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Tesco Stores
(Holdings) PLC

Annual Report and
Accounts 1982



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Directors

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TESCO

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

Ian C. MacLaurin
Managing Director

Michael Darnell

Donald G. Harris, BA

Daisy D. Hyams, OBE

Hyman Kreitman

Francis R. N. Krejsa, FRICS

Alfred D. Malpas, BA

Herbert F. Pennell

Ralph Temple, FCA

George R. Wood

Secretary and Registered Office
Michael J. Boxall, ACH
Tesco House
Delamare Road Cheshunt
Hertfordshire EN8 9SL
Telephone Waltham Cross 32222
Telex Tesco Wals 24136

Registrars
Midland Bank PLC
Registrar's Department
Courtwood House
Silver Street Head
Sheffield S1 3RD

Auditors
Hogg Bullimore & Co.
Chartered Accountants
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



Financial Highlights

	1982 £m	1981 £m
Turnover excluding value added tax	1,994.4	1,820.7
Net profit before taxation	42.7	35.6
Taxation	12.0	5.5
Net surplus on sale of properties	24.0	20.0
Dividends declared in respect of the year	10.0	8.5
	Pence	Pence
Dividends per share	3.00	2.55
Earnings per share	9.23	9.04

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

TESCO

Notice is hereby given that the thirty-fourth 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, 30th July, 1982, at 12 noon, for the following purposes:

- 1 To receive and, if approved, adopt the directors' report and accounts for the 52 weeks ended 27th February, 1982. (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. L. Porter (Resolution 3)
Mr. F. R. N. Krejsa (Resolution 4)
Mr. H. F. Pennell (Resolution 5)
- 4 To reappoint Messrs. Hogg Bullimore & Co. as auditors to hold office until the conclusion of the next annual general meeting. (Resolution 6)
- 5 To authorise the directors to fix the remuneration of the auditors. (Resolution 7)
- 6 To transact any other ordinary business of the meeting.
- 7 As special business:
(1) To consider and if thought fit pass the following resolution as an ordinary resolution:
That the directors be generally and unconditionally authorised, pursuant to Section 14 of the Companies Act 1980 to allot relevant securities of the company provided that:
(a) The maximum amount of relevant securities that may be allotted pursuant to the authority given by this Resolution shall be an aggregate nominal amount of £2,750,000;
(b) Subject as provided in paragraph (c) of this Resolution, the authority shall expire on the date

of the company's annual general meeting to be held in 1986 but may be previously revoked or varied by an ordinary resolution of the company;

(c) Such authority shall permit and enable the directors to make an offer or agreement, before the expiry of such authority, which would or might require relevant securities to be allotted after such expiry;

(d) Words and expressions defined in or for the purposes of Part II of the Companies Act 1980 shall bear the same meanings in this Resolution. (Resolution 8)

(2) To consider and if thought fit pass the following resolution as a special resolution:

That:

(a) The directors be empowered during the period expiring on the date of the company's annual general meeting next following the date of the passing of this Resolution to allot equity securities of the company, pursuant to the authority given to them by the preceding ordinary resolution, as if Section 17 (1) of the Companies Act 1980 did not apply to any such allotment, provided that such power shall be limited to the allotment of equity securities:

(i) in connection with a rights issue of such securities to the holders of relevant shares and relevant employee shares of the company in proportion (as nearly as may be) to their respective holdings of such shares;

(ii) (otherwise than under sub-paragraph (a) (i) above) having an aggregate nominal value of £1,000,000;

(b) Such power shall permit and enable the directors to make an offer or agreement, before the expiry of such power, which would or might require equity securities to be allotted after such expiry;

(c) Words and expressions defined in or for the purposes of Part II of the Companies Act 1980 shall bear the same meanings in this Resolution. (Resolution 9)

By Order of the Board
Michael J. Boxall
Secretary

Tesco House, Delamare Road, Cheshunt, Herts.
Dated this 5th day of July, 1982

Note

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 cards must be received at the office of the Registrars of the company not less than 48 hours before the time fixed for the meeting. 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 5th day of July, 1982, 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.

Special Business--Explanation

Special Business

Resolution 8

Under the Companies Act 1980 an express authority from shareholders is required to enable the directors to allot shares or grant any rights to subscribe for or convert any securities into shares. Resolution 8, if passed, will authorise the directors to allot shares bearing a total nominal value of £2,750,000, representing 13.75% of the present authorised share capital. This authority will commence at this annual general meeting and expire on the date of the company's annual general meeting in 1986, when it may be renewed.

Resolution 9

Under the Companies Act 1980 there are specific restrictions on the allotment of ordinary shares for cash requiring directors to offer such shares initially to existing shareholders in proportion to their existing holdings.

It is desirable in some circumstances for directors to have the power to allot shares for cash without having to comply with these pre-emption rights. If Resolution 9 is passed, the directors will not be required to allot ordinary shares to existing shareholders in proportion to their existing holdings (i) in the case of a rights issue (and therefore the company will overcome the requirement to offer shares to foreign shareholders who, because of internal domestic laws or regulations, for example in the U.S.A., may be unable to take up their rights) and (ii) in any other case relating to the allotment of ordinary shares up to a maximum nominal value of £1,000,000, being 5% of the company's present authorised share capital.

This power will commence at this annual general meeting and will expire on the date of the next annual general meeting, when it may be renewed.

It is the belief of the directors that Resolutions 8 and 9 are in the interests of the company and its shareholders and recommend shareholders to vote in favour of each of them by completing and returning the proxy card. The return of the proxy card will not preclude shareholders from attending and voting if they so wish.

Chairman's Statement

TESCO

I am pleased to report that profit before tax amounted to £42.7m, £7.1m higher than last year after absorbing expenditure relating to EPOS (Electronic Point of Sale) development of £3.5m compared with only £0.5m in the preceding year. Group sales increased by £185.6m to £2,102m. Your directors are recommending a final dividend of 1.90p per share payable on 6th August 1982, bringing the total for the year to 3.00p, representing an increase of 17.6% on the previous year.

During the year we spent £93m mainly on new store development and refitting of existing stores and the capital expenditure of £119m planned for the current year will see the peak of our spending. In addition, net borrowings have been substantially reduced which together with lower interest rates have brought a welcome reduction in our interest charges.

Since 1977 we have undergone a major reshaping of the Group to place us in a position of strength for the 1980's and 1990's. We have concentrated our resources in both financial and manpower terms in a £440m expansion programme. This programme has entailed the building of some 76 stores, company acquisitions and an ongoing refit and refurbishment programme. A substantial change of emphasis in store profile has resulted in the closure of 273 of our smaller stores. The overall effect has been to increase our selling area from 5.2m sq.ft. in 1977 to 7.2m sq.ft. today, whilst reducing the number of trading units from 722 to 544.

In changing the emphasis of our store profile, the needs and desires of our customers have been uppermost in our thinking. Wider aisles, more attractive displays particularly of fresh foods, bakeries, restaurants and many other features have been incorporated in all our new stores, and have been welcomed by our shoppers.

But, of growing importance to shoppers, particularly in times of severe recession, are quality and value for money. Over the last two years, we have undertaken a major drive to expand both the range and sales of fresh foods and our own label products. In undertaking this we introduced a programme of range control which has given our customers a much wider choice of high quality merchandise.

Customer acceptance of our own label goods has been very positive and now represents over 30% of grocery sales, with over 300 new lines having been introduced in the past year.

As well as the growth in own label we have had an outstanding success in introducing a pilot launch of generic packed goods in selected stores, mainly in Scotland and the North of England.

To ensure that we are giving our customers excellent value in terms of quality and service, we maintain close contact with them through our consumer panels and kitchens, which we have in many areas of the United Kingdom. We have also trebled the size of our laboratory facilities.

I would like to thank all our staff for their efforts and acknowledge their real contribution to our achievement, particularly in coping with the appalling weather conditions last winter. I would also like to thank our suppliers, who have co-operated to the full, in helping us to introduce successfully our range rationalisation programme.

