

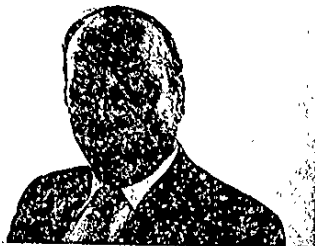
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Tesco Stores
(Holdings) PLC

Annual Report and
Accounts 1983

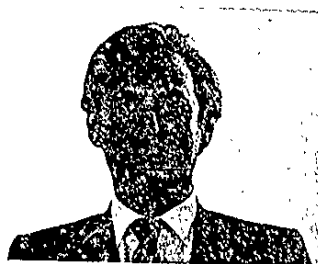




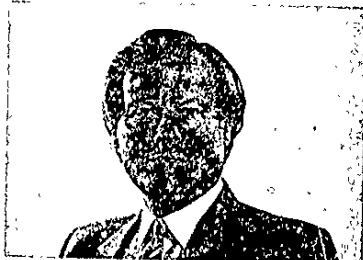
Sir Leslie Porter, Ph.D. (Hon.)
Chairman and Chief Executive



Ian MacLaurin
Managing Director



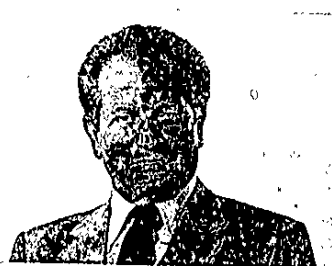
Victor Benjamin
Non-Executive



Michael Darnell
Productivity



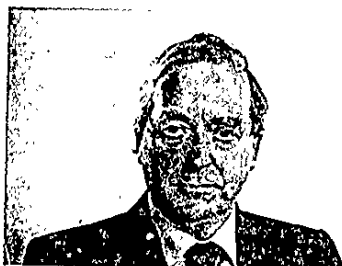
Donald Harris, B.A.
Computer and Distribution



Hyman Kreitman
Non-Executive



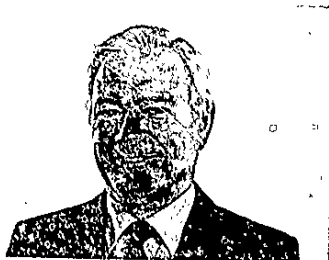
Francis Krejsa, F.R.I.C.S.
Property and Estates



David Malpas, B.A.
Trading Operations



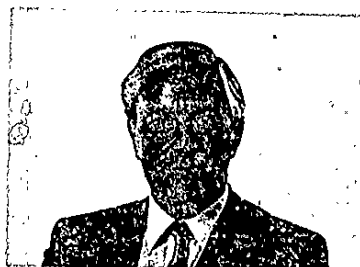
John Padovan, LL.B., F.C.A.
Non-Executive



Jim Pennell
Buying



Ralph Temple, F.C.A.
Finance



Stuart Young, F.C.A.
Non-Executive

Miss D. D. Hyams retired from the Board on the 25th November 1982 and Mr. G. R. Wood on the 31st March 1983.

Secretary: Michael J. Boxall,
A.C.I.I.

Registered Office: Tesco House,
Delamare Road,
Cheshunt,
Waltham Cross,
Hertfordshire
EN8 9SL

Telephone: 0992-32222

Telex: 24138 Tesco G

Auditors: Hogg Bullimore & Co.
Chartered
Accountants,
Chile House,
20, Ropemaker Street,
London EC2Y 9BA

Solicitors: Berwin Leighton
Adelaide House,
London Bridge,
London EC4R 9HA

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

Principal Bankers: Midland Bank PLC
Barclays Bank PLC
National Westminster
Bank PLC

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Financial Highlights

	1983 £m	1982 £m
Turnover excluding value added tax	2276.6	1,994.4
Net profit before taxation	53.5	42.7
Taxation	11.5	12.0
Net surplus on sale of properties	7.7	24.0
Dividends declared in respect of the year	11.8	10.0
Dividends per share	Pence 3.50	Pence 3.00
Earnings per share	12.57	9.23

Financial Diary

Year end
Last Saturday in February

Half-year's results announced
Late November

Year's results announced
Mid-June

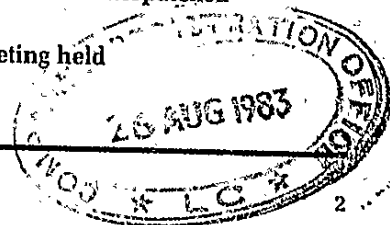
Dividends

Interim: announced late November
paid early March

Final: announced mid-June
paid early August

Annual report and accounts despatched
Early July

Annual general meeting held
Last Friday in July



Notice of Meeting

Notice is hereby given that the thirty-fifth Annual General Meeting of Tesco Stores (Holdings) Public Limited Company will be held at the Savoy Hotel (Lancaster Room—River Entrance), Strand, London WC2R 0EU, on Friday, 29th July, 1983, at 12 noon, for the following purposes:

- 1 To receive and, if approved, adopt the directors' report and accounts for the 52 weeks ended 26th February, 1983. (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:
Mr. M. Darnell (Resolution 3)
Mr. R. Temple (Resolution 4)
Mr. V. W. Benjamin (Resolution 5)
Mr. J. M. F. Padovan (Resolution 6)
Mr. S. Young (Resolution 7)
- 4 To appoint Messrs. Hogg Bullimore & Co. and Messrs. Price Waterhouse as joint auditors to hold office until the conclusion of the next annual general meeting. (Resolution 8—Refer to note 3)
- 5 To authorise the directors to fix the remuneration of the joint auditors. (Resolution 9)
- 6 To transact any other ordinary business of the meeting.
- 7 As special business, to pass the following special resolution:
That the name of the company be changed to Tesco PLC. (Resolution 10—Refer to note 4)
- 8 As special business, to pass the following ordinary resolution:
That rule 2(B)(ii) of the company's Savings-related share option scheme (1981) be altered with immediate effect by adding after '£50' the following words 'or such other amount permitted from time to time under the Finance Act 1980 but subject to an overall maximum limit of £150'. (Resolution 11—Refer to note 5)
- 9 As special business, to pass the following special resolution:
That the power to allot equity securities given to the directors by resolution 9 passed at the annual general meeting on 30th July 1982 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 12—Refer to note 6)

By Order of the Board
Michael J. Boxall
Secretary

Tesco House, Delamare Road, Cheshunt,
Hertfordshire
Dated this 4th day of July, 1983

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 4th day of July, 1983, 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. Special notice has been received from a shareholder of the intention to propose a resolution for the appointment of Messrs. Hogg Bullimore & Co. and Messrs. Price Waterhouse as joint auditors. This resolution is recommended by the directors.
4. With regard to Resolution 10, the directors recommend the change of name to Tesco PLC as being a simplified form, in line with the company's modern image. Company share certificates and other documents will not be called in for amendment but will remain valid.
5. Resolution 11 is recommended by the directors to enable participants in the Savings-related share option scheme (1981) to take advantage of the maximum amount which may be permitted by the appropriate legislation to be paid on a monthly basis. Full details of the scheme, as presently operated, are on page 13.
6. Resolution 12 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 of Section 17(1) of the Companies Act 1980. The directors recommend that shareholders renew this authority until the 1984 annual general meeting upon the same terms.

It is with the greatest sense of pride, coupled with humility, that I thank the directors, and all the people employed in the company, for their efforts which have resulted in Her Majesty the Queen graciously conferring a Knighthood upon me following a recommendation from the Prime Minister. I regard this as a tremendous credit to the company and further recognition of its high standing in the life of the country.

I am pleased to report that once again your company has achieved record results. Profit before tax advanced by £10.8m to £53.5m. Group sales increased by £302m to £2,404m. In the light of these results your directors are recommending a final dividend of 2.25p per share payable on 5th August, 1983, which, when combined with the interim dividend, makes a total dividend for the year of 3.5p (1981/82 3.0p).

Turnover increased by 14.4% during the year representing a volume gain of some 8% clearly underlining the success of Checkout '82. The extension of our own label grocery range is proving highly successful. Following the launch of Checkout '82 our share of the dry grocery market, according to A.G.B., has increased by approximately 1% to slightly above 14% and has held steady. Our prices are remaining highly competitive.

We spent £97m during the year on new stores and the modernisation and refitting of existing units. Planned expenditure for 1983/84 amounts to £101m.

We have continued our programme of closing smaller and less profitable stores. In the autumn five of our small northern stores were reopened as Victor Value units to enable us to test the concept of limited range discounting and eight more have been opened recently. We have been satisfied with the initial results and plan to open more later in the year.

Over recent years our heavy investment in large stores, creating a modern shopping environment, somewhat eroded our traditional cash reserves. During the year we were able to correct this by raising £56m through a convertible loan stock issue. At a time when we must continue to invest substantially in modern technology and improved distribution as well as major new stores, we shall continue to pay careful attention to the strength of our balance sheet.

Appointments

There have been a number of senior appointments within the Group and I have every confidence in the team of executives leading the company forward. A list of senior executives is given on page 25 indicating their areas of responsibility. It is only with the enthusiasm and hard work of our staff that our company is able to move forward in line with its declared policy. I thank them for their dedication and loyalty.

