

ASSOCIATED DAIRIES LIMITED

Directors' report and accounts 1974

Associated Dairies Limited

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Associated Dairies Limited

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Directors

executive

A N Stockdale DFM *chairman*
E E Binns FCA *managing director and vice-chairman*
P Asquith
D Baddiley FCA
E G Bousfield MA (Cantab)
J D Ridgway NDD MIBiol

non-executive

N Ashworth
J S Bousfield
A D Dobson
C F Lister

Secretary and registered office

P R Baines MA (Cantab) FCIS
Craven House, Kirkstall Road, Leeds LS3 1JE

Auditors

Whinney Murray & Co
Chartered Accountants
Yorkshire House, Greek Street, Leeds LS1 5SQ

Registrars and transfer office

National Westminster Bank Limited
Registrar's and New Issues Department
326 High Holborn, London WC1V 7QA

Bankers

National Westminster Bank Limited
Beckett's Branch
8 Park Row, Leeds LS1 1QS

Stockbrokers

J & A Scrimgeour
Mansion House Place
London EC4N 8BL

Associated Dairies Limited

Notice of Meeting

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NOTICE IS HEREBY GIVEN to the ordinary shareholders of the company that the TWENTY-FIFTH ANNUAL GENERAL MEETING of the company will be held at Headingley Pavilion, St. Michael's Lane, Leeds 6, on Wednesday 23 October 1974 at 2.30 in the afternoon for the following purposes:

- 1 To receive the report of the directors and the accounts for the fifty-two weeks to 27 April 1974 with the report of the auditors thereon. (Resolution 1)
- 2 To consider and if thought fit pass the following Resolutions which will be proposed as Special Resolutions:

THAT a final dividend of .697p per share be declared payable to the ordinary shareholders registered at close of business on 20 September 1974 in respect of all ordinary shares then registered in their respective names other than ordinary shares ("the elected ordinary shares") in respect of which elections to receive shares have been duly lodged pursuant to the company's circular letter dated 30 September 1974. (Resolution 2)

THAT in respect of the elected ordinary shares an aggregate sum (being part of the amount provided as proposed dividend in the accompanying accounts) amounting to .697p for each of the elected ordinary shares shall be capitalised and applied in paying up in full at par new ordinary shares of 25p each. The balance of such aggregate sum shall be carried to the share premium account of the company. Such new ordinary shares shall be allotted credited as fully paid up to the holders of the elected ordinary shares registered at close of business on the said 20 September 1974 at the rate of 7.4307 new ordinary shares for every 1,000 ordinary shares then held by them and on the terms that such new ordinary shares shall not rank for the said final dividend for the year ended 27 April 1974 but shall rank for the full amount of any dividends declared on the ordinary share capital after the date of this meeting, provided that no fraction of a share shall be allotted but all such fractions shall be aggregated and sold by the directors and the net proceeds of sale shall be retained by the company. (Resolution 3)

- 3 To re-elect the following directors:
Mr J S Bousfield (Resolution 4)
Mr C F Lister (Resolution 5)
Mr A D Dobson (Resolution 6)
Mr A N Stockdale (Resolution 7)
Mr N Ashworth (Resolution 8)
- 4 To authorise the directors to fix or deal with the remuneration of the auditors. (Resolution 9)
- 5 To transact any other ordinary business of an annual general meeting.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and on a poll vote on his behalf; a proxy need not be a member. A form of proxy is enclosed.

By order of the board
P R BAINES *secretary*

Craven House
Kirkstall Road, Leeds LS3 1JE
30 September 1974

The register of directors' shares and debenture interests will together with the directors' service agreements be available for inspection by members at the registered office from this date until the close of business on 22 October 1974 and at the place of the meeting for fifteen minutes prior to and until the termination of the meeting.

The directors submit their report and the company's balance sheet at 27 April 1974 together with the group accounts for the fifty-two-week period ended on that date.

Profit and appropriation

	1974 £	1973 £
The group profits for the fifty-two weeks to 27 April 1974 before taxation amounted to	7,410,655	6,265,201
After deducting taxation, amounts applicable to minority interests and extraordinary items of	3,994,209	3,047,161
There remains a net profit attributable to the company of	3,416,446	3,218,040
Out of which the directors have paid and recommended dividends as detailed in the group profit and loss account of	*492,140	538,728
Leaving retained profits of	2,924,306	2,679,312

*The 1974 dividend figure is compiled in the following manner:

	1974		1973	
	Shown in accounts £	Gross equivalent £	Shown in accounts £	Gross equivalent £
Ordinary Shares				
1st Interim	278,153	397,361	196,791	196,791
2nd Interim	—	—	70,235	100,335
Final	193,872	289,361	248,345	354,778
1973 Final not reserved in 1973 Accounts	880	—	—	1,257
	472,905	686,722	515,371	653,161
Preference Shares				
Interim	9,617	13,739	13,739	13,739
Final	9,618	14,355	9,618	13,740
	492,140	714,816	538,728	680,640

On 29 August 1974 the directors recommended the payment of a final dividend on the ordinary shares of 697p net per share making a total dividend for the period of 1·697p net per share. If approved this dividend will be paid on 8 November 1974 to members appearing on the register on 20 September 1974.

