

# Contents

445790 TPL 13000

/356.

Contents and Financial Highlights	1
Directors and Financial Diary	2
Five Year Record	3
Stores Statistics	4
Financial Statistics	6
Chairman's Statement	7
Directors' Report	8
Auditors' Report	15
Accounting Policies	16
Consolidated Profit and Loss Account	18
Balance Sheets	19
Consolidated Statement of Source and Application of Funds	20
Notes to the Accounts	21
Value Added Statement	27
Current Cost Accounts	28
Shareholder Profile	32
Directors of Tesco Stores Limited	33
Notice of Meeting	34
Form of Proxy	35



## Financial Highlights

	1984 £m	1983 £m
Turnover excluding value added tax	2,594.5	2,276.6
Profit on ordinary activities before taxation	67.4	53.5
Taxation	24.7	11.5
Net surplus on sale of properties	5.2	7.7
Dividends declared in respect of the year	13.9	11.8
	Pence	Pence
Dividends per share	4.10	3.50
Earnings per share:		
Excluding net surplus on sale of properties	12.67	12.57
Including net surplus on sale of properties	14.22	14.86

# Directors

---

**Sir Leslie Porter,**  
Chairman

**I. C. MacLaurin,**  
Deputy Chairman

**V. W. Benjamin,**  
Deputy Chairman

**A. D. Malpas, B.A.,**  
Managing Director (Trading)

**R. Temple, F.C.A.,**  
Managing Director (Finance and Administration)

**M. Darnell**

**D. G. Harris, B.A.**

**H. Kreitman**

**F. R. N. Krejsa, F.R.I.C.S.**

**J. M. F. Padovan, LL.B., B.C.L., F.C.A.**

**H. F. Pennell**

**D. C. Tuffin** (appointed 1st April 1984)

**G. R. Wood** (retired 31st March 1983)

**S. Young, F.C.A.**

## Secretary and Registered Office

**M. J. Boxall, A.C.I.I.,**  
Tesco House,  
Delamare Road,  
Cheshunt,  
Hertfordshire EN8 9SL.  
Telephone: 0992-32222  
Telex: 24138

**Registrars**  
Lloyds Bank PLC,  
Registrar's Department,  
Goring-by-Sea,  
Worthing,  
West Sussex  
BN12 6DA.  
Telephone: 0903-502541

**Auditors**  
Price Waterhouse,  
Southwark Towers,  
32 London Bridge Street,  
London SE1 9SY.

**Hogg Bullimore & Co.,**  
Chile House,  
20 Ropemaker Street,  
London EC2Y 9BA.

**Solicitors**  
Berwin Leighton,  
Adelaide House,  
London Bridge,  
London EC4R 9HA.

**Principal Bankers**  
Midland Bank PLC,  
Barclays Bank PLC,  
National Westminster Bank PLC.

**Merchant Bankers**  
County Bank Ltd.

---

# Financial Diary

---

**Year end**  
Last Saturday in February

**Half-year's results announced**  
Late November

**Year's results announced**  
Mid-June

**Dividends**  
Interim: announced late November  
paid late February  
Final: announced mid-June  
paid early August

**Annual report and accounts despatched**  
Early July

**Annual general meeting held**  
Last Friday in July

---

# Five Year Record

**TESCO**

Year ended February	1980	1981(a)	1982	1983	1984
			£m		
Turnover exclusive of value added tax	1,530.6	1,820.7	1,994.4	2,276.6	2,594.5
Profit on ordinary activities before taxation	36.5	35.6	42.7	53.5	67.4
Taxation	(1.4)	(5.5)	(12.0)	(11.5)	(24.7)
Profit on ordinary activities after taxation	35.1	30.1	30.7	42.0	42.7
Net surplus on sale of properties	0.4	20.0	24.0	7.7	5.2
	35.5	50.1	54.7	49.7	47.9
Extraordinary items	0.1	—	—	0.3	(20.0)
Dividends	(8.2)	(8.5)	(10.0)	(11.8)	(13.9)
Retained	27.4	41.6	44.7	38.2	14.0
			p		
Dividends per share	2.45	2.55	3.00	3.50	4.10
Earnings per share:					
Excluding net surplus on sale of properties	10.58	9.04	9.23	12.57	12.67
Including net surplus on sale of properties	10.69	15.01	16.46	14.86	14.22
Fully diluted earnings per share:					
Excluding net surplus on sale of properties	—	—	—	12.08	11.67
Including net surplus on sale of properties	—	—	—	14.25	13.02
Profit on ordinary activities before taxation as % of turnover	2.39	1.95	2.14	2.35	2.60
Average number of full time equivalent employees in the United Kingdom	39,862	38,809	40,421	40,377	40,363
			£		
Turnover per employee (b)	38,398	46,913	49,341	56,384	64,279
Wages per employee (b)	3,478	4,401	4,731	5,227	5,800
Retail Price Index	248.8	279.8	310.7	327.3	344.0

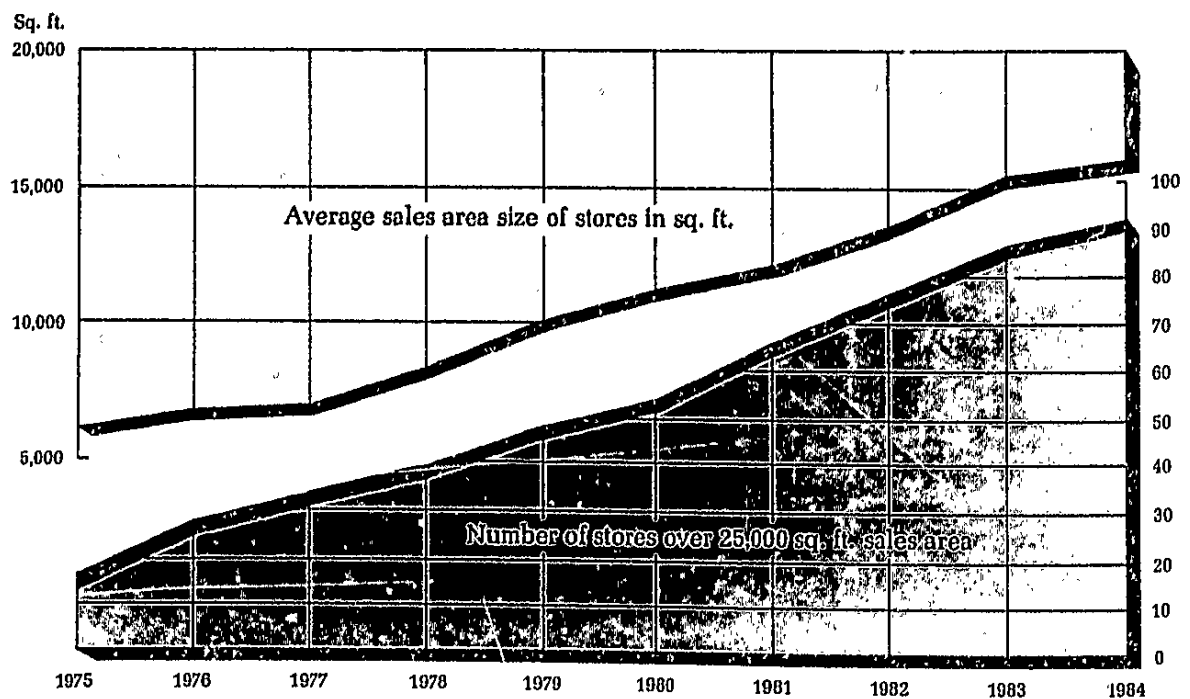
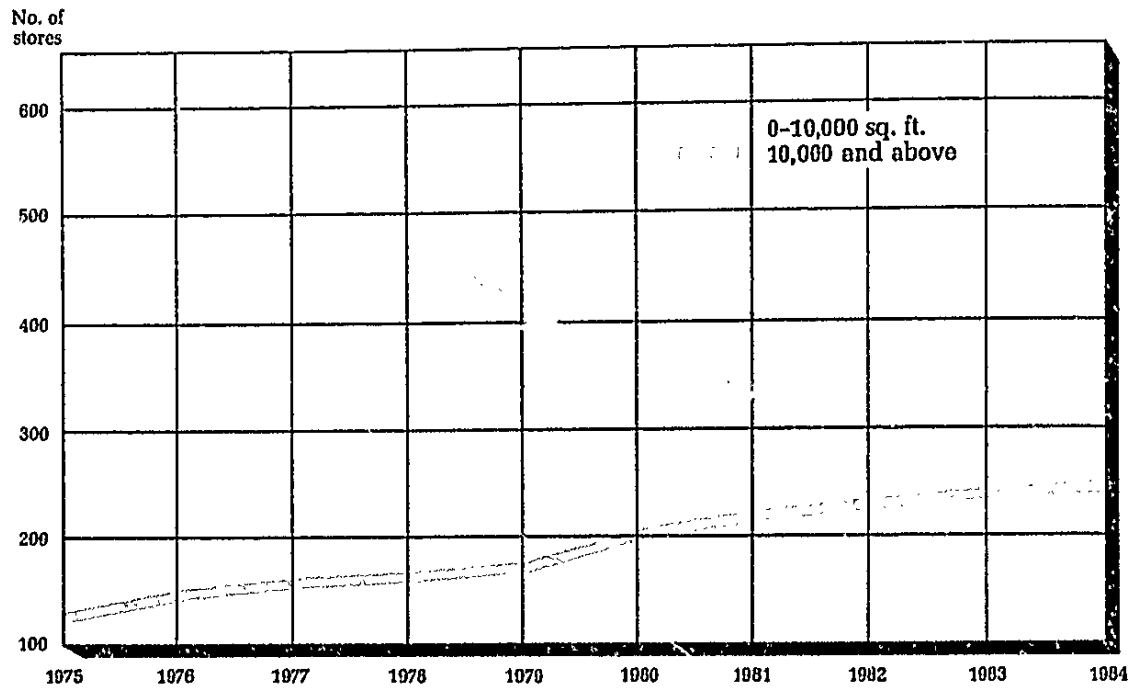
## Notes:

(a) 53 week period.

