

Registrar
H64447/2305

ASSOCIATED DAIRIES LIMITED

ACCOUNTS

28 APRIL 1979

Ernst & Whinney
Chartered Accountants

Ernst & Whinney

Chartered Accountants

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts of Associated Dairies Limited set out on pages 2 to 11. These have been prepared under the historical cost convention as explained in note 1(a).

In our opinion the accounts give a true and fair view of the state of affairs at 28 April 1979 and of the profit, changes in retained profits and source and application of funds for the period then ended and comply with the Companies Acts 1948 and 1967.

Ernst & Whinney

LEEDS

20 August 1979 -

ASSOCIATED DAIRIES LIMITED

PROFIT AND LOSS ACCOUNT AND STATEMENT OF RETAINED PROFITS
FOR THE FIFTY-TWO WEEKS ENDED 28 APRIL 1979

	Note	1979 £	1978 £
TURNOVER	2	<u>£678,000,000</u>	<u>£535,000,000</u>
TRADING PROFIT	3	31,261,636	23,607,333
Other income	4	<u>1,849,916</u>	<u>2,440,214</u>
PROFIT BEFORE TAXATION		33,111,552	26,047,547
TAXATION	5	<u>14,056,374</u>	<u>6,199,445</u>
PROFIT AFTER TAXATION		19,055,178	19,848,102
Dividends	6	<u>5,873,887</u>	<u>714,784</u>
RETAINED PROFIT FOR THE PERIOD		<u>£13,181,291</u>	<u>£19,133,318</u>

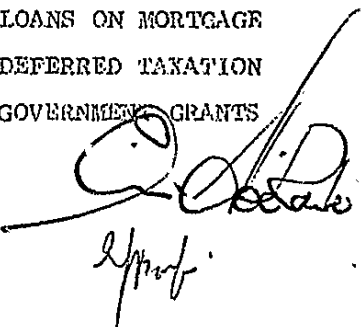
STATEMENT OF RETAINED PROFITS

Balance at 29 April 1978		26,271,512	19,456,555
As previously reported		<u>24,312,925</u>	<u>16,991,755</u>
Prior year adjustment	7	50,584,437	36,448,310
Capitalised on bonus issue		(5,933,284)	(4,997,191)
Retained profit for the period		<u>13,181,291</u>	<u>19,133,318</u>
Balance at 28 April 1979		<u>£57,832,444</u>	<u>£50,584,437</u>

The notes on pages 5 to 11 form part of these accounts

ASSOCIATED DAIRIES LIMITED

BALANCE SHEET AT 28 APRIL 1979

	Note	£	1979 £	1978 £
ASSETS EMPLOYED				
FIXED ASSETS	8		94,778,844	69,287,450
INTEREST IN SUBSIDIARIES	9		6,298,281	299,040
TRADE INVESTMENTS AND LOANS	10		154,799	76,393
CURRENT ASSETS				
Stocks		36,475,416		32,568,667
Debtors		6,840,212		6,171,336
Short-term deposits		1,251,000		23,980,034
Cash		3,222,914		1,373,840
Amount due from holding company	11	<u>18,511,627</u>		-
			64,301,169	64,093,877
			165,533,093	133,756,760
DEDUCT CURRENT LIABILITIES				
Creditors		58,725,253		49,421,507
Taxation		19,102,732		11,183,120
Proposed final dividend		<u>-</u>		333,888
			77,827,985	60,938,515
			87,705,108	72,818,245
GOODWILL	12		<u>1,086,167</u>	<u>1,059,949</u>
			<u>£ 88,791,275</u>	<u>£ 73,878,194</u>
FINANCED BY				
SHAREHOLDERS' FUNDS				
Share capital	13		27,857,878	20,757,053
Share premium	14		175,476	149,056
Reserves			<u>57,832,444</u>	<u>50,584,437</u>
			85,865,798	71,490,551
7½% DEBENTURE STOCK 1988/93	15		283,000	293,385
LOANS ON MORTGAGE			391,250	395,750
DEFERRED TAXATION	16		6,900	(59,618)
GOVERNMENT GRANTS			2,244,327	1,758,126
				