The directors consider that the state of the group's affairs at 27 April 1974 was satisfactory.

Principal activities of the group

There have been no significant changes in the principal activities of the group during the financial period, which have been to carry on business as dairymen and retailers of goods to the general public through the medium of shops, supermarkets and superstores.

Fixed assets

The following net additions including surplus on valuations have been made during the financial year to the fixed assets of the group:

Freehold land and buildings	£2,623,199
Leasehold property	£276,451
Plant, equipment, machinery and vehicles	£1,739,413

Shares issued

Pursuant to resolutions passed at an extraordinary general meeting held on 24 October 1973

- (a) The authorised capital of the company was increased from £6,750,000 to £8,250,000 by the creation of 6,000,000 ordinary shares of 25p each.
- (b) The sum of £1,429,570 was capitalised from reserves and share premium account and 5,718,281 ordinary shares of 25p each credited as fully paid issued to ordinary shareholders in the proportion of one such ordinary share for every four ordinary shares of 25p each, for every four partly paid ordinary shares of 25p each (5p paid) and for every four 'A' ordinary shares of 25p each held by such shareholders at the close of business at 25 September 1973.

Pursuant to a resolution passed at a directors' meeting held on 3 July 1973 62,937 ordinary shares of 25p each were issued as fully paid at a premium of 261p per share as consideration for the acquisition of Sandmartin Foods Ltd.

Directors and their interest

The following is a list of the present directors of the company who were the directors during the year, together with their interests, including family interests, in the shares and debentures of the company at 27 April 1974:

	1974		1973	
	<i>Beneficial interests</i>	<i>Other interests</i>	<i>Beneficial interests</i>	<i>Other interests</i>
A N Stockdale	179,203 <i>a</i>	44,913 <i>a</i>	150,363 <i>a</i>	35,931 <i>a</i>
" "	25,000 <i>b</i>	—	25,000 <i>b</i>	—
" "	23,827 <i>c</i>	—	14,062 <i>c</i>	—
" "	71 <i>d</i>	—	71 <i>d</i>	—
E E Binns	81,902 <i>a</i>	10,985 <i>a</i>	65,522 <i>a</i>	8,788 <i>a</i>
" "	25,000 <i>b</i>	—	25,000 <i>b</i>	—
" "	23,827 <i>c</i>	—	14,062 <i>c</i>	—
J S Bousfield	39,062 <i>a</i>	39,062 <i>a</i>	31,250 <i>a</i>	31,250 <i>a</i>
A D Dobson	22,421 <i>a</i>	2,000 <i>a</i>	19,537 <i>a</i>	—
" "	35 <i>d</i>	—	35 <i>d</i>	—
C F Lister	55,168 <i>a</i>	81,665 <i>a</i>	44,135 <i>a</i>	65,332 <i>a</i>
E G Bousfield	50,780 <i>a</i>	—	40,625 <i>a</i>	1,250 <i>a</i>
" "	25,000 <i>b</i>	—	25,000 <i>b</i>	—
" "	23,827 <i>c</i>	—	14,062 <i>c</i>	—
N Ashworth	39,062 <i>a</i>	19,531 <i>a</i>	31,250 <i>a</i>	15,625 <i>a</i>
D Baddiley	3,903 <i>a</i>	2,193 <i>a</i>	3,903 <i>a</i>	975 <i>a</i>
" "	25,000 <i>b</i>	—	25,000 <i>b</i>	—
" "	23,827 <i>c</i>	—	14,062 <i>c</i>	—
P Asquith	250,000 <i>a</i>	37,113 <i>a</i>	200,000 <i>a</i>	37,500 <i>a</i>
" "	25,000 <i>b</i>	—	25,000 <i>b</i>	—
" "	23,827 <i>c</i>	—	14,062 <i>c</i>	—
J D Ridgway	— <i>a</i>	—	— <i>a</i>	—
" "	25,000 <i>b</i>	—	25,000 <i>b</i>	—
" "	23,827 <i>c</i>	—	14,062 <i>c</i>	—

a Ordinary shares of 25p each.

b Ordinary shares of 25p each (5p paid).

c 'A' Ordinary shares of 25p each.

d 3.85% (formerly 5.5% gross) preference shares of £1 each.

No changes in directors' interests have occurred between 27 April 1974 and 31 August 1974.

Mr J S Bousfield, Mr C F Lister and Mr A D Dobson having attained the age of 70 or over, retire at the forthcoming annual general meeting in accordance with Article 112 (B) of the articles of association, and, being eligible, offer themselves for re-election.

Associated Dairies Limited

Directors' report *continued*

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The directors retiring by rotation at the forthcoming annual general meeting are Mr A N Stockdale and Mr N Ashworth who, being eligible, offer themselves for re-election.