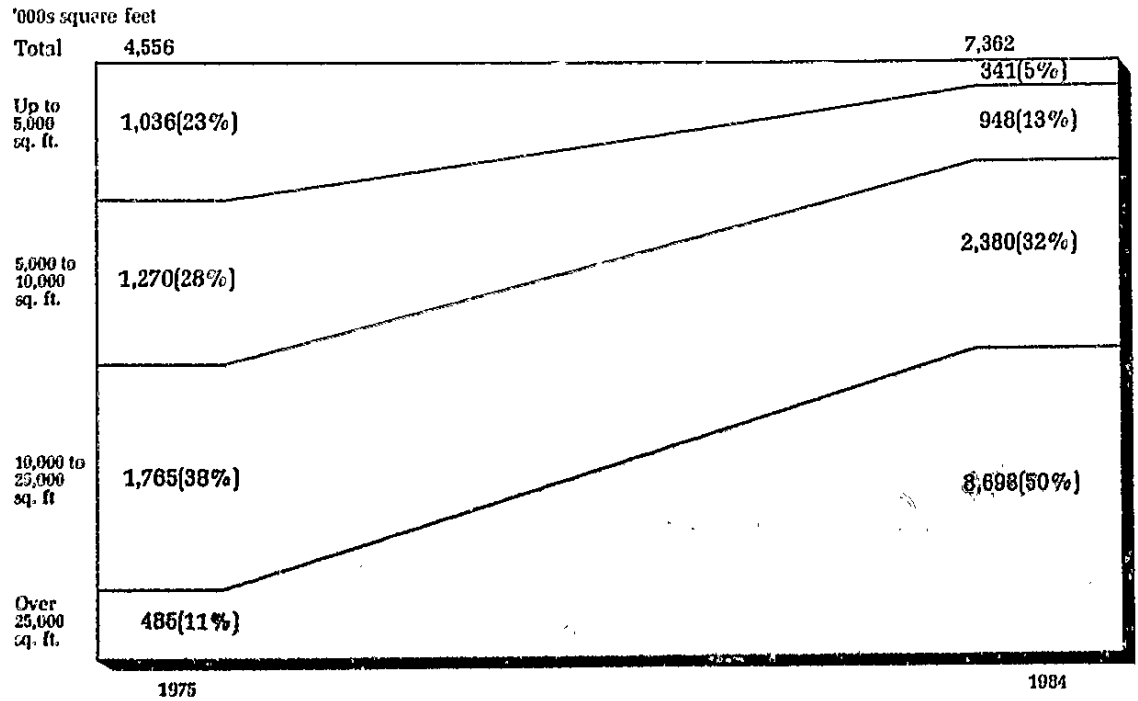
(b) Based on full time equivalent number of employees and turnover exclusive of value added tax.

# Stores Statistics

## Stores analysed by sales area sizes



## Sales area analysed under size of stores



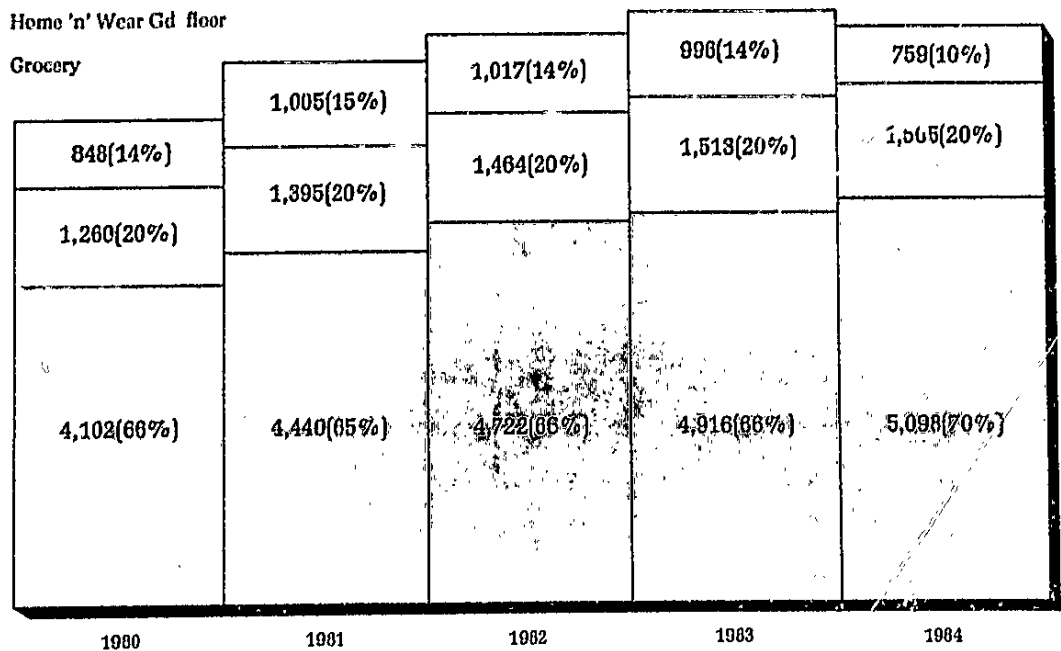
## Sales area analysed between Grocery and Home 'n' Wear

'000s square feet

Home 'n' Wear other floors

Home 'n' Wear Gd floor

Grocery



# Chairman's Statement

I am happy to be able again to report satisfactory results, achieved in a year of consolidation and improvement in many of the company's activities. Group sales increased by £340m to £2,744m; profit before tax advanced by £18.9m to £67.4m.

However, your company has been adversely affected by the 1984 Budget since the effect of reduced rates of capital allowances and the abolition of stock relief is greater than the benefit of the lower rates of corporation tax proposed.

Our balance sheet continues to be strong. The current year's trading has begun well; we are strongly placed to play our role as a leading national retailer.

## Trading and Development

We are continuing our policy of improving stores and extending the range of our fresh foods and own-label products, which we ensure are of top quality and value for money. We are well supported by manufacturers in meeting our customers' wishes; we plan our ranges in full co-operation and partnership with suppliers. Further information on the year's trading and other activities appears in the Directors' report which follows this statement.

Against a background of a relatively calm yet competitive marketplace last year, our turnover increased by 14.1% representing a volume gain of 8%. Our selling area at the year end was 7.4m sq. ft. including 91 superstores (exceeding 25,000 sq. ft. in sales area) which are the core of our trading operation. We have to extend that core and we shall therefore maintain a substantial investment programme. During the year under review we opened eight new stores and built two major extensions.

We were delighted to receive an award from the local authority for the design of our new store at Abingdon. Such new out-of-town units with full food and non-food ranges, garden centres and surface level car parking are proving highly attractive to customers, but we have no intention of foregoing our traditional position nearer the city centre.

We are opening ten new stores during the current year. These include Beaumont Leys near Leicester where, in addition to our own major unit, we have developed and built a shopping centre which has been very well received and will be occupied largely by multiple retailers.

Our development programme, along with those of our competitors, continues to be hindered in many cases by the complexities and delays of the planning process but we feel that many authorities are now recognising the advantages of superstores in convenience, economy and the employment we can bring to their communities.

Our gross selling area will probably remain fairly static as we continue to dispose of stores which have served their useful lives. It is interesting to note that many of these continue in new hands in the grocery business. We spend very large sums on the refitting and refurbishment of those older

stores which still have a useful life. Overall we maintain our numbers of staff and where we do close units we try to offer suitable alternative employment.

This has, as I said, been a year of consolidation and improvement. We have made very large investments of money and effort in our distribution and information systems and these will continue to be given much attention in the coming year. Improved stockturn has been achieved as a result of improving control and the supply of goods to our stores is considerably quicker than it was. We are also making important improvements in staff training and to our staff facilities.

## The Board

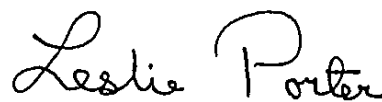
Our valued colleague, Hyman Kreitman, having reached the age of 70, retires from the Board. He has been with the company since 1946, and although age prevents him from continuing as a director, I am pleased to inform you that we will still benefit from his wise counsel since he has agreed to continue to serve the company as a consultant.

On your behalf I thank Hyman most sincerely for his outstanding service to the company. He was Joint Managing Director from 1957, Vice Chairman from 1963, Joint Chairman from 1968 and Chairman from 1969 to 1973.

As I mentioned in my statement accompanying the Interim Report, Ian MacLaurin, 47, has been appointed Deputy Chairman and in July 1985 when I retire from executive duties, he will succeed me as Chairman. Victor Benjamin, 49, has been appointed a part-time Deputy Chairman. David Malpas, 44, has been appointed Managing Director (Trading), and Ralph Temple, 50, Managing Director (Finance and Administration). Dennis Tuffin, 50, our senior retailer, was appointed to the Board on 1st April, 1984.

Finally, I wish to thank all of our directors, executives, staff and suppliers for their untiring and dedicated endeavours during the year which have brought about the results achieved. To encourage and reward our management we are considering the introduction of a new executive share option scheme and intend that this be dealt with at an extraordinary general meeting later in the year.

We aim to make shopping and working at Tesco a happy and interesting experience.



Sir Leslie Porter, Chairman  
2nd July, 1984

# Directors' Report

The directors present their annual report on the affairs of the group together with the accounts and auditors' report for the 52 weeks ended 25th February, 1984.

## Results and dividend

Group net profit before tax for the year was £67.4m compared with £53.5m for the previous year, an increase of 25.9%. The net margin as a percentage of turnover, including vat, increased from 2.23% to 2.46%.

Group turnover increased by £340m (including vat), and showed a volume gain of 8%.

The effective rate of taxation has increased from 21% in 1983 to 37% for the year under review. This increase in the effective rate arises partly from the benefit taken in 1983 in respect of advance corporation tax utilised in that year and previously written off. A further factor is the deferred taxation charge of £3.6m required in the 1984 accounts (1983—nil) as a result of the 1984 Budget. It is anticipated that the effective rate of taxation for 1985 will again increase following the 1984 Budget, since the adverse effect of reduced rates of capital allowances and the abolition of stock relief is greater than the benefit of the lower rates of corporation tax proposed. It has been necessary to make an extraordinary charge of £20m in the accounts to reflect this.

Stockturn has continued to improve with stock levels having increased by only 2.78% compared with an increase in turnover of 14.1%.

Expenditure on new stores and distribution depots, together with the refitting of existing stores amounted to £86m compared with £97m during the previous year. Planned expenditure for 1984/85 amounts to £100m. Last year, we spent approximately £17m on store refits and refurbishment; in the year 1984/85, we expect to spend over £20m.

An interim dividend of 1.50p (gross equivalent 2.14p) per share on account of the 52 week period ended 25th February, 1984 was paid on 24th February, 1984 on the ordinary shares and the directors recommend the payment of a final dividend of 2.60p (gross equivalent 3.72p) per ordinary share leaving profit for the financial year to be retained of £14.0m (1983—£38.2m).

## Principal activities and business review

The principal activity of the company and its subsidiaries during the period was multiple retailing within the United Kingdom and the Republic of Ireland.