The Future

The actions we have taken to reshape the Group have resulted in our being leaner and fitter. Today's Tesco is based on the concept of larger stores and the provision of high quality brand leaders and own label products at the keenest prices. This enabled us to launch "Checkout '82" on 18th May as part of our long term marketing plan, reducing prices on over 1500 items. The campaign has been well received.

Your company will not cease to explore and investigate profitable avenues of retailing, mainly in the food area, in which we have such a wealth of managerial talent.

Finally, you will notice that this year we have changed the format and presentation of our report which I hope will be appreciated by shareholders. In particular the Review of Operations which normally appears in my Statement, will now be found on the following pages.

Chairman and Chief Executive
5th July, 1982

Review of Operations

For the period under review, Group net profit before tax increased by £7.1m to £42.7m compared with £35.6m for the fifty three weeks ended 28th February 1981, equivalent to an increase of 22.2%. The profit is after absorbing revenue expenditure relating to EPOS development. Interest charges reduced substantially from £15.7m in 1980/81 to £3.8m in 1981/82. Tesco Stores Ireland Limited reported a modest pre-tax profit following losses in earlier years.

The proceeds of sale of land and property, surplus to requirements, amounted to £26.2m and together with realisations on sale and leasebacks of £19.8m contributed £46m to our liquid resources. The proceeds of sale exceeded book value by £24m. Funds raised from asset leasing amounted to £15.5m compared with £3.6m in the preceding year. Stockturn has continued to improve. Whilst turnover increased by the equivalent of 11.7% year end stock levels were only 4% higher. After allowing for capital expenditure of £93m, net Group indebtedness amounted to £31m compared with £63m at the end of the previous year.

Store Development Programme

During 1981/82 16 new stores were opened two of which were in Ireland, adding a total of 495,000 sq.ft. of net sales area. In addition five major extensions were undertaken, increasing net sales area by a further 36,500 sq.ft. At the same time 26 smaller stores were closed representing 169,000 sq.ft. so that the Group was operating out of 7.2m sq.ft. of net retail space at the end of the year, excluding garden centres and petrol filling stations.

In 1982/83 a further 16 new stores are planned to open which, together with two major extensions will add a further 589,000 sq.ft. net sales area. It is of note that the majority of these new stores will conform with the Group's up-to-date store profile of being single storey served by surface car parking areas. They will provide not only catering and garden centres but also petrol filling stations. The profile of these stores will be the hallmark of the type of store Tesco will be developing over the next 20 years.

Trading—Food

The further development of the fresh foods division continued. Of particular significance was the considerable progress made during the year on increasing the sales of short-life products such as sausages, pies, cream, butter and pizzas. In the past our sales of these products have been principally under branded labels. However with the increasing success of Tesco own label, these items are now being sold under our own label and in the past year sales have increased dramatically. New products have been added such as trifles and chilled salads, and this area of food retailing will record significant growth in the years to come.

During the year a range of exotic fruits and vegetables was introduced. These have been very well received and further enhance our quality and range.

All records were broken in the sales of English lamb, and poultry tonnages increased substantially.

At the year-end there were 124 in-store bakeries which continue to be an ever increasing feature of our fresh food division. In addition we continue to increase the number of our self-service restaurants of which there are now 41.

The competition in the dry grocery market shows no signs of abating, but the range control programme has resulted in a stronger central marketing operation. This in turn has led to greater control of the use of shelf space resulting in greater productivity.

Trading—Wines and Spirits

The growth in wines and spirits sales, particularly our own brand-labels, continued unabated. Evidence of this is that Tesco whisky is now the brand leader in our stores.

During the year further self-service counters were introduced to facilitate more attractive displays, and so gain for Tesco a larger share of each householder's budgeted spending on alcoholic beverages. In addition a range of long life boxed wines was introduced under the Tesco label.

The increase in volume sales achieved by the Division underlines the confidence that our customers have in the very high standard and quality of our products.

Trading—Home 'n' Wear

Trading remained extremely difficult during the year although a successful "Back-to-School" campaign in the late summer was followed by a satisfactory Christmas, particularly in certain areas such as toys, where sales were buoyant.

Throughout the year stocks were kept to minimum levels, and following Christmas there was little stock for January sales. During the year the range control programme was speeded-up and specialisation became a feature, particularly in smaller stores where, in many instances, only D.I.Y. was offered.

Complementary to the range control programme, and as with food trading, more and more items are being sold with the Tesco label. In textiles, customers are being offered good quality items with an improved specification as to yarn, buttons, trim etc, and a no-nonsense money-back-guarantee is being introduced in all stores.

Own label is also becoming a feature of D.I.Y. departments, of which there were 247 by the year end, as well as in garden centres which increased in number to 12. In 1981 Tesco signed an agreement with Mr. Percy Thrower to endorse all Tesco own label gardening equipment.

Over the recent past, Tesco has recognised the growing demand of consumers for garden centres and believes that the appointment of Mr. Thrower will enhance further an expanding and profitable aspect of our business.

Computers

The introduction of EPOS (Electronic Point of Sale) will make shopping easier for the customer as well as giving an improved standard of service. EPOS will provide a detailed receipt of goods purchased and by doing so will provide a check-list for future purchases and will enable the customer to compare values with other shops.

Amongst its many advantages, EPOS will enable Tesco to monitor rapidly its product ranges; to determine more quickly the impact of own label items; to obtain a more accurate response to product advertising and will facilitate the allocation of shelf space for each product, as well as providing accurate figures for stock control. The present programme is to have introduced EPOS into 15 stores by the end of the current financial year.

number of small stores. This is an historical legacy which is being carefully analysed at present with a view to changing some over to a solely discount line operation under the 'Value' name. In the majority of others radical changes have been made to the entire environment of the store. The number of lines carried has been reduced by two thirds and all stores have been brought under strict central control to ensure uniformity with the new store presentation.

Aisles have been widened, checkouts cleared, stacking reduced and in-store promotion is done within strict guidelines. Coupled with the increasing number of superstores, it means that today's Tesco store whether it be large or small will provide not only quality and value but it will also be a better place in which to shop.

Energy

In 1982 Tesco's efforts in energy conservation were recognised in its winning of the Eastern Area Gas Board's Gas Energy Management Award for its savings at the Cheshunt complex. This has been accomplished by good housekeeping and staff training and to this end the Group has held in-house seminars to educate staff in the methods of conserving energy. Our continued efforts are producing useful savings.

Quality and Service

During the last 18 months we have devoted considerable attention to quality, service and the in-store environment for our customers. We have readily recognised that today's shopper is more discerning and demanding than ever before and value for money is paramount. In order to keep abreast of our customers' needs we monitor closely the acceptance of our own products and forecast changing tastes and demands.

We have now set up 14 consumer panels throughout the U.K. which comprise Tesco customers, our retailers and marketing staff. The panels meet every 6 weeks in selected stores and test and judge specific product ranges and services on a regular basis. By this method we are able to keep our finger on the pulse of customer reaction thus enabling us to move fast both in terms of predicting market needs and product acceptance. In addition, in several of our larger stores, we run consumer kitchens which are staffed by fully trained Home Economists. These kitchens enable us to gain immediate consumer response to our own label products as well as providing original recipes and cookery hints for our customers.

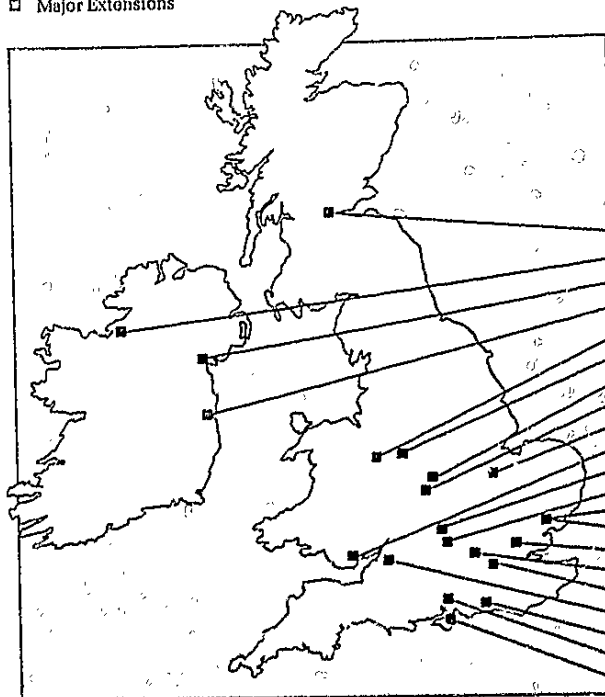
Quality of products is scrutinised and checked by established laboratories and we now have a team of over 50 staff monitoring own label products and working direct with suppliers. The information derived from both the panels and the kitchens has proved invaluable in our forward planning and has been material in dictating our marketing approach.