No director had an interest during the year in any significant contract with the company or any subsidiary.

Employees

The average number of persons employed by the group (including part-time employees) in each week in the period was 11,965 (9,830).

The aggregate remuneration paid or payable to those persons during the year was £10,900,210 (£8,548,830).

Charitable and political contributions

The group made the following contributions during the year:

For charitable purposes £1,314.

For political purposes £500.

Political contributions exceeding £50 were as follows:
West Riding Industrialists Council £500.

Exports

No goods were exported from the United Kingdom during the period by the company or its subsidiaries.

Substantial holdings

So far as the directors are aware there is no shareholder with a substantial interest as defined by Section 33 of the Companies Act 1967.

Income and Corporation Taxes Act 1970

The directors consider the 'Close Company' provisions of the Income and Corporation Taxes Act 1970 do not apply to this company.

Auditors

The company's auditors, Whinney Murray & Co., have expressed their willingness to continue in office.

By order of the board
P R BAINES *secretary*

30 September 1974

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Associated Dairies Limited

Statement by the chairman

I have pleasure in presenting to shareholders the twenty-fifth annual report and accounts for the 52 weeks to 27 April 1974 showing a further increase in group profits of £1,145,454 to £7,410,655, before taxation, minority interests and extraordinary items. The profit earned for ordinary shareholders is £3,397,211 (£3,194,683) and we are proposing to pay a final dividend of 1.697p per share (net) which together with the interim dividend of 1.000p per share (net) makes a total of 1.697p (net) for the year. This compares with 1.6464p (net equivalent) for the previous year on the increased capital and is the maximum permitted under the current Counter Inflation legislation, to companies declaring dividends in respect of an accounting year ending prior to 31 July 1974, leaving £2,924,306 (£2,679,312) to be added to retained profits.

Your directors consider that the present state of reserves makes it desirable to recommend again a capitalisation issue of one ordinary share for every four ordinary shares, for every four partly paid ordinary shares and for every four 'A' ordinary shares held. They also consider that shareholders may welcome an opportunity to elect to receive additional ordinary shares credited as fully paid in lieu of a cash dividend. A special resolution will be proposed at the annual general meeting and an extraordinary general meeting, notice of which is being sent under separate cover, together with a form of election, will be held to give effect to these matters.

Asda Superstores

This has been an exceptionally difficult year as we were, and still are, living through a most unpredictable era. Nevertheless, under these circumstances I contend the progress made is acceptable taking into consideration the problems with which we were faced.

Our development programme progressed as outlined in my previous report; stores at Wrexham being opened in May 1973 and at Barrow and Radcliffe in February 1974.

The new Rochdale store, replacing the existing outdated premises, opened in August 1974, Adel (Leeds) and York will open in September 1974; Carcroft, near Doncaster, is scheduled for October 1974, and I am hoping that our second Scottish development in Dunfermline will be handed over to us by the builders in January 1975.

Our trading year commenced with the introduction of profit margin control and this, following immediately after the establishment of V.A.T. in April 1973, was a measure which imposed yet a further burden on administration. At the half-year, sales showed an increase of 26% and trading profits 32% compared with the same period 1972, and this was achieved in spite of the setback in new store openings which reflects the growth potential of existing units and in particular the attention given by management to the modernisation of a number of our original stores.

In December, the country faced the three-day week and although your company, operating as it does predominantly in food, was permitted to trade normal hours, inasmuch as restricted fuel supplies for generators would permit, problems arose during January, February and March due to the resultant restricted flow of supplies which had its effect on turnover. Mercifully those days are past but inevitably they left their scar, as it was many weeks before anything approaching normal delivery of goods could be resumed.

During this period of national emergency, your directors considered it prudent to instruct their management to increase stocks in excess of the normal acceptable levels wherever possible. This, in turn, absorbed a substantial amount of capital which is duly reflected in the year's accounts, but at the time of writing this report the major portion of these have been liquidated. Shareholders have been aware for some time that it has been the policy of their directors to reduce the number of small retail shop outlets and during the year further planned closures materialised. The effect of this being that, in realistic terms, the Meat Factory and Confectionery Bakery at Lofthouse became a production centre for the Stores Division. Extensions to the factory have been completed and we are now in a position to supply new stores.

Dairy Division

Sales once again reached record levels, but the repeated escalation of costs during the latter half of the year have not yet been reflected in the margin awards made by the Ministry of Agriculture, Fisheries and Food. This, together with the system of a triennial review of the target profit—last set in October 1971—and the period of rampant inflation since that date, means that the industry has been unfairly penalised. This led to a shortfall in profit compared with 1973.

If the government wish to encourage future investment there must be a realistic adjustment to the current target profit rate, coupled with an undertaking to review it on an annual basis.