### Food

Trading has been satisfactory with useful volume gains. Strict adherence to a clear-cut policy on stock and range control has resulted in a more comprehensive range than we have previously

carried and we believe this has been to our customers' satisfaction. Thirty-eight per cent of all grocery sales are now of own-label products. Development of own label products to the highest possible standards is being pursued not towards the replacement of branded items but as part of an innovative drive to broaden the range of goods in our stores.

We have now completed our programme of introducing "primal cuts" into our butchery departments, embarked upon last year. Primal cuts are animal carcasses already at their first stage of preparation and their introduction has led to a reduction in the costs of in-store butchery through reduced labour costs.

We have done much to raise the standards of our fresh foods depots by introducing the latest packaging and handling facilities, which give us greater output and efficiency, and at the same time reduce the amount of handling of each product. A new packaging/storage depot has opened at Rainham in Essex to serve our stores in the East and South East of the country. The programme of converting all our fresh foods vehicles to incorporate refrigeration units is well underway.

### Wines and Spirits



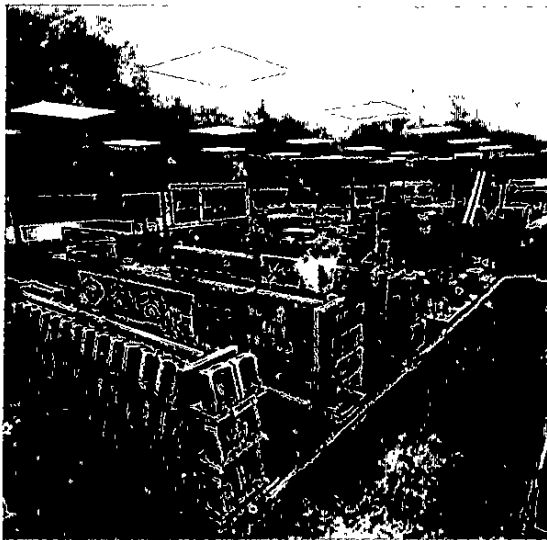
Wines and spirits sales and operations have again shown substantial growth during the year. The redesigned Tesco bottle and pack labels have been widely acclaimed. Tesco now accounts for more than 5% of the U.K. take-home market for wines and spirits. Ninety per cent of our table wine sales and 60% of spirit sales are now Tesco own-label; indeed our recent expansion in wines and spirits has been own-label led.

We boast one of the most extensive ranges in the country with over 100 own-label table wines and an associated wide range covering bottled ales at one end of the spectrum to ten-year-old malt whisky and Armagnac at the other. The quality of our products is receiving favourable recognition throughout the media.

### Home'n'Wear

The year has been one of consolidation. We have continued to work very closely with our suppliers in our drive to improve our quality still further and to develop and widen the range of goods we offer. We are continuing to purchase more goods from U.K. suppliers but quality backed by value for money will still remain our prime motivation.

Seventy per cent of our Home'n'Wear merchandise now comes from U.K. suppliers and around 80% of our ladies and menswear is made in the U.K.



We are now one of the largest retailers of toys in the U.K. and for the first time we have had toys on modular display all-year round, rather than concentrating our sales effort at Christmas.

### Store Development

We have been re-assessing for some time our approach to the development of new stores. Because competition for suitable sites is increasing all the time, determination of the potential of each site prior to the commencement of either acquisition or building is even more

essential. No longer do we develop primarily to maximise available physical space; our objective is to create an attractive shopping environment.

Ideally, our new stores will be single storey, with surface car parking, garden centres, petrol filling stations, wide aisles and bright attractive interiors. They will have a gross area of around 60,000 sq. ft. providing some 40,000 sq. ft. of net selling area.

We are particularly keen on improving our presence in and around London. A major redevelopment of 12 acres of the British Rail Property Board site at Neasden on the North Circular Road started in December. The main feature of the first phase of development will be a major new 60,000 sq. ft. net selling area superstore which will be the largest store of its kind in the London area with 45 checkouts and surface car parking for 1,000 cars. The store will be open in 1985.



During the year, we opened five stores in the U.K. and completed two major extensions. Among the new stores is Brookfield Farm (above) at Cheshunt, an excellent example of a modern superstore development within two miles of our own head office. We opened three stores in the Irish Republic.

The company is planning to open seven new stores in the current year plus two extensions. With three additional stores in the Irish Republic, we shall be adding a further 370,000 sq. ft. of new selling area.

### Distribution

To service our growing business, our regional distribution centres have been extended and their numbers are being increased. During the year we built major extensions to both our Crick and Westbury depots and with the completion of the planned extension of the Winsford depot, we shall have increased the space in our existing warehouses by over 160,000 sq. ft. Two new depots will be opened this summer at Weybridge, Surrey and Strood, Kent, each providing 180,000 sq. ft. of additional space. Strood will be operated on our behalf by an agency carrier.

New technology at the stores has enabled us to





# Directors' Report (continued)

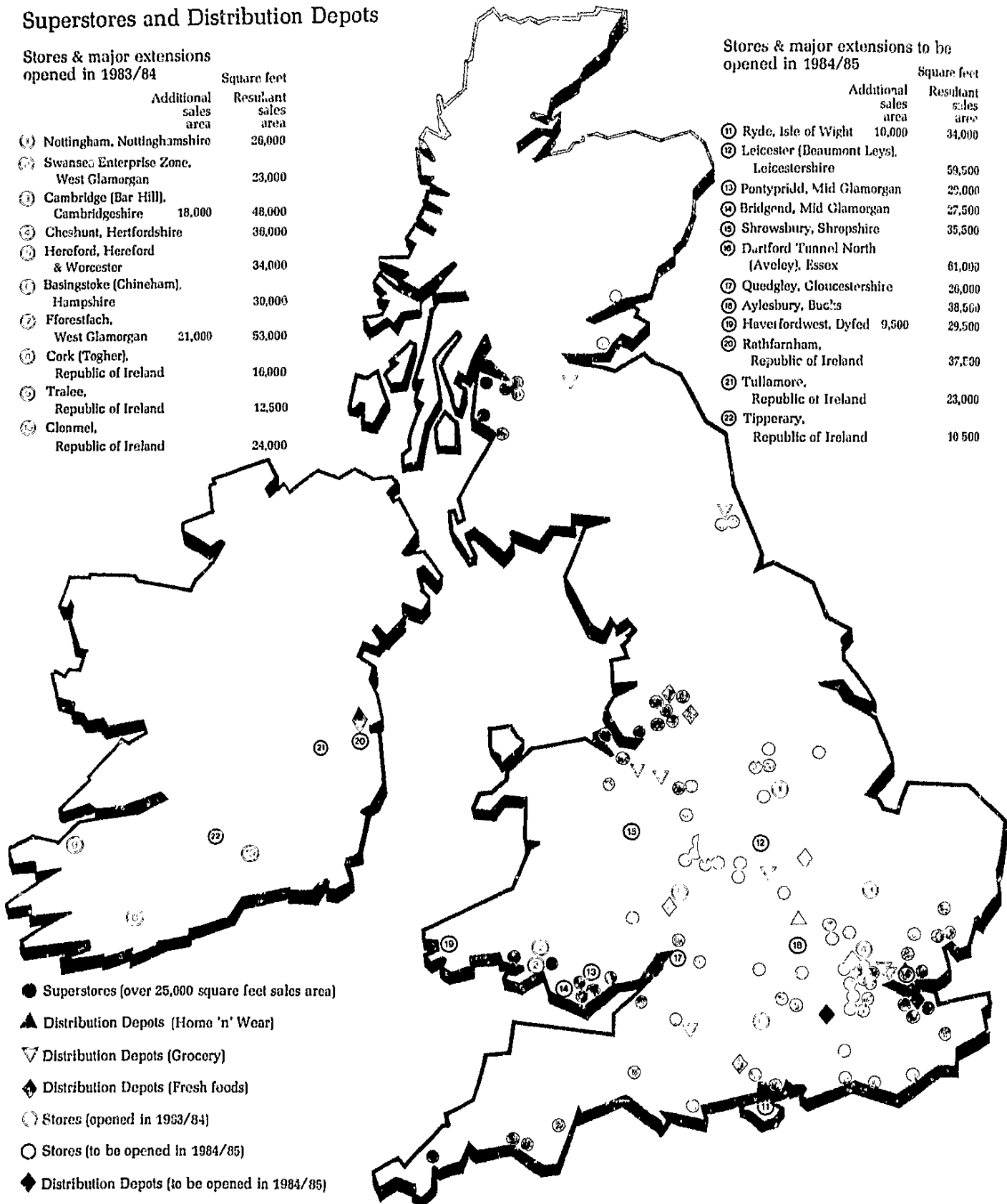
## Superstores and Distribution Depots

### Stores & major extensions opened in 1983/84

	Additional sales area	Resultant sales area
① Nottingham, Nottinghamshire		20,000
② Swansea Enterprise Zone, West Glamorgan		23,000
③ Cambridge (Bar Hill), Cambridgeshire	18,000	48,000
④ Cheshunt, Hertfordshire		36,000
⑤ Hereford, Hereford & Worcester		34,000
⑥ Basingstoke (Chineham), Hampshire		30,000
⑦ Fforestfach, West Glamorgan	21,000	53,000
⑧ Cork (Togher), Republic of Ireland		16,000
⑨ Tralee, Republic of Ireland		12,500
⑩ Clonmel, Republic of Ireland		24,000

### Stores & major extensions to be opened in 1984/85

	Additional sales area	Resultant sales area
⑪ Ryde, Isle of Wight	10,000	34,000
⑫ Leicester (Deaumont Leys), Leicestershire		59,500
⑬ Pontypridd, Mid Glamorgan		29,000
⑭ Bridgend, Mid Glamorgan		27,500
⑮ Shrewsbury, Shropshire		35,500
⑯ Dartford Tunnel North (Aveley), Essex		61,000
⑰ Quedgley, Gloucestershire		26,000
⑱ Aylesbury, Bucks		38,500
⑲ Haverfordwest, Dyfed	9,500	29,500
⑳ Rathfarnham, Republic of Ireland		37,500
㉑ Tullamore, Republic of Ireland		23,000
㉒ Tipperary, Republic of Ireland		10,500



evaluate the feasibility of introducing a 24/48 hour replenishment cycle for all our stores. A feasibility study has been carried out at our store at Salisbury in Wiltshire. The study has enabled us, through the use of portable data capture devices, to determine daily sales and stock levels and to transmit this information by direct telephone link to the computer at the depot which sets up automatically a re-order for the store.

As a result of the experience and success of the study we now have 40 stores on the 24/48 hour replenishment cycle. Our objective is that this will be common throughout the group in two years' time. New technology has also been introduced at the depots, facilitating the faster processing of orders received from the stores. Improved warehouse control systems have been introduced.

