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ASDA STORES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE 52 WEEKS ENDED 29 APRIL 1989



ASDA STORES LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

A list of the directors of the company is contained in the Directors' Report on page 3.

SECRETARY

P. M. White

REGISTERED OFFICE

Asda House,
Southbank,
Great Wilson Street,
Leeds,
LS11 5AD

AUDITORS

Ernst & Whinney
Becket House,
1, Lambeth Palace Road,
London,
SE1 7EU

BANKERS

National Westminster Bank PLC
Leeds City Office,
8, Park Row,
Leeds,
LS1 1QS

ASDA STORES LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited accounts of the Company for the 52 weeks ended 29 April 1989.

PROFIT AND LOSS ACCOUNT AND DIVIDENDS

The Company's profit for the financial year, as set out on page 7, amounted to £98,490,000 (1988 - £137,006,000) out of which the directors have paid and recommended dividends of £35,300,000 (1988 - £79,847,000) (see note 9 to the accounts).

The directors recommend payment of a final dividend on the ordinary shares of £22,000,000 (1988 - £20,300,000).

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the company has been the retailing of food and non-food products, together with the processing of meat products.

FUTURE DEVELOPMENTS

The group continues to expand into new areas of merchandise where considered appropriate and plans to continue physical expansion of retail stores and manufacturing units as and when the appropriate opportunity arises.

ASDA STORES LIMITED

DIRECTORS' REPORT (continued)

4. FIXED ASSETS

Payments under contracts not yet completed amount to £184,162,000 (1988 - £133,226,000) reflecting the continued impetus of new store openings and the revamp programme. There are currently some 14 stores in the development pipeline.

A summary of the changes in fixed assets is set out in note 10 to the accounts.

5. RESEARCH AND DEVELOPMENT

The Company policy is to invest in product innovation and process improvement at a level designed to enable it to retain and enhance its market position.

6. DIRECTORS AND THEIR INTERESTS

The following is a list of the present directors of the Company and those persons who were directors at some time during the financial year:-

	Date of Appointment	Date of Resignation
F J Allan		
W E Bailey		
K W Clarke		
L A Campbell		
P E Dowling		24 February 1989
D M Gransby		22 February 1989
J N Hardman		
E W Lea		14 September 1988
M A Palmer		
K Shingler		
G H Stow		
G G Street		
R D Scott		
J D Duggan	24 February 1989	

ASDA STORES LIMITED

DIRECTORS' REPORT (continued)

The interests of the directors of the Company at 29 April 1989 in the shares of the ultimate holding company, Asda Group plc, as defined by the Companies Act 1985, were as follows:-

	Executive Share Option Scheme 1984	Savings Related Share Option Scheme	Ordinary Shares of 25p each	
	as at 29 April 1989	as at 29 April 1989	as at 29 April 1989	as at 30 April 1988
F J Allan	212,098	-	33,159	26,643
W E Bailey	248,200	5,669	2,621	769
K W Clarke	254,698	5,384	3,104	6,263
J Duggan	164,511	-	-	-
M A Palmer	179,405	5,384	4,026	683
K Shingler	179,211	6,145	35,078	30,452
G G Street	212,901	5,522	24,689	28,088

Messrs Campbell, Hardman, Stow and Scott have their interests shown in the Asda Group plc accounts.

None of the directors of the Company have any interest in any contracts entered into by the Company.

ASDA STORES LIMITED

DIRECTORS' REPORT (continued)

7. EMPLOYEES AND EMPLOYEE POLICIES

The average number of employees and their remuneration are shown in note 3 to the accounts.

It is the Company's policy that employees should be kept as fully informed as is practicable about the Company's progress through the media of its management association, trade union consultative machinery, 'team briefings', Company newspapers, the annual employee financial report and regular visits by directors.

Employees are involved in the performance of the whole Group through the Savings Related Share Option Scheme and the specific performance of the Company through the Share Participation Scheme.

Under the Share Participation Scheme there are now 18,467 employees eligible for the scheme and £3,345,000 has been set aside from profit for this year's appropriation.

The Company is committed to the continuing development of its Equal Opportunities Policies.

It is also Company policy to give full consideration to suitable applications for employment by disabled persons. Opportunities also exist for the Company's employees who become disabled to continue their employment or to be transferred for other positions in the Company's employment.