Your company will be particularly affected by their decision, as, with continually expanding sales, all units are working to their maximum and considerable investment is going to be required over the next few years to up-date and increase our processing capacity. In particular, in the north east, it will be necessary to provide a new complex to replace our two existing dairies which have outlived their useful lives. We are grateful to all our staff for their forbearance during a year which has presented more than its usual amount of difficulties, due, in the main, to the national shortage of supplies.

With increasing government involvement, indications for the current year's progress are hard to assess. If our other partners in the industry—the dairy farmers—are adequately recompensed and therefore produce more milk, and our current level of milk sales is not jeopardised by a sudden withdrawal of the liquid milk subsidy, then your company is confident that growth will continue.

Prospects

Over the years your company has prospered in competition with many of the world's finest retailers. This in itself is no mean achievement and, if permitted to do so without our hands being tied, I am confident that we and our competitors will continue to give even greater service to the public. As previously mentioned, one government imposed margin control, another has instituted a vicious compulsory reduction of margins at gross profit level. This has had an infinitesimal effect on the consumer, but was introduced at a time when commerce was having to absorb the most crippling increase in overheads for a decade and if this policy continues it will inevitably impose a burden so great as to have a far reaching effect on business as a whole.

I am however optimistic, as I consider this state of affairs can only be a short term measure if private enterprise is to continue to contribute to our society. The alternative is regrettably, control at every level including wages, which has never been effective except in a police state.

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Your company continues to hold an adequate number of sites with planning permission, and your directors have authorised the development of four of these during the fiscal year 1974/75. The position however, is being reviewed monthly, as we are determined to maximise use of cash flow. It is considered that it would be most unwise in the present climate to have to rely on short term borrowing, or the raising of permanent capital at existing high interest rates.

It is my intention to advise shareholders of the trading position both at the time of the annual general meeting in October and subsequently in my half-yearly report, at which time I sincerely hope we can see more clearly into the future.

Management and Staff

For any progress to have been made during a year of interference and restrictions is wholly due to the professional ability of our management, and the wonderful co-operation of all our staff. To them I pay the highest tribute.

A N STOCKDALE

Associated Dairies Limited

Report of the auditors to the members

We have examined the accounts of Associated Dairies Limited set out on pages 11 to 20.

In our opinion the company's balance sheet and the consolidated accounts have been properly prepared in accordance with the provisions of the Companies Acts 1948 and 1967, and give for the company and for the group, so far as concerns members of the company, a true and fair view of the state of affairs at 27 April 1974 and of the profit for the period.

WHINNEY MURRAY & CO
Chartered Accountants

Leeds
29 August 1974

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Associated Dairies Limited and subsidiaries **Consolidated profit and loss account for the fifty-two weeks ended 27 April 1974**

	Note	£000s	1974 £000s £158,200	1973 £000s £128,100
Turnover	1 (b)			
Trading Profit	2		6,839	5,892
Other income:				
Quoted investments		10		246
Short term corporation and bank loan interest		563		8
Other interest		6		6
Associated companies' loan interest		3		113
Share of associated companies' profits (losses)	13 (a)	(10)		
			572	373
Profit before taxation	3		7,411	6,265
Taxation			4,017	2,738
Profit after taxation			3,394	3,527
Profit attributable to outside shareholders			—	80
			3,394	3,447
Extraordinary items	4		22	(229)
Profit for year available for appropriation			£3,416	£3,218
Appropriations			492	539
Dividends of Associated Dairies Limited	5			
Retained profit added to reserves:	9			2,258
Associated Dairies Limited		3,986		358
Subsidiary companies		(1,046)		33
Associated companies		(16)		
			2,924	2,679
			£3,416	£3,213
Earnings per ordinary share	6		12.21p	11.53p

The notes on pages 14 to 20 form part of these accounts

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Associated Dairies Limited and subsidiaries

Consolidated balance sheet 27 April 1974

	Note	£000s	1974 £000s	1973 £000s
Capital employed				
Issued share capital of				
Associated Dairies Limited	7			
3.85% (formerly 5.5% gross) Cumulative preference shares of £1 each fully paid			500	500
Ordinary shares of 25p each fully paid			6,954	5,543
'A' ordinary shares of 25p each fully paid			93	56
Ordinary shares of 25p each 5p paid			20	21
			<u>7,567</u>	<u>6,120</u>
Share premium account	8		178	139
Reserves	9		<u>7,680</u>	<u>6,051</u>
			15,425	12,310
Interests of outside shareholders				
7½% debenture stock 1988/93	10		479	489
Loans on mortgage			414	418
Equalisation accounts				
Taxation	1 (f)	2,539		1,777
Government grants	1 (d)	72		99
			<u>2,611</u>	<u>1,876</u>
			<u>£18,929</u>	<u>£15,333</u>
Represented by				
Fixed assets	11		20,484	14,580
Investment in associated companies	13		194	245
Trade investments and loans	14		718	62
Sinking fund	15		21	15
Current assets				
Stocks and stores	1 (e)	10,987		6,647
Debtors		2,190		2,992
Short term deposits		1,750		4,750
Cash		233		165
			<u>15,160</u>	<u>14,554</u>
			<u>36,577</u>	<u>29,456</u>
Deduct current liabilities				
Bank overdrafts		1,879		929
Creditors		13,407		12,413
Taxation		5,068		3,249
Proposed final dividend		194		248
			<u>20,548</u>	<u>16,839</u>
			<u>16,029</u>	<u>12,617</u>
Goodwill	16		<u>2,900</u>	<u>2,716</u>
			<u>£18,929</u>	<u>£15,333</u>