During the year Miss Daisy Hyams retired from the Board after 51 years' service. Her loyalty and industry have been major factors in the creation

of today's Tesco and I am delighted that she has agreed to remain a consultant to the Group. I am sure all shareholders will join with me in thanking her for her outstanding contribution. Since the end of the year Mr. George Wood retired from the Board having been with the company for 27 years. He has the distinction of having planned the opening of our first supermarket at Maldon in 1956. However, his greatest achievement has been the development of our fresh foods business, now so important to us. We are all indebted to him for his service to Tesco, and I am pleased to say that he too will remain a consultant to the Group.

Following the Annual General Meeting last year three non-executive directors were appointed to the Board. Mr. Victor Benjamin is a solicitor and deputy chairman of Lex Service PLC; Mr. John Padovan, LL.B., F.C.A., is deputy chairman of County Bank and Mr. Stuart Young F.C.A. is senior partner of Hacker Young, chartered accountants and chairman-designate of the Board of Governors of the B.B.C. Their depth of knowledge and experience is proving to be of great assistance and I am pleased that all three are offering themselves for re-election.

The Future

The results before you are the consequence of the planning and hard work undertaken during the last five years. Our initial property development programme is nearing completion; we continue to seek new sites for further developments suitable for our new store profile, where we aim to provide on a single storey a full range of food and non-food products with adequate, accessible car parking. There is acute competition for these opportunities and we shall be selective in our commitments.

The main thrust of the company today is towards improving our distribution and information systems. This will have a particular effect on our fresh food business which is of increasing importance.

The pursuit of excellence in quality and service is our principal aim. We believe that there is a great deal more to be derived in many directions by careful and creative management of our existing business. The response from our customers to our efforts leads me to believe that the current year will again show satisfactory results.

Leslie Porter

Chairman and Chief Executive
4th July, 1983

Review of Operations

Trading—Food

We have continued to develop and improve our general grocery range in relation to the size of our stores by strict range and stock control. Our own-label products have performed very well and we have increased their participation. To a large extent this is a result of improving the quality of such products by means of our new laboratories at Ware in Hertfordshire and extending the ranges to meet customer demand.

The emphasis remains on quality. We have extended our retail training programme to improve the handling of our products and this, together with greater attention to detail in plant inspection and wider use of technological advances, has strengthened this area of retail control.

The 131 in-store bakeries made satisfactory progress and their performance is being improved by the introduction of new machinery and production techniques. We now have 38 self-service restaurants located in stores for the convenience of our customers.

Trading—Fresh foods

Our fresh foods division has continued to develop during the year and has achieved improved productivity particularly in the area of fresh meat. Here we have introduced store deliveries of animal carcasses already in their first stage of preparation in what are known as "primal cuts", thus reducing the costs of in-store butchery.

At the end of March we began a major advertising campaign on meat cuts, which are being exclusively endorsed by Robert Carrier the well-known gourmet and cookery writer. He is also the author of *The Tesco Good Meat Guide*, a personal copy of which is enclosed for shareholders. 1983 will see larger ranges of continental style cuts of meat and freezer packs.

Our range of fresh fruit and vegetables continues to be well received by our customers and we have further extended the range of exotic fruits.

Particular success has been achieved by dairy and associated products. We have taken the opportunity to introduce ranges of fresh cream cakes and other patisserie items which have proved to be very popular.

Trading—Wines and Spirits

The year saw a total restructuring of our wine range. We have introduced 127 new products.

A new approach to labelling was backed by a major advertising campaign which boosted sales. As a result, Tesco became the first supermarket group to receive a major national award from the leading trade journal, "Wine and Spirit", for the design of its range of own-label wines. A personal copy of our *Good Wine Guide* is enclosed for shareholders. Spirits also continued to increase

their market penetration with buoyant sales. The overall wines and spirits results were extremely good.

Trading—Home 'n' Wear

Home 'n' Wear is being restructured in its turn to bring it further into line with the Group's overall commitment to quality and improved ranges of merchandise.

Wherever possible, our policy of purchasing more home-manufactured goods is being actively pursued. Quality is paramount and whether goods are purchased at home or abroad, stringent quality testing is carried out.

Stockturn continued to improve during the year and further improvements will be achieved during the current year.

Finance

Group turnover increased by 14.4% to £2,404m.

Group net profit before tax for the year under review was £53.5m compared with £42.7m last year representing an increase of 25.4%. The profit is after deducting £4.8m of revenue expenditure relating to Electronic Point of Sale (1981/82 £3.5m). Interest charges were again down at £7.1m compared with £8.8m last year.

Stockturn continued to improve with stock levels increased by only 6.2% compared with the 14.4% increase in turnover.

Realisations on sales and leasebacks amounted to £10.5m which together with the proceeds of sale of land and property surplus to requirements of £7.25m added £17.75m to our liquid resources.

In December £50m was raised by way of a rights issue of 3% convertible unsecured loan stock 2002/11/37.

Store Development Programme

During the year, 17 new stores were opened of which two were in Ireland which, together with two major extensions added 584,000 sq. ft. to selling area. The store refurbishment programme continued with £12m being spent on refitting stores. The ongoing programme of closing smaller stores was accelerated with 72 units being closed representing 362,000 sq. ft. of net selling area. The overall effect of store openings and closures was to reduce the number of stores operating at the year end by 55 to 489, trading out of 7.4m sq. ft. of net selling area as against 7.2m sq. ft. a year earlier. During the current year, it is planned to open a further six stores and complete two major extensions adding an additional 202,000 sq. ft. to selling area. In addition, a £20m refit programme is being implemented.

Distribution

In order to improve the delivery position to stores and reduce congestion at the stores themselves, we have taken action which by February 1984 will have raised the level of deliveries from our depots from 20% to 50% over a period of two years. We anticipate that by 1984/85 this proportion will have increased to 80%.

To cater for this, extensions are being made to our depots at Crick, Westbury and Winsford and two new depots are planned to open in Kent and Surrey in mid-1984.

- By increasing the level of own deliveries we have greater central control of products resulting in a higher service level to customers and a reduction in stockholdings.

In addition, the introduction of micro-electronics into our stock ordering procedures has shortened the time between ordering and delivery so reducing stockholdings at all levels.

Energy

Work carried out in the year on good housekeeping and energy saving devices will produce savings of over £500,000 per annum. Our new store at Hornchurch, Essex, won the Energy Management in Lighting Award, awarded by the Lighting Industry Federation, for its high efficiency sales floor lighting scheme. Our efforts in this field constitute an ongoing project.

Productivity

During the year, seeking ways of improving productivity has become the direct responsibility of one of the main board directors. Every aspect of the Group's activities has come under scrutiny, and methods of improving productivity are being introduced. It is Group policy to improve productivity within all its stores thereby increasing the level of sales and profit contribution by each employee but for this to be achieved without reducing the level of service.

Quality and Service

The progress in terms of quality and service referred to in last year's report has continued, as have our efforts to purchase British goods where acceptable quality, price and availability is present. We have improved our quality control by the opening of the laboratories at Ware which, with their well qualified staff and latest equipment, scrutinize and test all our products. We have increased the number of our consumer kitchens to six and continue to monitor and take note of the comments from our ten consumer panels. We use the information and advice gained from these to inform our suppliers of actual consumers' opinions. Our suppliers are delighted with such additional information and we are thankful to them for giving us such excellent co-operation.

We are extending and improving the services to our disabled customers by introducing automatic doors, special checkouts and ramp entrances.

We continue to strive to improve the shopping environment by providing higher standards of quality and service whilst at the same time giving the best value for money. In so doing we are aiming to ensure that customers leave our stores satisfied and join the many millions who shop regularly with us each week.

Employment Report

Reference is made elsewhere in this report to the changing pattern of trading, the increase in average store size and the impact of technological development.

Amidst these changes the Group's personnel policy has been one of consolidation rather than innovation, with the result that although 48 supermarkets and 24 home 'n' wear stores have been closed, and 17 new stores opened (including two in the Republic of Ireland), the average number of staff employed in the United Kingdom has remained almost constant, the net difference being less than 50 out of a total of more than 40,000 (full time equivalent).

There is a need for continual review of job profiles, staffing levels and recruitment standards to match our changing fabric, and to ensure that our employees are motivated and trained to meet every demand that may be made of them.

Productivity

A new productivity department initiates changes in the way our employees are managed and will co-ordinate the introduction of new working methods. It is our resolve to create working practices that combine individual satisfaction with corporate efficiency.

Industrial relations

The climate in which change and improvement in productivity becomes a gradual process rather than a series of antagonistic challenges only exists by virtue of long standing mutual confidence between the Union of Shop, Distributive and Allied Workers (USDAW), its employee representatives and the Group, fostered by regular communication and consultation.

The Industrial Relations Department has conducted a series of training conferences for management and employee representatives not only in the continuance of this relationship but also to ensure that all parts of the Group are fully conversant with recent changes in labour law.

Training

The demise of the Distributive Industry Training Board has not weakened the Group's commitment to a systematic training and further education programme.

A National Training Centre has been opened at Coseley near Birmingham. The Centre has a conference hall seating one hundred persons, five fully equipped management training classrooms, a library, staff training quarters, a preview theatre for preparing multi-media presentations and a complete floor dedicated to Electronic Point of Sale and computer training.

The Training Department writes and assembles all Group training manuals, assists other user departments by creating material for in-house product launches, public presentations, planning appeals and other diverse projects and maintains for them a comprehensive photographic print and

slide library, studio and processing rooms, and a sound studio.

Statutory sick pay

A fundamental change in the method of payment to employees absent through sickness, which places the onus for the payment on the employer rather than the State has fully extended the resources of both training and wages departments.