Unlike a number of our competitors we not only have a national spread of retail outlets but also a

New Store Profile

New Stores and Major Extensions 1981-82 (Total new sales area 532,000 sq.ft.)

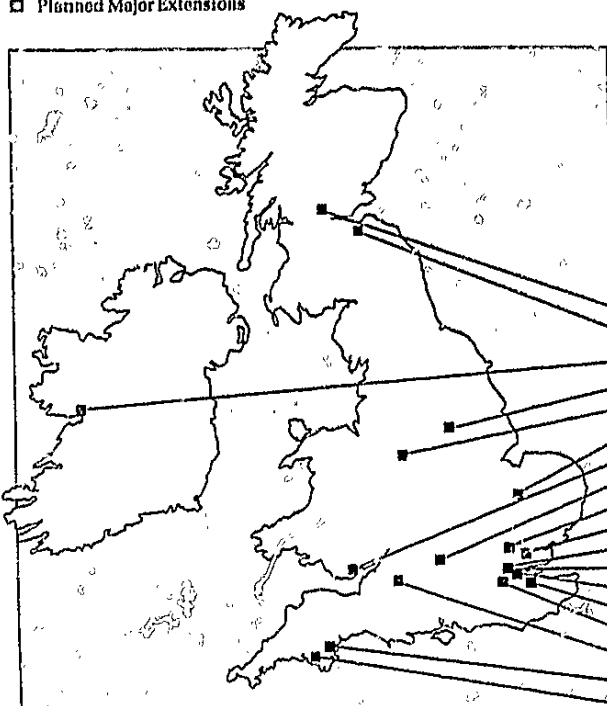
- New Stores
- Major Extensions



Square feet	
Additional sales area	Resultant sales area
	Falkirk, Central Scotland
	Sligo, Republic of Ireland
	Dundalk, Republic of Ireland
7,000	Ballybrack, Republic of Ireland
	Whitchurch, Salop
	Stafford, Staffs
	Bedworth, Warwicks
	Coventry (Cannons Park), West Midlands
19,000	Peterborough, Cambs
	Cardiff (The Hayes), South Glamorgan
3,500	Kidlington, Oxon
6,000	Oxford (Cowley Road), Oxon
	Colchester, Essex
	Colchester (Highwoods), Essex
	Hornchurch (Elm Park), Essex
1,000	Maidenhead, Berks
	Sutton, Surrey
	Yate, Avon
	Worthing (West Durrington), West Sussex
	Southampton (Bursledon Towers) Hants
	Ryde, Isle of Wight
	24,000
	26,000
	36,500
	23,500
	19,000
	28,000
	38,000
	40,000
	24,000
	28,000
	12,000
	17,000
	45,000
	30,500
	16,000
	15,500
	48,000
	29,500
	23,000
	40,000
	24,000

Planned New Stores and Major Extensions 1982-83 (Total new sales area 589,000 sq.ft.)

- Planned New Stores
- Planned Major Extensions



	Stirling, Central Scotland	24,000
	Edinburgh (Westerhailes), Midlothian	14,000
	Galway, Republic of Ireland	25,000
	Workson, Notts	40,000
	Stoke (Newcastle Road), Staffs	32,500
	Ely, Cambs	19,000
	Cardiff (St. Mellons), South Glamorgan	29,500
	Abingdon, Oxon	36,500
	Harlow, Essex	50,000
	Chelmsford (Springfield Road), Essex	34,000
	London (Bromley by Bow)	39,000
	London (South Tottenham)	39,000
	London (Bothal Green)	20,000
13,000	Chatham, Kent	63,000
	Thornton Heath, Surrey	51,000
	Trowbridge, Wilts	30,000
	Newton Abbot, Devon	31,500
7,000	Lee Mill, Devon	38,000

Employment Report

TESCO

Against a background through the year of rising unemployment it is gratifying to record that at the end of the year the number of employees (full time equivalent 39,244) was slightly up on last year. It is interesting to note that in the same period net square footage increased by 363,000 sq. ft., indicating a further step in implementing the improved methods, aimed at increasing productivity, referred to in last year's report.

In October, the company introduced a Staff Discount Scheme for all staff aged 18 years and over who worked 16 hours per week or more and who have been in our employ for one year. Indications so far are that this further improved benefit has been well received. It is apposite to mention here, and to acknowledge, that it is the efforts and hard work of all our staff which ensures the continuing success of the company and this spirit was fully tested in the terrible weather conditions this last winter. The response by our staff was excellent.

As part of our continuous programme of reviewing our employment and social policies, your Board has approved a change in the provisions of the pension arrangements for directors and senior managers which will progressively reduce the normal retirement age from 65 to 60. Quite apart from the benefit to those who will retire, such a programme will enhance the career prospects of our younger managers.

In October the tenth pre-retirement seminar was held. This programme of preparing employees for retirement is now firmly established and those attending report that it enables them to review and take stock of this important change in their lives.

The introduction of the 39-hour week in our depots and warehouses follows on from a similar agreement last year covering our retail branches.

Training

The government has announced its intention of winding-up the Distributive Industry Training Board by April 1983. The company is heavily involved in the industry-wide discussion on the form of voluntary training arrangements which are to replace the statutory body. It is too early to comment on the likely outcome of these discussions but the company is committed to maintaining the high standard it has built up over the years. The introduction of EPOS this year highlights the continuing need to train and re-train staff at all levels, as new technology and work methods are introduced throughout the business.

Industrial relations

Mention was made last year of the long standing good relationship between the company and the Union of Shop, Distributive and Allied Workers. Your company recognises that the continuation of this relationship depends, to a very large extent, on the managers throughout the business and the programmes of training are designed to improve management understanding and competence.

Health and safety at work

The important work of monitoring existing standards of health and safety in the business is a continuous task as is the quest for improved methods which not only increase productivity but set new standards of safe working conditions.

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 with the company through re-training, acquisition of special aids and equipment and, if appropriate, the provision of suitable alternative employment.

Directors' Report

To be presented at the thirty-fourth Annual General Meeting to be held at the Savoy Hotel (Lancaster Room—River Entrance) Strand, London WC2R 0EU on Friday, 30th July, 1982 at 12 noon.

The directors submit their annual report together with the audited accounts of the company for the 52 weeks ended 27th February, 1982.

Profits

The consolidated profit and loss account on page 16 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 26.

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.

Re-registration as a public company

With effect from 14th December, 1981 the company re-registered as a public company and changed its name to Tesco Stores (Holdings) Public Limited Company. Share certificates and other documents will not be called in for amendment but will remain valid.

Dividends

An interim dividend of 1.10p (gross equivalent 1.57p) per share on account of the 52 week period ended 27th February, 1982 was paid on 1st March, 1982 on the ordinary shares and the directors recommend the payment of a final dividend of 1.90p (gross equivalent 2.71p) per ordinary share.

Directors

A list of directors, all of whom held office throughout the year, is given on page 1. Mr. L. Porter, Mr. F. R. N. Krejsa and Mr. H. F. Pennell 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. Mr. Porter's contract terminates on the 31st July 1985 and those of Messrs. Krejsa and Pennell are each for a term of five years, which is currently from 1st January, 1982.

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.