Directors				
			<u>£88,791,275</u>	<u>£73,878,194</u>

The notes on pages 5 to 11 form part of these accounts

ASSOCIATED DAIRIES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE FIFTY-TWO WEEKS ENDED 28 APRIL 1979

	1979		1978	
	£000's	£000's	£000's	£000's
SOURCE OF FUNDS				
Profit before tax		33,111		26,047
Adjustments for items not involving movement of funds:				
Depreciation		5,383		4,200
Government grant credit		(175)		(117)
TOTAL GENERATED FROM OPERATIONS		38,319		30,130
FUNDS FROM OTHER SOURCES				
Shares issued for value less expenses		1,194		304
Government grants received		660		1,268
Investments and loans realised		-		20
		40,173		31,720
APPLICATION OF FUNDS				
Dividends paid		6,208		638
Taxation paid		6,069		4,245
Net purchase of fixed assets		30,875		22,320
Long term loans repaid		15		9
Sinking fund		6		5
Goodwill relating to milk rounds		26		12
Investments and loans		73		-
Interest in subsidiaries		5,999		(5)
		49,271		27,224
		£(9,098)		£ 4,496
DECREASE/INCREASE IN WORKING CAPITAL				
Increase in stock		3,906		9,554
Increase in debtors		669		1,864
Increase in creditors		(9,304)		(13,769)
Increase in amount due from holding company		16,511		-
Movement in net liquid funds:				
Increase in cash balances		1,849		(33)
(Decrease)/Increase in short term deposits		(22,729)		6,880
		£(9,098)		£ 4,496

The notes on pages 5 to 11 form part of these accounts

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the historical cost convention except for the revaluation of properties in respect of previous years which are incorporated in the accounts.

b) Consolidated accounts

No consolidated accounts have been prepared since the company is a wholly-owned subsidiary of Associated Dairies Group Limited.

c) Depreciation

Depreciation has been provided to write off the cost or valuation of fixed assets over their estimated useful lives.

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

Stocks have been valued on a basis consistent with the previous year, namely at the lower of cost and net realisable value. In respect of stock for re-sale cost comprises retail selling prices less a calculated average gross profit margin.

f) Goodwill

Goodwill relating to milk business is capitalised upon purchase.

g) Deferred taxation

In accordance with Statement of Standard Accounting Practice No. 15 deferred taxation is now provided on the liability method on all timing differences except those which are considered likely to continue in the foreseeable future. Previously deferred taxation was provided on all timing differences. Comparative figures have been restated in this respect.

h) Pension benefits

Pension benefits provided to ex-employees are funded over the employees' period of service. The company's contributions are based on the most recent triennial actuarial valuation of the fund.

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS

2. TURNOVER

Turnover comprises value of sales exclusive of VAT and inter-group transactions.

3. TRADING PROFIT is arrived at after charging:

	1979 £	1978 £
a) Depreciation and amortisation	5,382,699	4,206,896
Net Loss/(profit) on sale of fixed assets	<u>144,630</u>	<u>(47,312)</u>
	5,527,329	4,159,584
Deduct: Government grant credit	<u>175,003</u>	<u>117,074</u>
	<u>£5,352,326</u>	<u>£4,042,510</u>
b) Interest payable:		
Debenture and mortgage interest	62,313	63,706
Short term loans and bank overdrafts	<u>158,024</u>	<u>52,824</u>
	<u>£ 220,337</u>	<u>£ 116,530</u>
c) Hire charge for plant and machinery	<u>£1,601,617</u>	<u>£1,457,458</u>
d) Auditors' remuneration	<u>£ 30,000</u>	<u>£ 23,500</u>
e) Emoluments of directors:		
Fees	708	1,458
Management remuneration	<u>278,030</u>	<u>235,919</u>
	<u>£ 278,738</u>	<u>£ 237,377</u>

Ten (1978: Ten) directors waived fees under Article 82 £5,250 (1978: £5,250)

Additional information in respect of emoluments of directors and employees excluding pension contributions :