8. CHARITABLE AND POLITICAL DONATIONS

Charitable donations amounted to £58,000 (1988 - £253,000). There were no political donations made during the year.

9. INCOME AND CORPORATION TAXES ACT 1988

The close company provisions of this Act do not apply to this company.

10. AUDITORS

Ernst & Whinney, who have expressed their willingness to continue in office, will be merging their practice with Arthur Young on 1 September 1989 and from that date will practise in the name of Ernst & Young. Accordingly, a resolution proposing the appointment of Ernst & Young will be submitted at the annual general meeting.

By order of the board

P M White

Secretary



10 July 1989

REPORT OF THE AUDITORS TO THE MEMBERS OF ASDA STORES LIMITED

We have audited the accounts set out on pages 7 to 21 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention as explained on page 10.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 29 April 1989 and of the profit and source and application of funds for the 52 weeks then ended and comply with the Companies Act 1985.

Ernst & Whinney
Ernst & Whinney

London

10 July 1989

ASDA STORES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE FIFTY-TWO WEEKS ENDED 29 APRIL 1989

	Note	1989 £'000	1988 £'000
Company, excluding discontinued business			
TURNOVER	2	2,511,023	2,273,118
Operating costs		(2,358,494)	(2,127,986)
OPERATING PROFIT	2,3	152,529	145,132
Discontinued business, operating profit		-	1,616
Interest receivable and similar income	5	23,002	2,210
Interest payable and similar charges	6	(27,100)	(645)
PROFIT BEFORE TAXATION AND PROFIT SHARING		148,431	148,313
Profit sharing		3,345	2,690
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		145,086	145,623
Taxation	7	46,596	45,693
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		98,490	99,930
Extraordinary profits after taxation	8	-	37,076
PROFIT FOR THE FINANCIAL YEAR		98,490	137,006
Dividends	9	35,300	79,847
RETAINED PROFIT		63,190	57,159

Movements on retained profits are set out in note 19

ASDA STORES LIMITED

BALANCE SHEET - 29 APRIL 1989

	Note	1989 £'000	1988 £'000
FIXED ASSETS			
Intangible assets		-	-
Tangible assets	10	713,112	831,474
Investments	11	2,599	100
		-----	-----
		715,711	831,574
CURRENT ASSETS			
Stocks	12	150,061	152,395
Debtors	13	121,017	27,997
Investments	14	399	393
Cash at bank and in hand		2,454	29,172
		-----	-----
		273,931	209,957
CREDITORS - amounts falling due within one year	15	(583,869)	(696,793)
		-----	-----
NET CURRENT LIABILITIES		(309,938)	(486,836)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		405,773	344,738
CREDITORS - amounts falling due after more than one year	16	(51,031)	(52,202)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(16,000)	(16,984)
		-----	-----
		338,742	275,552
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	18	28,009	28,009
Share premium account		260	260
Profit and loss account	19	310,473	247,283
		-----	-----
		338,742	275,552
		-----	-----

J N Hardman

R D Scott

[Signature]
Directors
[Signature]

Approved by the Board
on 10 July 1989

ASDA STORES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE FIFTY-TWO WEEKS ENDED
29 APRIL 1989

	1989 £'000	1988 £'000
SOURCE OF FUNDS FROM OPERATIONS		
Profit before taxation	145,086	145,623
Adjustment for item not involving the movement of funds:		
Depreciation	33,048	31,439
Total generated from operations	178,134	177,062
FROM OTHER SOURCES		
Proceeds from disposal of division	-	79,706
Net disposal of fixed asset investments	481,619	4,400
	481,619	84,106
FUNDS APPLIED		
Dividends paid	33,600	78,824
Taxation paid	4,736	48,630
Net purchase of fixed assets	396,304	275,023
Goodwill purchases and written off to reserves	-	371
Extraordinary disposal costs	-	5,819
Investment in subsidiary	2,499	-
	437,139	408,667
	222,614	(147,499)
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	(2,334)	25,814
Debtors	93,020	13,763
Investments	6	(966)
Creditors	163,924	(188,853)
Net liquid funds	(32,002)	2,743
	222,614	(147,499)

ASDA STORES LIMITED NOTES ON THE ACCOUNTS - 29 APRIL 1989

1. ACCOUNTING POLICIES

(a) Basis of accounts

The accounts are prepared under the historical cost convention.