Directors' shareholdings and interests

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

	27th February, 1982			28th February, 1981				
	Beneficial and Family Interests		Non-Beneficial As Trustees	Beneficial and Family Interests		Non-Beneficial As Trustees		
	Ordinary Shares	'A' Ordinary Shares 1p paid	Share Options*	Ordinary Shares	Ordinary Shares	'A' Ordinary Shares 1p paid	Share Options*	Ordinary Shares
Mr. L. Porter	6,904,820	—	7,289	7,101,945	6,989,829	—	—	8,282,145
Mr. I. C. MacLaurin	89,198	63,281	67,289	—	101,004	63,281	50,000	—
Mr. M. Darnell	—	—	67,289	—	5,000	—	50,000	—
Mr. D. G. Harris	18,000	44,296	67,289	—	18,000	44,296	50,000	—
Miss D. D. Hyams	121,287	—	60,000	956,806	121,287	—	50,000	1,056,806
Mr. H. Kreitman	1,000,000	—	—	6,257,776	1,000,000	—	—	6,632,064
Mr. F. R. N. Krejsa	2,000	44,296	60,000	—	2,000	44,296	50,000	—
Mr. A. D. Malpas	1,000	12,656	67,289	—	1,000	12,656	30,000	—
Mr. H. F. Pennell	600	25,312	67,289	—	600	25,312	30,000	—
Mr. R. Temple	1,000	44,296	67,289	—	1,000	44,296	50,000	—
Mr. G. R. Wood	17,695	38,281	60,000	—	17,695	38,281	50,000	—

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

3,951,422 (1981—3,951,422) ordinary shares, non-beneficial as trustee, are duplicated above in the holdings of Mr. L. Porter and Mr. H. Kreitman.

There were, as at 5th June, 1982, 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.

Between 28th February, 1982 and 5th June, 1982 there have been no changes in the interests of the directors in the share capital of the company.

None of the directors has had any material interest, at any time during the year, in any contract or arrangement with the company, or any of its subsidiaries, which was of significance in relation to the company's business.

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.

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 3,065,500 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 and 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. 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 the directors, apart from Miss Hyams and Messrs. Kreitman, Krejsa and Wood, in respect of 7,289 shares each and to 934 employees in respect of 2,857,064 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).

Employment of disabled persons

The company's employment policy relating to disabled persons is referred to in the Employment Report on page 9.

Charitable and political contributions

Charitable contributions totalled £12,500 (1981—£11,000). No political contributions were made.

Employees and their remuneration

The average number of employees per week during the period was 49,610 (1981—50,578)—full time equivalent 40,421 (1981—38,809). The aggregate remuneration payable to employees for the period was £191,227,000 (1981—£170,785,000).

Exports

Exports from the United Kingdom amounted to £1,121,000 (1981—£1,467,000).

In addition to the above, sales to UK agents for subsequent export amounted to £187,000 (1981—£1,617,000).

Number of shareholders

The number of shareholders of the company at 27th February, 1982 was 55,071 (1981—59,263).

Capital gains tax

The market value of the shares in the company on the 6th April, 1965 was 16.932p per share after adjustment for subsequent capitalisation issues, but excluding scrip dividend elections where applicable, and assuming the one for twenty rights issue in 1968 was taken up in full.

Taxation status

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

Auditors

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

By Order of the Board
Michael J. Boxall
Secretary

5th July, 1982

Five Year Record of the Tesco Group

Year ended February	1978	1979	1980	1981(a)	1982	
Turnover exclusive of value added tax	953.0	1,201.8	1,530.6	1,820.7	1,994.4	£m
Net profit before taxation	28.6	37.7	36.5	35.6	42.7	
Taxation	0.5(b)	(1.1)	(1.4)	(5.5)	(12.0)	
Net profit after taxation	29.1(b)	36.6	35.1	30.1	30.7	
Net surplus on sale of properties	0.2	0.4	0.4	20.0	24.0	
Extraordinary items	(0.1)	0.2	0.1	—	—	
Dividends	(5.2)	(6.5)	(8.2)	(8.5)	(10.0)	
Retained	24.0(b)	30.7	27.4	41.6	44.7	
Dividends per share	1.63	1.98	2.45	2.55	3.00	In pence
Earnings per share	9.20(b)	11.51	10.58	9.04	9.23	
Net profit before taxation as % of turnover	3.00	3.13	2.39	1.95	2.14	
Average number of full time equivalent employees	30,841	35,302	39,862	38,809	40,421	
Turnover per employee (c)	30,900	34,045	38,398	46,913	49,341	In pounds
Wages per employee (c)	2,504	2,868	3,478	4,401	4,731	
Retail Price Index	190.6	208.9	248.8	279.8	310.7	

Notes:

(a) 53 week period.

(b) Restated after deferred taxation adjustment.

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

Shareholder Profile

27th February, 1982

TESCO

Size of Shareholding	Number of Shareholders	Percentage of number of Shareholders	Number of Ordinary Shares	Percentage of Ordinary Shares
250,000 and over	195	0.4	225,605,369	67.7
100,000—249,999	126	0.2	18,980,915	5.7
50,000 — 99,999	115	0.2	7,436,498	2.2
10,000 — 49,999	1,197	2.2	20,889,051	6.3
5,000 — 9,999	2,228	4.1	14,649,934	4.4
2,000 — 4,999	7,118	12.9	21,054,132	6.3
1,000 — 1,999	9,497	17.2	12,744,864	3.8
500 — 999	10,203	18.5	6,958,336	2.1
100 — 499	18,994	34.5	4,728,003	1.4
1 — 99	5,398	9.8	238,562	0.1
	<u>55,071</u>	<u>100.0</u>	<u>333,285,664</u>	<u>100.0</u>

Type of Owner				
Private individuals	51,916	94.3	87,839,112	26.4
Banks and nominee companies	966	1.7	123,445,293	37.0
Pension funds	1,035	1.9	121,660,937	36.5
Others	1,154	2.1	340,322	0.1
	<u>55,071</u>	<u>100.0</u>	<u>333,285,664</u>	<u>100.0</u>

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

Auditors' Report

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

We have audited the financial statements on pages 15 to 24 and pages 26 to 29 in accordance with approved auditing standards.

In our opinion the financial statements on pages 15 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 27th February, 1982, 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 26 to 29 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

16th June, 1982

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 27th February, 1982.

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.

Associated companies

Associated companies are companies over which members of the Group exercise significant influence and hold not less than 20% of the equity voting rights. Particulars of these companies are provided in note 9 to the accounts.

The directors consider that the results of Direct Refrigeration Services Limited are not material, and that to include the results of the other associated companies in the Group accounts would be misleading. The attributable results of the associated companies are therefore omitted from the accounts.

Stocks

Stocks are valued on a consistent basis at the lower of cost or net realisable value. Stocks at branches are calculated at retail prices and reduced by appropriate margins to the lower of cost or 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 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.

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

Deferred taxation and advance corporation tax

Deferred taxation, when applicable, represents corporation tax at current rates on amounts provided for:—

(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 27th February, 1982 (1981-53 weeks)

	Note	1982 £m	1981 £m
Sales to customers at net selling prices		2,102.0	1,916.4
Value added tax		107.6	95.7
Sales excluding value added tax		<u>£1,994.4</u>	<u>£1,820.7</u>
Profit before depreciation and interest	1	76.0	71.5
Depreciation	7	<u>24.5</u>	<u>20.2</u>
Interest payable less receivable	2	<u>8.8</u>	<u>15.7</u>
		<u>33.3</u>	<u>35.9</u>
Profit before taxation		42.7	35.6
Taxation	4	<u>12.0</u>	<u>5.5</u>
Profit after taxation		30.7	30.1
Net surplus on sale of properties		24.0	20.0
Profit available for distribution		<u>54.7</u>	<u>50.1</u>
Dividends	5	<u>10.0</u>	<u>8.5</u>
Profit retained	14	<u>£44.7</u>	<u>£41.6</u>
Earnings per ordinary share	6	<u>9.2p</u>	<u>9.0p</u>

Accounting policies and notes forming part of these accounts are on page 15 and pages 19 to 24.