Preparations for the change which became effective in April 1983, included 62 training seminars in 30 locations for 1,270 staff. The wages department made more than one million amendments to the Group pay-roll in order to effect a smooth transition, and in this, as in our other training activities, complete co-operation was freely given by all departments.

Health and safety at work

Continuous vigilance is needed to maintain the Group's high standards of hygiene, health and safety. Regional Fire and Safety Officers together with Environmental Consultants visit all parts of the Group on a regular basis. Particular emphasis is directed to keeping accidents to a minimum by regular and consistent training in awareness of hazards.

Social

The Tesco Country Club whose members enjoy a wide range of sporting and leisure activities from squash, tennis and football to aerobics, darts and snooker, has been completely refurbished and is increasingly used during working hours for meetings, conferences and training sessions.

Membership, open to any employee on payment of a nominal fee, includes more than 80% of those working in the Cheshunt area.

Pensions

The company operates a retirement benefits scheme which is open to all full-time members of staff subject to modest service qualifications. Pension liabilities are calculated in accordance with actuarial advice and are fully funded.

The scheme is trustee-administered and the assets are entirely separate from the assets of the company.

Future

The Work Experience Programme which enabled us in 1982 to find jobs, albeit temporary, for more than 1,500 young people has now come to an end. In September 1983 the Manpower Services Commission launches its Youth Training Scheme. The Group expects to participate in this new opportunity for school leavers.

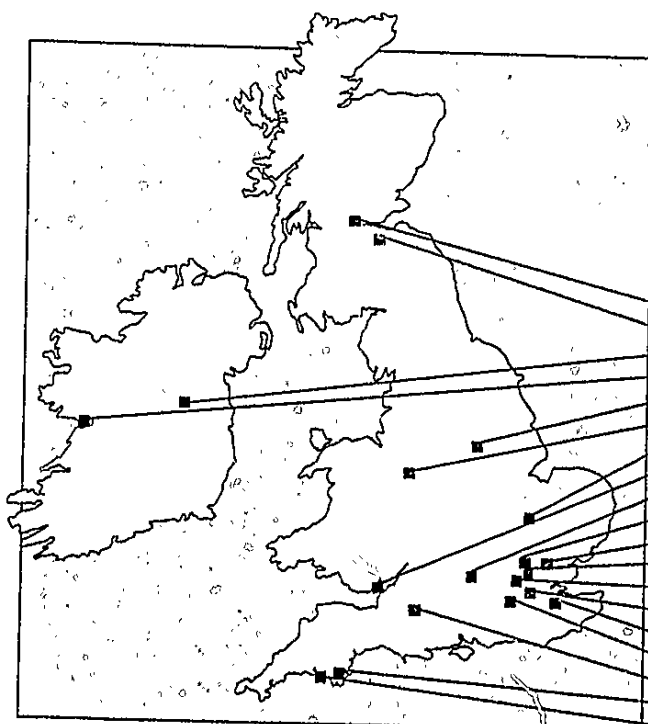
At the other end of the spectrum, the Group expects to inaugurate an association for retired staff during 1983. The maintenance of good working relationships and continuing interest in our staff is a matter of concern to every Tesco executive, both as an individual and as a part of his or her corporate responsibility.

New Store Profile

TESCO

New Stores and Major Extensions 1982/83 (Total new sales area 584,000 sq. ft.)

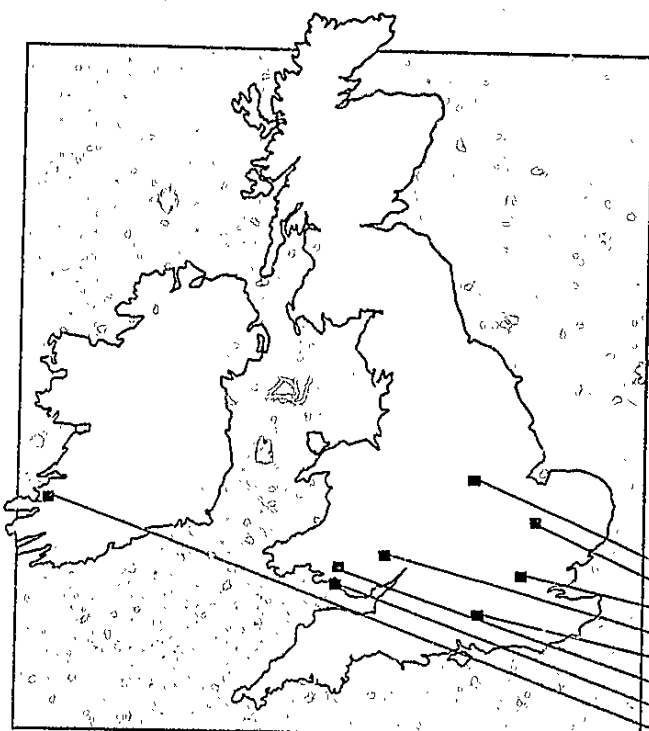
- New Stores
- Major Extensions



Square feet	
Additional sales area	Resultant sales area
	24,000
	13,000
	7,000
	28,000
	30,000
	33,000
	18,000
	31,000
	36,000
	48,000
	36,000
	38,000
7,000	14,000
	39,300
	65,000
	52,000
	30,000
	20,000
10,000	41,000

Planned New Stores and Major Extensions 1983/84 (Total new sales area 202,000 sq. ft.)

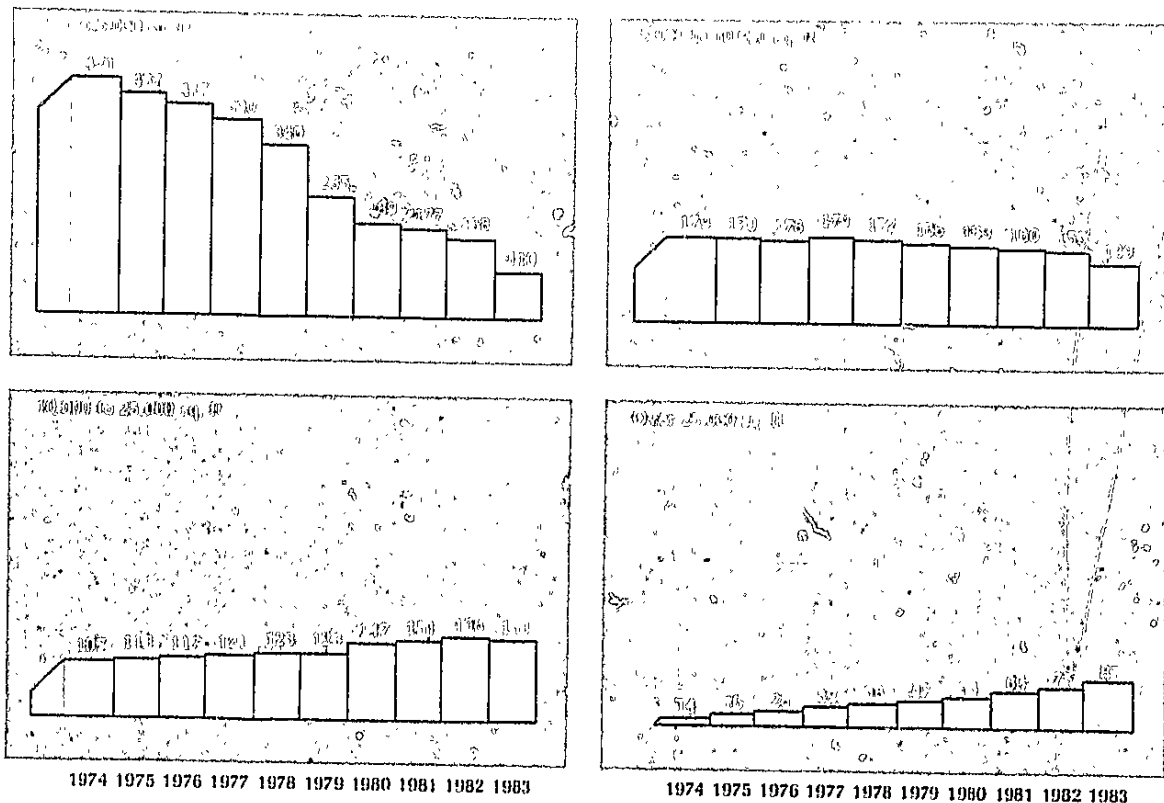
- Planned New Stores
- Planned Major Extensions