(b) Group accounts

Consolidated accounts have not been prepared because the company is a wholly-owned subsidiary of Asda Group plc.

(c) Tangible Fixed Assets

Tangible fixed assets, excluding freehold land, are written off over their estimated useful lives, on a straightline basis, as follows:

Freehold buildings and long leasehold property	67 years
Short leasehold property	Over period of lease
Plant and equipment	3-20 years
Motor vehicles	4-10 years

The capitalised cost of leased assets is written off over the shorter of their estimated useful lives or the lease terms.

(d) Capitalisation of interest

Interest costs relating to the financing of properties in course of construction are capitalised net of tax relief up to the date the property commences to be used for trading.

(e) Leased assets

Assets held under finance leases are capitalised as tangible assets and included in creditors at the cost of outright purchase.

Rentals are apportioned between reductions in the capital obligations included in creditors, and those relating to finance charges which are charged to the profit and loss account at a constant periodic rate of charge.

The costs of operating leases are charged to the profit and loss account as they are incurred.

(f) Government grants

Government grants in respect of expenditure on fixed assets are credited to a separate account and credit is taken in the profit and loss account over the estimated average life of the relevant assets.

(g) Stocks

Stocks comprise goods held for resale and are valued at the lower of cost and net realisable value.

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 29 APRIL 1989

ACCOUNTING POLICIES (continued)

(h) Deferred taxation

Tax deferred or accelerated has been accounted for to the extent that it is probable that a liability or asset will crystallise.

(i) Research and development

Expenditure on research and development is written off in the year in which it is incurred.

(j) Turnover

Turnover comprises value of sales exclusive of VAT and intra-company transactions.

(k) Investments

Investments are stated at the lower of cost and net realisable value.

2. ANALYSIS OF TURNOVER AND OPERATING PROFITS BY ACTIVITIES
(excluding discontinued business)

	1989		1988	
	Turnover	Operating Profit	Turnover	Operating Profit
	£'000	£'000	£'000	£'000
Asda Stores	2,509,485	150,549	2,271,448	143,666
Asda Manufacturing	115,502	1,980	37,601	1,466
less: Intra-company sales	(113,964)	-	(35,931)	-
Continuing business	2,511,023	152,529	2,273,118	145,132

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 29 APRIL 1989

3. OPERATING PROFIT

Arrived at after charging:

	1989 £'000	1988 £'000
Change in stocks	3,549	(26,914)
Other operating income	(26,112)	(15,754)
Raw materials and consumables	1,950,672	1,837,015
Staff costs	231,414	202,027
Depreciation of tangible fixed assets	33,048	31,439
Other operating charges	165,923	129,082
Discontinued business costs	-	(28,909)
	<u>2,358,494</u>	<u>2,127,986</u>

Within other operating charges:

	1989 £'000	1988 £'000
Operating lease charges for plant and machinery	2,409	3,168
Auditors' remuneration	77	71
	<u>2,486</u>	<u>3,239</u>

Within staff costs:

	1989 £'000	1988 £'000
Wages and salaries	211,052	185,722
Social security costs	15,255	12,150
Other pension costs	5,107	4,155
	<u>231,414</u>	<u>202,027</u>

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 29 APRIL 1989

3. OPERATING PROFIT (continued)

Information in respect of emoluments of employees,
excluding pension contributions:

	Number of employees	
	1989	1988
£30,001 - £35,000	42	45
£35,001 - £40,000	28	19
£40,001 - £45,000	12	6
£45,001 - £50,000	5	6
£50,001 - £55,000	5	9
£55,001 - £60,000	9	5
£60,001 - £65,000	8	-
£65,001 - £70,000	1	2
£70,001 - £75,000	1	1
£75,001 - £80,000	1	1
£80,001 - £85,000	-	-
£85,001 - £90,000	-	2
£90,001 - £95,000	-	?