While we continue the expansion of our own distribution network, we are also developing formal relationships with professional carriers in order to supplement our own resources, although such relationships will always play a supportive role.

#### Victor Value

The Victor Value project, which began with the opening of the first of the new Victor Value stores in September 1982 at Huyton on Merseyside is enabling us to test the feasibility of limited range discounting, using former Tesco stores which no longer fit into the Tesco profile.

We now have some 30 stores operating under the Victor Value name and expect to open some more during the year as part of the continuing experiment. The stores are operated to very high standards of organisation and are distinguished from other similar operations by virtue of their fully computerised checkout and stock replenishment systems.

#### Quality and Service



Our drive to improve still further the quality and value of our products and the standard of our service continues unabated. We work closely with

all our suppliers to improve the manufacture of all our products and we set very high product specifications. Our emphasis on quality is underpinned by the work of our advance control laboratories where we test and monitor the standard of foods and virtually every other product. Related to the work of the laboratories is the work of our consumer kitchens which, among many important tasks, provide a vehicle for customers' comments both pre-launch and post-launch of new own-label lines.



We are also continuing to do all we can to improve the environment of our stores for our customers. The evidence is that all our efforts in this direction are being well received.

We are continuing to explore the advantages of Electronic Point of Sale (E.P.O.S.) and Electronic Funds Transfer (E.F.T.)

#### Fixed Assets

A summary of the changes in fixed assets and information relating to market value is shown in Note 8 to the Accounts. A professional valuation of the group's properties is scheduled for February, 1985.

#### Directors and their interests (see also chart on following page)

A list of directors is given on page 2. Sir Leslie Porter, Mr. I. C. MacLaurin and Mr. D. G. Harris retire from the board by rotation in accordance with Article 85 and, being eligible, offer themselves for re-election. Mr. H. Kreitman similarly retires but, having reached the age of seventy, has decided not to stand for re-election. Mr. D. C. Tuffin was appointed a director of the company on 1st April, 1984 and in accordance with Article 91 retires and, being eligible, offers himself for re-election.

Sir Leslie Porter's contract terminates on the 31st July, 1985. Those of Mr. MacLaurin and Mr. Harris are each for a term of five years, and that of Mr. Tuffin for a term of three years, currently from 1st January, 1984.

# Directors' Report (continued)

Directors' shareholdings in the company and family interests at the year ends were as follows:

Beneficial and Family Interests	Ordinary Shares		Convertible Unsecured "A" Loan Stock		Ordinary Shares 1p paid		Share Options*	
	1984	1983	1984	1983	1984	1983	1984	1983
Sir Leslie Porter	5,634,829	5,894,829	1,065,948	1,065,948	—	—	7,647	7,647
Mr. I. C. MacLaurin	51,230	51,230	750	750	16,000	20,000	27,647	27,647
Mr. V. W. Benjamin	15,000	5,000	—	—	—	—	—	—
Mr. A. D. Malpas	1,000	1,000	—	—	—	—	47,647	47,647
Mr. R. Temple	31,000	51,000	5,166	5,166	—	30,000	27,647	27,647
Mr. M. Darnell	15,000	1,000	166	166	—	—	27,647	77,647
Mr. D. G. Harris	57,696	18,000	—	—	—	44,296	27,647	77,647
Mr. H. Kreitman	1,000,000	1,000,000	—	—	—	—	—	—
Mr. F. R. N. Krejsa	2,080	2,080	—	—	10,000	30,000	70,000	70,000
Mr. J. M. F. Padovan	1,000	—	—	—	—	—	—	—
Mr. H. F. Pennell	6,600	6,600	—	—	5,312	10,312	47,647	47,647
Mr. D. C. Tuffin†	1,078	—	—	—	10,312	—	25,647	—
Mr. S. Young	—	—	—	—	—	—	—	—
<b>Non Beneficial as Trustees</b>								
Sir Leslie Porter	4,203,347	4,203,347	743,890	743,890	—	—	—	—
Mr. I. C. MacLaurin	30,000	30,000	5,000	5,000	—	—	—	—
Mr. H. Kreitman	4,721,776	5,381,776	1,042,962	1,042,962	—	—	—	—

\*Executive share option scheme and Savings-related share option scheme (1981).

†On date of appointment, 1st April, 1984.

3,391,422 (1983—3,391,422) ordinary shares and £658,570 (1983—£658,570) Convertible unsecured loan stock are duplicated above in the non-beneficial holdings of Sir Leslie Porter and Mr. H. Kreitman.

Save as described in Note 17 to the Accounts, 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. Between 25th February, 1984 and 2nd June, 1984 there have been the following changes in the interests of the directors in the share capital of the company: the sale by Mr. H. Kreitman of 41,000 ordinary shares, the exercising of options by Mr. I. C. MacLaurin and Mr. A. D. Malpas on 10,000 and 5,000 ordinary shares respectively under the Executive share option scheme and by Mr. I. C. MacLaurin on 16,000 ordinary shares under the Executive share scheme and the subsequent sales of 26,000 and 5,000 ordinary shares by Mr. I. C. MacLaurin and Mr. A. D. Malpas respectively, and the exercising of options by Mr. D. C. Tuffin on 11,000 ordinary shares under the Executive share option scheme.

## Substantial shareholdings

There were, as at 2nd June, 1984, no persons holding or, as far as the register of shareholders discloses, beneficially interested in 5 per cent or more of the share capital of the company.

## 9% Convertible unsecured loan stock 2002/2007

On 2nd December, 1982, the company made a rights issue to shareholders of £56,057,487 in 9% Convertible unsecured loan stock 2002/2007 ("the stock") at par. Each £100 nominal of the stock is convertible in August during the years 1986 to 2002 into 80 ordinary shares of 5p each, representing an effective conversion price of 125p per ordinary share.

If at any time more than 75% of the stock has been converted the company may compulsorily convert the outstanding stock, but the stockholders may instead require repayment of their stock at par. As from 30th November, 2002, the company is entitled to redeem the outstanding stock at par and any stock not previously converted or redeemed will be repaid on 30th November, 2007. The trustee of the stock is Guardian Royal Exchange Assurance plc.

## Employees



The introduction of new working methods as a result of the initiative of the Productivity Department, an increasing dependence on information gathered through micro-electronic

devices and an accelerated trend towards longer trading hours in fewer, larger stores, has resulted in changes in our employee profile.

Longer trading hours have led to the employment of more part-time staff, so that although the number of full-time equivalent staff (derived from the aggregate number of hours worked each week by all employees divided by thirty-six) is unchanged over the year, the actual number of people employed, averaged over the year, rose to 52,342, an increase of 2,970.

We were very pleased to be able to provide these and other new job opportunities. Increased numbers have called for additional activity, particularly in the communication and training areas.

#### **Communication**

The Company communicates with its employees in a variety of ways, the objective being to promote understanding of each other's needs and mutual respect and commitment. A number of internal newspapers and newsletters are circulated regularly.

#### **Consultation and Industrial Relations**

We regard consultation and good industrial relations as essential to the process of management at all levels. Our consultative systems range from high level weekly meetings of senior trading managers, to regular regional forums of supermarket management, and from weekly training and information lectures by managers and in-store instructors to consultative groups in our distribution warehouses.

The continuing relationship between Tesco and the Union of Shop, Distributive and Allied Workers (USDAW) prospers by virtue of regular consultation, a consultative conference and training courses for shop stewards. A number of officials, paid and unpaid, help to foster the mutual trust essential to the smooth running of our business.

#### **Training**

The company is committed to make every employee better equipped to improve his or her performance.

The Training Department provides courses for all levels of staff. Its latest major task is the running of a ten-month campaign to improve awareness of Health and Safety at work, during which every employee will be required to complete a workbook, attend lectures and respond to questionnaires.

Video training, involving the use of interactive screens, is being introduced during the year. This type of training enables employees to learn and

to reach a predetermined rate of efficiency at their own speed.

The Youth Training Scheme began in September 1983. The early response was disappointing but the quality of the students is high and is repaying the care and quality of preparation for their introduction to the work-place.

We believe the participation in, and commitment of our employees to the business, to be fundamental to its success and we shall continue to seek new means by which we may improve our human relations.

#### **Employment of disabled persons**

It is the company's policy to ensure that full and fair treatment is given in relation to the recruitment, training, career development and promotion of disabled persons and that their employment objectives are based on a realistic assessment of their aptitudes and abilities.

Wherever possible, the company will continue the employment of persons who become disabled during the course of their employment. This is achieved through re-training, acquisition of special aids and equipment and, if appropriate, the provision of suitable alternative employment.

#### **Executive share scheme**

On 31st July, 1970 your company adopted an Executive share scheme. Details of the scheme were supplied to members by circular dated 8th July, 1970. By the terms of the scheme certain executives of the group were given the right to subscribe for "A" ordinary shares of 5p each in your company. Such shares were allotted on the basis of a subscription price which exceeded by 5% the average of the middle market quotations on The Stock Exchange of the fully-paid ordinary shares of the company for the period of 30 days immediately preceding the date of issue of the scheme shares. This subscription price was 61p per share subsequently adjusted to 48.2p to take into account bonus issues. 1p per share was payable on subscription and the balance payable in certain events. Following payment of the subscription monies in full, in accordance with the terms of the scheme, the "A" ordinary shares are automatically converted into ordinary shares for which an application for listing will be sought.

In certain circumstances, in connection with the cessation of a participant's employment by the Group, he must transfer all his "A" ordinary shares to the Custodian of the scheme. On 5th January, 1983 the Custodian paid up in full the subscription price for all shares so transferred to him which were converted to ordinary shares and was thereby entitled to the interim dividend paid on 1st March, 1983. Previously the Custodian had been able to participate in the rights issue of 9% Convertible unsecured loan stock 2002/2007. The Custodian's rights to the stock were sold and on 3rd March, 1983 the Custodian also sold all the

# Directors' Report (continued)

newly converted ordinary shares. The net amount, subject to taxation, of all such transactions, £500,357.82, was received by the company on 14th March, 1983.

No options have been granted under the scheme since 1970.

## Executive share option scheme

On 27th March, 1973 your company adopted an Executive share option scheme. The scheme was amended, with the approval of the members, on 28th July, 1978. Under the scheme, options to acquire such number of fully paid ordinary shares of 5p each of your company as might be determined by the board, were granted to full time directors and employees of your company and its subsidiaries at a price of £1. An executive to whom an option was granted may exercise the option within the period between three and seven years from the date of the grant of the option. The subscription price payable in respect of each ordinary share shall be equal to the middle market quotation on The Stock Exchange of an ordinary share on the last dealing day prior to the date on which an executive accepted the offer of an option.