	26,000
18,000	48,000
	36,000
	34,000
	30,000
21,000	53,000
	23,000
	14,000

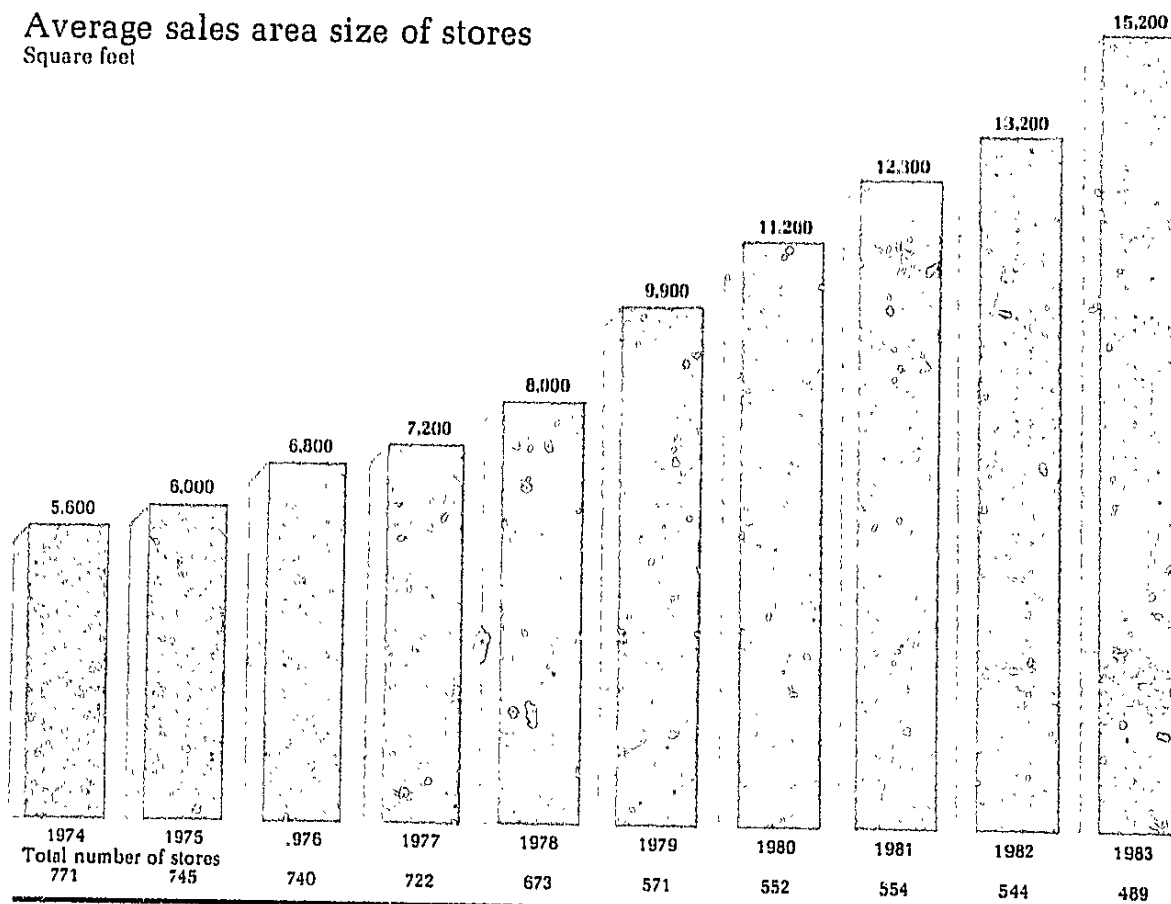
at company year end

Stores analysed by sales area sizes



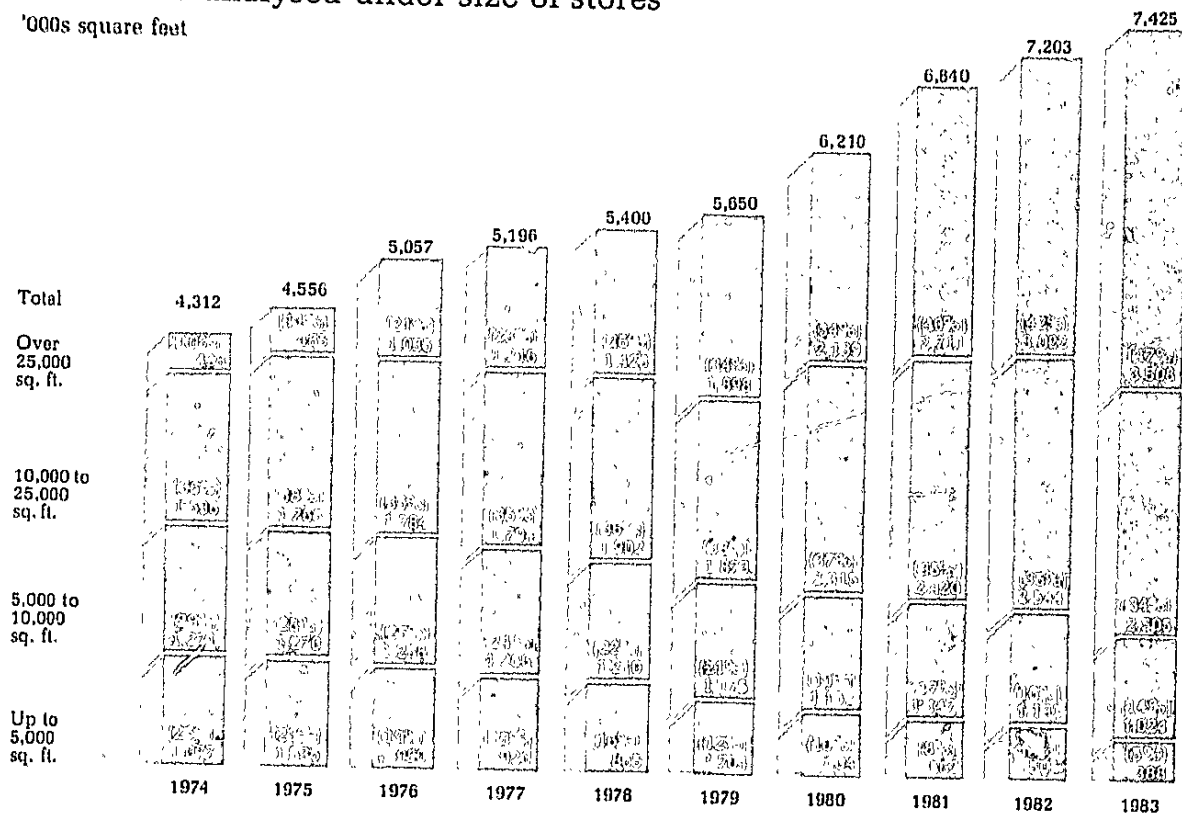
Average sales area size of stores

Square feet



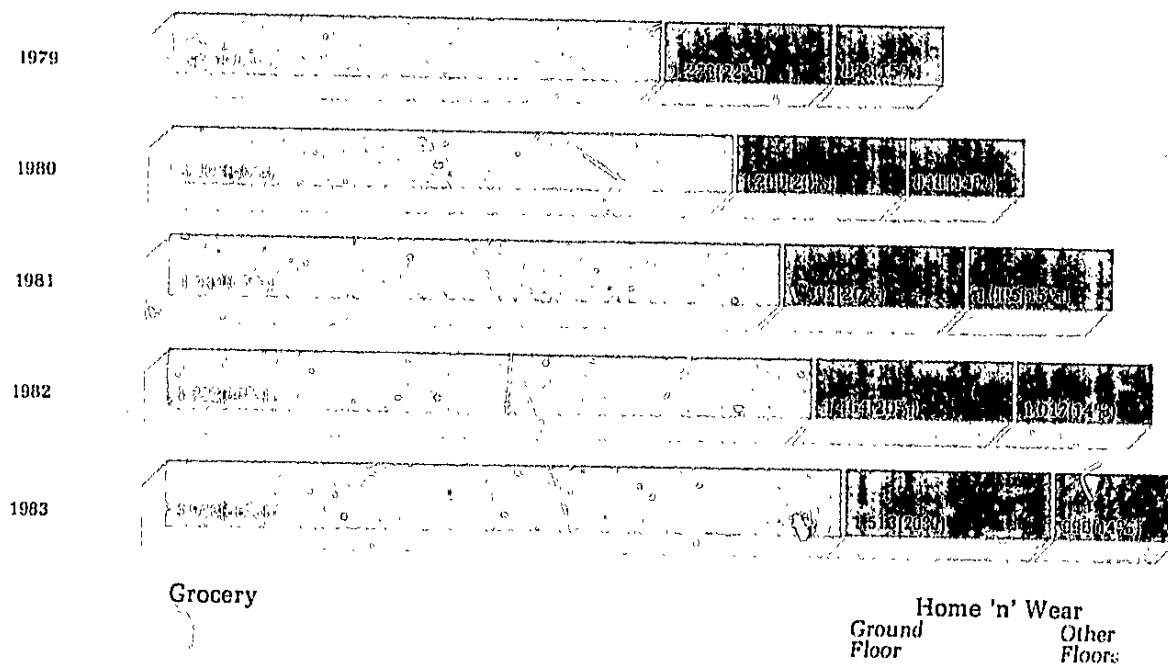
Sales Area analysed under size of stores

'000s square feet



Sales Area analysed between Grocery and Home 'n' Wear

'000s square feet



'Grocery' includes all items sold by the traditional grocer including meat, produce, wines and spirits and cigarettes.

At 26th February 1983, Tesco Stores Ireland Limited provided a total sales area of 350,000 sq. ft., comprising 17 Grocery stores

averaging 17,000 sq. ft. and seven separate Home 'n' Wear stores averaging 9,000 sq. ft. all of which are included in these charts.

Petrol stations and garden centres are not included in these charts.

Directors' Report

To be presented at the thirty-fifth Annual General Meeting to be held at the Savoy Hotel (Lancaster Room—River Entrance) Strand, London WC2R 0EU on Friday, 29th July, 1983 at 12 noon.

The directors submit their annual report together with the audited accounts of the company for the 52 weeks ended 26th February, 1983.

Profits

The consolidated profit and loss account on page 17 shows the profit for the period and the retained profit carried to reserves. The current cost profit and loss account for the period is set out on page 27.

Principal activity

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

Dividends

An interim dividend of 1.25p (gross equivalent 1.78p) per share on account of the 52 week period ended 26th February, 1983 was paid on 1st March, 1983 on the ordinary shares and the directors recommend the payment of a final dividend of 2.25p (gross equivalent 3.21p) per ordinary share.