	Number of directors	
	1979	1978
Chairman - emoluments £29,115 (1978: £23,115)	1	1
Highest paid director £29,415	1	1
Other directors' emoluments in scale:		
Not more than £2,500	2	2
£ 5,001 to £ 7,500	-	1
£17,501 to £20,000	-	7
£22,501 to £25,000	7	-
	Number of employees	
Employees: £10,001 to £12,500	28	15
£12,501 to £15,000	10	2
£15,001 to £17,500	1	-

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS

4. OTHER INCOME

	1979 £	1978 £
Short term corporation, treasury stock and bank loan interest	1,563,927	1,698,949
Other interest	28,101	11,954
Surplus on disposal of treasury stock	89,966	729,311
Dividend receivable from subsidiary company	<u>167,922</u>	<u>-</u>
	<u>£1,849,916</u>	<u>£2,440,214</u>

5. TAXATION

The charge based on the profit for the period comprises:

	1979 £	1978 £
UK Corporation tax - current year	13,084,035	6,533,554
- prior year adjustment	1,070,273	(362,100)
Deferred taxation - current year on full deferral	5,302,015	6,985,860
- prior year adjustment	-	363,301
- SSAP 15 release	<u>(5,399,949)</u>	<u>(7,321,170)</u>
	<u>£14,056,374</u>	<u>£6,199,445</u>

UK corporation tax is payable at 52% on 1 January 1981.

The release, in accordance with Statement of Standard Accounting Practice 15 for taxation which is not likely to become payable in the foreseeable future, relates to accelerated capital allowances £5,145,770 (1978: £3,723,360) and to stock appreciation relief £254,179 (1978: £3,597,810).

6. DIVIDENDS

	1979 £	1978 £
Preference	9,618	19,235
Ordinary - interim 0.7p per share (1978: .45p)	757,129	360,419
- proposed final	-	333,888
Final dividend underprovided in respect of late issues of shares	804	1,242
Dividend payable to holding company	<u>5,106,336</u>	<u>-</u>
	<u>£5,873,887</u>	<u>£ 714,784</u>

7. PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to the adoption of Statement of Accounting Practice No. 15 - Deferred Taxation.

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS

8. FIXED ASSETS

	Freehold properties £	Leasehold properties £	Plant, machinery equipment & vehicles £	Total £
a				
Cost or valuation:				
At 29 April 1978	20,516,643	20,002,357	32,466,781	72,985,781
Additions during period	4,590,632	13,037,715	13,567,984	31,196,341
Cost of disposals	(55,539)	(217,672)	(3,556,263)	(3,829,477)
At 28 April 1979	25,051,736	32,822,400	42,478,509	100,352,645
Depreciation:				
At 29 April 1978	1,070,207	656,073	11,996,451	13,722,731
Charge for period	373,451	54,597	4,464,651	5,382,699
Relating to disposals	(1,474)	(54,274)	(3,113,212)	(3,168,960)
At 28 April 1979	1,442,184	1,146,396	13,347,890	15,936,470
Net book amounts				
28 April 1979	<u>£23,609,552</u>	<u>£31,676,004</u>	<u>£29,130,619</u>	84,416,175
Payments under contracts not yet completed (1978: £10,024,400)				10,382,669
				<u>£94,778,844</u>

b) The cost or valuation of fixed assets, excluding freehold land is written off on a straight-line basis as follows :-

Freehold and leasehold buildings	-	66 years or period of lease if shorter
Plant and equipment	-	3 to 20 years
Motor vehicles	-	4 to 10 years

c) The cost or valuation figure of properties comprises:-

	£
At valuation 1974	168,602
At cost	<u>57,705,444</u>
	<u>£57,874,136</u>

d) The net book value of leasehold property comprises:-

Leases with fifty years or more unexpired	28,838,113
Leases with less than fifty years unexpired	<u>2,837,891</u>
	<u>£31,676,004</u>

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS

9. INTEREST IN SUBSIDIARIES

	1979 £	1978 £
a) Shares at cost less amounts written off	6,972,672	1,163,695
Amounts owing by subsidiaries	<u>140,903</u>	<u>119,430</u>
	7,113,575	1,283,125
Less amounts owing to subsidiaries	<u>983,216</u>	<u>984,085</u>
	6,130,359	299,040
Add Dividend due from subsidiary company	<u>167,922</u>	<u>-</u>
	<u>£6,298,281</u>	<u>£ 299,040</u>

b) The subsidiaries of Associated Dairies Limited, owned directly and indirectly and incorporated in England, except where otherwise stated are :-