Balance Sheets

27th February, 1982

TESCO

	Note	Consolidated		Tesco Stores (Holdings) P.L.C.	
		1982 £m	1981 £m	1982 £m	1981 £m
Employment of capital					
Fixed assets	7	392.1	345.3	—	—
Investment in subsidiaries	8	—	—	294.6	296.2
Investments	9	0.2	0.3	0.2	0.3
Deferred asset					
Advance corporation tax recoverable		4.7	7.1	—	—
Current assets					
Stocks		164.8	158.2	—	—
Debtors	10	6.4	8.1	0.2	—
Cash and short term deposits		28.1	2.6	12.7	—
		199.3	168.9	12.9	—
Current liabilities					
Creditors		212.6	197.6	3.4	2.7
Short term bank loans and overdrafts	11	19.0	9.5	3.6	3.0
Taxation	4	15.2	9.3	4.9	4.2
Dividends	5	10.0	8.5	10.0	8.5
		256.8	224.9	21.9	18.4
Net current liabilities		(57.5)	(56.0)	(9.0)	(18.4)
Leasing commitments	12	(17.1)	(3.3)	—	—
		£322.4	£293.4	£285.8	£278.1
Source of capital employed					
Share capital	13	16.7	16.7	16.7	16.7
Reserves	14	265.7	220.8	229.1	211.4
		282.4	237.5	245.8	228.1
Medium term bank loans	11	40.0	55.9	40.0	50.0
		£322.4	£293.4	£285.8	£278.1

L. Porter

I. C. MacLaurin

Directors: L. Porter, I. C. MacLaurin

Accounts approved by Board: 16th June, 1982

Accounting policies and notes forming part of these accounts are on page 15 and pages 19 to 24.

Consolidated Statement of Source and Application of Funds

52 weeks ended 27th February, 1982 (1981—53 weeks)

	1982 £m	1981 £m
Revenue funds		
Source of funds		
Net profit subject to taxation	42.7	35.6
Adjustment for item not involving the movement of funds:		
Depreciation and amortisation	24.5	20.2
Decrease in stock	0.7	2.9
Decrease in debtors	11.9	7.4
Increase in creditors	79.8	86.7
	<u>18.8</u>	<u>11.7</u>
Deduct		
Application of funds		
Increase in stock	6.6	8.2
Dividends paid	8.5	3.5
Taxation paid	3.7	—
	<u>18.8</u>	<u>11.7</u>
	61.0	75.0
Capital funds		
Source of funds		
Increase in medium term bank loans	—	55.9
Proceeds from sale of fixed assets	46.4	29.5
Increase in leasing commitments	13.8	3.3
Increase in creditors	3.1	2.1
Decrease in debtors	1.0	—
Reduction in loan to associated company	0.1	—
Adjustment for items not involving the movement of funds:		
Foreign currency translation adjustments	(0.6)	1.9
Excess value of net assets over cost of acquisition of Brace-Pinhorne Construction Company Limited	—	0.1
	<u>63.8</u>	<u>92.8</u>
Deduct		
Application of funds		
Purchase of fixed assets	92.9	111.0
Debentures redeemed	—	0.2
Increase in debtors	—	1.4
Decrease in medium term bank loans	15.9	—
	<u>108.8</u>	<u>112.6</u>
	(45.0)	(19.8)
Movement in net liquid funds		
Increase/(Decrease) in cash and short term deposits	25.5	(14.6)
(Increase)/Decrease in short term bank loans and overdrafts	(9.5)	69.8
	<u>£16.0</u>	<u>£55.2</u>

Notes to the Accounts

TESCO

1 Profit before depreciation and interest

	1982 £m	1981 £m
Is stated after charging:		
Auditors' remuneration	0.1	0.1
Emoluments of directors of parent company (Note 3)	0.6	0.5

2 Interest

Interest payable on:		
medium term bank loans	6.8	0.1
short term bank loans and overdrafts	2.9	16.2
finance leases	0.8	—
	10.5	16.3
Deduct Interest receivable on short term deposits	1.7	0.6
	£8.8	£15.7

3 Directors' emoluments

Emoluments of the directors of the parent company comprise £1,100 (1981—£1,100) in respect of services as directors, and other emoluments including pension contributions £566,297 (1981—£541,225).

Emoluments waived by one director £19,000 (1981—£20,000).

The emoluments of the Chairman, who was the highest paid director, amounted to £54,296 (1981—£51,162), excluding pension contributions.

Directors' emoluments and the emoluments of other employees in excess of £20,000, excluding pension contributions, fall within the following scales:

	Number of directors		Number of other employees	
	1982	1981	1982	1981
From £15,001 to £20,000	1	1	—	—
" £20,001 " £25,000	—	—	16	23
" £25,001 " £30,000	—	—	7	—
" £30,001 " £35,000	—	—	—	—
" £35,001 " £40,000	7	7	—	—
" £40,001 " £45,000	1	1	—	—
" £45,001 " £55,000	2	2	—	—

4 Taxation

	1982 £m	1981 £m
Current		
Corporation tax at 52%	11.7	1.6
Oversens taxation	0.3	0.2
Advance corporation tax not recoverable in foreseeable future	—	3.7
	£12.0	£5.5

Taxation shown as a current liability on the consolidated balance sheet includes corporation tax payable on 1st January, 1983, of £4.9m (1981—£0.7m) which has been reduced by advance corporation tax of £6.8m. Taxation has been further reduced by group relief payments made to an associated company amounting to £8.6m (1981—£8.6m). (See Note 16(b)).

Deferred

No provision has been made for accelerated capital allowances and the tax deferred for which provision is not considered necessary amounts to £52m (1981—£48m). It is also considered that the tax deferred in respect of stock appreciation relief of £53m (1981—£53m), will not become payable; accordingly no provision has been made.

Notes

(continued)

5 Dividends

	1982 £m	1981 £m
Declared interim—1.10p per share (1981—1.00p)	3.7	3.3
Proposed final —1.90p per share (1981—1.55p)	6.3	5.2
	<u>£10.0</u>	<u>£8.5</u>

6 Earnings per ordinary share

The calculation of the earnings per ordinary share is based on £30.7m (1981—£30.1m), being the net profit after taxation, excluding net surpluses on the sale of properties, divided by the weighted average number of ordinary 5p shares in issue during the year of 333,274,764 (1981—333,252,495).

7 Fixed assets

		Freeholds	Leaseholds 50 years or more	less than 50 years	Plant equipment fixtures & fittings & vehicles	Total
	Note	£m	£m	£m	£m	£m
Cost or at valuation						
As at 1st March, 1981		124.2	111.0	14.6	180.0	429.8
Currency translation adjustments		0.7	—	—	0.1	0.8
Additions at cost	(a)	24.0	20.9	1.5	46.5	92.9
		<u>140.9</u>	<u>131.9</u>	<u>16.1</u>	<u>226.6</u>	<u>523.5</u>
Deduct disposals		14.0	7.5	0.3	5.1	26.9
As at 27th February, 1982	(b)	<u>£134.9</u>	<u>£124.4</u>	<u>£15.8</u>	<u>£221.5</u>	<u>£496.6</u>
Depreciation						
As at 1st March, 1981		0.3	1.7	4.4	78.1	84.5
Currency translation adjustments		—	—	—	—	—
Charge for period		0.2	0.8	0.7	22.8	24.5
		<u>0.5</u>	<u>2.5</u>	<u>5.1</u>	<u>100.9</u>	<u>109.0</u>
Deduct disposals		—	0.1	0.1	4.3	4.5
As at 27th February, 1982		<u>£0.5</u>	<u>£2.4</u>	<u>£5.0</u>	<u>£96.6</u>	<u>£104.5</u>
Net book value at 27th February, 1982	(c)	<u>£134.4</u>	<u>£122.0</u>	<u>£10.8</u>	<u>£124.9</u>	<u>£392.1</u>
Net book value at 28th February, 1981		<u>£123.9</u>	<u>£109.3</u>	<u>£10.2</u>	<u>£101.9</u>	<u>£345.3</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 £16.8m and leaseholds over 50 years £1.1m and during 1980—a freehold £1.1m.
 (c) Includes plant, equipment, fixtures and fittings subject to finance leases:

	Cost	£m Depreciation	£m Net book value
As at 1st March, 1981	3.5	0.2	3.3
Additions at cost	15.6	—	15.6
Charge for period	—	1.8	(1.8)
As at 27th February, 1982	<u>£19.1</u>	<u>£2.0</u>	<u>£17.1</u>

8 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 IRE1 ordinary shares respectively, is wholly owned by Tesco Stores (Holdings) P.L.C.

