 years or more    | 473.9      | 472.2                    |
| Short leasehold – less than 50 years | 101.2      | 109.6                    |
| At 26 February 1994                  | 3,888.2    | 3,454.4                  |

# Notes to the financial statements continued

## Note 12 Investments

|   | Group |      | Company |      |
|---|-------|------|---------|------|
|   | 1994  | 1993 | 1994    | 1993 |
|   | £m    | £m   | £m      | £m   |
| Subsidiary undertakings – shares at cost,<br>less amounts written off (a) | –     | –    | 192.6   | 14.9 |
| Associated undertakings – at cost less provisions (b)                     | 4.7   | 5.5  | 4.7     | 5.5  |
| Other investments   | 0.4   | –    | –       | –    |
|   | 5.1   | 5.5  | 197.3   | 20.4 |

Movements on investments principally relate to the acquisition of Ets. Catteau S.A. (note 30).

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

|                                 | Business             | Share of<br>Equity Capital | Country of<br>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                   |
| Tesco Capital Limited           | Finance              | 100%*                      | Jersey                      |
| Spen Hill Properties Limited    | Property development | 100%*                      | Registered in England       |
| Ets. Catteau S.A.               | Food retail          | 95%                        | France                      |

All subsidiary undertakings operate in their country of incorporation, apart from Tesco Capital Limited which is controlled and managed in the United Kingdom.

Subsidiary undertakings marked \* are owned directly by Tesco PLC.

b) The group has one associated undertaking, Shopping Centres Limited, in which the group owns 50% of the allotted ordinary and preference share capital (1993 – 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 26 February 1994, were as follows:

|  | 1994   | 1993   |
|--|--------|--------|
|  | £m     | £m     |
| Cash and deposits                          | 20.5   | 20.1   |
| Term bank loan – repayable 1999            | –      | (48.0) |
| Debenture stock – repayable 2001           | (32.0) | (29.8) |
| Other loans (£10m from group undertakings) | (20.0) | (20.0) |
|  | (79.5) | (77.7) |

There is no recourse to group companies in respect of the borrowings of the associated undertaking, apart from £1.0m (1993 – £1.0m) which has been guaranteed by Tesco PLC (note 28).

## Note 13 Debtors

|                                     | Group |      | Company |         |
|-------------------------------------|-------|------|---------|---------|
|                                     | 1994  | 1993 | 1994    | 1993    |
|                                     | £m    | £m   | £m      | £m      |
| Debtors falling due after one year  |       |      |         |         |
| Amounts owed by group undertakings  | –     | –    | 2,750.0 | 2,050.0 |
| Advance corporation tax recoverable | 1.8   | 2.0  | 1.8     | –       |
| Other debtors                       | –     | 0.5  | –       | –       |
|                                     | 1.8   | 2.5  | 2,751.8 | 2,050.0 |
| Debtors falling due within one year |       |      |         |         |
| Amounts owed by group undertakings  | –     | –    | 153.9   | 120.9   |
| Prepayments and accrued income      | 34.7  | 13.9 | 209.9   | 18.5    |
| Other debtors                       | 55.8  | 31.9 | –       | –       |
|                                     | 90.5  | 45.8 | 363.8   | 139.4   |

**Note 14 Money Market  
Investments and  
Deposits**

|  | Group |       | Company |       |
|--|-------|-------|---------|-------|
|  | 1994  | 1993  | 1994    | 1993  |
|  | £m    | £m    | £m      | £m    |
| Money market deposits  | 85.6  | 237.8 | 67.1    | 226.3 |
| Bonds and certificates of deposit<br>(market value £13.3m, 1993 – £1.8m) | 13.3  | 1.8   | 13.3    | 1.8   |
|  | 98.9  | 239.6 | 80.4    | 228.1 |

Included within money market deposits is a call option amounting to £56.2m which was purchased on normal commercial terms and which gives the company the right to acquire £100m of the Tesco PLC 10% bonds 2002. It is exercisable at certain dates up to 28 January 2002 at an exercise price that is linked to the net present value of the remaining interest payable on these bonds. Accordingly, the exercise price reduces during the period up to 28 January 2002 resulting in an increase in the value of the call option. This increase in value is reflected in the carrying amount of the asset and is credited to interest receivable in the profit and loss account on an actuarial basis.

**Note 15 Creditors –  
Amounts falling  
due within  
one year**

|                                    | Group   |         | Company |       |
|------------------------------------|---------|---------|---------|-------|
|                                    | 1994    | 1993    | 1994    | 1993  |
|                                    | £m      | £m      | £m      | £m    |
| Amounts owed to group undertakings | –       | –       | 344.4   | –     |
| Bank loans and overdrafts (a)      | 8.5     | 40.1    | 505.1   | 249.9 |
| Finance leases (note 20)           | 21.9    | 30.9    | –       | –     |
| Trade creditors                    | 593.0   | 505.0   | –       | –     |
| Corporation tax (b)                | 117.5   | 116.3   | 3.4     | 7.7   |
| Other taxation and social security | 57.4    | 21.8    | 0.4     | 0.7   |
| Other creditors                    | 214.7   | 178.3   | 29.4    | 16.5  |
| Accruals and deferred income (c)   | 118.7   | 68.3    | 3.7     | 1.9   |
| Proposed final dividend            | 104.2   | 95.0    | 104.2   | 95.0  |
|                                    | 1,235.9 | 1,055.7 | 990.6   | 371.7 |

a) Bank deposits at subsidiary undertakings of £505.1m (1993 – £209.8m) 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.