A N STOCKDALE } Directors
E E GINNS }

The notes on pages 14 to 20 form part of these accounts

Associated Dairies Limited

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Balance sheet 27 April 1974

	Note	£000s	1974 £000s	1973 £000s
Capital employed				
Issued share capital	7			
3.85% (formerly 5.5% gross) Cumulative preference shares of £1 each fully paid			500	500
Ordinary shares of 25p each fully paid			6,954	5,543
'A' ordinary shares of 25 each fully paid			93	56
Ordinary shares of 25p each 5p paid			20	21
			<hr/>	<hr/>
			7,567	6,120
Share premium account	8		178	139
Reserves	9		7,242	4,551
			<hr/>	<hr/>
			14,987	10,810
7½% Debenture stock 1988/93	10		479	489
Loans on mortgage			414	418
Equalisation accounts				
Taxation	1 (f)	2,568		1,675
Government grants	1 (d)	72		99
			<hr/>	<hr/>
			2,640	1,774
			<hr/>	<hr/>
			£18,520	£13,491
			<hr/>	<hr/>
Represented by				
Fixed assets	11		20,130	14,105
Interest in subsidiaries	12		1,544	45
Investment in associated companies	13		76	111
Trade investments and loans	14		718	62
Sinking fund	15		21	15
Current assets				
Stocks and stores	1 (e)	8,972		5,331
Debtors		1,433		2,255
Short term deposits		1,750		3,575
Cash		149		156
			<hr/>	<hr/>
			12,304	11,317
			<hr/>	<hr/>
			34,793	25,655
Deduct current liabilities				
Bank overdrafts		1,416		716
Creditors		12,213		10,890
Taxation		4,992		2,834
Proposed final dividend		194		248
			<hr/>	<hr/>
			18,815	14,688
			<hr/>	<hr/>
			15,978	10,967
Goodwill	16		2,542	2,524
			<hr/>	<hr/>
			£18,520	£13,491
			<hr/>	<hr/>

A N STOCKDALE } Directors
E E BINNS }

The notes on pages 14 to 20 form part of these accounts

Certified a true copy of the Balance Sheet presented to the Annual General Meeting of the Company held on 23rd October 1974.

[Signature] Director.
[Signature] Secretary.

Associated Dairies Limited and subsidiaries

Notes on the accounts

1 Accounting policies

- (a) **Basis of consolidation**
The consolidated accounts incorporate the accounts of the company and each of its subsidiaries for the period ended 27 April 1974 and also include the group's share of post-acquisition profits less losses of associated companies.
- (b) **Turnover**
Turnover comprises value of sales exclusive of V.A.T. and inter-group transactions, but inclusive of purchase tax up to 31 March 1973.
- (c) **Depreciation**
- (i) The cost of motor vehicles is written off by equal monthly instalments over the expected useful lives as shown below. Depreciation in respect of other assets shown below is charged on the cost of items in existence at the commencement of the period as follows:
- | | |
|----------------------------------|----------|
| Plant and machinery | 10 years |
| Motor vehicles | 5 years |
| Check out registers | 5 years |
| Trolleys and stillages | 3 years |
| Stores fittings and petrol pumps | 7 years |
| Other fixtures and fittings | 20 years |
- (ii) No depreciation has been provided on freehold shops and houses, nor on shops and houses held on long lease. Depreciation on other properties has been provided at the rate of 1½% per annum or at a rate sufficient to amortise the property over the term of the lease.
- (d) **Government grants**
Government grants in respect of expenditure on fixed assets have been credited to a separate account and credit is taken in the profit and loss account over the estimated average life of the relevant assets.
- (e) **Stocks and stores**
Stocks and stores have been valued on a basis consistent with the previous year, namely at the lower of cost and net realisable value.
- Cost comprises:
- | | | |
|--|---|---|
| Stocks for resale at stores | } | Retail selling prices less calculated average gross profit margin |
| Dairy stocks excluding cream, cheese and fruit juice | | |
| Meat and confectionery factory stocks | } | Cost of materials purchased |
| Sundry stocks and stores | | |
| Cream, cheese and fruit juice | } | Cost of materials purchased plus direct overheads |
| | | |
- (f) **Taxation equalisation**
Tax has been provided at the current proposed rate of 52% on the excess of the book value of fixed assets qualifying for taxation allowances over their written down value for tax purposes.

