


TESCO

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.....Director


.....Secretary

Tesco Stores (Holdings) Limited

Directors

Sir John E. Cohen *Life President*
Leslie Porter, Ph.D. (Hon.) *Chairman*
Ian C. MacLaurin *Managing Director*

David Behar, F.S.V.A.
Michael Darnell
Donald G. Harris, B.A.
Miss Daisy D. Hyams, O.B.E.
Hyman Kreitman
Francis R. N. Krejsa, F.R.I.C.S.
Ralph Temple, F.C.A.
George R. Wood

Secretary and Registered Office

Michael J. Boxall, A.C.I.I.
Tesco House,
Delamare Road, Cheshunt,
Hertfordshire EN8 9SL

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

Midland Bank Limited
Registrar's Department,
Courtwood House,
Silver Street Head,
Sheffield S1 3RD.

Bankers

Midland Bank Limited
Barclays Bank Limited

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Tesco Stores (Holdings) Limited

Notice of Meeting

Notice is hereby given that the twenty-eighth Annual General Meeting of Tesco Stores (Holdings) Limited will be held at Great Eastern Hotel, Liverpool Street, London EC2P 2AN on Friday 30th July, 1976 at 12 noon for the following purposes viz:-

- 1 To receive and, if approved, adopt the directors' report and accounts for the 53 weeks ended the 28th February, 1976. (Resolution 1)
- 2 To declare a final dividend on the ordinary share capital of the company. (Resolution 2)
- 3 To re-elect the following directors:-
Sir John E. Cohen. (Resolution 3)
Miss D. D. Hyams. (Resolution 4)
Mr. L. Porter. (Resolution 5)
- 4 To transact any other ordinary business of the company.

By order of the Board
M. J. BOXALL
Secretary.

Tesco House,
Delamare Road, Cheshunt, Herts.

Dated this 5th day of July, 1976.

Financial Diary

Year end
Half year's results announced
Year's results announced
Dividends
Interim: announced
paid
Final: announced
paid
Annual General Meeting held
Annual report and accounts despatched

Last Saturday in February
Late November
Mid June

Late November
Early March
Mid June
Late July
Last Friday in July
Early July

Notes

Any member of the company who is entitled to attend and vote at the above 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. In accordance with the listing agreement made with The Stock Exchange 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, 1976, until the date of the Annual General Meeting, all contracts of service of the directors with the company or any of its subsidiaries (other than contracts expiring or determinable by the company without payment of compensation within one year). The contracts of service will also be available for inspection during the Annual General Meeting and for at least 15 minutes before it begins.

Chairman's Statement

I am pleased to be able to report that turnover for the period under review increased by £120,561,000 to £634,831,000 (23.44%). Net profit before tax has increased by £1,804,000 to £25,052,000 (7.76%).

In the second half of the year, the improvement in turnover was assisted by the substantial increase in sales area resulting from new store openings.

New larger stores are taking longer to contribute to profits and therefore whilst a number of stores opened in the latter part of the year, including our new 73,500 sq. ft. hypermarket at Irlam, contributed to turnover, they did not produce a profit. Indeed, Irlam and also our new superstore at Braintree of 30,500 sq. ft., were not opened until the last fortnight of the financial year. All these stores are expected to make a reasonable contribution to profits in the current year.

The results overall must be considered in the context of a difficult trading year and they represent a considerable achievement. We have increased our market share at a time when competition has never been so fierce and when the country has been in an economic recession. Our profits have been achieved despite the substantial wage awards which have resulted from the Government's declared policy of improving the pay of the lower wage earners and since most employees in retail distribution fall within this category, the burden on us has been heavy. Profits have also been adversely influenced by an unprecedented increase in costs, which are largely beyond our control, particularly those relating to rates, energy, postage and telephone.

In association with other retail chains, we are holding co-ordinated talks with officials of the Departments of Trade, Environment, Consumer Protection and Ministry of Agriculture, Fisheries and Food, to clarify the trade's intentions and aspirations in respect of hypermarket/superstore development. We seek their collaboration in achieving the best possible solution for all parties concerned, not least being the consumer.

In the meantime, our superstore development programme progresses steadily. Your Board believe that the very real public benefits that have been demonstrated by our first hypermarket and a number of superstores are becoming widely recognised. Eventually the commonsense inherent in this type of operation will prove to be the best means of convincing both national and local authorities of the need for them. It is appropriate here for me to reiterate that we have no plans to desert our existing town centre and proposed edge of town stores and, as reported later, we are pursuing a full programme of openings.

Overall an impressive increase in sales area of 600,500 sq. ft. was achieved from new store openings and extensions bringing the company's total to over five million square feet. The pattern of this increase over the years, both in total square footage and the average size of store opened in the year, can be seen illustrated on page 19. In the second half of the year 398,000 sq. ft. was added by extensions and refits of stores compared with 202,500 sq. ft. in the first half of the year.

Of the grand total increase in sales area, new store openings represented 532,000 sq. ft. and the balance came from the extensions, refits and conversions of 38 other branches. This balance of 68,500 sq. ft. is coincidentally equalled by the area lost in closing 20 smaller stores, leaving our net increase in sales area at 532,000 sq. ft.

Retail Division

Undeniably, the landmark for this Division was the opening on the 24th February of the hypermarket at Irlam, Manchester. Whilst it should not be allowed to overshadow other very considerable achievements during the year, it is of great importance, representing as it does, the first step in a new phase of your company's development as well as the most advanced of shopping facilities.

Irlam is featured in the special edition of Tesco Times enclosed with this report. Among many features is the cage palletisation system, a development which benefits the shopping public, retailer and manufacturer alike. Because of this system, the store's true capacity is increased by 5,000 sq. ft. (the size of a small store in itself) over and above the announced sales floor area space of 73,500 sq. ft. and even at the announced figure, Irlam is the largest hypermarket in Britain.

Included amongst other stores opened during the financial year were:—

<u>Town</u>	<u>Net Sales Area</u>
Aberdare	18,000 sq. ft.
Ashford	29,250 sq. ft.
Braintree	30,500 sq. ft.
Carmarthen	22,500 sq. ft.
Edmonton Green	36,500 sq. ft.
Gloucester	37,500 sq. ft.
Hadleigh	58,000 sq. ft. (entirely non-food)
Horsham	48,250 sq. ft.
Irvine	30,000 sq. ft. (our 5th in Scotland)
Mansfield	47,750 sq. ft.
Port Talbot	24,250 sq. ft.
Ramsgate	18,500 sq. ft.
Scarborough	17,000 sq. ft.