c) During the year a subsidiary undertaking terminated certain interest rate swaps. Where the group has entered into new swaps for a similar period the gains of £45.3m are being amortised over the lives of the replacement instruments. Accruals and deferred income at 26 February 1994 include £5.2m attributable to these realised gains with £38.4m being included in creditors – amounts falling due after more than one year (note 16).

Notes to the financial statements continued

| Note 16 Creditors –<br>Amounts falling<br>due after more<br>than one year | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 1994<br>£m | 1993<br>£m | 1994<br>£m | 1993<br>£m |
| 4% Unsecured deep discount loan stock 2006 (a)                            | 72.8       | 70.8       | 72.8       | 70.8       |
| Finance leases (note 20)  | 40.8       | 45.1       | –          | –          |
| 10% Bonds 2002 (b)  | 200.0      | 200.0      | 200.0      | 200.0      |
| ¼% Deep discount bond 2012 (c)  | 50.0       | 50.0       | 63.2       | 56.7       |
| 8% Bonds 2003 (d)   | 200.0      | –          | 200.0      | –          |
| E.C.S.C. loans 1996 – 1998 (e)  | 79.2       | 73.8       | 5.4        | –          |
| Other loans   | 8.8        | –          | –          | –          |
|   | 651.6      | 439.7      | 541.4      | 327.5      |
| Amounts owed to group undertakings  | –          | –          | 200.0      | 200.0      |
| Accruals and deferred income (note 15 (c))                                | 38.4       | –          | –          | –          |
|   | 690.0      | 439.7      | 741.4      | 527.5      |
| Convertible capital bond (note 18)  | 200.0      | 200.0      | –          | –          |
|   | 890.0      | 639.7      | 741.4      | 527.5      |

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

b) The 10% bonds are redeemable at a par value of £200m in 2002.

c) The ¼% deep discount bond is redeemable at a par value of £428.9m in 2012. The redemption value as at 1 January 1994 is £63.2m (1993 – £56.7m) against which a deposit balance with the same bank of £13.2m (1993 – £5.7m) has been offset under a legal right of set-off.

d) The 8% bonds are redeemable at a par value of £200m in 2003.

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

| Note 17 Net<br>Borrowings                                | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 1994<br>£m | 1993<br>£m | 1994<br>£m | 1993<br>£m |
| Due within one year                                      |            |            |            |            |
| Bank and other loans                                     | 8.5        | 40.1       | 505.1      | 249.9      |
| Finance leases   | 21.9       | 30.9       | –          | –          |
|  |            | –          |            |            |
| Due within one to two years                              |            |            |            |            |
| Bank and other loans                                     | –          | –          | –          | –          |
| Finance leases   | 16.9       | 19.8       | –          | –          |
|  |            |            |            |            |
| Due within two to five years                             |            |            |            |            |
| Bank and other loans                                     | 79.2       | 73.8       | 5.4        | –          |
| Finance leases   | 16.1       | 23.7       | –          | –          |
|  |            |            |            |            |
| Due wholly or in part by instalments<br>after five years |            |            |            |            |
| Finance leases   | 7.8        | 1.6        | –          | –          |
|  |            |            |            |            |
| Due otherwise than by instalments<br>after five years    |            |            |            |            |
| Bank and other loans                                     | 531.6      | 320.8      | 536.0      | 327.5      |
| Convertible capital bond                                 | 200.0      | 200.0      | –          | –          |
| Total borrowings   | 882.0      | 710.7      | 1,046.5    | 577.4      |
| Cash at bank and in hand                                 | 47.4       | –          | –          | –          |
| Money market investments and deposits                    | 98.9       | 239.6      | 80.4       | 228.1      |
| Net borrowings   | 735.7      | 471.1      | 966.1      | 349.3      |

**Note 18 Convertible Capital Bond**

In July 1990 the group issued £200,000,000 of 9% convertible capital bonds. The convertible capital bonds are convertible into fully paid 9% exchangeable redeemable preference shares due 2005 in Tesco Capital Limited which are guaranteed on a subordinated basis by, and are exchangeable for fully paid ordinary shares in, Tesco PLC at an exchange price of £2.51 per ordinary share (after adjustment to take account of the 1991 rights issue).