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	1974 £000s	1973 £000s
2 Trading profit is arrived at after charging:		
(a) Depreciation and amortisation (see also note 1 (c))	1,079	954
Additional depreciation in respect of obsolescence subsequent to store modernisation—now released (charged)	(140)	200
	<u>939</u>	<u>1,154</u>
Losses on sales of fixed assets	21	7
	<u>960</u>	<u>1,161</u>
Deduct: Government grant credit	22	22
	<u>£938</u>	<u>£1,139</u>
(b) Interest payable:		
Debenture	35	36
Mortgage	40	38
Short term loans and bank overdrafts	79	18
	<u>£154</u>	<u>£92</u>
(c) Hire charge for plant and machinery	<u>£239</u>	<u>£213</u>
(d) Auditors' remuneration (including £12,000 (1973 £11,000) in respect of the parent company)	<u>£14</u>	<u>£14</u>
(e) Emoluments of directors of Associated Dairies Limited:		
Fees	2	2
Management remuneration	100	89
Pension paid to past director	—	1
	<u>£102</u>	<u>£92</u>
Additional information in respect of emoluments of directors and employees, excluding pension contributions:		
	Number of directors	
	1974	1973
Chairman—emoluments £13,675 (1973—£12,173)	1	1
Other directors' emoluments in scale:		
Not more than £2,500	2	2
£2,501 —£5,000	2	2
£10,001—£12,500	1	5
£12,501—£15,000	4	—
Employee:		
£10,001—£12,500	1	—
Directors' emoluments waived—fees under article 82 £3,750 (1973 £3,750)		

Associated Dairies Limited and Subsidiaries

Notes on the accounts

3 Taxation

The charge for taxation in the accounts is arrived at as follows:

Corporation tax at 52% (1973 40.83%) on the profits for the period, payable 1 January 1976
Tax on franked investment income
Applicable to profits of associated companies
Transfer to equalisation account at 52% (1973 50%)
Prior year adjustments

1974 £000s	1973 £000s
3,159	2,266
3	—
5	48
829	422
21	2
<u>£4,017</u>	<u>£2,738</u>

4 Extraordinary items

Provision for losses on investment in Asda Universal Travel Limited now in voluntary liquidation
Increase in tax equalisation upon change in tax system
Net profits on sales of properties (less tax)
Loss (profit) on sale of shares
Profit on redemption of debentures

—	(19)
—	(271)
27	23
(8)	35
3	3
<u>£22</u>	<u>£(229)</u>

5 Dividends

Preference
1973 Final dividend underprovided in respect of late issues of shares
1st Interim on ordinary shares at 1.000p per share
2nd Interim on ordinary shares
Proposed Final on ordinary shares at 0.697p per share

19	24
1	—
278	197
—	70
194	248
<u>£492</u>	<u>£539</u>

Dividends provided in the profit and loss account for payment after 5 April 1973 are the net cash amounts paid or payable to shareholders. Dividends paid prior to 6 April 1973 are the gross amounts which include income tax thereon.

6 Earnings per share

Earnings per fully paid ordinary share are calculated on profits after extraordinary items and preference dividend.

7 Share capital

The authorised share capital of Associated Dairies Limited is as follows:

3.85% (formerly 5.5% gross) Cumulative preference shares of £1 each
Ordinary shares of 25p each

1974 £000s	1973 £000s
500	500
7,750	6,250
<u>£8,250</u>	<u>£6,750</u>

The authorised share capital was increased on 24 October 1973 by 6,000,000 ordinary shares of 25p each.

The increase in the issued share capital, as a result of the bonus issue of one ordinary share of 25p for every four fully paid ordinary shares held and one ordinary share for every four partly paid shares held, amounting to £1,420,571 on 24 October 1973 was capitalised out of reserves (see notes 8 and 9).

On 3 July 1973 all the shares of Sandmartin Foods Limited were acquired, part of the consideration being the issue of 62,937 ordinary shares of 25p each at a premium of 261p per share.

A further call was made on shares upon retirement of a member of the Senior Executive Share Incentive Scheme.

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8 Share premium account

	£000s
At 28 April 1973	139
Arising during the year	178
Amount capitalised on bonus issue	(139)
	<u>£178</u>
At 27 April 1974	

9 Reserves

	<i>The group</i> £000s	<i>The company</i> £000s
At 28 April 1973	6,051	4,551
Retained profits	2,924	3,986
	<u>8,975</u>	<u>8,537</u>

Deduct:	£000s	
Amount capitalised on bonus issue	1,291	
Expenses of issue	4	
	<u>1,295</u>	<u>1,295</u>

At 27 April 1974	<u>£7,680</u>	<u>£7,242</u>
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The figure in respect of subsidiary companies under the head of retained profits is made up as follows:

Dividend from the now dormant subsidiary GEM Super Centres Limited	1,001
Add: Losses less profits of trading subsidiary companies	45
	<u>£1,046</u>

The retained profits for the company include the dividend from GEM Super Centres Limited.