We also considerably extended the Newport store where 37,500 sq. ft. of sales area was added by our acquiring a second adjoining floor in the precinct development, making the overall store sales area 48,250 sq. ft. We have converted the original supermarket of 14,000 sq. ft. into a predominantly furniture store.

All of the new stores have off-licences (bringing the total to 378), eight have their own in-store bakeries, three have restaurants and three include furniture departments.

We have our own petrol stations operating alongside our branches at Irlam, Horwich, Rochdale and Bolton and this is likely to be a future trend of superstore development.

Our store at Hadleigh in Suffolk must also be singled out, since it is our largest separate Home 'n' Wear unit and was the first Tesco store to feature an out-door garden centre among its very considerable list of customer facilities.

I am pleased to be able to report to you that in the face of strong competition we have, since the beginning of the year, been awarded a major development at Pitsea, near Basildon, in Essex. This will be the largest superstore in the country, with a sales area of approximately 90,000 sq. ft. with parking spaces for almost 1,000 cars. It will have a garden centre and petrol station included in its facilities.

Chairman's Statement *continued*

Property and Estates Division.

The Division is pressing forward with its programme of new store development against a confused background, stemming from the lack of clear Government policy, combined with foot-dragging on the part of both national and regional authorities in progressing planning applications.

The Division's programme is remarkable. Developments in progress will result in a sales area increase by way of new stores, extensions and refits of approximately 900,000 sq. ft. calculated from the beginning of March 1976. This current programme will be completed in the next two years with 346,000 sq. ft. planned to open by February 1977. The largest of the new stores to open during the year are at Hanley, which will provide a sales area of 60,000 sq. ft., and at Maidstone, with 50,000 sq. ft. In addition to development in progress the Division is currently negotiating and finalising schemes that will ensure the steady planned growth of the group's retail activities. When rationalising the retail operation certain stores have become surplus to the group's trading requirements, and I am pleased to report that when disposing, or otherwise dealing with surplus properties, values have been achieved well in excess of the 1972 property portfolio revaluation.

The Division, in common with all others in the group, continues to devise, examine and test ways of conserving energy in line with our Government's exhortations to "Save it" and our own commercial good sense. One example of this is seen in the form of lighting employed at the Irlam hypermarket, where mercury halide discharge lamps consume some 27% less energy than an equivalent fluorescent system.

Buying Division

We have continued to expand the Tesco label range of products where this was viable. We now have some 400 commodities under the Tesco brand which account for

approximately 30% of our dry grocery turnover. This is indicative of the loyalty and support which our customers demonstrate for the Tesco brand.

The absence of any firm lead from the Government over metrication, despite the fact that as members of the E.E.C., our country is committed to it by 1980, is causing confusion. The longer we wait the greater will that confusion become and, therefore, your company is pressing ahead with the introduction of metric sizes wherever possible. Our own label metric packs of some basic foods, bearing our own metric identification symbol, have been among the first to appear.

During the year, the Wines and Spirits Department has added lager to the well established and popular range of own label products.

In the non-food sector, considerable success has been achieved with the introduction of electronic digital watches and calculators at low prices and our range of sports and leisure goods continues to expand satisfactorily to supplement the already considerable variety of Home 'n' Wear lines now offered in our larger stores. Nevertheless, our policy remains of rationalising the ranges of goods offered.

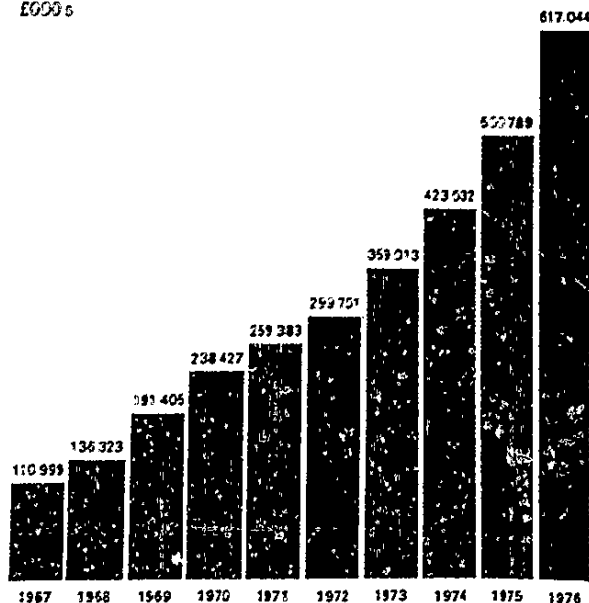
The process of upgrading the quality of all our merchandise progresses and I am pleased to report that we are now buying a larger proportion of our requirements than ever from manufacturers based in the United Kingdom. This applies to over 90% of our purchases and this trend will continue. We are thus insulated to a large degree from price increases related to the fall in the value of sterling.

Fresh Foods Division

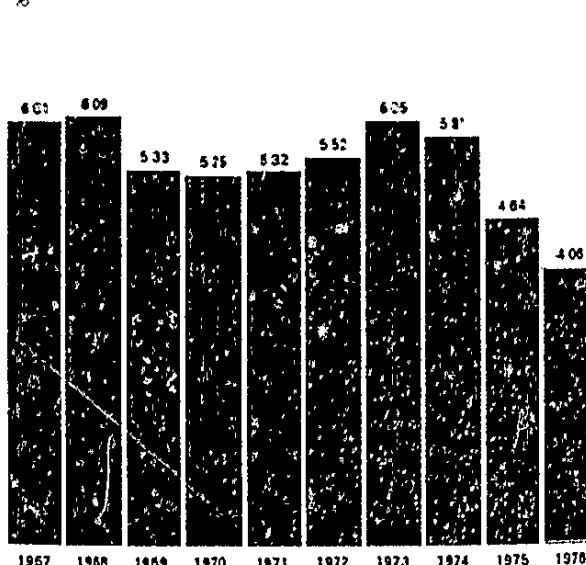
The new fresh foods processing plant at Ashton-under-Lyne is now in production.

Unlike the similar plant at Cuffley, which packs cheese and

Turnover growth (excluding VAT from 1973/74 onwards)
£000s



Net profit before tax as percentage of sales
(excluding VAT from 1973/74 onwards)
%



bacon rashers in consumer sizes, we are packing at Ashton in sizes suitable for the meat, cooked meats and delicatessen counters in the stores, where assistants satisfy customers' exact requirements from the large packs on demand.