	1982 £m	1981 £m
(b) Investment at cost	34.3	34.3

Amounts due from subsidiary companies
Deduct Amounts due to subsidiary companies

266.7	268.2
6.4	6.3
260.3	261.9
£294.6	£296.2

- (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.

9 Investments

	Consolidated		Tesco Stores (Holdings) P.L.C.	
	1982 £m	1981 £m	1982 £m	1981 £m
Unquoted, at cost less amounts written off (Directors' valuation £3,000 (1981—£3,000)—cost £3,000)	—	—	—	—
Associated companies (Directors' valuation £1,000 (1981—£1,000)—cost £100)	—	—	—	—
Loan to associated company	0.2	0.3	0.2	0.3
	£0.2	£0.3	£0.2	£0.3
Investments in associated companies	Percentage of equity held		Registered and operating in	
Bannergrade Limited	50		England	
Direct Refrigeration Services Limited	49		England	
Vence Developments (Netherlands) B.V.	30		Netherlands	
Vence Developpements (France) S.A.R.L.	30		France	

Notes

(continued)

10 Debtors

Tesco Stores Hong Kong Limited acquired permanent export quota licences for the sum of £2,529,000 in the year ended 23rd February, 1980. This amount is being written off against profits during the three years to February 1983 by reference to the value of goods exported to the United Kingdom during that period. The written-down value of the licences included in debtors at 27th February, 1982 was £954,000 (1981—£1,565,000).

11 Bank loans and overdrafts

	Consolidated		Tesco Stores (Holdings) P.L.C.	
	1982	1981	1982	1981
	£m	£m	£m	£m
Repayment terms of total borrowings are:				
Medium term bank loans—				
between 1 and 2 years	—	5.9	—	—
beyond 5 years	40.0	50.0	40.0	50.0
	40.0	55.9	40.0	50.0
Short term bank loans and overdrafts—				
within 1 year	19.0	9.5	3.6	3.0
	£59.0	£65.4	£43.6	£53.0

At 27th February, 1982 an additional £60m was available to Tesco Stores (Holdings) P.L.C. under the medium term loan agreements. Bank loans and overdrafts of overseas subsidiary companies included above of £15.4m have been guaranteed by Tesco Stores (Holdings) P.L.C.

12 Leasing commitments

The future minimum finance lease payments to which the Group was committed at 27th February, 1982 are:

	£m
Year to 26th February, 1983	3.7
" " 25th " , 1984	3.7
" " 23rd " , 1985	3.5
" " 22nd " , 1986	3.7
" " 28th " , 1987	3.4
Two years to 25th February, 1989	3.9
	21.9
Deduct finance charges allocated to future periods	4.8
	£17.1
Net amounts payable are:	
Year to 26th February, 1983	2.3
Six years to 25th February, 1989	14.8
	£17.1

13 Share Capital

Authorised—£20,000,000 (1981—£20,000,000)

Issued—£16,679,000 (1981—£16,678,000)

Shares of 5p each			£m	£m
Ordinary	"A" Ordinary		Ordinary (fully paid)	"A" Ordinary (1p paid)
333,255,352	1,546,587	Issued at 1st March, 1981	16.7	—
30,312	(30,312)	Converted during year	—	—
<u>333,285,664</u>	<u>1,516,275</u>	Issued at 27th February, 1982	<u>£16.7</u>	<u>—</u>

Options granted under the terms of the Executive share option scheme and the Savings-related share option scheme (1981) and outstanding at 27th February, 1982 related to 8,135,381 ordinary shares.

Between 27th February and 16th June, 1982 15,000 "A" ordinary shares have been converted into ordinary shares under the terms of the Executive share scheme and options on 13,000 ordinary shares exercised under the terms of the Executive share option scheme.

14 Reserves

	Consolidated		Tesco Stores (Holdings) P.L.C.	
	1982 £m	1981 £m	1982 £m	1981 £m
As at 1st March, 1981	220.8	180.2	211.4	191.0
Excess value of net assets over cost of acquisition of Brace-Pinhorne Construction Company Limited	—	0.1	—	—
Foreign currency translation adjustments	0.2	(1.1)	—	—
Retained profit for the period	44.7	41.6	17.7	20.4
As at 27th February, 1982	<u>£265.7</u>	<u>£220.8</u>	<u>£229.1</u>	<u>£211.4</u>
The totals above are made up as follows:				
Share premium account	14.0	14.0	14.0	14.0
Capital reserve account	48.5	24.5	—	—
Unappropriated profits	203.2	182.3	215.1	197.4
	<u>£265.7</u>	<u>£220.8</u>	<u>£229.1</u>	<u>£211.4</u>

Note:

The balance on capital reserve represents net realised surpluses on disposal of fixed assets, the liability to tax thereon, where applicable, being dealt with under the provisions of Sections 115 to 121 of the Capital Gains Tax Act 1979 and Section 276 of the Income and Corporation Taxes Act 1970.

15 Capital commitments

At 27th February, 1982

- There were commitments for capital expenditure of approximately £64m (1981—£70m).
- Capital expenditure authorised by the Board but not contracted for amounted to £55m (1981—£74m).

Notes

(continued)

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) The Inland Revenue has refused to allow claims for group relief in respect of an associated company's capital allowances but the Group's appeal against the refusal has been upheld by the Special Commissioners of Income Tax. The Inland Revenue has entered an appeal against the decision but Leading Counsel are of the opinion that the claims for relief should succeed. However, if the Inland Revenue should ultimately succeed in refusing the group relief claimed, the Group will be entitled to refund of the payment of £8.6m made to the associated company, in respect of the group relief, as shown in Note 4. Negotiations are now taking place to ensure that the associated company will be in a position to make the refund at the appropriate time if so required.
 - (c) The company's appeal against the Inland Revenue's refusal to allow a proportion of the claim for stock relief in the year ended 25th February, 1978 has been upheld by the Special Commissioners of Income Tax. Should the Inland Revenue appeal against the decision and finally succeed the net amount of additional Corporation Tax payable would be approximately £2.5m.
-

Value Added Statement

52 weeks ended 27th February, 1982 (1981—53 weeks)

TESCO

	1982 £m	%	1981 £m	%
Value added				
Sales including value added tax	2,102.0		1,916.4	
Surplus on sale of properties	24.0		20.0	
	<u>2,126.0</u>		<u>1,936.4</u>	
Less: Cost of materials and services	1,712.3		1,566.3	
Interest payable less receivable	8.8		15.7	
	<u>1,721.1</u>		<u>1,582.0</u>	
	<u>£404.9</u>	<u>100.0</u>	<u>£354.4</u>	<u>100.0</u>
Applied as follows:				
Employees				
Wages, salaries and pension scheme costs	173.1	42.8	154.6	43.6
Less: Deduction for income tax and employees' social security contributions	36.4	9.0	29.4	8.3
	<u>136.7</u>	<u>33.8</u>	<u>125.2</u>	<u>35.3</u>
Central and local government taxes and levies borne by the group				
Corporation tax	12.0		5.5	
Contributions for social security	18.1		16.2	
Rates	14.9		12.1	
	<u>45.0</u>	<u>11.1</u>	<u>33.8</u>	<u>9.6</u>
Taxes and levies collected on behalf of government				
Value added tax on sales	107.6		95.7	
Income tax and social security contributions deducted from employees	36.4		29.4	
	<u>144.0</u>	<u>35.6</u>	<u>125.1</u>	<u>35.3</u>
	<u>189.0</u>	<u>46.7</u>	<u>158.9</u>	<u>44.9</u>
Providers of capital				
Dividends to shareholders	10.0	2.5	8.5	2.4
Reinvested in the business				
Depreciation	24.6		20.2	
Retained profit	44.7		41.6	
	<u>69.2</u>	<u>17.0</u>	<u>61.8</u>	<u>17.4</u>
	<u>£404.0</u>	<u>100.0</u>	<u>£354.4</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 27th February, 1982 (1981—53 weeks)