10 7½% Debenture stock 1988/93

In accordance with the provisions of the trust deed dated 10 November 1967, the company is required to provide £7,500 per annum towards redemption of stock. During the year the company purchased £10,050 nominal value of stock at a cost of £6,625.

11 Fixed assets

	<i>Freehold properties</i> £000s	<i>Leasehold properties</i> £000s	<i>Plant, machinery and equipment and vehicles</i> £000s	<i>Total</i> £000s
(a) The group				
Cost or valuation:				
At 28 April 1973	6,070	1,831	8,947	16,848
Relating to new subsidiary	34	—	19	53
Additions during period	2,470	266	2,214	4,950
Surplus on valuation	150	28	—	178
Cost of disposals	(31)	(18)	(494)	(543)
At 27 April 1974	<u>8,693</u>	<u>2,107</u>	<u>10,686</u>	<u>21,486</u>
Depreciation:				
At 28 April 1973	236	128	3,776	4,140
Relating to new subsidiary	—	—	5	5
Charge for period	82	38	818	938
Relating to disposals	(1)	(7)	(400)	(408)
At 27 April 1974	<u>317</u>	<u>159</u>	<u>4,199</u>	<u>4,675</u>
Net book amounts 27 April 1974	<u>£8,376</u>	<u>£1,948</u>	<u>£6,487</u>	<u>16,811</u>
Payments under contracts not yet completed (1973 £1,872,400)				3,673
				<u>£20,484</u>

Associated Dairies Limited and subsidiaries

Notes on the accounts

	Freehold properties £000s	Leasehold properties £000s	Plant, machinery and vehicles £000s	Total £000s
(b) The company				
Cost or valuation:				
At 28 April 1973	6,063	1,647	8,425	16,135
Additions during period	2,349	189	2,107	4,645
Inter-company transfers	147	212	515	874
Cost of disposals	(31)	(18)	(489)	(538)
At 27 April 1974	8,528	2,030	10,558	21,116
Depreciation:				
At 28 April 1973	235	106	3,559	3,900
Charge for period	82	38	814	934
Relating to inter-company transfers	—	22	209	231
Relating to disposals	(1)	(7)	(398)	(406)
At 27 April 1974	316	159	4,184	4,659
Net book amounts 27 April 1974	£8,212	£1,871	£6,374	16,457
Payments under contracts not yet completed (1973 £1,869,933)				3,673
				£20,130

(c) Included in the net book value of properties were stores revalued by the directors during the year amounting to £212,643 for the group and £177,643 for the company. No taxation has been provided on surpluses arising upon revaluation.

	The group £000s	The company £000s
(d) Leases with fifty years or more unexpired	1,441	1,441
Leases with less than fifty years unexpired	507	430
	£1,948	£1,871

12 Interest in subsidiaries

	1974 £000s	1973 £000s
(a) Shares at cost less amounts written off	1,481	918
Amounts owing by subsidiaries	1,185	508
	2,666	1,426
Less amounts owing to subsidiaries	1,122	1,381
	£1,544	£45

(b) The wholly-owned subsidiaries of Associated Dairies Limited consist of:
Robert Hardman Limited
Southern Gold (U.K.) Limited
Sandmartin Foods Limited
Thirty-eight non-trading companies

(c) During the year the company acquired the 20% minority interest in GEM Super Centres Limited for the sum of £362,000, and all the share capital of Sandmartin Foods Limited for the sum of £201,000.

(d) Southern Gold (U.K.) Limited recommenced trading during the year.

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13 Investment in associated companies

- (a) The results of associated companies are now dealt with in accordance with the Standard Accounting Practice as laid down by the Institute of Chartered Accountants in England and Wales.

The associated companies concerned are set out below. The dates indicated are those to which audited accounts have been received, the results of which, together with management accounts, have been used to form the basis for calculation of the group's share of losses.

	1974 £000s	1973 £000s
(b) Cost of shares	15	15
Loan accounts	61	96
	<hr/>	<hr/>
Investment held attributable to Associated Dairies Limited	76	111
Share of undistributed profits since acquisition	118	134
	<hr/>	<hr/>
Investment held attributable to Associated Dairies Group	<u>£194</u>	<u>£245</u>

- (c) The company holds in excess of 10% of the equity capital of the following companies which are incorporated in England:

	Proportion of equity capital held	Date of last audited accounts
Settle Creamery Limited	60%	31 August 1973
Eden Vale (North) Limited	45%	29 September 1973
Rosenda (Blackburn) Limited	40%	27 April 1974

14 Trade investments and loans

	The group and the company	
	1974 £000s	1973 £000s
Quoted trade investments (market value £350,200)	632	—
Loans	86	62
	<hr/>	<hr/>
	<u>£718</u>	<u>£62</u>

- 15 **Sinking fund**—comprises premiums paid on a sinking fund insurance policy taken out as collateral security for a loan on mortgage from Legal and General Assurance Society Limited. The policy is to mature in 1995 and the premium is £5,200 per annum.