The raw materials, which also include pork and lamb, are received from suppliers' refrigerated vehicles into our cold stores and maintained at low temperatures throughout the entire process of boning, cutting, wrapping, labelling and despatch to the stores in our own refrigerated vehicles.

The unit also has the advantage of minimising our skilled labour requirements – difficult in any case to acquire and costly to train – by centralising a large proportion of this work, thus avoiding duplication of these skills in the stores themselves.

Staff

Our company could not have achieved its pre-eminent position without loyal, dedicated and highly competent management at all levels, as well as efficient and hard working staff both at Head Office and in our stores. In our expanding situation the need for good people is all the more pressing and in this respect our historic concern for the welfare and training of all who work for us is paying dividends.

Company developments currently under way include a major provision for the extensive further training of our young managers and a new scheme to help us identify potential management. Our modular training schemes continue at full strength and we continue to set up training stores to supplement our regular programmes.

I am pleased to have this opportunity to record the company's thanks to all members of staff for their continued effort in a difficult year. I would like to refer particularly to our managers and all those in the field at management level, who have put in, after trading hours and at weekends, incalculable

hours of overtime and who, in the best traditions of the company, continue to display an entrepreneurial zeal which gives me confidence for the years ahead.

Suppliers

With their customary spirit of involvement in the cut and thrust of the business world, our suppliers have again this year, earned our deepest thanks in meeting the many exacting demands we have made of them and, once more, it is a source of gratification to me to be able to record our thanks for all their efforts during the year.

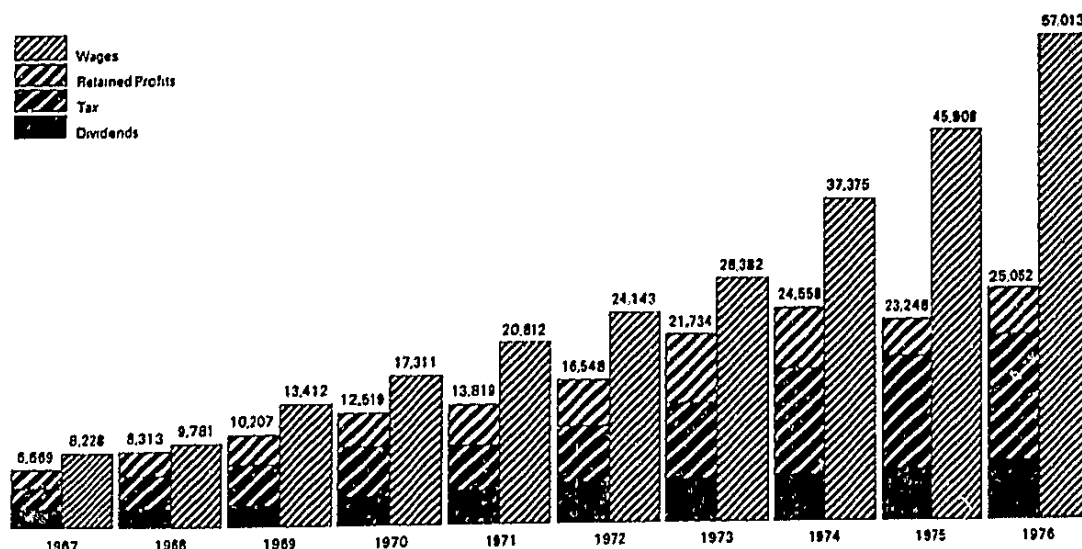
For some, particularly those supplying dry groceries, it was an especially adventuresome year, since we sought – and they freely gave – a completely new kind of co-operation in the treatment of supplies required for the Irlam hypermarket, where cage palletisation is an integral part of the unit's operational efficiency.

I know I speak for all my colleagues when expressing thanks to all our suppliers, both home and overseas, for their continued unstinting assistance.

Leslie Porter

Chairman

Wages, dividends, tax and retained profit on trading £000's



Directors' Report

To be presented at the twenty-eighth Annual General Meeting to be held at Great Eastern Hotel, Liverpool Street, London EC2P 2AN, on Friday 30th July, 1976 at 12 noon. The balance sheet of the company together with the consolidated balance sheet as at 28th February, 1976 and the consolidated profit and loss account for the 53 week period ended 28th February, 1976 are submitted.

Profits

The group profit and loss account on page 10 shows the profit for the period.

Principal activity

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

Issue of shares

4,074,447 ordinary shares of 5p each were issued on the 10th March, 1975 in respect of the scrip dividend election.

Dividends

An interim dividend of 0.5750p (gross equivalent 0.8846p) per share on account of the 53 week period ended 28th February, 1976 was paid on 3rd March, 1976 on the ordinary shares and the directors recommend the payment of a final dividend of 0.7516p (gross equivalent 1.1563p) per share.

Directors

A list of directors is given on page 1. Mr. S. J. Berwin resigned as a director on the 31st August, 1975. Sir John E. Cohen, Miss C. D. Hyams and Mr. L. Porter retire from the board by rotation in accordance with Article 85 and, being eligible, offer themselves for re-election.

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 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. The directors of your company and the number of 'A' ordinary shares that they presently hold are indicated under the heading Directors' shareholdings and interests.

Accounting for inflation

Whilst the Sandilands Committee recommended last year the future adoption of current cost accounting, there are, at present, a number of contentious accounting points which have not yet been resolved. This was highlighted by a paper produced by The Consultative Committee of Accountancy Bodies issued in October 1975. In particular the Sandilands proposals have not dealt with the decrease in the value of monetary assets and liabilities, which are a very important factor when considering the effects of inflation upon the group's accounts.

At the present time, therefore, it is considered inadvisable to include in this report a statement on either current cost accounting or any other form of accounting for inflation.