Directors

A list of directors is given on page 1. Mr. M. Darnell and Mr. R. Temple retire from the board by rotation in accordance with Article 85 and, being eligible, offer themselves for re-election. Each has a service contract with the company for a term of five years, which is currently from 1st January, 1983. Mr. V. W. Benjamin, Mr. J. M. F. Padovan and Mr. S. Young were appointed directors of the company on 2nd August, 1982 and in accordance with Article 91 retire and, being eligible, offer themselves for re-election.

Market value of land held as fixed assets

Freehold and leasehold land and buildings of the Group were valued by Messrs. 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 of £150m.

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.

Directors' shareholdings and interests

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

	26th February, 1983				Non-Beneficial as Trustees	
	Beneficial and Family Interests					
	Ordinary Shares	'A' Ordinary Shares 1p paid	Share Options*	Convertible Unsecured Loan Stock	Ordinary Shares	Convertible Unsecured Loan Stock
Sir Leslie Porter	5,894,829	—	7,647	1,062,753	4,203,347	743,893
Mr. I. C. MacLaurin	51,230	20,000	27,647	750	30,000	5,000
Mr. V. W. Benjamin	5,000	—	—	—	—	—
Mr. M. Darnell	1,000	—	77,647	166	—	—
Mr. D. G. Harris	18,000	44,296	77,647	—	—	—
Mr. H. Kreitman	1,000,000	—	—	—	5,381,776	1,042,965
Mr. F. R. N. Krejsa	2,080	30,000	70,000	—	—	—
Mr. A. D. Malpas	1,000	—	47,647	—	—	—
Mr. J. M. F. Padovan	—	—	—	—	—	—
Mr. H. F. Pennell	6,600	10,312	47,647	—	—	—
Mr. R. Temple	51,000	30,000	27,647	5,166	—	—
Mr. G. R. Wood (retired 31st March, 1983)	17,695	26,281	70,000	—	—	—
Mr. S. Young	—	—	—	—	—	—

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

3,391,422 (1982—3,951,422) ordinary shares and £658,573 Convertible unsecured loan stock are duplicated above in the non-beneficial holdings of Sir Leslie Porter and Mr. H. Kreitman. There were, as at 4th June, 1983, 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. Save as disclosed in Note 13 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.

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. The funds raised by the issue of the stock have strengthened the capital structure of the company and will be used to finance part of the store development programme.

Executive share scheme

There is presently subsisting an executive share scheme adopted by the company in extraordinary general meeting on 31st July, 1970. 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 per cent 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 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.

27th February, 1982

	Beneficial and Family Interests		Non-Beneficial as Trustees	
	Ordinary Shares	'A' Ordinary Shares 1p paid	Share Options*	Ordinary Shares
Convertible loan stock				
893	6,994,829	—	7,289	7,101,945
1,000	89,198	63,281	67,289	—
—	—	—	—	—
—	—	—	67,289	—
—	18,000	44,296	67,289	—
965	1,000,000	—	—	8,257,776
—	2,080	44,296	60,000	—
—	1,000	12,656	67,289	—
—	—	—	—	—
—	600	25,312	67,289	—
—	1,000	44,296	67,289	—
—	17,695	38,281	60,000	—
—	—	—	—	—

Between 26th February, 1983 and 4th June, 1983 there have been the following changes in the interests of the directors in the share capital of the company: the sale by Mr. R. Temple of 50,000 ordinary shares; the exercising of options by

Mr. M. Darnell on 50,000 ordinary shares under the Executive share option scheme; and the exercising of options by Mr. F. R. N. Krejsa on 10,000 ordinary shares under the Executive share scheme and their subsequent sale.

Directors' Report

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 may be determined by the board, may be granted to full time directors and employees of your company and its subsidiaries at a price of £1. An executive to whom an option is 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 accepts the offer of an option. On 15th December, 1978 options were granted to 529 executives in respect of 3,665,500 ordinary shares of 5p each at a subscription price of 52½p which was determined in the manner referred to above. On 27th March, 1981 options were granted to 343 executives in respect of 1,564,000 ordinary shares of 5p each at a subscription price of 59½p, on 24th July, 1981 options were granted to 142 executives in respect of 412,500 ordinary shares of 5p each at a subscription price of 58½p and on 21st January, 1983 options were granted to 538 executives in respect of 916,500 ordinary shares of 5p each at a subscription price of 119p. 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 the auditors as being in their opinion fair and reasonable, in accordance with the rules of the scheme. The numbers of ordinary shares in respect of which options were granted to directors of your company are included in the column "Beneficial & Family Interests" under the heading "Directors' shareholdings and interests".

Savings-related share option scheme (1981)

On the 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. On 2nd September, 1981, options were granted to 942 executives in respect of 2,909,544 ordinary shares of 5p each at a subscription price (calculated by reference to such middle market quotation on the dealing day following the approval of the Scheme) of 53½p. Again, on 11th August, 1982 options were granted to 225 executives in respect of 590,230 ordinary shares of 5p each at a subscription price of 63½p. 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 the auditors as being in their opinion fair and reasonable, in accordance with the rules of the scheme.

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.

Charitable and political contributions

Charitable contributions totalled £10,000 (1982—£12,500). No political contributions were made.

Employees and their remuneration

The average number of employees per week during the period was 49,372 (1982—49,610)—full time equivalent 40,377 (1982—40,421). The aggregate remuneration payable to employees for the period was £211,039,000 (1982—£191,227,000).

Number of shareholders

The number of shareholders of the company at 26th February, 1983 was 48,247 (1982—55,071).

Taxation status

The company is not a close company under the terms of the Income and Corporation Taxes Act 1970.

Auditors

The present auditors, Messrs. Hogg Bullimore & Co., have expressed their willingness to continue in office as joint auditors with Messrs. Price Waterhouse. In accordance with Section 14 of the Companies Act 1976 a resolution proposing the appointment of Messrs. Hogg Bullimore & Co. and Messrs. Price Waterhouse as joint auditors of the company will be put to the Annual General Meeting.

By Order of the Board
Michael J. Boxall
Secretary

4th July, 1983

Five Year Record of the Tesco Group

TESCO

Year ended February	1979	1980	1981(a)	1982	1983	
Turnover exclusive of value added tax	1,201.8	1,530.6	1,820.7	1,994.4	2,276.6	£m
Net profit before taxation	37.7	36.5	35.6	42.7	53.5	
Taxation	(1.1)	(1.4)	(5.5)	(12.0)	(11.5)	
Net profit after taxation	36.6	35.1	30.1	30.7	42.0	
Net surplus on sale of properties	0.4	0.4	20.0	24.0	7.7	
Extraordinary items	0.2	0.1	—	—	0.3	
Dividends	(6.5)	(8.2)	(8.5)	(10.0)	(11.8)	
Retained	30.7	27.4	41.6	44.7	38.2	
Dividends per share	1.98	2.45	2.55	3.00	3.50	In pence
Earnings per share	11.51	10.58	9.04	9.23	12.57	
Net profit before taxation as % of turnover	3.13	2.39	1.95	2.14	2.35	
Average number of full time equivalent employees in the United Kingdom	35,302	39,862	38,809	40,421	40,377	
Turnover per employee (b)	34,045	38,398	46,913	49,341	56,384	In pounds
Wages per employee (b)	2,868	3,478	4,401	4,731	5,227	
Retail Price Index	208.9	248.8	279.8	310.7	327.3	

Notes:

(a) 53 week period.

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

Auditors' Report

to the members of Tesco Stores (Holdings)
Public Limited Company

We have audited the financial statements on pages 16 to 24 and pages 27 to 30 in accordance with approved auditing standards.

In our opinion the financial statements on pages 16 to 24, which have been prepared under the historical cost convention as modified by the revaluation of certain properties, give a true and fair view of the state of affairs of the Company and the Group at 26th February, 1983, and of the profit and source and application of funds of the Group for the 52 weeks ended on that date, and comply with the Companies Acts 1948 to 1981.

In our opinion the abridged supplementary current cost accounts on pages 27 to 30 have been properly prepared in accordance with the policies and methods set out therein to provide the information required by the Statement of Standard Accounting Practice No. 16.

Hogg Bullimore & Co.
Chartered Accountants

London

15th June, 1983

Basis of accounts

The accounts are prepared under the historical cost convention as modified by the revaluation of certain properties.

In accordance with the provisions of Schedule 2 to the Companies Act 1981, the accounts are prepared in compliance with Sections 149A and 152A of, and Schedule 8A to, the Companies Act 1948, which together cover general provisions as to content and form of accounts.

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 26th February, 1983.

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

Stocks

Stocks 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.

Depreciation

Depreciation is provided on an equal annual instalment basis over the anticipated useful working lives of the assets at the following rates:—

Plant, equipment, fixtures and fittings—at rates varying from 7% to 25%.

Motor vehicles—20%

Freehold buildings—2% Tesco Stores Ireland Limited
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 21 years —over period of the lease

22 to 42 years —over 21 years

43 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 Messrs. 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 fixed 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 constant periodic 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 at current rates of corporation tax 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.

Advance corporation tax on dividends paid and proposed, which is expected to be recoverable is shown separately on the balance sheet as a deferred asset.

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 trading profits.