Associated Dairies Limited and subsidiaries

Notes on the accounts

16 Goodwill

	<i>The group</i> £000s	<i>The company</i> £000s
Balance at 28 April 1973:	994	994
Relating to milk businesses		
Other goodwill including excess cost of shares over assets purchased	1,893	1,535
	<u>2,716</u>	<u>2,524</u>
Net purchases of milk rounds	13	13
Other goodwill purchased	171	6
	<u>£2,900</u>	<u>£2,542</u>
Balance at 27 April 1974:	1,007	1,007
Relating to milk businesses		
Other goodwill including excess cost of shares over assets purchased	1,893	1,535
	<u>£2,900</u>	<u>£2,542</u>

17 Future capital expenditure

The directors have authorised future capital expenditure amounting to:

	<i>The group and the company</i>	
	1974	1973
	£000s	£000s
Contracted for	1,800	1,668
Not contracted for	3,200	1,735

18 Contingent liabilities

The company has given a guarantee to bankers amounting to £150,000 in respect of an associated company.

Associated Dairies Limited

How the cake is consumed

33

FOR EVERY £100 OF SALES

PURCHASES £84.50

WAGES 7.00

OPERATING EXPENSES 3.80

TAXATION 2.60

RETAINED PROFIT 1.80

DIVIDEND 0.30

FOR EVERY £100 OF GROSS PROFIT

WAGES £45.20

OPERATING EXPENSES 24.50

TAXATION 16.80

RETAINED PROFIT 11.60

DIVIDEND 1.90

Associated Dairies Limited

10-year group financial record sales, profits and dividends

34

	£000s									
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Turnover	13,499	15,712	19,342	26,875	34,249	48,265	72,820	95,110	122,100	158,200
Profit before tax	595	636	786	1,120	1,379	1,719	2,908	3,787	6,265	7,411
Taxation	220	234	328	466	515	749	1,132	1,558	2,738	4,017
Profit after tax	375	402	458	654	864	970	1,776	2,229	3,527	3,394
Minority interests	—	2	7	42	—	48	51	64	80	—
Extraordinary items	—	—	—	—	—	—	(10)	123	229	(22)
Amount written off goodwill of subsidiary	—	—	—	10	56	—	—	—	—	—
Preference dividend*	15	25	25	27	27	27	27	27	23	19
Amount available for distribution to ordinary shareholders	360	375	426	575	781	895	1,708	2,015	3,195	3,397
Ordinary dividends*	115	193	226	234	258	340	495	620	516	473
Retained earnings	245	182	200	341	523	555	1,213	1,395	2,679	2,924
Profit before tax as % of turnover	4.41	4.05	4.06	4.17	4.01	3.56	3.99	3.98	4.87	4.68
Earnings per share—new pence†	1.38	1.44	1.64	2.21	2.83	3.24	6.18	7.28	11.53	12.21

Notes

* The partly paid shares and 'A' ordinary shares are not included in these totals.

In 1965 dividends are shown net of tax.

In 1966 to 1972 inclusive dividends are shown gross of tax.

In 1973 the first interim is shown gross, the 2nd interim and final are shown net of tax as a result of the changes in taxation system.

In 1974 dividends are shown net of tax.

† Earnings per share are calculated by dividing the amount available for distribution to ordinary shareholders by the following numbers of shares which represent shares in issue as adjusted by bonus issues and issues upon acquisitions.

1965-68 inclusive 26,016,455

1969-71 inclusive 27,631,445

1972 27,659,176

1973 27,717,052

1974 27,815,255

Associated Dairies Limited

10-year group financial record application and source of funds

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
<i>£000s</i>										
Application of funds:										
Purchases of goodwill	119	98	200	45	1,222	79	(21)	15	103	184
Purchases less sales fixed assets	262	679	761	1,283	1,454	2,705	1,340	3,446	3,962	5,842
Investments	23	132	(23)	(21)	594	(62)	(527)	49	45	605
	404	909	938	1,307	3,270	2,722	792	3,510	4,115	7,631
Source of funds:										
Issue of share capital less issue expenses	12	—	—	(5)	1,244	(8)	11	38	134	191
Increase (decrease) in minority interest	—	52	13	40	(39)	45	51	64	68	(240)
Retained earnings	245	182	200	341	523	555	1,213	1,395	2,673	2,924
Depreciation	218	244	264	324	373	464	606	738	1,139	938
Increase (decrease) in tax equalisation accounts	75	69	113	90	129	224	168	394	689	735
Long-term loan capital and deferred liability	—	—	122	475	—	(122)	—	219	172	(20)
Reduction (increase) in working capital	67	(2)	148	370	9	1,916	733	455	2,020	(779)
Reduction (increase) in cash assets	(213)	364	78	(328)	1,031	(352)	(1,964)	207	(2,786)	3,882
	404	909	938	1,307	3,270	2,722	792	3,510	4,115	7,631