Directors' shareholdings and interests

Directors' shareholdings in the company and family interests as defined by the Companies Act, 1967, were as follows:

	28th February, 1976			22nd February 1975		
	Beneficial & Family Interests		Non Beneficial As Trustees	Beneficial & Family Interests		Non Beneficial As Trustees
	Ordinary Shares	'A' Ordinary Shares 1p Paid	Ordinary Shares	Ordinary Shares	'A' Ordinary Shares 1p Paid	Ordinary Shares
Sir John E. Cohen	4,816,857		718,956	4 699 094		1,420,270
Mr. L. Porter	6,983,829		8,882,145	6 909 843		10 046 567
Mr. I. C. MacLaurin	101,004	63,281		99 495	63,281	
Mr. D. Behar	668,705			1,693 423		
Mr. M. Darnell	—	25,312		—	25,312	
Mr. D. G. Harris	6,500	44,296		6 500	44 296	
Miss D. D. Hyams	121,287			118 383		
Mr. H. Kreitman	3,071,547		15,224,604	3 181,216		16 818 684
Mr. F. R. N. Krejsa	2,080	44,296		2 056	44,296	
Mr. R. Temple	7,468	44,296		7 290	44,296	
Mr. G. R. Wood	17,695	63,281		17 274	63,281	

5,270,378 ordinary shares, non-beneficial as trustee, are duplicated above; 718,956 (1975 - 718,956) shares by Sir John E. Cohen and Mr. H. Kreitman jointly and 4,551,422 (1975 - 4,925,710) by Mr. L. Porter and Mr. H. Kreitman jointly.

Apart from the directors and their family interests listed above there are no persons holding or, as far as the register of shareholders discloses, beneficially interested in any substantial part of the share capital of the company.

Between 29th February, 1976 and 5th June, 1976 there have been the following sales of ordinary shares:
Mr. H. Kreitman 1,071,547 (beneficial), 200,000 (non-beneficial) and Mr. R. Temple 7,468.

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

Market value of land held as fixed assets

A revaluation of the group properties was carried out by Messrs. Healey and Baker as at 30th November, 1972 and disclosed a surplus of approximately £37,400,000 over book value which has not been reflected in the balance sheet.

Employees and their remuneration

The average number of employees per week during the period was 38,783 (1975 - 38,679) —full time equivalent 28,782 (1975 - 26,820). The aggregate remuneration paid to employees for the period was £57,013,000 (1975 £45,908,000)

Charitable and political contributions

Charitable contributions totalled £8,000 (1975 - £15,000) but no political contributions were made.

Exports

Exports from the United Kingdom amounted to £3,000 (1975 - £341,000).

Number of shareholders

The number of shareholders of the company at 28th February, 1976 was 76,481 (1975 - 80,203).

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 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., will continue in office under the provisions of the Companies Act, 1948.

By order of the Board,
M. J. BOXALL,
Secretary.

5th July, 1976.

Tesco Stores (Holdings) Limited
and subsidiary companies

Ten Year Record of the Tesco Group

Year ended February	1967	1968	1969	1970 (a)	1971	1972	1973	1974	1975	1976 (a)
<i>£000's</i>										
Turnover	110,999	136,323	191,405	238,427	259,383	299,701	359,013	423,032(b)	500,789(b)	617,044(b)
Net profit before tax	6,669	8,313	10,207	12,519	13,819	16,548	21,734	24,558	23,248	25,052
Taxation	2,786	3,716	4,676	5,860	5,338	6,678	8,780	12,695	12,621	13,412
Net profit after tax	3,883	4,597	5,531	6,669	8,481	9,870	12,954	11,863	10,627	11,640
Net surplus on sale of properties	71	120	349	357	442	406	418	380	274	84
Extraordinary items	—	—	(151)	—	—	—	—	(1,000)	879	168
Dividends (c)	1,951	2,011	2,239	3,371	3,923	4,643	3,577	3,493	3,842	4,195
Retained	2,003	2,708	3,490	3,655	5,000	5,633	9,795	7,750	7,938	7,697
Fixed assets including investments	20,812	25,272	36,083	41,440	49,034	53,928	58,092	71,516	80,435	89,978
Net current assets	(3,321)	(3,940)	254	67	(2,338)	555	8,335	6,234	13,908	17,781
Total net assets	14,363	17,099	29,980	33,668	38,853	44,501	54,296	59,986	68,771	76,595
<i>In Pence</i>										
Dividends per share (d)	0.68	0.71	0.76	1.08	1.26	1.49	1.04	1.13	1.22	1.33
Earnings per share (e)	1.38	1.63	1.88	2.14	2.73	3.17	4.17	3.82	3.42	3.68
Net profit before tax as % of turnover	6.01	6.09	5.33	5.25	5.32	5.52	6.05	5.81	4.64	4.06
<i>£000's</i>										
Cash flow	3,413	4,463	5,912	6,730	8,739	10,035	14,285	13,804	13,162	14,341

(a) 53 week period.

(b) Exclusive of Value Added Tax.

(c) Amounts shown from 1973 inclusive are the amounts payable to shareholders. Prior to 1973 the gross amounts are shown.

(d) Adjusted for capitalisation and rights issues and from 1973 inclusive calculated on amounts payable to shareholders.

(e) Earnings after tax adjusted for capitalisation and rights issues.

Auditors' Report

to the members of Tesco Stores (Holdings) Limited

We have examined the accounts and statement of source and application of funds set out on pages 9 to 18 which have been prepared under the historical cost convention. In our opinion the accounts together give so far as concerns the members of the holding company a true and fair view of the state of affairs at 28th February, 1976, and of the profit for the 53 weeks ended on that date and comply with the Companies Acts, 1948 and 1967 and the statement on page 13 gives a true and fair view of the source and application of the group's funds for the 53 weeks ended on the 28th February, 1976.

HOGG BULLIMORE & CO.
Chartered Accountants.

London
23rd June, 1976.

Accounting Policies

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 wholly owned.

Associated companies

Associated companies are not subsidiaries but are companies in which members of the group hold not less than 20% of the equity voting rights. Particulars of these companies are provided in Note 13 to the accounts.

The attributable results of the associated companies are omitted from the accounts since the directors consider that the inclusion of such results would be misleading.

Stocks

Stocks are valued on a consistent basis at the lower of cost or net realisable value at the beginning and end of the period of the accounts.

Depreciation

Depreciation of plant, equipment, fixtures and fittings and vehicles is provided on an equal annual instalment basis over the anticipated useful working lives of the assets. Previously, depreciation had been provided on certain assets on fixed percentages of their written down values. The appropriate adjustment has been made in respect of previous years to provide for the basis now adopted, the full effects of which are shown in Note 12 to the accounts.

Leasehold properties are amortised on 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
No depreciation is provided on freehold properties.	

Deferred taxation

Deferred taxation represents corporation tax at current rates on the amounts:

- (a) by which the accumulated taxation allowances on fixed assets exceed provisions for depreciation to date,
- (b) of relief in respect of increases in the value of stocks,
- (c) of other timing differences in corporation tax payable arising on income and expenditure.

Advance corporation tax on dividends paid and proposed which is expected to be recoverable, is deducted from deferred taxation.