**Note 19 Provisions for Liabilities and Charges**

|   | Amount Provided |             | Potential amount for deferred tax on all timing differences |              |
|---|-----------------|-------------|---|--------------|
|   | 1994            | 1993        | 1994  | 1993         |
|   | £m              | £m          | £m  | £m           |
| Deferred taxation – group                   |                 |             |   |              |
| Excess capital allowances over depreciation | 19.0            | 19.0        | 137.1   | 68.1         |
| Capital gains deferred by rollover relief   | –               | –           | 21.8  | 18.8         |
| Short-term timing differences               | 75.0            | 59.8        | 74.9  | 59.8         |
|   | <u>94.0</u>     | <u>78.8</u> | <u>233.8</u>  | <u>146.7</u> |

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 20 Leasing Commitments****a) Finance Leases**

The future minimum finance lease payments to which the group was committed at 26 February 1994 and which have been guaranteed by Tesco PLC are:

|  |             |
|--|-------------|
| Gross rental obligations                           | £m          |
|  | 78.0        |
| Deduct finance charges allocated to future periods | 15.3        |
|  | <u>62.7</u> |

|                            | 1994        | 1993        |
|----------------------------|-------------|-------------|
|                            | £m          | £m          |
| Net amounts payable are:   |             |             |
| Within one year            | 21.9        | 30.9        |
| Between one and five years | 33.0        | 43.5        |
| After five years           | 7.8         | 1.6         |
|                            | <u>62.7</u> | <u>76.0</u> |

**b) Operating Leases**

Group commitments during the year to 25 February 1995 in terms of lease agreements expiring are as follows:

|                            | 1994        | 1993        |
|----------------------------|-------------|-------------|
|                            | £m          | £m          |
| Within one year            | 0.9         | 0.5         |
| Between one and five years | 6.2         | 7.3         |
| Beyond five years          | 81.9        | 69.2        |
|                            | <u>89.0</u> | <u>77.0</u> |



Notes to the financial statements continued

| Note 21 | Called Up<br>Share Capital | Authorised: £135,500,000 (1993 – £135,500,000)<br>Allotted, issued and fully paid:<br>Issued at 27 February 1993<br>Scrip dividend election<br>Share options exercised<br>Issued at 26 February 1994 | Ordinary shares of 5p each |      |
|---------|----------------------------|--|----------------------------|------|
|         |                            |  | Number                     | £m   |
|         |                            |  | 1,955,162,318              | 97.8 |
|         |                            |  | 3,553,458                  | 0.1  |
|         |                            |  | 5,849,941                  | 0.3  |
|         |                            |  | 1,964,565,717              | 98.2 |

Between 26 February 1994 and 11 April 1994, options on 42,423 ordinary shares and 164,596 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 26 February 1994 the directors were authorised to purchase up to a maximum in aggregate of 196,456,571 ordinary shares.

## Note 22 Share Options

## a) Company Schemes

The company had two 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) permits the grant of options in respect of ordinary shares to selected executives. Options are 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.

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

## Savings-Related Share Option Scheme (1981)

| Date of<br>grant | Number of<br>executives and<br>employees | Shares<br>under option<br>26.02.94 | Subscription<br>price p |
|------------------|--|------------------------------------|-------------------------|
| 02.06.89         | 2,937                                    | 3,252,513                          | 148.5                   |
| 03.11.89         | 3,586                                    | 5,507,444                          | 154.3                   |
| 01.06.90         | 4,514                                    | 5,672,742                          | 152.3                   |
| 24.05.91         | 6,543                                    | 5,451,512                          | 220.0                   |
| 24.10.91         | 7,699                                    | 8,547,948                          | 204.0                   |
| 29.10.92         | 11,978                                   | 16,730,112                         | 174.0                   |
| 22.10.93         | 14,751                                   | 17,291,787                         | 161.0                   |

**Note 22 Share Options**  
*continued*

**Executive Share Option Scheme (1984)**

| Date of grant | Number of executives | Shares under option | Subscription price p |
|---------------|----------------------|---------------------|----------------------|
| 17.12.84      | 53                   | 385,915             | 68.2                 |
| 02.08.85      | 7                    | 29,630              | 79.2                 |
| 16.12.85      | 5                    | 33,238              | 95.4                 |
| 21.07.86      | 7                    | 192,453             | 122.8                |
| 06.07.87      | 207                  | 2,147,633           | 177.9                |
| 03.06.88      | 12                   | 682,491             | 143.6                |
| 02.06.89      | 14                   | 613,071             | 165.0                |
| 01.11.89      | 1,708                | 9,157,096           | 192.1                |
| 29.05.90      | 22                   | 644,508             | 192.2                |
| 22.10.90      | 6                    | 185,050             | 214.5                |
| 17.05.91      | 80                   | 2,678,858           | 274.0                |
| 22.10.91      | 3                    | 30,000              | 254.0                |
| 29.05.92      | 749                  | 11,363,787          | 277.0                |
| 29.10.92      | 11                   | 661,620             | 217.0                |
| 27.05.93      | 23                   | 1,314,077           | 217.0                |
| 11.10.93      | 4                    | 190,164             | 210.0                |

The subscription price and number of shares have been adjusted as a result of the rights issues in 1985 and 1991 and the capitalisation issue in 1987 as appropriate.