	C.C.A. Note	1982 £m	1981 £m	1981† £m
Turnover (including V.A.T.)		£2,102.0	£1,916.4	£2,140.4
Historic cost trading profit before interest		51.5	51.3	57.3
Deduct Current cost operating adjustments	2	5.7	6.9	7.7
Current cost operating profit		45.8	44.4	49.6
Deduct Gearing	3	(0.9)	(1.1)	(1.2)
Interest paid less received		8.8	15.7	17.6
		7.9	14.6	16.4
Current cost profit before taxation		37.9	29.8	33.2
Deduct Taxation		12.0	5.5	6.1
		25.9	24.3	27.1
Add Net surplus on sale of properties		6.4	9.1	10.1
Current cost profit attributable to shareholders		32.3	33.4	37.2
Deduct Dividends		10.0	8.5	9.5
Retained current cost profit for the year		£22.3	£24.9	£27.7

Statistical information

Operating profit return on the net operating assets	8.0%	8.5%
Current cost earnings per share	7.8p	7.3p
Current cost dividend cover	3.2	3.0

†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 28 & 29

Consolidated Current Cost Balance Sheet

27th February, 1982

TESCO

	C.C.A. Note	1982 £m	1981 £m
Employment of capital			
Fixed assets			
Investments	4	583.6	520.1
Deferred asset		0.2	0.3
Advance corporation tax recoverable			
Net current assets/(liabilities)		4.7	7.1
Stock			
Net monetary working capital		165.8 (164.6)	159.7 (158.2)
Total working capital		1.2	1.5
Dividends		(10.0)	(8.5)
Other current liabilities (net)		(47.7)	(47.4)
Leasing commitments		(56.5) (17.1)	(54.4) (3.3)
		<u>£514.9</u>	<u>£469.8</u>
Source of capital employed			
Share capital & reserves			
Share capital		16.7	16.7
Current cost reserve	5	240.4	201.9
Other reserves and retained profits		217.8	195.3
Medium term bank loans		474.9 40.0	413.9 55.9
		<u>£514.9</u>	<u>£469.8</u>

Notes forming part of these accounts are on pages 28 and 29

Notes to the Current Cost Accounts

1 General principles of current cost accounts

The current cost accounts on pages 26 and 27 have been prepared in accordance with the principles of Statement of Standard Accounting Practice No. 16.

2 Current cost operating adjustments

	1982	1981
	£m	£m
Cost of sales	13.2	16.4
Monetary working capital	(15.1)	(16.9)
Depreciation	7.6	7.4
	<u>£5.7</u>	<u>£6.9</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, 1982, 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 in the United Kingdom, 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	Depreciation	Net
	£m	£m	£m
Land and buildings at valuation	426.3	—	426.3
Plant, equipment, fixtures & fittings & vehicles	392.3	235.0	157.3
	<u>£818.6</u>	<u>£235.0</u>	<u>£583.6</u>

5 Current cost reserve

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

	£m
As at 1st March, 1981	201.9
Revaluation surpluses reflecting price changes	
Land and buildings	27.8
Plant, equipment, fixtures & fittings & vehicles	14.1
Stock	12.6
Monetary working capital adjustment	(15.1)
Gearing adjustment	(0.9)
	<u>38.5</u>
As at 27th February, 1982	<u>£240.4</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.

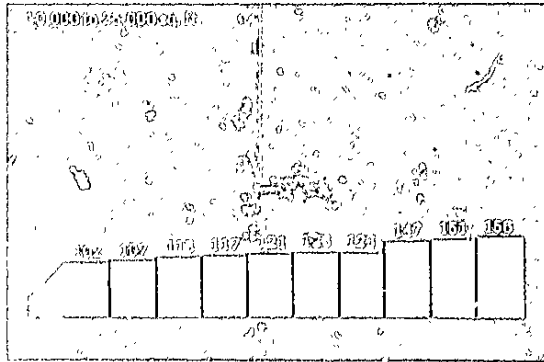
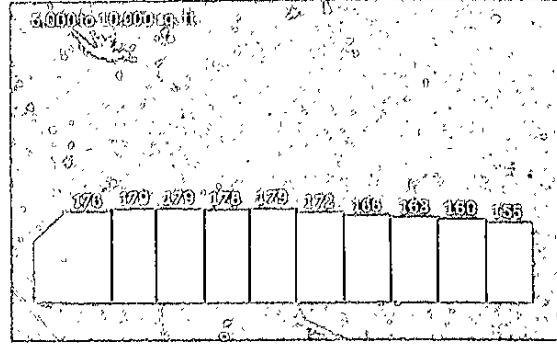
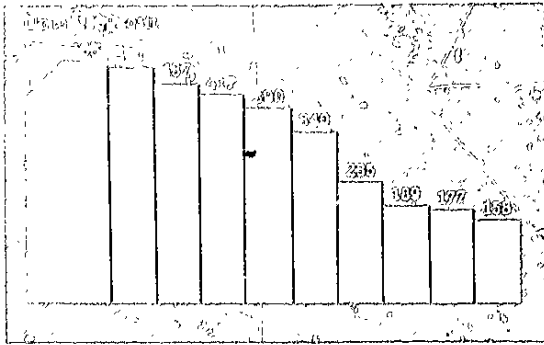
7 Financing of net operating assets

The following is the net current replacement cost of the net operating assets as at 27th February, 1982, together with the method by which they were financed.

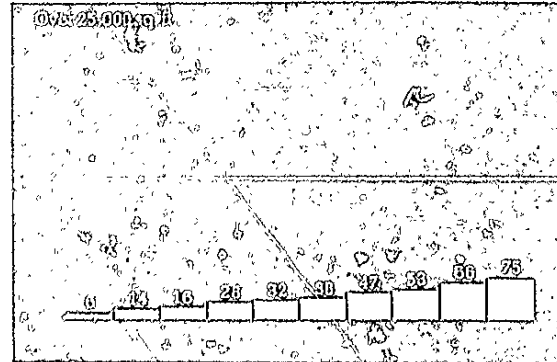
	1982 £m	1981 £m
Fixed assets (net of leasing commitments)	566.5	516.8
Investments	0.2	0.3
Deferred asset—advance corporation tax recoverable	4.7	7.1
Working capital	1.2	1.5
Net operating assets	<u>£572.6</u>	<u>£525.7</u>
Share capital and reserves	474.9	413.9
Dividends	10.0	8.5
Total shareholders' interest	<u>484.9</u>	<u>422.4</u>
Medium term bank loans	40.0	55.9
Other current liabilities (net)	47.7	47.4
Net borrowing	<u>87.7</u>	<u>103.3</u>
	<u>£572.6</u>	<u>£525.7</u>