Tesco Stores (Holdings) Limited
and subsidiary companies

Consolidated Profit and Loss and Appropriation Account

53 weeks ended 28th February, 1976

	Notes	1976	£000's	1975
Sales to customers at net selling prices		634,831		514,270
Deduct Value Added Tax		17,787		13,481
Sales excluding Value Added Tax		<u>£617,044</u>		<u>500,789</u>
Trading profits of the group	1	29,532		27,893
Add Interest and dividends	2	2,569		1,634
		<u>32,101</u>		<u>29,527</u>
Deduct				
Emoluments of directors of parent company	3	237		176
Amortisation, amounts written off and depreciation of fixed assets	12	<u>6,812</u>		<u>6,103</u>
		7,049		6,279
Net profit subject to taxation	4	25,052		23,248
Deduct Taxation	5	<u>13,412</u>		<u>12,621</u>
Net profit after taxation		11,640		10,627
Add Net surplus on sale of properties		<u>84</u>		<u>274</u>
Net profit after taxation before Extraordinary items		11,724		10,901
Add Extraordinary items	6	<u>168</u>		<u>879</u>
Net profit after taxation and Extraordinary items		11,892		11,780
Deduct Dividends	7	4,195		3,842
Retained profit added to reserves				
Parent company		6,603		7,952
Subsidiary companies		<u>1,094</u>		<u>(14)</u>
		<u>£7,697</u>		<u>£7,938</u>
Earnings per ordinary share	9	<u>3.68p</u>		<u>3.42p</u>

Accounting policies and notes forming part of these accounts are on page 9 and pages 14 to 18.

Consolidated Balance Sheet

28th February, 1976

	Notes	1976	£000's	1975
Capital employed				
Issued capital of parent company	8	15,829		15,626
Reserves	10	60,766		53,145
Total share capital and reserves		76,595		68,771
Deferred taxation	11	25,118		19,940
		<u>£101,713</u>		<u>£88,711</u>
Employment of capital				
Fixed assets	12	86,077		76,277
Investments	13	3,901		4,158
Current assets				
Stocks		66,152		57,647
Debtors		4,641		3,658
Cash and short term deposits		23,135		16,354
		<u>93,928</u>		<u>77,659</u>
Deduct Current liabilities				
Creditors and accrued expenses		64,544		55,732
Current taxation		7,408		4,177
Dividends		4,195		3,842
		<u>76,147</u>		<u>63,751</u>
Net current assets		17,781		13,908
		<u>107,759</u>		<u>94,343</u>
Deduct Debentures secured on certain properties of a subsidiary company	14	436		488
		<u>107,323</u>		<u>93,855</u>
Deduct Corporation tax payable 1st January, 1977	5	5,610		5,144
		<u>£101,713</u>		<u>£88,711</u>

L. PORTER } *Directors*
J. E. COHEN }

Tesco Stores (Holdings) Limited
and subsidiary companies

Balance Sheet—Tesco Stores (Holdings) Ltd.

28th February, 1976

	Notes	1976		1975	
		£000's			
Capital employed		<i>Authorised</i>	<i>Issued</i>	<i>Authorised</i>	<i>Issued</i>
Share capital	8	<u>17,500</u>	15,829	<u>17,500</u>	15,626
Reserves	10		<u>55,778</u>		<u>48,479</u>
Total share capital and reserves			<u>71,607</u>		<u>64,105</u>
Deferred taxation	11		<u>313</u>		<u>132</u>
			<u>£71,920</u>		<u>£64,237</u>
Employment of capital					
Investments:	13				
Subsidiary companies	16		3,898		4,155
Shareholdings at cost		4,390		4,390	
Add Net amount due from subsidiary companies		<u>53,685</u>		<u>50,325</u>	
			58,075		54,715
Current assets					
Debtors		698		506	
Cash and short term deposits		<u>18,091</u>		<u>12,427</u>	
		<u>18,789</u>		<u>12,933</u>	
Deduct Current liabilities					
Creditors and accrued expenses		525		325	
Current taxation		3,122		2,669	
Dividends		<u>4,195</u>		<u>3,842</u>	
		<u>7,842</u>		<u>6,836</u>	
Net current assets			<u>10,947</u>		<u>6,097</u>
			<u>72,920</u>		<u>64,967</u>
Deduct Corporation tax payable					
1st January, 1977			1,000		730
			<u>£71,920</u>		<u>£64,237</u>

L. PORTER }
J. E. COHEN } *Directors*

Consolidated Statement of Source and Application of Funds

53 weeks ended 23th February, 1976

	£000's	
	1976	1975
Source of Funds		
Net profit before taxation	25,052	23,248
Extraordinary items	168	879
	<u>25,220</u>	<u>24,127</u>
<i>Add</i>		
Adjustments for items not involving movement of funds		
Depreciation	6,812	6,103
Income tax provided in earlier years not required	—	284
Amount set aside for anticipated losses	—	(1,000)
Total generated from operations	<u>32,032</u>	<u>29,514</u>
Funds from other sources		
Proceeds from sale of fixed assets	2,415	1,101
Disposal of quoted investments	265	282
	<u>£34,712</u>	<u>£30,897</u>
<i>Deduct</i>		
Application of funds		
Dividends paid	2,943	2,922
Taxation paid	3,702	3,779
Purchase of fixed assets	20,551	15,878
Additional costs applicable to previous acquisition	—	8
Investments	8	253
Debentures redeemed	51	58
Increase in stock	8,505	9,713
Increase in debtors	983	(1,071)
Increase in creditors and accrued expenses	(8,812)	(3,753)
	<u>£27,931</u>	<u>£27,787</u>
Movement in net liquid funds		
Increase in cash and short-term deposits	<u>£6,781</u>	<u>£3,110</u>

Tesco Stores (Holdings) Limited
and subsidiary companies

Notes to be read as part of the Accounts

	1976	£000's	1975
1. Trading profits of the group are stated after charging:			
Loss applicable to subsidiary company	—		373
Auditors' remuneration	54		48
Debenture interest	28		32
Surplus on redemption of debentures	(18)		(22)
	<u>2,380</u>		<u>1,494</u>
2. Interest and dividends			
Interest receivable on short-term loans	2,380		1,494
Deduct interest payable on short-term loans	43		133
	<u>2,337</u>		<u>1,361</u>
Dividends receivable on quoted investments, including tax credit	232		273
	<u>£2,569</u>		<u>£1,634</u>
3. Directors' emoluments			
Fees for services as directors	1		1
Other emoluments, including pension contributions	236		175
	<u>£237</u>		<u>£176</u>

Emoluments waived by one director £11,537 (1975 £6,622)

Directors' emoluments and the emoluments of other employees in excess of £10,000, excluding pension contributions, fall within the following scales.