**Note 23 Directors' Interests**

**Share Options granted to directors in the financial year**

|                   | Savings-Related Share Option Scheme (1981) | Executive Share Option Scheme (1984) |
|-------------------|--|--------------------------------------|
|                   | Number of shares                           | Number of shares                     |
| Sir Ian MacLaurin | —  | 27,650                               |
| Mr A D Malpas     | —  | 20,277                               |
| Mr R S Ager       | 4,285                                      | 68,204                               |
| Mr J Gildersleeve | —  | 14,747                               |
| Mr T P Leahy      | —  | 68,203                               |
| Mr D E Reid       | —  | 14,746                               |
| Mr J M Wemms      | —  | 36,866                               |

The executive share option scheme subscription price was 217p and the options lapse in May 2003.

The savings-related share option scheme subscription price was 161p and the option matures in February 1999.

Notes to the financial statements *continued***Note 23 Directors' Interests**  
*continued***Share Options exercised by directors in the financial year**

|               | Executive Share<br>Option Scheme (1984)<br>Number of shares | Subscription<br>price per share<br>pence | Savings-Related Share<br>Option Scheme (1981)<br>Number of shares | Subscription<br>price per share<br>pence |
|---------------|---|--|---|--|
| Mr R S Ager   | —   | —  | 5,537   | 139.0                                    |
| Mr D C Tuffin | 178,831   | 143.6 – 177.9                            | —   | —  |

**Share Options held by directors and not exercised at 26 February 1994**

|                    | Executive Share<br>Option Scheme (1984)<br>Number of shares | Subscription<br>price per share<br>pence | Savings-Related Share<br>Option Scheme (1981)<br>Number of shares | Subscription<br>price per share<br>pence |
|--------------------|---|--|---|--|
| Sir Ian MacLaurin  | 1,143,552   | 143.6 – 274.0                            | 10,916  | 154.3 – 174.0                            |
| Mr V W Benjamin    | 401,729   | 143.6 – 274.0                            | 10,675  | 154.3 – 204.0                            |
| Mr A D Malpas      | 891,656   | 143.6 – 274.0                            | 10,916  | 154.3 – 174.0                            |
| Mr R S Ager        | 402,202   | 143.6 – 274.0                            | 10,294  | 154.3 – 204.0                            |
| Mr M Damell        | 167,806   | 190.2 – 274.0                            | 10,046  | 154.3 – 220.0                            |
| Mr J Gildersleeve  | 220,343   | 190.2 – 274.0                            | 10,916  | 154.3 – 174.0                            |
| Mr T P Leahy       | 417,211   | 143.6 – 274.0                            | 10,766  | 148.5 – 204.0                            |
| Baroness O'Cathain | —   | —  | 9,191   | 204.0                                    |
| Mr J M F Padovan   | —   | —  | 5,000   | 204.0                                    |
| Mr D E Reid        | 650,094   | 143.6 – 274.0                            | 10,175  | 154.3 – 204.0                            |
| Mr D C Tuffin      | 309,345   | 190.2 – 274.0                            | 10,046  | 154.3 – 220.0                            |
| Mr J M Wemms       | 403,449   | 177.9 – 274.0                            | 10,766  | 148.5 – 204.0                            |

Between 26 February 1994 and 11 April 1994 there have been no changes in the number of share options held by the directors.

**Note 23 Directors' Interests**  
*continued*

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

|                       | 26 February 1994 |                                    | 27 February 1993 |                                    |
|-----------------------|------------------|------------------------------------|------------------|------------------------------------|
|                       | Ordinary shares  | Options to acquire ordinary shares | Ordinary shares  | Options to acquire ordinary shares |
| <b>Beneficial</b>     |                  |                                    |                  |                                    |
| Sir Ian MacLaurin     | 188,864          | 1,154,468                          | 179,373          | 1,126,818                          |
| Mr V W Benjamin       | 114,883          | 412,404                            | 109,420          | 412,404                            |
| Mr A D Malpas         | 125,814          | 902,572                            | 88,979           | 882,395                            |
| Mr R S Ager           | 30,626           | 410,496                            | 11,126           | 343,544                            |
| Mr M Darnell          | 110,005          | 177,852                            | 105,171          | 177,852                            |
| Mr J A Gardiner       | 17,342           | —                                  | 16,784           | —                                  |
| Mr J Gildersleeve     | 29,024           | 231,259                            | 24,682           | 216,512                            |
| Dr M G Jones          | 2,022            | —                                  | —                | —                                  |
| Mr T P Lezby          | 92,024           | 427,277                            | 85,689           | 359,774                            |
| Baroness O'Cathain    | 4,048            | 9,191                              | 3,917            | 9,191                              |
| Mr J M F Padovan      | 7,500            | 5,000                              | 4,254            | 5,000                              |
| Mr G F Pimlott        | 7,500            | —                                  | —                | —                                  |
| Mr D E Reid           | 81,591           | 660,269                            | 65,886           | 645,523                            |
| Mr D C Tuffin         | 83,701           | 319,391                            | 11,098           | 498,222                            |
| Mr J M Wemms          | 35,074           | 414,215                            | 30,538           | 377,349                            |
| <b>Non-Beneficial</b> |                  |                                    |                  |                                    |
| Sir Ian MacLaurin     | 93,075           | —                                  | 93,075           | —                                  |

In addition the directors are beneficiaries of the Tesco Employee Trust which held 4,746,250 ordinary shares at 26 February 1994.