Wholly-owned:

Wades Departmental Stores Limited
 Dales Furnishing Stores (Leeds) Limited
 Wades Furnishing Stores (Manchester) Limited
 Clegg and Huntington Limited
 Houston (House Furnishers) Limited - incorporated in Scotland
 Strongmill Limited

Forty-eight non-trading companies

Partly owned:

Rosenda (Blackburn) Limited - 80%
 Mr. President Fisheries Ltd - 80%

10. TRADE INVESTMENTS AND LOANS

	1979 £	1978 £
Associated company - shares at cost (unquoted)	9,000	9,000
Other trade loans	<u>98,999</u>	<u>25,793</u>
Sinking fund	<u>46,800</u>	<u>41,600</u>
	<u>£154,799</u>	<u>£76,393</u>

a) The company holds 45% of the equity capital of Eden Vale (North) Limited, a company registered in England.

b) The 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 25,200 per annum.

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS

11. HOLDING COMPANY

	£
Amount due from holding company	21,617,963
Less: Dividend payable to holding company	<u>5,106,336</u>
	<u>£16,511,627</u>

The holding company is Associated Dairies Group Limited a company incorporated in England.

12. GOODWILL

	£
At 29 April 1978	1,059,949
Net purchase of milk rounds	<u>26,218</u>
At 28 April 1979 - relating to milk businesses	<u>£1,086,167</u>

13. SHARE CAPITAL

	Authorised		Issued and fully paid	
	1979	1978	1979	1978
	£	£	£	£
5.5% (now 3.85% plus tax credit) cumulative preference shares of £1 each	500,000	500,000	499,623	499,623
Ordinary shares of 25p each, fully paid	28,500,000	22,000,000	27,173,882	20,065,500
'A' Ordinary shares of 25p each			178,473	183,460
Ordinary shares of 25p each, 5p paid			5,900	8,475
	<u>£29,000,000</u>	<u>£21,500,000</u>	<u>£27,857,878</u>	<u>£20,757,058</u>

The authorised share capital was increased on 25 October 1978 by 30,000,000 Ordinary shares of 25p each.

'A' Ordinary shares, which arise as bonus issue on the partly paid ordinary shares issued under the Senior Executive Share Incentive Scheme, do not rank for dividend.

315,722 Ordinary shares amounting to £78,931 were issued on the acquisition of Wades Departmental Stores Ltd.

The increase in the issued share capital, as a result of the bonus issue of one ordinary share of 25p for every three fully paid ordinary shares held, one ordinary share for every three partly paid shares held and one ordinary share for every three 'A' ordinary shares held, amounting to £6,799,025 on 25 October 1978 was capitalised out of reserves and share premium.

Further calls were made on shares in the Senior Executive Share Option and Senior Executive Share Incentive schemes amounting to £222,864.

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS

14. SHARE PREMIUM ACCOUNT

	£
At 29 April 1978	149,056
Arising during the year (less expenses of £5,218)	212,786
Arising in respect of acquisition of Wades	694,588
Amount capitalised on bonus issue	(880,954)
At 28 April 1979	<u>£175,476</u>

15. 7½% DEBENTURE STOCK 1988/93

In accordance with the provisions of the trust deed dated 10 November 1967 the company is required to provide at a cumulative rate of £7,500 per annum towards redemption of stock. During the year the company purchased £10,385 nominal value of stock at a cost of £7,097.

16. DEFERRED TAXATION

	1979 £	1978 £
Potential liability for deferred taxation:		
Capital allowances	19,987,000	14,841,230
Stock appreciation relief	8,448,652	9,346,541
Excess of valuations over cost of properties and capital gains deferred by 'roll-over' relief	125,154	125,154
Short-term timing differences	6,900	104,834
Advance corporation tax on proposed dividends	<u>—</u>	<u>(164,452)</u>
	<u>£28,567,706</u>	<u>£24,253,307</u>
Provision retained:		
Short-term timing differences	6,900	104,834
Advance corporation tax on proposed dividends	<u>—</u>	<u>(164,452)</u>
	<u>£ 6,900</u>	<u>£ (59,618)</u>

17. CAPITAL COMMITMENTS

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

	1979 £	1978 £
Contracted for	7,400,000	6,700,000
Not contracted for	27,100,000	15,700,000

ASSOCIATED DAIRIES LIMITED

DIRECTORS' REPORT

The directors submit their report and the company's balance sheet at 28 April 1979 together with the group accounts for the fifty-two week period ended on that date.