The following options have been granted:—

Date	Number of executives	Number of shares	Shares unexercised 25.2.84	Original subscription price
15th December 1978	529	3,665,500	576,000	52½p*
27th March 1981	343	1,564,000	1,420,000	59½p*
24th July 1981	142	412,500	372,500	58½p*
21st January 1983	538	916,500	876,500	119p

The scheme has now been terminated as it was for a fixed period of ten years.

## Savings-related share option scheme (1981)

On 31st July, 1981, your company adopted a Savings-related share option scheme. Details of the scheme were supplied to members by circular dated 6th July, 1981. Under the terms of the scheme, each full-time employee of the group who has completed at least two years' continuous service may be given the option to subscribe for ordinary shares of 5p each in your company; at the time of the grant of the option, the employee must enter into a Save As You Earn contract with the Abbey National Building Society for a term of five years and contribute an integral amount between £10 and £50 a month. At the end of the five year term a refund of contributions plus a tax free bonus of an amount equal to eighteen months' contributions will be received. Within six months of the date when the bonus becomes payable the option may be exercised; if the option is so exercised the refund and bonus must be used to settle the subscription price payable for each ordinary share which will be not less

than the higher of the nominal value of an ordinary share and 90% of the middle market quotation thereof on The Stock Exchange on the fifth dealing day immediately after the date on which the company's Annual Report and Accounts are sent to members prior to the option being granted. If the option is not exercised during that six month period, it will generally lapse.

The following options have been granted:—

Date	Number of executives and employees	Number of shares	Shares unexercised 25.2.84	Original subscription price
2nd September 1981	942	2,909,544	2,420,601	53½p*
11th August 1982	225	590,230	519,088	63½p*
10th August 1983	424	709,624	694,293	117p*

\*The subscription price payable in respect of each ordinary share comprised in an option unexercised at 24th November, 1982 has been reduced by 2½p to take account of the rights issue by your company of £56,057,487 9% Convertible unsecured loan stock 2002/2007. This adjustment has been certified by Hogg Bullimore & Co. as being in their opinion fair and reasonable, in accordance with the rules of the schemes.

## Charitable and political contributions

Charitable contributions totalled £10,000 (1983—£10,000). No political contributions were made.

## Number of shareholders

The number of shareholders of the company at 25th February, 1984 was 45,726 (1983—48,247).

## Close company status

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1970.

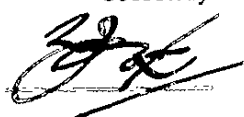
## Auditors

The present joint auditors, Price Waterhouse and Hogg Bullimore & Co. have expressed their willingness to continue in office.

In accordance with Section 14 of the Companies Act 1976 a resolution proposing the re-appointment of Price Waterhouse and Hogg Bullimore & Co. as joint auditors of the company will be put to the Annual General Meeting.

By Order of the Board  
Michael J. Boxall  
Secretary

13th June, 1984.



# Auditors' Report

to the members of TESCO PLC

We have audited the financial statements on pages 16 to 26 and pages 28 to 31 in accordance with approved Auditing Standards.

In our opinion the financial statements on pages 16 to 26, which have been prepared under the historical cost convention, give under that convention a true and fair view of the state of affairs of the company and the group at 25th February, 1984, and of the profit and source and application of funds of the group for the 52 weeks then ended, and comply with the Companies Acts 1948 to 1981.

In our opinion the supplementary current cost accounts on pages 28 to 31 have been properly prepared, in accordance with the policies and methods described in the notes, to give the information required by the Statement of Standard Accounting Practice No. 16.

Price Waterhouse  
Hogg Bullimore & Co.  
Chartered Accountants

London

13th June, 1984

*Price Waterhouse*  
*Hogg, Bullimore & Co.*

# Accounting Policies

## Basis of accounts

The accounts are prepared under the historical cost convention and are in accordance with the Companies Act 1981.

## Basis of consolidation

The consolidated profit and loss account and balance sheet consist of the accounts of the parent company and its subsidiaries, all of which are made up to 25th February, 1984.

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

## Stocks

Stocks which comprise goods for resale are valued on a consistent basis at the lower of cost and net realisable value. Stocks at branches are calculated at retail prices and reduced by appropriate margins to the lower of cost and net realisable value; for all other stocks cost is determined on the basis of first in first out.

## Fixed assets

The cost of land and buildings does not include any amounts in respect of interest on funds used to finance their initial acquisition and development.

## Depreciation

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:—

Plant, equipment, fixtures and fittings—at rates varying from 7% to 30%

Motor vehicles—20%

Freehold buildings—Tesco Stores Ireland  
Limited: 2%  
Remainder: nil (see below)

Leasehold properties are amortised over the unexpired portions of the leases by equal annual instalments on the following basis:—

Term of lease

Up to 150 years—over period of the lease

In excess of  
150 years — nil

Buildings—Freehold and Leasehold (in excess of 150 years).

No depreciation is provided on United Kingdom freehold buildings or leasehold buildings held on leases in excess of 150 years, for the following reasons:—

- (a) The group follows a programme of regular refurbishment and maintenance of its properties, which includes the reinstatement of the fabric of buildings, where necessary, in order to maintain them to a high standard
- (b) The properties were revalued by Healey & Baker as at February 1981 at open market value for existing use and the valuation showed a considerable surplus over book value which has not been incorporated in the accounts.

Accordingly, in the opinion of the directors, the total realisable values of the land and buildings are considerably higher than book values and the total residual values of buildings will be at least equal to their book values.

## Leasing

Plant, equipment and fixtures and fittings, which are the subject of finance leases, are dealt with in the accounts 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 less receivable in the profit and loss account.

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

## Deferred taxation and advance corporation tax

Deferred taxation, when material, is provided on:—

- (1) accelerated capital allowances, except when the tax benefit can be expected with reasonable probability to be retained for the foreseeable future, and
- (2) other timing differences.

Provision for deferred taxation is made at the rate of corporation tax anticipated for the year in which the timing difference is expected to reverse.

Surplus advance corporation tax on dividends paid and proposed, which is expected to be recoverable, is set off against any deferred tax provision and any balance is included in debtors.

#### **Foreign currency**

Assets and liabilities of overseas subsidiary companies are translated into sterling at the rates of exchange ruling at the balance sheet date, but their operating results are translated at the average rate for the period. The exchange translation differences that arise are dealt with through reserves.

Foreign exchange profits and losses arising in the ordinary course of business during the year are included in operating profit.

#### **Pension contributions**

Contributions are made by the group to the pension schemes, in accordance with the actuaries' recommendations, and are charged against profits as incurred.



# Consolidated Profit and Loss Account

52 weeks ended 25th February, 1984

	Note	1984 £m	1983 £m
Sales to customers at net selling prices		2,744.0	2,404.0
Value added tax		149.5	127.4
<b>Turnover excluding value added tax</b>		<b>2,594.5</b>	<b>2,276.6</b>
Cost of Sales		2,441.1	2,146.0
Gross Profit		153.4	130.6
Distribution costs		39.9	31.0
Administration expenses		44.6	39.0
<b>Operating profit</b>	1	<b>68.9</b>	<b>60.6</b>
Interest payable less receivable	3	1.5	7.1
<b>Profit on ordinary activities before taxation</b>		<b>67.4</b>	<b>53.5</b>
Tax on profit on ordinary activities	4	24.7	11.5
<b>Profit on ordinary activities after taxation</b>		<b>42.7</b>	<b>42.0</b>
Net surplus on sale of properties	4	5.2	7.7
		47.9	49.7
Extraordinary items after taxation	5	(20.0)	0.3
<b>Profit for the financial year</b>		<b>27.9</b>	<b>50.0</b>
Dividends	6	13.9	11.8
<b>Profit retained</b>		<b>14.0</b>	<b>38.2</b>
<b>Earnings per ordinary share:</b>			
Excluding net surplus on sale of properties	7	12.67p	12.57p
Including net surplus on sale of properties	7	14.22p	14.86p
<b>Fully diluted earnings per share:</b>			
Excluding net surplus on sale of properties	7	11.67p	12.08p
Including net surplus on sale of properties	7	13.02p	14.25p
<b>Dividend per share</b>		<b>4.10p</b>	<b>3.50p</b>

# Balance Sheets

25th February, 1984

1984/1983

	Note	Consolidated		TESCO PLC	
		1984 £m	1983 £m	1984 £m	1983 £m
<b>Fixed assets</b>					
Tangible assets	8	505.8	456.9	—	—
Investments: shares in subsidiaries	9	—	—	19.8	54.3
<b>Current assets</b>					
Stocks (goods for resale)	10	179.9	175.0	—	—
Debtors		9.9	14.4	285.3	283.8
Investments—short term deposits		44.0	33.5	44.0	33.5
Cash at bank and in hand		24.3	23.7	2.1	8.6
		258.1	246.6	331.4	325.9
Creditors: amounts falling due within one year	11	329.9	306.0	27.4	29.9
Net current assets/(liabilities)		(71.8)	(59.4)	304.0	296.0
Total assets less current liabilities		434.0	397.5	323.8	330.3
Creditors: amounts falling due after more than one year	12	78.8	76.2	56.0	56.0
Provisions for liabilities and charges	13	19.9	—	—	—
		335.3	321.3	267.8	274.3
<b>Shareholders' funds</b>					
Called up share capital	15	16.9	16.8	16.9	16.8
Share premium account	16	14.6	14.1	14.6	14.1
Profit and loss account	16	303.8	290.4	236.3	243.4
		335.3	321.3	267.8	274.3

Directors: Sir Leslie Porter, I.C. MacLaurin

Accounts approved by Board: 13th June, 1984

*L. Porter*  
*I.C. MacLaurin*

Accounting policies and notes forming part of these accounts are on pages 16 and 17 and pages 21 to 26.