Options to acquire ordinary shares shown above comprise options under the Executive Share Option Scheme (1984) and the Savings-Related Share Option Scheme (1981) (note 22).

Between 26 February 1994 and 11 April 1994 there have been no changes in the number of shares held by the directors.

Share bonuses awarded to directors under the 1993 executive incentive scheme (note 6(d)) have not yet been appropriated and therefore are excluded from the directors' interests shown above.

**Note 24 Reserves**

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 1994<br>£m | 1993<br>£m | 1994<br>£m | 1993<br>£m |
| a) Share premium account                 |            |            |            |            |
| At 27 February 1993                      | 924.3      | 898.3      | 924.3      | 898.3      |
| Premium on issue of shares less costs    | 8.0        | 20.0       | 8.0        | 20.0       |
| Scrip dividend election                  | 7.6        | 6.0        | 7.6        | 6.0        |
| At 26 February 1994                      | 939.9      | 924.3      | 939.9      | 924.3      |
| b) Other reserves                        |            |            |            |            |
| At 26 February 1994 and 27 February 1993 | 39.6       | 39.6       | —          | —          |

Notes to the financial statements *continued***Note 24 Reserves**  
*continued*

|  | Group   |         | Company |       |
|--|---------|---------|---------|-------|
|  | 1994    | 1993    | 1994    | 1993  |
|  | £m      | £m      | £m      | £m    |
| <b>c) Profit and loss account</b>                          |         |         |         |       |
| At 27 February 1993 as previously stated                   | 1,691.2 | 1,412.1 | 513.0   | 502.9 |
| Prior period adjustment (note 4)                           | (59.4)  | (36.5)  | -       | -     |
| At 27 February 1993 restated                               | 1,631.8 | 1,375.6 | 513.0   | 502.9 |
| Goodwill arising on acquisition of subsidiary undertakings | (108.3) | -       | -       | -     |
| Gain on foreign currency translation                       | 1.5     | 0.2     | -       | -     |
| Retained profit for the financial year                     | 146.1   | 256.0   | 44.1    | 10.1  |
| At 26 February 1994  | 1,671.1 | 1,631.8 | 557.1   | 513.0 |

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 26 February 1994 amounted to £302m (1993 - £194m).

**Note 25 Pension Commitments**

The group operates a 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 £27.8m (1993 - £26.3m).

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 £6.4m (1993 - £5.7m). There were no material amounts outstanding to the insurance company at the year-end.

The group also operates defined contribution pension schemes in France. The contributions payable under these schemes of £1.3m 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 27 February 1993 of £7.5m, which was determined in accordance with the advice of qualified actuaries, is being spread forward over the service lives of relevant employees. A provision of £1.4m is being carried in the balance sheet reflecting:

|                                   | 1994       | 1993       |
|-----------------------------------|------------|------------|
|                                   | £m         | £m         |
| Provision at 27 February 1993     | 0.7        | —          |
| Charge to profit and loss account | 1.0        | 1.0        |
| Cash payments made                | (0.3)      | (0.3)      |
|                                   | <u>1.4</u> | <u>0.7</u> |

It is expected that payments will be tax deductible, at the company's tax rate, when made.

**Note 27 Capital Commitments**

At 26 February 1994:

- a) There were commitments for capital expenditure of approximately £595m (1993 – £348m).
- b) Capital expenditure authorised by the Board, but not contracted for, amounted to £328m (1993 – £648m).
- c) Capital expenditure authorised by the Board, but not contracted for includes an amount of £12m in respect of the proposed purchase by Tesco PLC of a controlling interest in the Hungarian food retailer Global TH.

**Note 28 Contingent Liabilities**

- a) Certain bank loans and overdraft facilities of associated undertakings have been guaranteed by Tesco PLC. At 25 February 1994, the amounts outstanding on these facilities were £1.0m (1993 – £1.0m).
- b) In 1992 the company established an employee share ownership plan whereby an employee trust acquires shares in the company for the benefit of group employees. As part of these arrangements the company has entered into a guarantee to a UK bank to the extent of the cost of the shares, plus other costs including interest, up to a maximum of £13m. Dividends on those shares held by the employee share ownership plan have been waived.

**Note 29 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities**

|   | 1994         | 1993<br>(Restated) |
|---|--------------|--------------------|
|   | £m           | £m                 |
| Operating profit                          | 521.2        | 528.8              |
| Depreciation and amortisation             | 213.3        | 150.2              |
| Increase in stock                         | (15.6)       | (18.3)             |
| Increase in debtors                       | (11.4)       | (9.5)              |
| Increase in trade creditors               | 30.5         | 4.6                |
| Increase/(decrease) in other creditors    | 79.9         | (16.6)             |
| Miscellaneous items                       | 3.5          | 0.2                |
| Net cash inflow from operating activities | <u>821.4</u> | <u>639.4</u>       |

Notes to the financial statements continued**Note 30** Etablissement  
Cateau S.A.