Consolidated Profit and Loss Account

52 weeks ended 26th February, 1983

	Note	1983 £m	1982 £m
Sales to customers at net selling prices		2,404.0	2,102.0
Value added tax		127.4	107.6
Sales excluding value added tax		<u>£2,276.6</u>	<u>£1,994.4</u>
Profit before depreciation and interest	1	90.9	76.0
Depreciation	8	30.3	24.5
Interest payable less receivable	2	7.1	8.8
		<u>37.4</u>	<u>33.3</u>
Profit before taxation		53.5	42.7
Taxation	4	11.5	12.0
Profit after taxation		<u>42.0</u>	<u>30.7</u>
Net surplus on sale of properties		7.7	24.0
		<u>49.7</u>	<u>54.7</u>
Extraordinary items less taxation	5	0.3	—
Profit available for distribution		50.0	54.7
Dividends	6	11.8	10.0
Profit retained	14	<u>£38.2</u>	<u>£44.7</u>
Earnings per ordinary share	7	12.6p	9.2p

Accounting policies and notes forming part of these accounts are on page 16 and pages 20 to 24.

Balance Sheets

20th February 1983

TESCO

		Consolidated		Tesco Stores (Holdings) P.L.C.	
	Note	1983 £m	1982 £m	1983 £m	1982 £m
Employment of capital					
Fixed assets	8	456.9	392.1	—	—
Investment in subsidiaries	9	—	—	311.7	294.6
Investments		—	0.2	—	0.2
Deferred asset		—	—	—	—
Advance corporation tax recoverable		5.1	4.7	—	—
Current assets					
Stocks		175.0	164.8	—	—
Debtors		9.3	6.4	—	0.2
Cash and short term deposits		57.2	28.1	42.1	12.7
		241.5	199.3	42.1	12.9
Current liabilities					
Creditors		256.5	214.9	4.6	3.4
Short term bank loans and overdrafts	10	22.0	19.0	—	3.6
Taxation	4	18.6	15.2	7.1	4.9
Dividends	6	11.8	10.0	11.8	10.0
		308.9	259.1	23.5	21.9
Net current assets/(liabilities)		(67.4)	(59.8)	18.6	(9.0)
Leasing commitments	11	(17.3)	(14.8)	—	—
		£377.3	£322.4	£330.3	£285.8
Source of capital employed					
Share capital	12	16.8	16.7	16.8	16.7
Reserves	14	304.5	265.7	257.5	229.1
		321.3	282.4	274.3	245.8
9% Convertible unsecured loan stock	10	56.0	—	56.0	—
Medium term bank loans	10	—	40.0	—	40.0
		£377.3	£322.4	£330.3	£285.8

L. Porter

V. MacLaurin

Directors: Sir Leslie Porter, J. C. MacLaurin

Accounts approved by Board: 15th June, 1983

Accounting policies and notes forming part of these accounts are on page 16 and pages 20 to 24.

Consolidated Statement of Source and Application of Funds

52 weeks ended 25th February, 1983

	1983 £m	1982 £m
Revenue funds		
Source of funds		
Net profit subject to taxation	53.5	42.7
Adjustment for items not involving the movement of funds:		
Depreciation and amortisation	30.3	24.5
Increase in creditors	41.4	17.9
	<u>125.2</u>	<u>79.1</u>
Deduct		
Application of funds		
Increase in stock	10.2	6.6
Increase/(Decrease) in debtors	1.4	(0.7)
Dividends paid	10.0	8.5
Taxation paid	8.7	3.7
	<u>30.3</u>	<u>18.1</u>
	94.9	61.0
Capital funds		
Source of funds		
Issue of 9% Convertible unsecured loan stock less expenses	54.6	—
Proceeds from issue of shares	1.6	—
Proceeds from disposal of fixed assets	20.8	46.5
Proceeds from sale of investments	0.7	—
Increase in leasing commitments	2.5	11.5
Increase in creditors	0.2	5.4
Adjustment for items not involving the movement of funds:		
Foreign currency translation adjustments	(1.7)	(0.6)
	<u>78.7</u>	<u>62.8</u>
Deduct		
Application of funds		
Purchase of fixed assets	106.0	92.9
Increase/(Decrease) in debtors	1.5	(1.0)
Decrease in medium term bank loans	40.0	15.9
	<u>147.5</u>	<u>107.8</u>
	(68.8)	(45.0)
Movement in net liquid funds		
Increase in cash and short term deposits	29.1	25.5
(Increase) in short term bank loans and overdrafts	(3.0)	(9.5)
	<u>£26.1</u>	<u>£16.0</u>

1 Profit before depreciation and interest

	1983 £m	1982 £m
Is stated after charging:		
Auditors' remuneration	0.1	0.1
Emoluments of directors of parent company (Note 3)	0.6	0.6

2 Interest

Interest payable on: 9% Convertible unsecured loan stock	0.9	—
medium term bank loans	4.8	6.8
short term bank loans and overdrafts	4.0	2.9
finance leases	1.6	0.8
	<u>11.3</u>	<u>10.5</u>
Deduct Interest receivable on short term deposits	4.2	1.7
	<u>£7.1</u>	<u>£8.8</u>

3 Directors' emoluments

Emoluments of the directors of the parent company comprise £1,242 (1982—£1,100) in respect of services as directors, and other emoluments including pension contributions £622,157 (1982—£566,297). Emoluments waived by one director £15,000 (1982—£19,000).

The emoluments of the Chairman, who was the highest paid director, amounted to £62,486 (1982—£54,296), 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	
	1983	1982	1983	1982
From £5,001 to £10,000	3	—	—	—
" £15,001 " £20,000	1	1	—	—
" £20,001 " £25,000	—	—	—	—
" £25,001 " £30,000	—	—	—	—
" £30,001 " £35,000	1	—	1	—
" £35,001 " £40,000	—	7	—	—
" £40,001 " £45,000	6	1	—	—
" £45,001 " £50,000	1	—	—	—
" £50,001 " £55,000	—	2	—	—
" £55,001 " £60,000	1	—	—	—
" £60,001 " £65,000	1	—	—	—

4 Taxation

	1983 £m	1982 £m
Current		
Corporation tax at 52%	16.3	11.7
Overseas taxation	0.3	0.3
Prior year adjustments	(0.4)	—
Advance corporation tax (previously written off, now utilised)	(4.7)	—
	<u>£11.5</u>	<u>£12.0</u>

Taxation shown as a current liability on the consolidated balance sheet includes corporation tax payable on 1st January, 1984, of £6.9m (1982—£4.9m) which has been reduced by advance corporation tax of £9.4m (1982—£6.8m).

Deferred

No provision is considered necessary for tax deferred by reason of accelerated capital allowances £52m (1982—£52m) and stock appreciation relief £60m (1982—£53m).

Notes

(continued)

5 Extraordinary items

	1983	1982
	£m	£m
Net gain on disposal of investment in associated company	0.7	—
Provision against loan to associated company	(0.2)	—
	0.5	—
Deduct Taxation	0.2	—
	<u>£0.3</u>	<u>£ —</u>

6 Dividends

Declared interim—1.25p per share (1982—1.10p)	4.2	3.7
Proposed final —2.25p per share (1982—1.90p)	7.6	6.3
	<u>£11.8</u>	<u>£10.0</u>

7 Earnings per ordinary share

The calculation of the earnings per ordinary share is based on £42.0m (1982—£30.7m), being the net profit after taxation, excluding net surpluses on the sale of properties and extraordinary items, divided by the weighted average number of ordinary 5p shares in issue during the year of 334,407,118 (1982—333,274,764). There is no significant difference between diluted and undiluted earnings per share for the current year.

8 Fixed assets

		Freeholds	Leaseholds		Plant equipment fixtures & fittings & vehicles	Total
	Note	£m	50 years or more	less than 50 years	£m	£m
Cost or at valuation						
As at 28th February, 1982		134.9	124.4	15.8	221.5	496.6
Currency translation adjustments		1.9	0.1	—	0.5	2.5
Additions at cost	(a)	24.4	31.4	0.1	50.1	106.0
		<u>16.2</u>	<u>155.9</u>	<u>15.9</u>	<u>272.1</u>	<u>605.1</u>
Deduct Disposals		11.0	0.3	0.4	8.8	20.5
As at 26th February, 1983	(b)	<u>£150.2</u>	<u>£155.6</u>	<u>£15.5</u>	<u>£263.3</u>	<u>£584.6</u>
Depreciation						
As at 28th February, 1982		0.5	2.4	5.0	96.6	104.5
Currency translation adjustments		0.1	—	—	0.2	0.3
Charge for period		0.2	1.3	0.7	28.1	30.3
		<u>0.8</u>	<u>3.7</u>	<u>5.7</u>	<u>124.9</u>	<u>135.1</u>
Deduct Disposals		—	0.1	0.3	7.0	7.4
As at 26th February, 1983		<u>0.8</u>	<u>3.6</u>	<u>5.4</u>	<u>117.9</u>	<u>127.7</u>
Net book value at 26th February, 1983 (c)		<u>£149.4</u>	<u>£152.0</u>	<u>£10.1</u>	<u>£145.4</u>	<u>£456.9</u>
Net book value at 27th February, 1982		<u>£134.4</u>	<u>£122.0</u>	<u>£10.8</u>	<u>£124.9</u>	<u>£392.1</u>

Notes:

- (a) Includes acquisition costs of freehold title to existing leaseholds.
 (b) Includes properties at professional valuation (adjusted where appropriate for currency translations) during 1979—freeholds £17.9m and leaseholds over 50 years £1.2m and during 1980—a freehold £1.1m.
 (c) Includes plant, equipment, fixtures and fittings subject to finance leases:

	Cost	£m Depreciation	Net book value
As at 28th February, 1982	19.1	2.0	17.1
Additions at cost	6.3	—	6.3
Charge for period	—	3.6	(3.6)
As at 26th February, 1983	<u>£25.4</u>	<u>£5.6</u>	<u>£19.8</u>

9 Investment in subsidiaries

- (a) Tesco Stores Limited and Cartiers Superfoods Limited, both operated and registered in England, and Tesco Stores Ireland Limited, operated and registered in the Republic of Ireland, 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 the three companies, which consists of £1, 20p and IR£1 ordinary shares respectively, is wholly owned by Tesco Stores (Holdings) P.L.C.