	Number of directors		Number of other employees	
	1976	1975	1976	1975
Up to £2,500	1	1		
From £2,501 to £5,000	1	5		
" £5,001 to £7,500	—	1		
" £7,501 to £10,000	—	1		
" £10,001 to £12,500	1		8	2
" £12,501 to £15,000	1		2	
" £15,001 to £17,500	1	4		
" £17,501 to £20,000	4			
" £20,001 to £22,500	1	1		
" £22,501 to £25,000	1	1		
" £25,001 to £27,500	1	—		

The emoluments of the Chairman amounted to £22,700 (1975 £22,700) and the highest paid director £26,061 (1975 £22,700)

Notes (continued)

4. Net profit subject to taxation

The 1975 profit of £23,248,000 is after deducting £794,000 loss applicable to a subsidiary company, since sold.

	1976	£000's	1975
5. Taxation			
Corporation tax at 52%	7,159		6,810
Deferred taxation, including that applicable to stock appreciation relief of £3,000,000 (1975—£3,900,000)	6,281		5,918
	<u>13,440</u>		<u>12,728</u>
	28		107
<i>Less: Overprovision for corporation tax in respect of previous periods</i>	<u>£13,412</u>		<u>£12,621</u>

The corporation tax payable on 1st January, 1977 is reduced by £1,549,000 (1975—£1,666,000) in respect of advance corporation tax.

	1976	£000's	1975
6. Extraordinary Items			
Overprovision for losses of a former subsidiary—following receipt of group relief payment	168	206	
Amount set aside for losses incurred by a subsidiary company to date of cessation now utilised	—	794	1,000
	—		(121)
Loss on disposal of quoted investments	<u>£168</u>		<u>£879</u>
7. Dividends			
Declared interim—0.5750p per share (1975—0.5389p)	1,818		1,682
Proposed final — 0.7516p per share (1975—0.6833p)	2,377		2,160
	<u>£4,195</u>		<u>£3,842</u>

8. Issued Share Capital

Shares of 5p each			Ordinary (fully paid)	"A" Ordinary (1p paid)
Ordinary	"A" Ordinary			
312,112,713	2,018,643	Issued at 23rd February, 1975	15,606	20
		Scrip issue in lieu of dividend made on 10th March, 1975	203	—
4,074,447	—		<u>£15,809</u>	<u>£20</u>
<u>316,187,160</u>	<u>2,018,643</u>	Issued at 28th February, 1976		

9. Earnings per ordinary share

The calculation of the earnings per ordinary share after adjustment for capitalisation issue, is based on £11,640,000 (1975—£10,627,000), 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 316,011,442 (1975—311,182,820).

Notes (continued)

	Consolidated £000's		Tesco Stores (Holdings) Limited £000's	
	1976	1975	1976	1975
10. Reserves				
At 23rd February, 1975	53,145	44,450	48,479	39,762
Retained profit for the period	7,697	7,938	6,603	7,952
Provision for interim dividend in respect of the 52 weeks ended 22nd February, 1975 not required as a result of scrip dividend elections	899	571	899	571
Amount applied towards shares issued at nominal value in lieu of dividend paid 10th March, 1975	(203)	(90)	(203)	(90)
Income tax provided in earlier years no longer required	—	284	—	284
Additional cost applicable to previous acquisition	—	(8)	—	—
Depreciation adjustment in respect of previous years—net after deferred tax adjustment of £836,000	(772)	—	—	—
	<u>£60,766</u>	<u>£53,145</u>	<u>£55,778</u>	<u>£48,479</u>

The totals above are made up as follows:

Share premium account	5,139	5,342	5,139	5,342
Capital reserve account	3,704	3,602	—	—
Unappropriated profits	51,923	44,201	50,639	43,137
	<u>£60,766</u>	<u>£53,145</u>	<u>£55,778</u>	<u>£48,479</u>

The balance on capital reserve includes £3,001,000 (1975—£2,927,000) realised surpluses on disposal of fixed assets, the liability to tax thereon, where applicable, being dealt with under the provisions of Section 33 of the Finance Act, 1965, and Section 276 of the Income and Corporation Taxes Act, 1970.

	Consolidated £000's		Tesco Stores (Holdings) Limited £000's	
	1976	1975	1976	1975
11. Deferred taxation				
Balance at 23rd February, 1975	19,940	7,345	132	153
Transfer from current taxation	442	7,003	—	—
Transfer from profit and loss account (note 5)	6,281	5,918	181	(21)
Advance corporation tax transferred, deducted from corporation tax payable 1st January, 1977	1,549	1,666	—	—
	<u>28,212</u>	<u>21,932</u>	<u>313</u>	<u>132</u>
Less				
Advance corporation tax recoverable 1st January, 1978	2,258	1,992	—	—
Prior year adjustment due to change in basis of depreciation, transferred to reserves	836	—	—	—
	<u>3,094</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>£25,118</u>	<u>£19,940</u>	<u>£313</u>	<u>£132</u>

Total relief for stock appreciation for the 3 years to the 28th February, 1976 included in the above figures is £13,738,000.

Notes (continued)

12. Fixed assets

	£000's				
	<i>Freeholds</i>	<i>Leaseholds 50 years or more</i>	<i>less than 50 years</i>	<i>Plant equipment fixtures & fittings & vehicles</i>	<i>Total</i>
Cost					
As at 23rd February, 1975	32,184	11,118	7,117	57,455	107,874
Additions	5,956	1,103	2,090	11,402	20,551
	<u>38,140</u>	<u>12,221</u>	<u>9,207</u>	<u>68,857</u>	<u>128,425</u>
Deduct disposals	1,859	99	163	2,139	4,260
As at 28th February, 1976	<u>£36,281</u>	<u>£12,122</u>	<u>£9,044</u>	<u>£66,718</u>	<u>£124,165</u>
Depreciation					
As at 23rd February, 1975		436	2,190	28,971	31,597
Adjustment in respect of previous years (see Accounting Policies)		—	—	1,608	1,608
Charge for period		113	388	6,311	6,812
		<u>549</u>	<u>2,578</u>	<u>36,890</u>	<u>40,017</u>
Deduct disposals		6	67	1,856	1,929
As at 28th February, 1976	<u>—</u>	<u>£543</u>	<u>£2,511</u>	<u>£35,034</u>	<u>£38,088</u>
Net book value at 28th February, 1976	<u>£36,281</u>	<u>£11,579</u>	<u>£6,533</u>	<u>£31,684</u>	<u>£86,077</u>
Net book value at 23rd February, 1975	<u>£32,184</u>	<u>£10,682</u>	<u>£4,927</u>	<u>£28,484</u>	<u>£76,277</u>

The depreciation charge for the period on plant, equipment, fixtures and fittings and vehicles reflects the change in basis of providing for depreciation explained in the Accounting Policies. Had the basis not been changed, the charge would have been £366,000 less.