The company acquired a controlling interest in Etablissement Cateau S.A. and certain other companies connected with the Cateau operation on 25 May 1993. The profits of these operations from the date of acquisition to 31 December 1993 of FF 52m have been translated at the average rate of exchange and consolidated within the group profit and loss account. Profit before taxation for the pre-acquisition period from 1 January 1993 to 25 May 1993 amounted to FF 48m and FF 141m for the year to 31 December 1992.

The balance sheet of the Cateau operations as at the date of acquisition has been consolidated into the Tesco Group balance sheet as follows:

|                                    | Balance sheet<br>at acquisition | Fair value<br>adjustments | Fair value<br>balance sheet |
|------------------------------------|---------------------------------|---------------------------|-----------------------------|
|                                    | £m                              | £m                        | £m                          |
| Fixed assets                       | 101.9                           | (8.8)                     | 93.1                        |
| Investments                        | 0.4                             | —                         | 0.4                         |
| Working capital                    | (14.0)                          | —                         | (14.0)                      |
| Taxation                           | (5.4)                           | —                         | (5.4)                       |
| Net borrowings                     | (10.8)                          | —                         | (10.8)                      |
| Minority interest                  | (2.6)                           | —                         | (2.6)                       |
| Shareholders' funds                | 69.5                            | (8.8)                     | 60.7                        |
| Goodwill                           |                                 |                           | 108.3                       |
| Purchase consideration             |                                 |                           | 169.0                       |
| Cash and cash equivalents acquired |                                 |                           | (10.7)                      |
| Purchase consideration paid        |                                 |                           | 158.3                       |

Fair value adjustments comprise the write-off of intangible fixed assets, £10.1m, offset by the surplus arising on the revaluation of property on acquisition, £1.3m.

**Note 31** Analysis of Changes  
in Financing During  
the Year

|                                   | Share Capital<br>(including<br>premium) | Net other<br>borrowings<br>and finance<br>lease<br>obligations |
|-----------------------------------|---|--|
|                                   | £m                                      | £m   |
| At 27 February 1993               | 1,022.1                                 | 531.5  |
| Cash inflow from financing        | 8.3                                     | 239.2  |
| Borrowings of subsidiary acquired | —                                       | 21.5   |
| Share dividend election           | 7.7                                     | —  |
| At 26 February 1994               | 1,038.1                                 | 792.2  |



**Note 32 Analysis of the****Balances of Cash****and Cash****Equivalents as****Shown in the****Balance Sheet**

Cash at bank and in hand

Money market investments and deposits

Bank loans and overdrafts

Less: Deposits exceeding three months to maturity when acquired

1994

£m

47.4

98.9

(8.5)

137.8

(81.3)

56.5

1993

£m

—

239.6

(40.1)

199.5

(139.1)

50.4

**Note 33 Analysis of****Changes in****Cash and Cash****Equivalents****During the Year**

At 27 February 1993

Net cash outflow

At 26 February 1994 (note 32)

1994

£m

60.4

(3.9)

56.5

1993

£m

129.1

(68.7)

60.4

## 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 30 to 53, 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 30 to 53 which have been prepared under the historical cost convention and the accounting policies set out on pages 34 and 35.

**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.

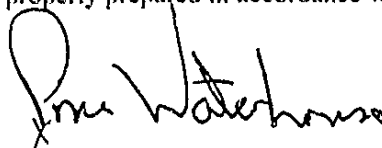
**Basis of Opinion** We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant 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 the group as at 26 February 1994 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Chartered Accountants  
and Registered Auditors  
London  
11 April 1994