- (b) Investment at cost

Amounts due from subsidiary companies
Deduct Amounts due to subsidiary companies

1983 £m	1982 £m
34.3	34.3
233.8	266.7
6.4	6.4
277.4	260.3
£311.7	£294.6

- (c) The accounts of Tesco Stores Ireland Limited (and certain other subsidiary companies which do not materially affect the consolidated accounts) were audited by firms other than Messrs. Hogg Bullimore & Co.

10 Loans and overdrafts

Repayment terms of total borrowings are:

Within one year—

Short term bank loans and overdrafts

Beyond five years—

9% Convertible unsecured loan stock

Medium term bank loans

Consolidated		Tesco Stores (Holdings) P.L.C.	
1983 £m	1982 £m	1983 £m	1982 £m
22.0	19.0	—	3.6
56.0	—	56.0	—
—	40.0	—	40.0
£78.0	£59.0	£56.0	£43.6

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.

Bank loans and overdrafts of overseas subsidiary companies included above of £7.9m have been guaranteed by Tesco Stores (Holdings) P.L.C.

NOTES

(continued)

11 Leasing commitments

The future minimum finance lease payments to which the Group was committed at 26th February, 1983 and which have been guaranteed by Tesco Stores (Holdings) P.L.C., are:—

	£m
Year to 25th February, 1984	4.8
" " 23rd " , 1985	4.8
" " 22nd " , 1986	4.8
" " 28th " , 1987	4.7
" " 27th " , 1988	4.0
Two years to 24th February, 1990	2.5
	<hr/> 25.6
Deduct finance charges allocated to future periods	5.0
	<hr/> £20.6
Net amounts payable are:	
Within one year, included in creditors (1982—£2.3m)	3.3
Six years thereafter (1982—£14.8m)	17.3
	<hr/> £20.6

12 Share capital

Authorised—£20,000,000 (1982—£20,000,000)

Issued—£16,830,000 (1982—£16,679,000)

Shares of 5p each			£m	£m
Ordinary	"A" Ordinary		Ordinary (fully paid)	"A" Ordinary (1p paid)
333,285,664	1,516,275	Issued at 28th February, 1982	16.7	—
1,136,690	(1,136,690)	Converted during year	—	—
2,108,014		Share options exercised during year	0.1	—
<hr/> 336,530,368	<hr/> 379,585	Issued at 26th February, 1983	<hr/> £16.8	<hr/> —

Options granted under the terms of the Executive share option scheme and the Savings-related share option scheme (1981) and outstanding at 26th February, 1983 related to 7,478,107 ordinary shares.

Between 26th February and 15th June, 1983 52,436 "A" ordinary shares have been converted into ordinary shares under the terms of the Executive share scheme and options on 350,921 ordinary shares exercised under the terms of the Executive share option scheme and the Savings-related share option scheme (1981).

13 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 26th February 1983, Berwin Leighton received fees amounting to £0.6m, exclusive of V.A.T.

14 Reserves

	Consolidated		Tesco Stores (Holdings) P.L.C.	
	1983	1982	1983	1982
	£m	£m	£m	£m
As at 28th February, 1982	265.7	220.8	229.1	211.4
Premium on issue of shares less costs	1.5	—	1.5	—
Costs of rights issue	(1.4)	—	(1.4)	—
Foreign currency translation adjustments	0.5	0.2	—	—
Retained profit for the period	38.2	44.7	28.3	17.7
As at 26th February, 1983	<u>£304.5</u>	<u>£265.7</u>	<u>£257.5</u>	<u>£229.1</u>
The totals above are made up as follows:				
Share premium account	14.1	14.0	14.1	14.0
Capital reserve account	56.2	48.5	—	—
Unappropriated profits	234.2	203.2	243.4	215.1
	<u>£304.5</u>	<u>£265.7</u>	<u>£257.5</u>	<u>£229.1</u>

Note:

The balance on capital reserve represents net realised surpluses on disposal of fixed assets. The liability to tax thereon, where applicable, has been or will be rolled over under the provisions of the Taxes Acts.

15 Capital commitments

At 26th February, 1983

- (a) There were commitments for capital expenditure of approximately £33m (1982—£64m).
- (b) Capital expenditure authorised by the board but not contracted for amounted to £81m (1982—£55m).

16 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) Although the company's appeal against the Inland Revenue's refusal to allow a proportion of the claim for stock relief for the year ended 25th February, 1978 was upheld by the Special Commissioners of Income Tax, the Inland Revenue has taken the formal steps required to preserve its right of appeal against that decision. The company's advisers have, however, been informed that no decision has yet been made to pursue the matter. In the event that the Inland Revenue do proceed with the appeal and finally succeed the net amount of additional corporation tax not provided for would be approximately £4.8m.

17 Former contingent liability (Note 16 (b) on last year's accounts)

The appeal by the Inland Revenue against the decision of the Special Commissioners of Income Tax to allow claims for group relief in respect of an associated company's capital allowances succeeded before the High Court. No additional liability arises to the Group in view of the refund made by the associated company in respect of group relief. The Company disposed of its investment in the associated company at a gain of £0.7m which is included as an extraordinary item. (Note 5.)

Principal Directors of Subsidiary Companies

D. R. Baker	Supplies and Transport
A. I. Desbrode	Home 'n' Wear Sales
J. V. Bird	Retail
M. J. Boxall, A.C.II.	Company Secretary
R. E. Clark	Retail
K. W. Clarke	Marketing
J. Gildersleeve	New Store Development
C. J. Goodfellow	Fresh Foods
B. E. Grange	Computer Services
E. G. Harris	Security
P. G. Herbert, F.G.A.	Chief Accountant
C. Longley	Retail
J. G. Marshom	Home 'n' Wear
P. L. Morley	Personnel
R. S. Parker	Fresh Foods
R. J. Reade-Jahn	Stock Control
P. J. Shayer	Home 'n' Wear Buying
J. M. Smith	Retail
S. C. Taylor, F.C.C.A.	Deputy Chief Accountant
N. A. Todd	Retail
B. J. Tree	Industrial Relations
D. C. Tuffin	Retail (Senior)
P. G. Uttley, F.I.L.C.	Insurance and Pensions
B. R. Williams	Advertising and Promotions
E. S. Williams	Home 'n' Wear Buying

Value Added Statement

52 weeks ended 26th February, 1983

TESCO

	1983 £m	%	1982 £m	%
Value added				
Sales including value added tax	2,404.0		2,102.0	
Surplus on sale of properties	7.7		24.0	
Extraordinary items	0.3		—	
	<u>2,412.0</u>		<u>2,126.0</u>	
Less: Cost of materials and services	1,937.6		1,712.3	
Interest payable less receivable	7.1		8.8	
	<u>1,964.7</u>		<u>1,721.1</u>	
	<u>£447.3</u>	<u>100.0</u>	<u>£404.9</u>	<u>100.0</u>
Applied as follows:				
Employees				
Wages, salaries and pension scheme costs	192.4	43.0	173.1	42.8
Less: Deduction for income tax and employees' social security contributions	42.0	9.4	36.4	9.0
	<u>150.4</u>	<u>33.6</u>	<u>136.7</u>	<u>33.8</u>
Central and local government taxes and levies borne by the group				
Corporation tax	11.5		12.0	
Contributions for social security	18.6		18.1	
Rates	17.1		14.9	
	<u>47.2</u>	<u>10.6</u>	<u>45.0</u>	<u>11.1</u>
Taxes and levies collected on behalf of government				
Value added tax on sales	127.4		107.6	
Income tax and social security contributions deducted from employees	42.0		36.4	
	<u>169.4</u>	<u>37.9</u>	<u>144.0</u>	<u>35.6</u>
	<u>216.6</u>	<u>48.5</u>	<u>189.0</u>	<u>46.7</u>
Providers of capital				
Dividends to shareholders	11.8	2.6	10.0	2.5
Reinvested in the business				
Depreciation	30.3		24.5	
Retained profit	38.2		44.7	
	<u>68.5</u>	<u>15.3</u>	<u>69.2</u>	<u>17.0</u>
	<u>£447.3</u>	<u>100.0</u>	<u>£404.9</u>	<u>100.0</u>

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 26th February, 1983

	C.C.A. Note	1983 £m	1982 £m	1982† £m
Turnover (including V.A.T.)		2,404.0	2,102.0	2,262.0
Historic cost trading profit before interest		60.6	51.5	55.4
Deduct Current cost operating adjustments	2	8.2	5.7	6.1
Current cost operating profit		52.4	45.8	49.3
Deduct Gearing	3	(1.4)	(0.9)	(1.0)
Interest paid less received		7.1	8.8	9.5
		5.7	7.9	8.5
Current cost profit before taxation		46.7	37.9	40.8
Deduct Taxation		11.5	12.0	12.9
		35.2	25.9	27.9
Add Net surplus on sale of properties		6.0	6.4	6.9
Extraordinary items less taxation		0.3	—	—
Current cost profit attributable to shareholders		41.5	32.3	34.8
Deduct Dividends		11.8	10.0	10.8
Retained current cost profit for the year		£29.7	£22.3	£24.0
Statistical information				
Operating profit return on the net operating assets		8.2%	8.0%	
Current cost earnings per share		10.5p	7.8p	
Current cost dividend cover		3.5	3.2	

†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 29 & 30.