Analysis of Stores

Analysis of store sizes

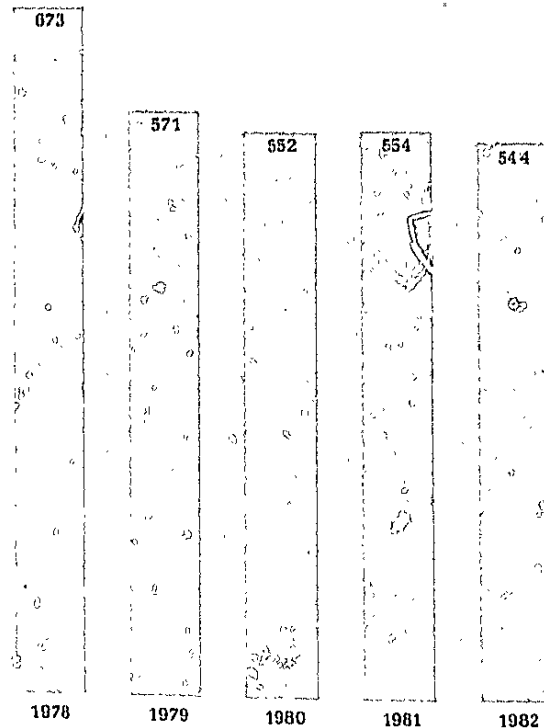
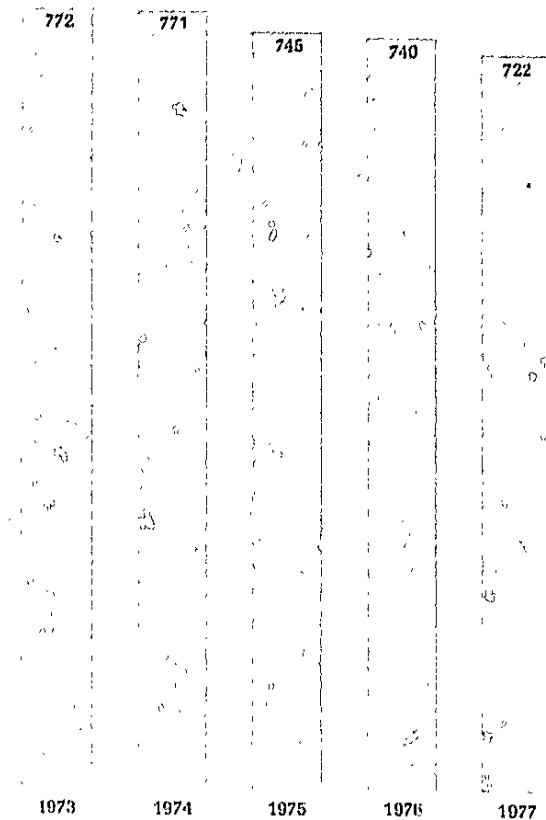


1973 1974 1975 1976 1977 1978 1979 1980 1981 1982



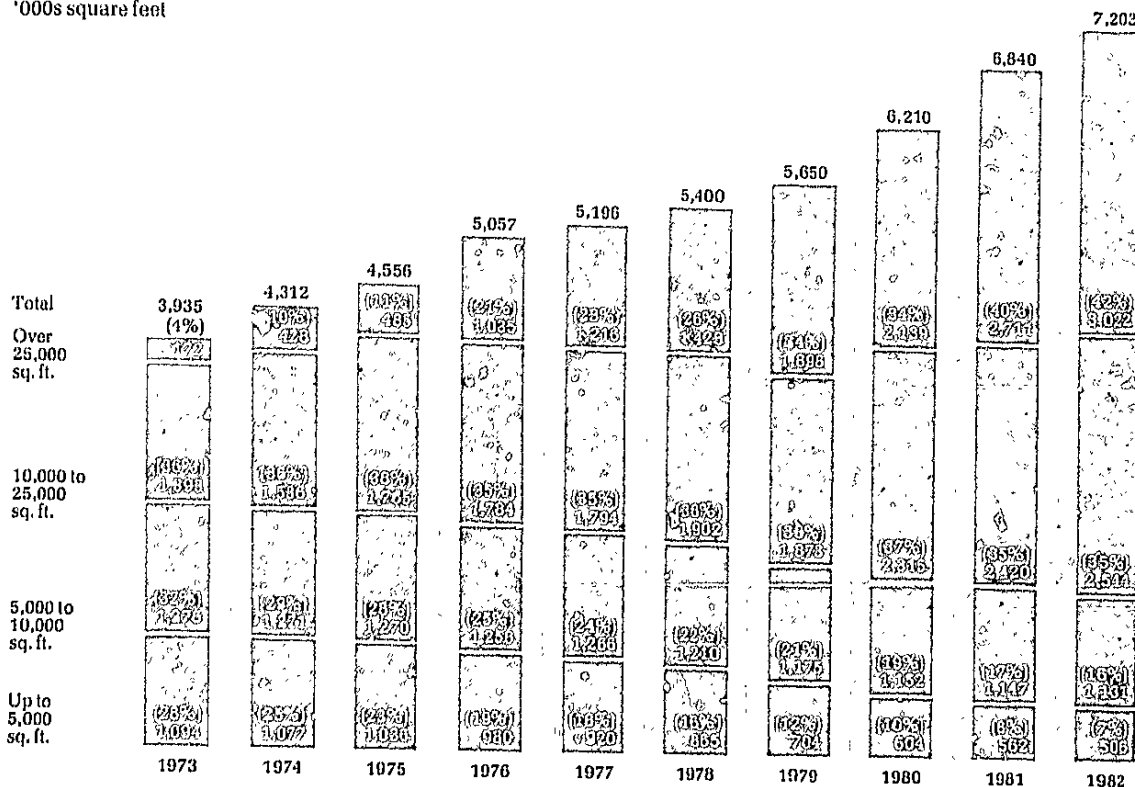
1973 1974 1975 1976 1977 1978 1979 1980 1981 1982

Total Stores



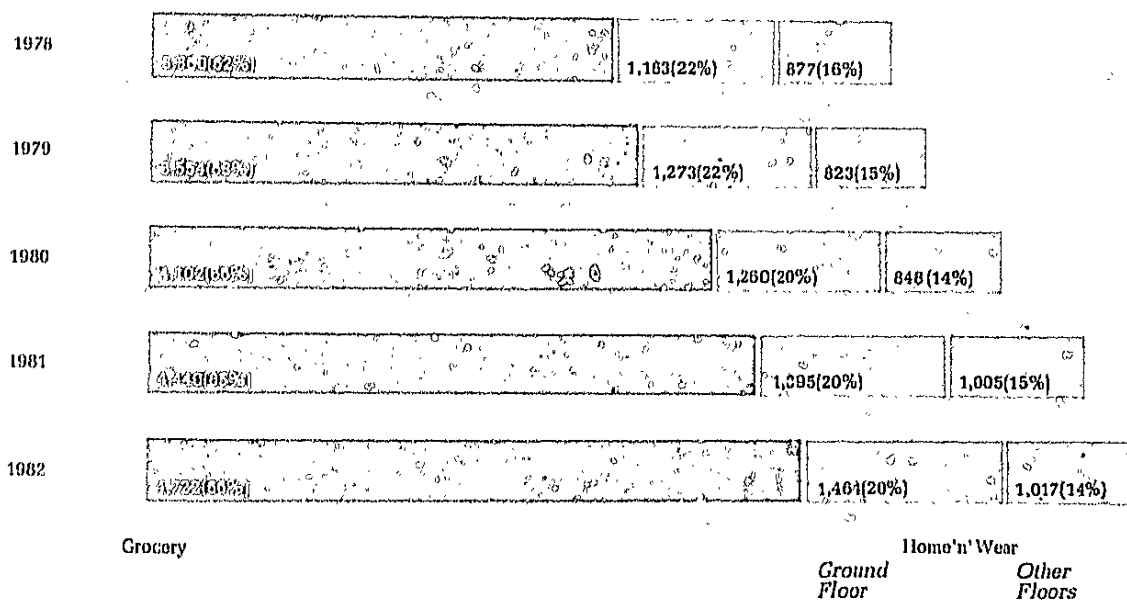
Sales Area analysed under size of stores

'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.

20,500 sq. ft. and four separate Home 'n' Wear stores averaging 9,000 sq. ft. all of which are included in these charts.

At 27th February 1982, Tesco Stores Ireland Limited provided a total sales area of 316,000 sq. ft., comprising 15 Grocery stores averaging

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

Principal Directors of Subsidiary Companies

(Excluding Directors of Tesco Stores (Holdings) P.L.C.)

Directors of Tesco Stores Limited

D. R. Baker	R. J. Reade-Jahn
A. I. Besbrode	P. J. Shayer
M. J. Boxall, A.C.I.I.	S. C. Taylor, F.C.C.A.
C. J. Goodfellow	B. J. Tree
B. E. Grange	D. C. Tuffin
P. G. Herbert, F.C.A.	P. G. Uttley, F.I.L.C.
J. Marshom	B. R. Williams
R. S. Parker	E. S. Williams

Retail Regional Managing Directors

J. V. Bird	C. Longley
R. E. Clark	J. M. Smith
J. Gildersleeve	N. A. Todd