## Five year record

Year ended February  
Financial Statistics £m

|   | 1990<br>Restated | 1991<br>Restated | 1992 <sup>1</sup><br>Restated | 1993 <sup>2</sup><br>Restated | 1994           |
|---|------------------|------------------|-------------------------------|-------------------------------|----------------|
| <b>Turnover excluding VAT</b>   |                  |                  |                               |                               |                |
| Continuing operations   | 5,401.9          | 6,346.3          | 7,097.4                       | 7,581.5                       | 8,347.1        |
| Acquisitions  | —                | —                | —                             | —                             | 252.8          |
|   | <u>5,401.9</u>   | <u>6,346.3</u>   | <u>7,097.4</u>                | <u>7,581.5</u>                | <u>8,599.9</u> |
| <b>Operating Profit<sup>3</sup></b>   |                  |                  |                               |                               |                |
| Continuing operations before<br>property accounting changes   | 316.8            | 398.0            | 479.5                         | 551.7                         | 581.5          |
| Depreciation of buildings <sup>4</sup>  | —                | —                | —                             | —                             | 36.4           |
| Amortisation of land premiums <sup>5</sup>  | 5.9              | 9.9              | 16.1                          | 22.9                          | 32.1           |
| Continuing operations   | <u>310.9</u>     | <u>388.1</u>     | <u>463.4</u>                  | <u>528.8</u>                  | <u>513.0</u>   |
| Acquisitions  | —                | —                | —                             | —                             | 8.2            |
|   | <u>310.9</u>     | <u>388.1</u>     | <u>463.4</u>                  | <u>528.8</u>                  | <u>521.2</u>   |
| <b>Operating Margin<sup>5</sup></b>   |                  |                  |                               |                               |                |
| Continuing operations before<br>property accounting changes   | 5.9%             | 6.3%             | 6.8%                          | 7.3%                          | 7.0%           |
| After property accounting changes   | 5.8%             | 6.1%             | 6.5%                          | 7.0%                          | 6.1%           |
| Acquisitions  | —                | —                | —                             | —                             | 3.2%           |
| Total group   | <u>5.8%</u>      | <u>6.1%</u>      | <u>6.5%</u>                   | <u>7.0%</u>                   | <u>6.1%</u>    |
| Interest receivable less payable  | 9.8              | 19.1             | 65.5                          | 31.5                          | 7.2            |
| Profit before net (loss)/surplus on disposal<br>of properties   | <u>320.7</u>     | <u>407.2</u>     | <u>528.9</u>                  | <u>560.3</u>                  | <u>528.4</u>   |
| <b>Net Margin<sup>5</sup></b>   |                  |                  |                               |                               |                |
| Before property accounting changes  | 6.0%             | 6.6%             | 7.7%                          | 7.7%                          | 6.9%           |
| After property accounting changes   | <u>5.9%</u>      | <u>6.4%</u>      | <u>7.5%</u>                   | <u>7.4%</u>                   | <u>6.1%</u>    |
| Net (loss)/surplus on disposal of properties <sup>6</sup>   | 35.0             | 19.1             | 0.5                           | (2.3)                         | (92.9)         |
| Profit before taxation  | <u>355.7</u>     | <u>426.3</u>     | <u>529.4</u>                  | <u>558.0</u>                  | <u>435.5</u>   |
| Taxation  | (107.8)          | (133.5)          | (149.9)                       | (163.3)                       | (136.7)        |
| Profit after taxation   | <u>247.9</u>     | <u>292.8</u>     | <u>379.5</u>                  | <u>394.7</u>                  | <u>298.8</u>   |
| <b>Earnings per share<sup>7</sup></b>   | 15.51p           | 17.77p           | 19.60p                        | 20.28p                        | 15.22p         |
| Fully diluted earnings per share (excluding<br>net (loss)/surplus on disposal of properties) <sup>7</sup> | 13.01p           | 16.05p           | 19.17p                        | 19.89p                        | 18.80p         |
| Dividends per share <sup>7</sup>  | <u>4.17p</u>     | <u>5.25p</u>     | <u>6.30p</u>                  | <u>7.10p</u>                  | <u>7.75p</u>   |
| <b>Net worth<sup>8</sup> - £m</b>   | 1,243.6          | 2,139.5          | 2,410.5                       | 2,693.5                       | 2,748.8        |
| Return on shareholders' funds <sup>9</sup>  | 28.3%            | 29.1%            | 23.2%                         | 22.0%                         | 19.4%          |
| Return on capital employed <sup>10</sup>  | 22.2%            | 20.8%            | 18.8%                         | 17.8%                         | 15.7%          |
| Net assets per share <sup>11</sup>  | <u>79p</u>       | <u>111p</u>      | <u>124p</u>                   | <u>139p</u>                   | <u>140p</u>    |

## Notes

- <sup>1</sup> 53 week period.
- <sup>2</sup> Operating profit is shown after charging employee profit sharing.
- <sup>3</sup> Depreciation of freehold and long leasehold buildings has been introduced with effect from 1993/94 (see accounting policies, page 34).
- <sup>4</sup> The premium paid for land in excess of its alternative use valuation is now amortised over a 25 year period. This represents a change in accounting policy and comparatives have been adjusted accordingly.
- <sup>5</sup> Based upon turnover exclusive of value added tax.
- <sup>6</sup> Net (loss)/surplus on the disposal of properties for 1994 includes £85m in respect of the write down of surplus development sites to their estimated net realisable value.
- <sup>7</sup> Adjusted in respect of 1991 rights issue.
- <sup>8</sup> Total shareholders' funds at the year-end.
- <sup>9</sup> Profit before net (loss)/surplus on disposal of properties divided by weighted average shareholders' funds.
- <sup>10</sup> Profit before net (loss)/surplus on disposal of properties and interest divided by average capital employed.
- <sup>11</sup> Based on number of shares at year-end.