Consolidated Current Cost Balance Sheet

26th February, 1983

TESCO

	G.C.A. Note	1983 £m	1982 £m
Employment of capital			
Fixed assets	4	647.0	583.6
Investments		—	0.2
Deferred asset			
Advance corporation tax recoverable		5.1	4.7
Net current assets/(liabilities)			
Stock		175.7	165.8
Net monetary working capital		(175.2)	(164.6)
Total working capital		0.5	1.2
Dividends		(11.8)	(10.0)
Other current liabilities (net)		(55.4)	(50.0)
		(66.7)	(58.8)
Leasing commitments		(17.3)	(14.8)
		<u>£568.1</u>	<u>£514.9</u>
Source of capital employed			
Share capital & reserves			
Share capital		16.8	16.7
Current cost reserve	5	247.2	240.4
Other reserves and retained profits		240.1	217.8
		<u>512.1</u>	<u>474.9</u>
9% Convertible unsecured loan stock		56.0	—
Medium term bank loans		—	40.0
		<u>£568.1</u>	<u>£514.9</u>

Notes forming part of these accounts are on pages 29 and 30

Notes to the Current Cost Accounts

1 General principles of current cost accounts

The current cost accounts on pages 27 and 28 have been prepared in accordance with the principles of Statement of Standard Accounting Practice No. 16.

2 Current cost operating adjustments

	1983	1982
	£m	£m
Cost of sales	7.4	13.2
Monetary working capital	(8.2)	(15.1)
Depreciation	9.0	7.6
	<u>£8.2</u>	<u>£5.7</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 Fixed assets and depreciation

The gross current cost of fixed 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 Messrs. Healey & Baker as at 28th February, 1981, adjusted by the directors' estimate of increased market values since that date.

Depreciation has been provided on the gross current cost of fixed 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 fixed assets in the current cost balance sheet is set out below:

	Gross	£m Depreciation	Net
Land and buildings at valuation	472.5	—	472.5
Plant, equipment, fixtures & fittings & vehicles	441.7	267.2	174.5
	<u>£914.2</u>	<u>£267.2</u>	<u>£647.0</u>

5 Current cost reserve

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

	£m
As at 28th February, 1982	240.4
Revaluation surpluses reflecting price changes	
Land and buildings	3.7
Plant, equipment, fixtures & fittings & vehicles	5.5
Stock	7.2
Monetary working capital adjustment	(8.2)
Gearing adjustment	(1.4)
	<u>6.8</u>
As at 26th February, 1983	<u>£247.2</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 26th February, 1983, together with the method by which they were financed.

	1983		1982
	£m		£m
Fixed assets (net of leasing commitments)	629.7		566.5
Investments	—		0.2
Deferred asset—advance corporation tax recoverable	5.1		4.7
Working capital	0.5		1.2
Net operating assets	<u>£635.3</u>		<u>£572.6</u>
Share capital and reserves	512.1	474.9	
Dividends	<u>11.8</u>	<u>10.0</u>	
Total shareholders' interest	523.9		484.9
3% Convertible unsecured loan stock	56.0		
Medium term bank loans	—	40.0	
Other current liabilities (net)	<u>55.4</u>	<u>47.7</u>	
Net borrowing	111.4		87.7
	<u>£635.3</u>		<u>£572.6</u>

Size of Shareholding	Number of Shareholders	Percentage of number of Shareholders	Number of Ordinary Shares	Percentage of Ordinary Shares
250,000 and over	204	0.4	234,210,810	69.6
100,000—249,999	155	0.3	22,632,634	6.7
50,000 — 99,999	123	0.2	8,034,962	2.4
10,000 — 49,999	1,059	2.2	18,929,929	5.6
5,000 — 9,999	1,960	4.1	12,843,004	3.8
2,000 — 4,999	6,286	13.0	18,647,931	5.5
1,000 — 1,999	8,158	17.0	10,981,986	3.3
500 — 999	8,736	18.1	5,948,311	1.8
100 — 499	16,455	34.1	4,082,173	1.2
1 — 99	5,111	10.6	218,628	0.1
	<u>48,247</u>	<u>100.0</u>	<u>336,530,368</u>	<u>100.0</u>

Type of Owner				
Private individuals	46,229	95.8	75,286,699	22.4
Banks and nominee companies	927	1.9	145,160,466	43.1
Pension funds, insurance companies, limited companies and other corporate bodies	1,091	2.3	116,083,203	34.5
	<u>48,247</u>	<u>100.0</u>	<u>336,530,368</u>	<u>100.0</u>

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

Tesco Stores (Holdings) P.L.C.

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 29th day of July 1983, 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 Mr. M. Darnell a Director	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-elect Mr. R. Temple a Director	<input type="checkbox"/>	<input type="checkbox"/>
5 To re-elect Mr. V. W. Benjamin a Director	<input type="checkbox"/>	<input type="checkbox"/>
6 To re-elect Mr. J. M. F. Padovan a Director	<input type="checkbox"/>	<input type="checkbox"/>
7 To re-elect Mr. S. Young a Director	<input type="checkbox"/>	<input type="checkbox"/>
8 To appoint Joint Auditors	<input type="checkbox"/>	<input type="checkbox"/>
9 To authorise the Directors to fix the remuneration of the Joint Auditors	<input type="checkbox"/>	<input type="checkbox"/>
10 To change the name of the Company	<input type="checkbox"/>	<input type="checkbox"/>
11 To amend the Savings-related share option scheme (1981)	<input type="checkbox"/>	<input type="checkbox"/>
12 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 1983

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

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2

FOLD 1

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

FOLD 3 AND TUCK IN



The last two years have seen a dramatic growth in the range of our own-label grocery and fresh food products and the increased sales have made a major contribution to our performance this year.



The Tesco own-label story is one of quality control; from conception of a new product through to its reaching the hands of our customers.

At the initial stage of development, new products are considered with manufacturers and product samples are produced. Many of these are from recipes devised in our own experimental kitchen at Cheshunt.



These samples are then despatched to our consumer kitchens at Ayr, Cardiff, Farnley, Sale, Thornhill Heath and Weston Favell. Customers are invited to taste the range of products and to give us their views as to which ones should ultimately become Tesco own-label.

Tesco own-label can truly be said to be the "housewives' choice".

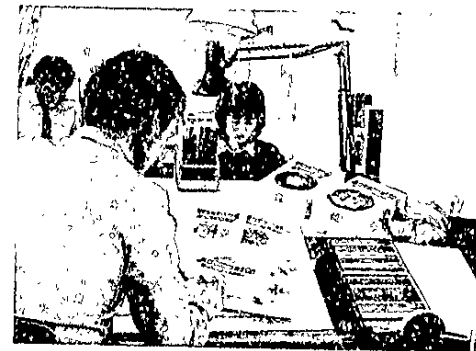


The final choice is tested in our food technology laboratories, opened in April last year, at Ware (one of the most modern food technology units in Europe).

Here, technical specifications are produced for the products.



Manufacturers' production facilities are then checked by our food technologists.



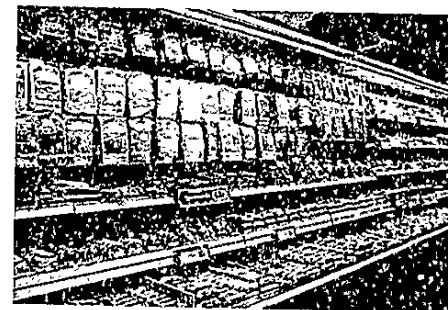
Packaging and point of sale plays an important part in the launch of a new own-label product or range and our marketing department has a vital part in developing this: planning the launch of the product, and also the merchandising location in the store.



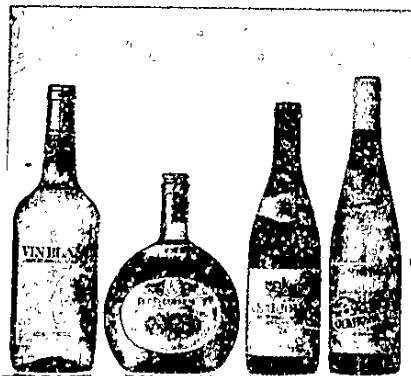
First consignments of new own-label products are sent to our consumer kitchens for further customer testing and for sampling by our consumer panels which meet regularly in ten stores located in different regions. Finally, having passed all the quality control tests, the new product is introduced into our stores. However, the story does not end there.



At regular intervals products are taken from store displays and checked at the laboratory to ensure that the quality specifications are being maintained. Suppliers' production lines are regularly inspected and quality checks instigated at every stage of production.



Controlled temperature is a vital feature in ensuring that fresh food products are at the peak of perfection when they are sold. We work very closely with our suppliers to ensure that the optimum temperature is maintained from production through delivery by refrigerated vehicles, to display in refrigerated cabinets in our stores.



We are justly proud of our own-label quality image and are dedicated to not only maintaining but improving it.



We believe that our quality story is guaranteed to become a best seller.



Our customers are proving that this pride in our own-label wines and spirits, grocery products and fresh foods is justified.