# Consolidated Statement of Source and Application of Funds

52 weeks ended 25th February, 1984

	1984 £m	1983 £m
<b>Revenue funds</b>		
<b>Source of funds</b>		
Profit on ordinary activities before taxation	67.4	53.5
Adjustment for items not involving the movement of funds:		
Depreciation and amortisation	35.4	30.3
Increase in creditors	34.1	39.6
	<u>136.9</u>	<u>123.4</u>
<b>Deduct</b>		
<b>Application of funds</b>		
Increase in stock	5.9	10.1
Increase in debtors	0.8	1.4
Dividends paid	16.9	10.0
Taxation paid	12.6	8.7
	<u>36.2</u>	<u>30.2</u>
	100.7	93.2
<b>Capital funds</b>		
<b>Source of funds</b>		
Issue of 9% Convertible unsecured loan stock less expenses	—	54.6
Proceeds from issue of shares	0.6	1.6
Proceeds from disposal of tangible assets	11.8	20.8
Proceeds from sale of investments	—	0.7
Increase/(Decrease) in medium term bank loans	7.2	(37.1)
	<u>19.6</u>	<u>40.6</u>
<b>Deduct</b>		
<b>Application of funds</b>		
Purchase of tangible assets	93.2	106.0
Increase/(Decrease) in debtors	(0.2)	1.5
Decrease/(Increase) in leasing commitments	3.5	(2.5)
Decrease/(Increase) in creditors	4.8	(0.2)
	<u>101.3</u>	<u>104.8</u>
	(81.7)	(64.2)
<b>Movement in net liquid funds</b>		
Increase in cash and short term deposits	11.1	29.1
Decrease/(Increase) in short term bank loans and overdrafts	7.9	(0.1)
	<u>19.0</u>	<u>29.0</u>

Note: Foreign exchange differences arising on the translation of overseas assets and liabilities into sterling have been excluded from this statement.

Accounting policies and notes forming part of these accounts are on pages 16 and 17 and pages 21 to 26.

# Notes to the Accounts

2011/12/13

<b>1 Operating profit</b>	<b>1984</b>	<b>1983</b>
	<b>£m</b>	<b>£m</b>
Profit is stated after charging the following:		
Depreciation	35.4	30.3
Auditors' remuneration	0.2	0.1
Staff costs (note 2a)	234.1	211.0

<b>2 Staff costs</b>	<b>1984</b>	<b>1983</b>
	<b>£m</b>	<b>£m</b>
<b>a) Employment costs during the period</b>		
Wages and salaries	208.5	187.0
Social Security costs	18.2	18.6
Other pension costs	7.4	5.4
	<b>234.1</b>	<b>211.0</b>

## **b) Number of persons employed**

The average number of U.K. employees per week during the period was 52,342 (1983—49,372)—full time equivalent 40,363 (1983—40,377).

## **c) Directors' emoluments**

Aggregate emoluments of the directors of the parent company were £1,200 (1983—£1,242) in respect of services as directors and £757,663 (1983—£642,477) in respect of their executive duties.

Emoluments waived by one director amounted to £15,000 (1983—£15,000).

The emoluments of the Chairman, who was the highest paid director, amounted to £81,546 (1983—£62,486), excluding pension contributions.

Directors' emoluments and the emoluments of other employees in excess of £30,000, excluding pension contributions, fall within the following scales:

		Number of directors		Number of other employees	
		1984	1983	1984	1983
From	£0 to £5,000	1	—		
"	£5,001 to £10,000	—	3		
"	£10,001 to £15,000	3	—		
"	£15,001 to £20,000	—	1		
"	£20,001 to £25,000	1	—		
"	£25,001 to £30,000	—	1	12	1
"	£30,001 to £35,000	—	—	8	—
"	£35,001 to £40,000	—	6	1	—
"	£40,001 to £45,000	1	1	—	—
"	£45,001 to £50,000	3	—	—	—
"	£50,001 to £55,000	2	1	—	—
"	£55,001 to £60,000	—	—	—	—
"	£60,001 to £65,000	—	—	—	—
"	£65,001 to £70,000	—	—	—	—
"	£70,001 to £75,000	1	—	—	—

<b>3 Interest</b>	<b>1984</b>	<b>1983</b>
	<b>£m</b>	<b>£m</b>
Interest payable on: Short term bank loans, overdrafts and finance leases repayable within 5 years.	3.4	9.1
Finance leases repayable beyond 5 years	0.3	1.3
9% Convertible unsecured loan stock 2002/2007	5.0	0.9
	<b>8.7</b>	<b>11.3</b>
Deduct Interest receivable on short term deposits	7.2	4.2
	<b>1.5</b>	<b>7.1</b>

# Notes (continued)

<b>4 Taxation</b>	<b>1984 £m</b>	<b>1983 £m</b>
<b>United Kingdom taxation</b>		
Corporation tax at 50.2% (1983—52%)	20.9	16.3
Deferred taxation	3.6	—
Prior year adjustments including advance corporation tax previously written off	—	(5.1)
	<u>24.5</u>	<u>11.2</u>
<b>Overseas taxation</b>		
Corporate taxes	0.2	0.3
	<u>24.7</u>	<u>11.5</u>

The group tax charge for the year has been reduced by £4.8m (1983—£4.5m) in respect of stock relief and £5.3m (1983—£9.8m) in respect of accelerated capital allowances on which no provision for deferred tax is required.

Net surplus on sale of properties is net of taxation amounting to £0.4m (1983—£nil). Where possible taxation on capital gains has been or will be deferred by rollover relief under the provisions of the Taxes Acts [Note 13].

<b>5 Extraordinary items</b>	<b>1984 £m</b>	<b>1983 £m</b>
Net gain on disposal of investment in associated company	—	0.7
Provision against loan to associated company	—	(0.2)
	<u>—</u>	<u>0.5</u>
Taxation on net gain	—	(0.2)
Deferred taxation	(20.0)	—
	<u>(20.0)</u>	<u>0.3</u>

The extraordinary charge for deferred taxation has arisen in order to reflect the impact of the Finance (No. 2) Bill 1984 on the level of provision for deferred taxation required as at 27th February, 1983.

<b>6 Dividends</b>	<b>1984 £m</b>	<b>1983 £m</b>
Declared interim—1.50p per share (1983—1.25p)	5.1	4.2
Proposed final —2.60p per share (1983—2.25p)	8.8	7.6
	<u>13.9</u>	<u>11.8</u>

## 7 Earnings per share and fully diluted earnings per share.

a) The calculations of the earnings per ordinary share, excluding and including net surplus on sale of properties, are based respectively on the profit on ordinary activities after taxation, before and after including the net surplus on sale of properties, divided by the weighted average number of ordinary 5p shares in issue during the year of 337,054,503 (1983—334,407,118).

b) The calculations of fully diluted earnings per share, excluding and including net surplus on sale of properties, are based respectively on the profit on ordinary activities after taxation, before and after including the net surplus on sale of properties and after adding:

- (1) the saving of interest net of corporation tax on the 9% Convertible unsecured loan stock assuming that the loan stock were converted in full into ordinary shares on the first day of the financial year.
- (2) 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 amounts so derived have been divided by the weighted average number of ordinary shares in issue during the year together with the weighted average number of ordinary shares assumed to have been issued as indicated above.

### 3 Tangible assets

	Note	Land and buildings			Plant equipment fixtures & fittings & vehicles	Assets in course of construction	Total
		Freeholds	Leaseholds 50 years or more	less than 50 years			
<b>Cost</b>		£m	£m	£m	£m	£m	£m
As at 27th February, 1983		138.3	142.1	15.2	259.3	39.7	584.6
Currency translation adjustments		(2.1)	(0.1)	(0.1)	(0.7)	(0.2)	(3.2)
Additions at cost	(a)	2.2	—	0.1	40.5	50.4	93.2
Transfers		15.2	9.6	2.8	9.9	(37.5)	—
		143.6	151.6	18.0	309.0	52.4	674.6
Deduct Disposals		1.1	0.3	1.0	6.8	2.6	11.8
As at 25th February, 1984		142.5	151.3	17.0	302.2	49.8	662.8
<b>Depreciation</b>							
As at 27th February 1983		0.6	3.6	5.4	117.9	—	127.7
Currency translation adjustments		(0.1)	—	—	(0.4)	—	(0.5)
Charge for period		0	1.2	1.1	33.0	—	35.4
		0.8	4.8	6.5	150.5	—	162.6
Deduct disposals		—	—	0.4	5.2	—	5.6
As at 25th February, 1984		0.8	4.8	6.1	145.3	—	157.0
<b>Net book value at 25th February, 1984</b>	(b)	141.7	146.5	10.9	156.9	49.8	505.8
Net book value at 26th February, 1983		127.5	138.5	10.0	141.4	39.7	456.9

**Notes:**

(a) Includes acquisition costs of freehold title to existing leaseholds.

(b) Includes plant, equipment, fixtures and fittings subject to finance leases:

	£m	£m	£m
	Cost	Depreciation	Net book value
As at 27th February, 1983	25.4	5.6	19.8
Charge for period	—	3.9	(3.9)
As at 25th February, 1984	25.4	9.5	15.9

(c) Market value of land and buildings held as tangible assets:

Freehold and leasehold land and buildings of the group were valued by Healey & Baker as at 28th February, 1981 on the basis of open market value for existing use at £443m. Deductions totalling £18m were considered appropriate by the directors to take into account buildings in course of construction and the resultant value of £425m showed an excess over book value at 28th February, 1981 of £150m before taxation thereon.

# Notes (continued)

## 9 Investment in subsidiaries

- (a) Tesco Stores Limited, operated and registered in England, Tesco Stores Ireland Limited, operated and registered in the Irish Republic and Tesco Insurance Limited, operated and registered in Guernsey, are the only subsidiary companies which, in the opinion of the directors, principally affected the amount of the profit or assets of the group. The issued share capital of these companies, which consists of £1 and IR£1 ordinary shares, is wholly owned by TESCO PLC.

	1984	1983
	£m	£m
(b) Investment—shares at cost less amounts written off	19.8	34.3

- (c) The accounts of Tesco Stores Ireland Limited, Tesco Insurance Limited and certain other subsidiary companies which do not materially affect the consolidated accounts were audited by firms other than Price Waterhouse and Hogg Bullimore & Co. The turnover and net assets of these subsidiaries amount to £71.9m and £8.2m respectively.

## 10 Debtors

	Consolidated		TESCO PLC	
	1984	1983	1984	1983
	£m	£m	£m	£m
Amounts owed by group companies	—	—	285.3	283.8
ACT recoverable	—	5.1	—	—
Prepayments and accrued income	2.7	2.4	—	—
Other debtors	7.2	6.9	—	—
	9.9	14.4	285.3	283.8

Enil (1983— 5.1m) of the debtors fall due after one year

## 11 Creditors: amounts falling due within one year

	Consolidated		TESCO PLC	
	1984	1983	1984	1983
	£m	£m	£m	£m
Bank loans and overdrafts	11.2	19.1	—	—
Trade creditors	225.3	193.0	—	—
Amounts owed to group companies	—	—	6.4	6.4
Corporate taxation (a)	26.0	18.6	6.1	7.1
Other taxation and social security	12.5	15.9	0.6	2.0
Other creditors	28.5	39.9	3.3	0.9
Accrued charges	17.6	16.7	2.2	1.7
Proposed final dividend (1983—Interim and final dividends)	8.8	11.8	8.8	11.8
	329.9	306.0	27.4	29.9

- (a) Includes corporation tax payable on 1st January, 1985 of £9.9m (1983—£6.9m) which has been reduced by advance corporation tax of £11.3m (1983—£9.4m).