Five year record *continued*

|  | 1990     | 1991     | 1992 <sup>1</sup> | 1993     | 1994    |
|--|----------|----------|-------------------|----------|---------|
| <i>Year ended February</i>   | Restated | Restated | Restated          | Restated |         |
| <b>UK Food Retail Productivity £</b>                                     |          |          |                   |          |         |
| Turnover per employee <sup>12</sup>                                      | 99,400   | 106,044  | 119,246           | 130,612  | 138,658 |
| Profit per employee <sup>12</sup>  | 5,721    | 6,485    | 7,786             | 9,110    | 8,522   |
| Wages per employee <sup>12</sup>   | 10,009   | 10,579   | 12,250            | 13,172   | 13,922  |
| Weekly sales per sq ft <sup>13,14</sup>                                  | 13.61    | 15.06    | 15.47             | 15.69    | 16.37   |
| <b>UK Food Retail Statistics</b>   |          |          |                   |          |         |
| Market share in food and drink shops <sup>15</sup>                       | 8.4%     | 9.1%     | 9.4%              | 9.8%     | 10.1%   |
| Number of stores   | 379      | 384      | 396               | 412      | 430     |
| Total sales area – '000 sq ft <sup>14</sup>                              | 8,442    | 8,956    | 9,661             | 10,352   | 11,006  |
| Sales area opened in year – '000 sq ft <sup>14</sup>                     | 718      | 798      | 889               | 859      | 790     |
| Average store size (sales area) – sq ft <sup>14</sup>                    | 22,300   | 23,300   | 24,400            | 25,100   | 25,600  |
| Average sales area of stores opened<br>in the year – sq ft <sup>14</sup> | 31,300   | 38,100   | 35,500            | 34,400   | 30,400  |
| Full-time equivalent employees <sup>16</sup>                             | 54,345   | 59,846   | 59,519            | 58,046   | 60,199  |
| <b>Share Price – pence</b>   |          |          |                   |          |         |
| Highest  | 216      | 246      | 296               | 293      | 260     |
| Lowest   | 151      | 194.5    | 207               | 197.5    | 179     |
| Year end   | 196      | 246      | 271               | 235      | 223.5   |

**Notes**<sup>12</sup> Based on turnover exclusive of VAT, operating profit and total staff cost per full-time equivalent employee.<sup>13</sup> Based on weighted average sales area and turnover inclusive of value added tax.<sup>14</sup> Store sizes exclude lobby and restaurant areas.<sup>15</sup> Based on Tesco food, grocery, non-food and drink sales and Institute of Grocery Distribution/Department of Trade and Industry data.<sup>16</sup> Based on average number of full-time equivalent employees in the United Kingdom.

# Investors' information

## Shareholder profile

| <i>as at 26 February 1994</i>           | Number of<br>shareholders | Percentage of<br>number of<br>shareholders | Number of<br>ordinary<br>shares | Percentage<br>of ordinary<br>shares |
|---|---------------------------|--|---------------------------------|-------------------------------------|
| <b>Analysis by type of shareholder</b>  |                           |  |                                 |                                     |
| Employees                               | 38,575                    | 28.51                                      | 46,905,001                      | 2.39                                |
| Other individuals                       | 75,930                    | 56.12                                      | 198,720,628                     | 10.11                               |
| Corporate institutions                  | 20,789                    | 15.37                                      | 1,718,940,088                   | 87.50                               |
|   | <b>135,294</b>            | <b>100.0</b>                               | <b>1,964,565,717</b>            | <b>100.0</b>                        |
| <b>Analysis by size of shareholding</b> |                           |  |                                 |                                     |
| 1 – 1,000                               | 77,592                    | 57.35                                      | 19,929,602                      | 1.01                                |
| 1,001 – 10,000                          | 51,879                    | 38.35                                      | 148,909,013                     | 7.58                                |
| 10,001 – 100,000                        | 4,761                     | 3.52                                       | 117,956,909                     | 6.00                                |
| 100,001 – 1,000,000                     | 798                       | 0.59                                       | 265,712,198                     | 13.53                               |
| Above 1,000,000                         | 264                       | 0.19                                       | 1,412,057,995                   | 71.88                               |
|   | <b>135,294</b>            | <b>100.0</b>                               | <b>1,964,565,717</b>            | <b>100.0</b>                        |

The 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 serves the interests of a large span of investors.

**Corporate Personal Equity Plans (PEPs)** Both a General PEP and Single Company PEP have been established.

The plans enable investors to receive dividends on the shares held in the Plan free of income tax, or to re-invest dividends in the plan to increase the shareholding, and to sell the shares in the plan without liability for Capital Gains Tax.

If you wish to receive further information regarding these schemes, please contact: The Plan Manager, Bradford and Bingley (PEPs) Limited, P.O. Box 50, Main Street, Bingley, West Yorkshire, BD16 2LW.

**Scrip Dividend** The company 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 prior to the payment of each dividend.

**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

# Investors' information continued

| Financial Diary        | Year End                  | Interim        |
|------------------------|---------------------------|----------------|
| Results Announced      | Early April               | Late September |
| Annual Report          | Late April                | Late September |
| Ex-dividend date       | Late April                | Late September |
| Dividend Payment       | Early July                | Late November  |
| Year End               | Last Saturday in February |                |
| Annual General Meeting | Late May                  |                |

Interest 4% Deep discount loan stock (2006) paid 31 January and 31 July  
 8½% Bonds (2003) paid 20 February  
 9% Convertible bonds (2005) paid 12 February and 12 August  
 10½% Bonds (2002) paid 28 January

**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 please contact the Investor Relations Department at the address shown below.

**Investor Relations** For investor enquiries please contact:

Investor Relations Department  
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 Tesco House  
 Delamare Road  
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