The average number of employees, in the continuing businesses is analysed
as follows:

	Employees	
	1989	1988
Asda Stores	46,565	41,270
Asda Manufacturing	1,300	1,320
	-----	-----
	47,865	42,590
	-----	-----

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 29 APRIL 1989

4. EMOLUMENTS OF DIRECTORS

	1989 £'000	1988 £'000
Fees	-	-
Other emoluments	800	627
	<u>800</u>	<u>627</u>

Excluding pension contributions, the emoluments of the highest paid director were £110,787 (1988 - £69,818). The Chairman received no emoluments from the company. The number of directors, excluding the highest paid director, whose remuneration (excluding pension contributions) fell in the following categories, were:

	1989	1988
£ 0 - £5,000	6	8
£15,001 - £20,000	-	1
£20,001 - £25,000	-	1
£25,001 - £30,000	1	-
£50,001 - £55,000	-	3
£60,001 - £65,000	-	1
£65,001 - £70,000	-	3
£80,001 - £85,000	2	-
£85,001 - £90,000	2	-
£100,001 - £105,000	2	-
£110,001 - £115,000	1	-

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1989 £'000	1988 £'000
Interest receivable from group companies	23,002	2,210

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 29 APRIL 1989

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1989 £'000	1988 £'000
Repayable within five years		
Interest payable to group companies	50,686	18,827
Bank overdraft interest	49	108
Sundry interest	28	-
Finance lease charges	921	582
Repayable after five years		
Debenture and mortgage interest	34	35
	-----	-----
	51,718	19,552
Interest capitalised before tax relief of £8,616,000 (1988 - £6,617,000)	(24,618)	(18,907)
	-----	-----
	27,100	645
	-----	-----

7. TAXATION

The charge based on the profit for the year comprises:

	1989 £'000	1988 £'000
UK Corporation tax at 35% (1988: 35%)	47,530	51,107
Deferred taxation	(1,307)	(5,001)
	-----	-----
	46,223	46,106
Prior period adjustments	373	(413)
	-----	-----
	46,596	45,693
	-----	-----

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 29 APRIL 1989

8. EXTRAORDINARY PROFITS AFTER TAXATION

	1989 £'000	1988 £'000
Profit on disposal of division	-	42,173
less: tax thereon	-	(5,097)
	-----	-----
	-	37,076
	-----	-----

9. DIVIDENDS

	1989 £'000	1988 £'000
Ordinary - first interim	13,300	17,100
- second interim	-	42,447
- proposed final	22,000	20,300
	-----	-----
	35,300	79,847
	-----	-----

The preference share dividends have been waived.

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 29 APRIL 1989

10. TANGIBLE FIXED ASSETS

	Freehold properties £'000	Leasehold properties £'000	Plant machinery, equipment & vehicles £'000	Total £'000
Cost				
At beginning of year	378,258	241,576	197,876	817,710
Reclassifications	(350)	(9,365)	9,715	-
Additions during year	203,587	17,032	61,806	282,425
Transfers from other group companies	141	-	34	175
Transfers to other group companies	(403,123)	(20,888)	(3,272)	(427,283)
Disposals during year	-	(85)	(12,736)	(12,821)
	-----	-----	-----	-----
At end of year	178,513	228,270	253,423	660,206
	-----	-----	-----	-----
Depreciation				
At beginning of year	12,486	17,844	89,132	119,462
Reclassifications	(354)	(2,277)	2,631	-
Charge for year	1,310	3,865	27,873	33,048
Transfers to other group companies	(10,578)	(106)	-	(10,684)
Disposals during year	-	(31)	(10,539)	(10,570)
	-----	-----	-----	-----
At end of year	2,864	19,295	109,097	131,256
	-----	-----	-----	-----
Net book amounts at 29 April 1989	175,649	208,975	144,326	528,950
	-----	-----	-----	-----
Assets under construction (1988: £133,226,000)				184,162

Net book amounts at 29 April 1989				713,112
				=====
Net book amounts at 30 April 1988				831,474
				=====

The cost of freehold land included within freehold properties is £173,088,000 (1988 - £216,082,000).

An amount of £16,002,000 (1988 - £12,290,000) has been included in additions in respect of interest capitalised during the year ended 29 April 1989 after deducting tax relief of £8,616,000 (1988 - £6,617,000).

The net book amount of plant, machinery, equipment and vehicles for the company includes £17,577,000 (1988 - £8,818,000) in respect of leased assets after charging depreciation of £2,340,208 (1988 - £2,089,000).