	<i>Consolidated £000's</i>		<i>Tesco Stores (Holdings) Limited £000's</i>	
	1976	1975	1976	1975
13. Investments				
Unquoted, at cost less amounts written off (Directors' valuation £3,000 (1975—£3,000))	3	3	—	—
Quoted at cost (Market valuation £3,539,000 (1975—£2,310,000))	3,637	3,902	3,637	3,902
Associated companies (Directors' valuation £1,000 (1975—£1,000)—cost £100)	1	1	1	1
	<u>3,641</u>	<u>3,906</u>	<u>3,638</u>	<u>3,903</u>
Loan to associated company	260	252	260	252
	<u>£3,901</u>	<u>£4,158</u>	<u>£3,898</u>	<u>£4,155</u>

Investments in associated companies

	<i>Percentage of equity held</i>	<i>Registered in</i>
Bannergrade Limited	50	England
Vence Developments (Netherlands) B.V.	30	Netherlands
Vence Developpements (France) S.A.R.L.	30	France

Notes (continued)

	£000's	
	1976	1975
14. Debentures		
6½% Debenture Stock 1975/80	56	63
Add Interest accrued	1	2
	57	70
6% Debenture Stock 1983/88	375	414
Add Interest accrued	4	4
	379	418
	<u>£436</u>	<u>£488</u>

- (a) The 6½% Debenture Stock 1975/80 is secured by way of a first mortgage on certain assets of Tesco Stores Limited under a Trust Deed dated 20th December, 1955, as amended by a Supplemental Trust Deed dated 10th April, 1972, and is redeemable
- by the application of a sinking fund established by annual instalments since 30th September, 1956 at a premium of 2%; or
 - at the company's option at any time after 30th September, 1975, at a premium of 2½%, or
 - if still outstanding at 30th September, 1980, at 102%.

The authorised amount of the issue is £200,000 and £144,320 has been redeemed to date at a premium of 2%. The interest payable was increased by the said Supplemental Trust Deed to 6½% per annum. Under the said Supplemental Trust Deed the parent company has acted as surety for Tesco Stores Limited.

- (b) The 6% Debenture Stock 1983/88 is now secured by way of a first mortgage on certain assets of Tesco Stores Limited under a Trust Deed dated 3rd July, 1963, as amended by a Supplemental Trust Deed dated 10th April, 1972, and is redeemable

- by the application of a sinking fund to be established by annual instalments commencing during the year ended 30th June, 1968;
- at par, at the company's option, at any time after 30th June, 1983;
- by purchase through the market or by tender at a price not exceeding par plus accrued interest; or
- if still outstanding at 30th June, 1988, at par.

The authorised amount of the issue is £650,000 and £275,409 has been redeemed to date by purchase through the market.

Under the said Supplemental Trust Deed the parent company has acted as surety for Tesco Stores Limited.