## 12 Creditors: amounts falling due after more than one year

	Consolidated		TESCO PLC	
	1984	1983	1984	1983
	£m	£m	£m	£m
9% Convertible unsecured loan stock 2002/2007 (a)	56.0	56.0	56.0	56.0
Finance leases (Note 14)	13.8	17.3	—	—
Bank loans	9.0	2.9	—	—
	78.8	76.2	56.0	56.0

- (a) Each £100 nominal of the 9% Convertible unsecured loan stock may be converted during August in any of the years 1986 to 2002 into 80 ordinary shares of 5p each. From 30th November 2002, the company will be entitled to redeem the stock at par.

### 13 Provisions for liabilities and charges

#### Deferred taxation

Provision has been made for deferred taxation in the accounts to reflect the impact of the Finance (No. 2) Bill 1984.

	Amount Provided		Potential amount for deferred tax on all timing differences	
	1984	1983	1984	1983
	£m	£m	£m	£m
Excess of capital allowances over depreciation	24.2	—	51.8	62.0
Capital gains deferred by rollover relief	—	—	14.1	12.8
Other	(0.6)	—	(0.8)	(0.6)
	23.6	—	65.1	74.2
Advance Corporation Tax recoverable (1983 : provided in debtors)	(3.7)	—	(3.7)	(5.1)
	19.9	—	61.4	69.1

#### 14 Leasing commitments

The future minimum finance lease payments to which the group was committed at 25th February, 1984 and which have been guaranteed by TESCO PLC are:—

	£m	
Year to 23rd February, 1985	4.8	
" " 22nd " , 1986	4.8	
" " 28th " , 1987	4.7	
" " 27th " , 1988	3.9	
" " 25th " , 1989	2.2	
" " 24th " , 1990	0.3	
	20.7	
Deduct finance charges allocated to future periods	3.4	
	17.3	
Net amounts payable are:	1984	1983
Within one year, included in other creditors	3.5	3.3
Between one and two years	3.8	3.5
Between two and five years	9.7	11.5
Beyond five years	0.3	2.3
	17.3	20.6

Interest rates on leasing commitments repayable beyond 5 years range between 6.5% and 8.3%.

### 15 Called up share capital

Authorised—£20,000,000 (1983—£20,000,000)

Issued—

Shares of 5p each			£m	
Ordinary	"A" Ordinary		Ordinary (fully paid)	"A" Ordinary (1p paid)
336,530,368	379,585	Issued at 27th February, 1983	16.8	—
217,668	(217,668)	Converted during year	—	—
735,739	—	Share options exercised during year	0.1	—
337,483,775	161,917	Issued at 25th February, 1984	16.9	—

Options granted under the terms of the Executive share option scheme and the Savings-related share option scheme (1981) and outstanding at 25th February, 1984 related to 3,245,000 ordinary shares and 3,634,582 ordinary shares respectively.

Between 25th February and 13th June, 1984 42,612 "A" ordinary shares have been converted into ordinary shares under the terms of the Executive share scheme and options on 659,000 ordinary shares and 13,135 ordinary shares exercised under the terms of the Executive share option scheme and the Savings-related share option scheme (1981) respectively. These schemes are described in the Directors' Report on pages 13 and 14.



## Notes (continued)

### 16 Shareholders' funds

	Consolidated		TESCO PLC	
	1984	1983	1984	1983
	£m	£m	£m	£m
Called up share capital (Note 15)	16.9	16.8	16.9	16.8
Share premium account				
At 27th February, 1983	14.1	14.0	14.1	14.0
Premium on issue of shares less costs	0.5	1.3	0.5	1.5
Costs of rights issue	—	(1.4)	—	(1.4)
At 25th February, 1984	14.6	14.1	14.6	14.1
Profit and loss account				
At 27th February, 1983	290.4	251.7	243.4	215.1
Movement due to currency translation differences	(0.6)	0.5	—	—
Profit retained	14.0	38.2	(7.1)	28.3
At 25th February, 1984	303.8	290.4	236.3	243.4

In accordance with Section 1(1) of the Companies Act 1931 a profit and loss account for TESCO PLC, whose result for the year is shown above, has not been presented in these accounts.

### 17 Directors' interests

Mr. V. W. Benjamin, a director of the company, is a partner in Berwin Leighton, solicitors of London, whose firm is one of those regularly instructed by the group in the ordinary course of business for conveyancing and other legal matters at normal professional rates. During the year ended 25th February, 1984, Berwin Leighton received fees amounting to £0.6m (1983—£0.6m), exclusive of V.A.T.

### 18 Capital commitments

At 25th February, 1984

- (a) There were commitments for capital expenditure of approximately £57m (1983—£33m)
- (b) Capital expenditure authorised by the board but not contracted for, amounted to £91m (1983—£81m).

### 19 Contingent liabilities

- (a) The consideration payable by the company for the acquisition of the balance of the issued share capital of Tesco Stores Ireland Limited, which was completed on 26th March, 1979, has not been finally determined and is the subject of litigation. The liability, if any, cannot be quantified at this stage.
- (b) A subsidiary company's corporation tax liability for the year ended 25th February, 1978 is currently the subject of dispute with the Inland Revenue. The Inland Revenue contend that the launch of Operation Checkout amounted to a major alteration in the conduct of the subsidiary company's trade resulting in an exceptional increase in its trading stock, and is, therefore, seeking to restrict the amount of stock relief claimed for that year. The company's claim to stock relief was allowed in full by the Special Commissioners. The Inland Revenue appealed against the decision to the High Court. The High Court did not determine the claim, but remitted the case to the Commissioners for re-consideration in the light of the Court's judgement that the Commissioners had not interpreted the relevant legislation correctly. After taking professional advice, the directors are of the opinion that no specific provision is required.
- (c) Bank loans and overdrafts of overseas subsidiary companies of £15.0m (1983—£7.9m) have been guaranteed by TESCO PLC.

### 20 Pension commitments

Pension schemes are operated by the group and all employees and executive directors, subject to age and service, are eligible for membership. The schemes are trustee-administered and the assets are entirely separate from the assets of the group. The schemes were fully funded at the most recent independent actuarial valuation.

# Value Added Statement

52 weeks ended 25th February, 1984

111480000

	1984		1983	
	£m	%	£m	%
<b>Value added</b>				
Sales including value added tax	2,744.0		2,404.0	
Net surplus on sale of properties	5.2		7.7	
Extraordinary profit	—		0.3	
	2,749.2		2,412.0	
Less: Cost of materials and services	2,238.5		1,957.6	
Interest payable less receivable	1.5		7.1	
	2,240.0		1,964.7	
	509.2	100.0	447.3	100.0
<b>Applied as follows:</b>				
<b>Employees</b>				
Wages, salaries and pension scheme costs	215.9	42.4	192.4	43.0
Less: Deduction for income tax and employees' social security contributions	47.0	9.2	42.0	9.4
	168.9	33.2	150.4	33.6
<b>Central and local government taxes and levies borne by the group</b>				
Corporation tax	21.1		11.5	
Contributions for social security	18.2		18.6	
Rates	17.6		17.1	
	56.9	11.2	47.2	10.6
<b>Tax and levies collected on behalf of government</b>				
Value added tax on sales	149.5		127.4	
Income tax and social security contributions deducted from employees	47.0		42.0	
	196.5	38.6	169.4	37.9
	253.4	49.8	216.6	48.5
<b>Providers of capital</b>				
Dividends to shareholders	13.9	2.7	11.8	2.6
<b>Reinvested in the business</b>				
Depreciation	35.4		30.3	
Provision for deferred taxation	23.6		—	
Retained profit	14.0		38.2	
	73.0	14.3	68.5	15.3
	509.2	100.0	447.3	100.0

Note: Excise duty on wines and spirits and tobacco is included in the sales and cost of materials figures in the above statement.

# Consolidated Current Cost Profit and Loss Account

52 weeks ended 25th February, 1984

	C.C.A. Note	1984 £m	1983 £m	1983† £m
Sales (including V.A.T.)		2,744.0	2,404.0	2,514.0
Historic cost profit on ordinary activities before interest		60.9	60.6	63.4
Deduct Current cost operating adjustments	2	9.4	8.2	8.6
Current cost operating profit on ordinary activities		59.5	52.4	54.8
Deduct Gearing	3	(2.1)	(1.4)	(1.4)
Interest paid less received		1.5	7.1	7.4
		(0.6)	5.7	6.0
Current cost profit on ordinary activities before taxation		60.1	46.7	48.8
Deduct Taxation		24.7	11.5	12.0
		35.4	35.2	36.8
Net surplus on sale of properties		1.7	6.0	6.3
		37.1	41.2	43.1
Extraordinary items less taxation		(20.0)	0.3	0.3
Current cost profit attributable to shareholders		17.1	41.5	43.4
Deduct Dividends		13.9	11.8	12.3
Retained current cost profit for the year		3.2	29.7	31.1
<b>Statistical information</b>				
Operating profit return on the net operating assets		8.6%	8.2%	
Current cost earnings per share:				
Excluding net surplus on sale of properties		10.50p	10.52p	
Including net surplus on sale of properties		11.01p	12.32p	
Current cost fully diluted earnings per share:				
Excluding net surplus on sale of properties		9.80p	10.14p	
Including net surplus on sale of properties		10.24p	11.84p	
Current cost dividend cover		1.2	3.5	

†Comparative results adjusted to a common price basis by reference to the movement in the index of retail prices during the year.

Notes forming part of these accounts are on pages 30 and 31.

# Consolidated Current Cost Balance Sheet

25th February, 1984

	C.C.A. Note	1984 £m	1983 £m
<b>Fixed assets</b>			
Tangible assets	4	705.4	647.0
<b>Net current assets/(liabilities)</b>			
Stocks		180.7	175.7
Net monetary working capital		(181.2)	(175.2)
<b>Total working capital</b>		(0.5)	0.5
Dividends		(8.8)	(11.8)
Other current liabilities (net)		(61.7)	(50.3)
		(71.0)	(61.6)
<b>Total assets less current liabilities</b>		634.4	585.4
<b>Creditors: amounts falling due after more than one year</b>		(78.8)	(73.3)
<b>Provisions for liabilities and charges</b>		(19.9)	—
		535.7	512.1
<b>Shareholders' funds</b>			
Called up share capital		16.9	16.8
Share premium account		14.6	14.1
Current cost reserves	5	267.6	247.2
Other reserves and retained profits		236.6	234.0
		535.7	512.1

Notes forming part of these accounts are on pages 30 and 31.