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 29 APRIL 1989

10. TANGIBLE FIXED ASSETS (continued)

The net book value of leasehold property comprises:

	1989 £'000	1988 £'000
Leases with fifty years or more unexpired	195,375	211,171
Lease with less than fifty years unexpired	13,600	12,561
	-----	-----
	208,975	223,732
	-----	-----

11. INVESTMENTS - UNLISTED

	1989 £'000	1988 £'000
Cost		
At beginning of year	100	-
Additions	2,499	100
	-----	---
At end of year	2,599	100
	-----	---

The principal subsidiary companies which are wholly owned are McLagan Investments Limited, and Property Sellers Limited both of which are registered in England.

McLagan Investments Limited is a property holding company. Property Sellers Limited provides estate agency and mortgage broking services.

12. STOCKS

In the directors' opinion the replacement cost of stocks does not materially exceed the balance sheet value.

13. DEBTORS

	1989 £'000	1988 £'000
Amounts falling due within one year		
Trade debtors	4,091	1,860
Amounts owed by fellow subsidiary companies	82,537	4,671
Other debtors	25,750	14,788
Prepayments and accrued income	8,639	6,678
	-----	-----
	121,017	27,997
	-----	-----

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 29 APRIL 1989

14. INVESTMENTS

Investments include vacant properties awaiting disposal written down to net realisable value of £300,000 (1988 - £300,000).

15. CREDITORS - amounts falling due within one year

	1989 £'000	1988 £'000
Trade creditors	188,872	208,727
Amounts owed to holding company	198,912	373,972
Amounts owed to fellow subsidiary companies	7,035	888
Taxation	95,711	45,428
Social security	4,845	5,628
Other creditors	39,568	25,737
Accruals	16,332	13,497
Obligations under finance leases	5,310	2,616
Proposed dividend	22,000	20,300
Overdraft	5,284	-
	<u>583,869</u>	<u>696,793</u>

16. CREDITORS - amounts falling due after more than one year

	1989 £'000	1988 £'000
Taxation, payable 23 May 1990	39,574	47,013
Loans repayable 1995 to 2022 (interest rates 9 1/4% to 10 3/4%)	346	351
Obligations under finance leases within two to five years	10,427	4,058
Government grants	684	780
	<u>51,031</u>	<u>52,202</u>

ASLA STORES LIMITED

NOTES ON THE ACCOUNTS - 29 APRIL 1989

17. PROVISIONS FOR LIABILITIES AND CHARGES

	1989 £'000	1988 £'000
Deferred taxation		
Potential liability		
Capital allowances	37,582	35,350
Capital gains	30,351	24,653
Short term timing differences	5,820	1,804
	-----	-----
	73,753	61,807
	-----	-----
Provision retained		
UK capital allowances claimed in excess of depreciation charged	10,180	15,180
Short-term timing differences	5,820	1,804
	-----	-----
	16,000	16,984
	-----	-----

18. CALLED-UP SHARE CAPITAL

	Authorised 1989 & 1988 £'000	Allotted, issued and fully paid 1989 & 1988 £'000
3.85% cumulative preference shares of £1 each	500	500
Ordinary shares of 25p each fully paid	28,500	27,509
	-----	-----
	29,000	28,009
	-----	-----

19. PROFIT AND LOSS ACCOUNT

	£'000
At 1 May 1988	247,283
Retained profit for the year	63,190

At 29 April 1989	310,473

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 29 APRIL 1989

20. FINANCIAL COMMITMENTS

The directors have authorised future capital expenditure which, without taking account of government grants, amounts to:

	1989 £'000	1988 £'000
Contracted	122,523	73,408
Not contracted	302,251	500,081

The annual commitment under non-cancellable operating leases, mainly in respect of land and buildings, is as follows:

	1989 £'000	1988 £'000
Leases expiring:		
Within one year	-	663
Within two to five years	140	2,194
Thereafter	8,731	8,139
	8,871	10,996

21. PENSIONS

Retirement benefits to employees are provided by benefit schemes which are funded by contributions from the Company and employees. The schemes which are administered by trustees are revalued every 3 years by independent actuaries and operate entirely independently of the Company's finances. The schemes are fully funded and contributions are paid in accordance with the recommendations of the independent actuaries.

The Company's contribution are charged against profits in the period in which they are made.

22. ULTIMATE HOLDING COMPANY

The ultimate holding company is Asda Group Plc, a company registered in England.