15. Capital commitments

At 28th February, 1976

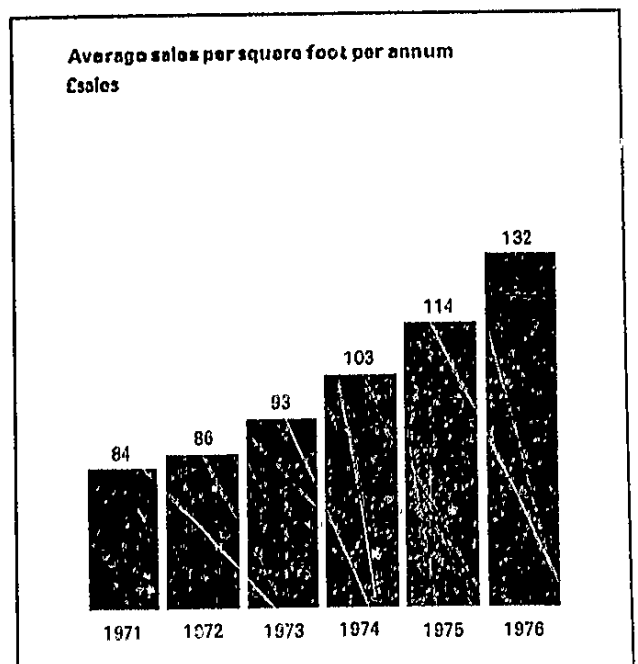
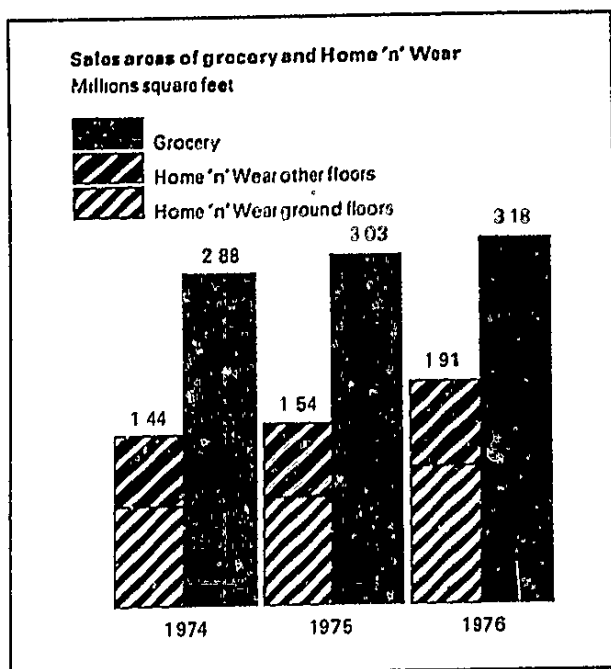
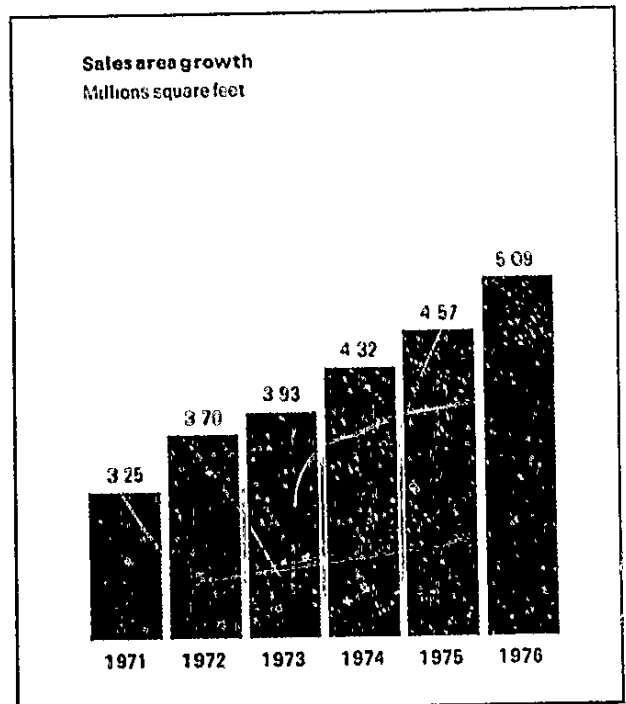
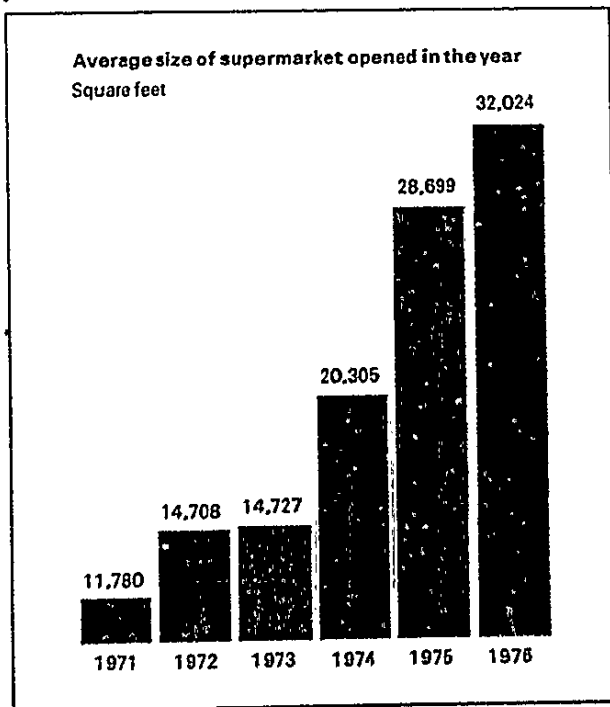
- There were commitments for capital expenditure of approximately £9,953,000 (1975 £13,254,000)
- Capital expenditure authorised by the Board but not contracted for amounted to £11,980,000 (1975 £9,101,000)

16. Subsidiary companies

- Tesco Stores Limited, operated and registered in England, is the only subsidiary company which, in the opinion of the directors, affected the amount of the profit or assets of the group. The issued share capital of the company which consists of £1 ordinary shares is wholly owned by Tesco Stores (Holdings) Limited.

	£000's	
	1976	1975
(b) Amounts due from subsidiary companies	223,245	81,133
Deduct Amounts due to subsidiary companies	169,560	30,808
	<u>£53,685</u>	<u>£50,325</u>

Sales area statistics



Tesco Stores (Holdings) Limited
and subsidiary companies

Analysis of Store Sizes

An updated analysis of stores by size for each of the five years ended February 1976 is set out below. The substantial increase in the number of stores over 20,000 sq. ft. as well as the reduction in the very small units is in accordance with the company's declared policy

At Feb	Up to 2,000 sq. ft.	2,000 to 5,000 sq. ft.	5,000 to 10,000 sq. ft.	10,000 to 15,000 sq. ft.	15,000 to 20,000 sq. ft.	20,000 to 30,000 sq. ft.	Over 30,000 sq. ft.	Total
1972	274	245	180	58	11	23		791
1973	237	252	176	64	19	23	2	773
1974	222	250	179	69	18	28	7	773
1975	202	236	179	64	23	31	12	747
1976	195	223	178	68	26	32	22	744

Sales Area Analysed Under Size of Stores

An analysis of sales area under store size classification indicating the percentage that each classification bears in terms of net sales area to the whole is given below. Of particular significance is that whilst at February 1976 418 stores out of a total of 744 (56%) were below 5,000 sq. ft. they accounted for only 20% of the total sales area. At February 1972 stores below 5,000 sq. ft. accounted for not less than 30% of the total sales area.

At Feb	Thousands square feet														Total
	Up to 2,000 sq. ft.	%	2,000 to 5,000 sq. ft.	%	5,000 to 10,000 sq. ft.	%	10,000 to 15,000 sq. ft.	%	15,000 to 20,000 sq. ft.	%	20,000 to 30,000 sq. ft.	%	Over 30,000 sq. ft.	%	
1972	221	6	878	24	1,219	33	704	19	216	6	467	12	—	—	3,705
1973	215	6	882	22	1,276	32	715	18	322	8	467	12	61	2	3,938
1974	208	5	872	20	1,271	29	824	19	298	7	629	15	227	5	4,329
1975	192	4	847	19	1,270	28	800	17	379	8	666	15	419	9	4,573
1976	190	4	793	16	1,258	25	835	16	438	8	716	14	869	17	5,099

Principal Directors (other than Parent Board Directors)

M. J. Boxall, A.C.I.I. *Group Company Secretary*
R. E. Clark *Retail Regional Managing Director*
C. J. Goodfellow *Retail Regional Managing Director*
P. G. Herbert, F.C.A. *Group Chief Accountant*
A. D. Malpas *Retail Joint Managing Director*
C. Longley *Retail Regional Managing Director*
R. S. Parker *Assistant Managing Director (Fresh Foods Division)*
H. F. Pennell *Assistant Managing Director (Grocery Wholesale Division)*
J. Russell *Joint Managing Director (Non-Food Division)—Marketing*
B. J. Tree *Distribution and Industrial Relations Director*
D. C. Tuffin *Retail Regional Managing Director*
P. G. Uttley, F.I.I.C. *Group Personnel Services Director*
B. R. Williams *Retail Regional Managing Director*
E. S. Williams *Joint Managing Director (Non-Food Division)—Purchasing*