# Notes to the Current Cost Accounts

## 1 General principles of current cost accounts

The current cost accounts on pages 28 and 29 have been prepared in accordance with the principles of Statement of Standard Accounting Practice No. 16.

## 2 Current cost operating adjustments

Cost of sales

Monetary working capital

Depreciation

	1984	1983
	£m	£m
	7.0	7.4
	(7.3)	(8.2)
	9.7	9.0
	<u>9.4</u>	<u>8.2</u>

## 3 Gearing adjustment

The gearing adjustment represents the proportion of the current cost operating adjustments financed by borrowing and has therefore been added back to profits in determining the current cost profit attributable to shareholders.

## 4 Tangible assets and depreciation

The gross current cost of tangible assets has been derived as follows:

Plant, equipment, fixtures & fittings & vehicles have been restated using appropriate Government indices applied to historical costs.

Land and buildings have been included as valued by Healey & Baker as at 23th February, 1981, adjusted by the directors' estimate of increased market values since that date.

Depreciation has been provided on the gross current cost of tangible assets as calculated above. However, no depreciation has been provided on freehold properties, nor any additional amortisation on the excess of net replacement cost over the net book value of leasehold properties.

The same asset lives have been used in the historic cost and current cost accounts. The value of tangible assets in the current cost balance sheet is set out below:

	£m	£m	£m
	Gross	Depreciation	Net
Land and buildings at valuation	478.6	10.9	467.7
Plant, equipment, fixtures & fittings & vehicles	501.4	313.5	187.9
Assets in course of construction	49.8	—	49.8
	<u>1,029.8</u>	<u>324.4</u>	<u>705.4</u>

## 5 Current cost reserves

The movement in the current cost reserves for the period is shown below:

	£m
As at 27th February, 1983	247.2
Revaluation surpluses reflecting price changes	
Land and buildings	11.1
Plant, equipment, fixtures & fittings & vehicles	11.6
Stock	7.1
Monetary working capital adjustment	(7.3)
Gearing adjustment	(2.1)
	<u>20.4</u>
As at 25th February, 1984	<u>267.6</u>

## 6 Working capital

Two adjustments have been made to allow for the impact of price changes on working capital, one on stock and one on monetary working capital which comprises net trade and expense creditors. The adjustments have been calculated quarterly by reference to appropriate Government indices.

## 7 Financing of net operating assets

The following is the net current replacement cost of the net operating assets as at 25th February, 1984 together with the method by which they were financed.

	1984 £m	1983 £m
Tangible assets (net of leasing commitments)	691.6	629.7
Working capital	(0.5)	5.6
Net operating assets	<u>691.1</u>	<u>635.3</u>
Share capital and reserves	535.7	512.1
Dividends	8.8	11.8
Total shareholders' interest	<u>544.5</u>	<u>523.9</u>
9% Convertible unsecured loan stock	56.0	56.0
Provisions for liabilities and charges	19.9	
Other liabilities (net)	70.7	55.4
Net borrowing	<u>146.6</u>	<u>111.4</u>
	<u>691.1</u>	<u>635.3</u>

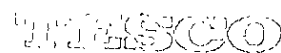
# Shareholder Profile

25th February, 1984

Size of shareholding	Number of shareholders	Percentage of number of shareholders	Number of ordinary shares	Percentage of ordinary shares
250,000 and over	213	0.5	238,314,583	70.6
100,000—249,999	142	0.3	21,315,544	6.3
50,000 — 99,999	136	0.3	8,685,041	2.6
10,000 — 49,999	1,041	2.3	18,794,769	5.6
5,000 — 9,999	1,828	4.0	11,989,279	3.5
2,000 — 4,999	6,120	13.3	18,089,338	5.3
1,000 — 1,999	7,940	17.4	10,699,360	3.2
500 — 999	8,287	18.1	5,637,329	1.7
100 — 499	15,117	33.1	3,753,961	1.1
1 — 99	4,902	10.7	204,571	0.1
	<u>45,726</u>	<u>100.0</u>	<u>337,483,775</u>	<u>100.0</u>
<b>Type of Owner</b>				
Private individuals	43,211	94.5	68,661,487	20.4
Banks and nominee companies	1,342	2.9	149,576,768	44.3
Pension funds	87	0.2	26,295,567	7.8
Other corporate bodies and companies	1,086	2.4	92,949,953	27.5
	<u>45,726</u>	<u>100.0</u>	<u>337,483,775</u>	<u>100.0</u>

These figures do not reveal how many shares are held by nominees on behalf of private individuals.

# Directors of Tesco Stores Limited



---

I. C. Atkinson	Grocery Buying
D. R. Baker	Supplies and Transport
A. I. Besbrode	Home 'n' Wear Sales
K. W. Blackburn, M.C.I.O.B.	Estates
*M. J. Boxall, A.C.I.L.	Company Secretary
*K. W. Clarke	Buying and Technical Services
*J. Gildersleeve	Productivity, Marketing and Retail Planning
*C. J. Goodfellow	Fresh Foods
E. G. Harris	Security
P. G. Herbert, F.C.A.	Finance
R. J. Horsman	Estates
C. N. Lewis, M.A.	Public Affairs
*J. G. Marshom	Home 'n' Wear
T. J. Macnab, C.A.	Finance
*P. L. Morley	Personnel
R. S. Parker	Fresh Foods
P. J. Shayer	Home 'n' Wear Buying
D. M. Tattersall	Branch Administration
S. C. Taylor, F.C.C.A.	Finance
B. J. Tree, M.I.P.M.	Industrial Relations
*P. G. Uttley, F.I.I.C.	Insurance, Pensions and Purchasing
*B. R. Williams	Advertising and Promotions
E. S. Williams	Home 'n' Wear Buying

\*Senior directors

---



# Notice of Meeting

Notice is hereby given that the thirty-sixth Annual General Meeting of TESCO PLC will be held at the Connaught Rooms, Great Queen Street, London WC2B 5OA, on Friday, 27th July, 1984 at 10 a.m., for the following purposes:

- 1 To receive and, if approved, adopt the directors' report and accounts for the 52 weeks ended 25th February, 1984 (Resolution 1)
- 2 To declare a final dividend on the ordinary share capital of the company. (Resolution 2)
- 3 To re-elect the following directors:  
Sir Leslie Porter (Resolution 3)  
Mr. I. C. MacLaurin (Resolution 4)  
Mr. D. G. Harris (Resolution 5)  
Mr. D. C. Tuffin (Resolution 6)
- 4 To appoint Price Waterhouse and Hogg Bullimore & Co. as joint auditors to hold office until the conclusion of the next annual general meeting. (Resolution 7)
- 5 To authorise the directors to fix the remuneration of the joint auditors. (Resolution 8)
- 6 To transact any other ordinary business of the meeting.
- 7 As special business, to pass the following special resolution:  
That the power to allot equity securities given to the directors by resolution 12 passed at the annual general meeting on 29th July, 1983 be renewed on the same terms specified in such resolution so as to expire on the date of the company's next annual general meeting.  
(Resolution 9—Refer to note 3)

By Order of the Board  
Michael J. Boxall  
Secretary

Tesco House, Delamare Road, Cheshunt,  
Hertfordshire  
Dated this 2nd day of July, 1984

## Notes:

1. Any member of the company who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. Such proxy need not be a member of the company. To be effective proxy forms must be received at the office of the Registrars of the company not less than 48 hours before the time fixed for the meeting.
2. There will be available for inspection at the registered office of the company, Tesco House, Delamare Road, Cheshunt, Hertfordshire, during usual business hours (Saturdays excepted) from the 3rd day of July, 1984, until the date of the annual general meeting, all contracts of service of the directors with the company or any of its subsidiaries. The contracts of service will also be available for inspection during the annual general meeting and for at least 15 minutes before it begins.
3. Resolution 9 is proposed in order to renew until the next annual general meeting the directors' power to issue ordinary shares for cash in connection with a rights issue or up to a maximum nominal value of £1,000,000 without having to observe the pre-emption rights in Section 17(1) of the Companies Act 1980. The directors recommend that shareholders renew this authority until the 1985 annual general meeting upon the same terms.

# TESCO PLC

## Form of Proxy for Annual General Meeting

I/We.....  
(Block letters please)

of .....

being a member/members of the above-named company hereby appoint Sir Leslie Porter or failing him the duly appointed Chairman of the meeting,

or\*.....

as my/our proxy to vote for me/us and on my/our behalf, in the manner indicated below, at the Annual General Meeting of the company to be held on the 27th day of July, 1984, and at any adjournment thereof.

\*To be completed if another proxy is required.

		FOR	AGAINST
1	To adopt the Directors' Report and Accounts	<input type="checkbox"/>	<input type="checkbox"/>
2	To declare a final dividend	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect Sir Leslie Porter a director	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-elect Mr. I. C. MacLaurin a director	<input type="checkbox"/>	<input type="checkbox"/>
5	To re-elect Mr. D. G. Harris a director	<input type="checkbox"/>	<input type="checkbox"/>
6	To re-elect Mr. D. C. Tuffin a director	<input type="checkbox"/>	<input type="checkbox"/>
7	To re-appoint the joint auditors	<input type="checkbox"/>	<input type="checkbox"/>
8	To authorise the directors to fix the remuneration of the joint auditors	<input type="checkbox"/>	<input type="checkbox"/>
9	To empower the directors to allot share capital without application of pre-emption rights, subject to conditions	<input type="checkbox"/>	<input type="checkbox"/>

Dated..... July, 1984

Signature .....

### NOTES:

1 Please indicate by an X in the spaces provided how you wish your votes to be cast. Without such specific directions the proxy will abstain or vote at his discretion.

2 In the case of a Corporation this Proxy must be under the Common Seal or under the hand of an officer or attorney duly authorised in writing.

3 In the case of joint shares the signature of any one holder will be sufficient but the names of all the joint holders should be stated.

4 To be valid this Proxy must reach the office of the Registrars of the company not later than 48 hours before the time appointed for the meeting.

FOLD 2

Postage  
will be  
paid by  
licensee

Do not affix Postage Stamps if posted in  
Gt Britain, Channel Islands, N Ireland  
or the Isle of Man



BUSINESS REPLY SERVICE  
Licence No. W.G.83

2

FOLD 1

LLOYDS BANK PLC  
REGISTRAR'S DEPARTMENT  
GORING-BY-SEA  
WORTHING  
WEST SUSSEX BN12 4BR

W

FOLD 3 AND TUCK IN

TESCO PLC

Annual Report and  
Accounts 1984