Profit and appropriation	1979	1978
The group profits for the fifty-two weeks to 28 April 1979 before taxation amount to	33,111,552	26,047,547
After allowing for taxation of	<u>14,056,374</u>	<u>6,199,445</u>
There remains a net profit attributable to the company of	19,055,178	19,848,102
Out of which the directors have paid and recommended dividends as detailed in the group profit and loss account of (See Note 6 to the Accounts)	<u>5,873,887</u>	<u>714,784</u>
Leaving retained profits of	<u>13,181,291</u>	<u>19,133,318</u>

On 29 August 1979 the directors recommended the payment of a final dividend on the ordinary shares of £5,106,336

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 supermarkets and superstores.

Fixed assets

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

Freehold land and buildings:	£ 3,092,909
Leasehold property:	£11,673,647
Plant, equipment, machinery and vehicles: (£ 3,336,162)	

Shares issued

Pursuant to resolutions passed at an extraordinary general meeting held on 25 October 1978

- The authorised capital of the company was increased from £21,500,000 to £29,000,000 by the creation of 30,000,000 ordinary shares of 25p each.
- The sum of £6,799,025.25 was capitalised from reserves and share premium account and 27,196,101 ordinary shares of 25p each credited as fully paid were issued to ordinary shareholders in the proportion of one such ordinary share for every three ordinary shares of 25p each, for every three partly paid ordinary shares of 25p each (5p paid) and for every three "A" ordinary shares of 25p each held by such shareholders at the close of business at 25 September 1978.

Pursuant to the terms of the acquisition of ordinary shares in Wades Departmental Stores Limited 315,722 ordinary shares of 25p each were issued.

Pursuant to the rules of the Senior Executive Share Incentive Scheme 14,500 partly paid ordinary shares of 25p each (5p paid) and 67,804 'A' ordinary shares of 25p each were converted to 82,304 ordinary shares of 25p each fully paid. Pursuant to Rules 5,6(b) and 7(a) of the Senior Executive Share Option Scheme 888,235 ordinary shares of 25p each fully paid were issued during the year.

Director and their interests

The following is a list of the present directors of the company (also directors of the holding company Associated Dairies Group Limited) showing their interests as defined by the Companies Act 1967:

	31 August 1979	28 April 1979	29 April 1978
A.N. Stockdale	25,000 a	25,000 a	25,000 a
" "	155,837 b	155,837 b	110,628 b
E.E. Binns	-	-	25,000 a
" "	-	-	110,628 b
E.G. Bousfield	20,000 a	20,000 a	20,000 a
" "	124,673 b	124,673 b	88,505 b
P. Asquith	25,000 a	25,000 a	25,000 a
" "	155,837 b	155,837 b	110,628 b
D. Baddiley	-	7,500 a	17,500 a
" "	-	46,758 b	77,444 b
P. R. Baines	10,000 a	10,000 a	12,000 a
" "	62,368 b	62,368 b	53,124 b
A. D. Dobson	-	-	-
" "	-	-	-
D. Drew	-	-	15,000 a
P. Firmston-Williams	15,000 a	15,000 a	50,101 b
" "	71,801 b	71,801 b	-
A. E. Gardiner	-	-	5,000 a
J. D. Ridgway	-	-	22,132 b
" "	-	-	-

*a Ordinary shares of 25p each (5p paid)

*b 'A' Ordinary shares of 25p each

*Shares held under the Rules of the Senior Executive Share Incentive Scheme. On becoming fully paid to be issued as Associated Dairies Group Limited shares of 25p each.

Mr. C.F. Lister held office during the year until his death on 29 September 1978.

The directors retiring by rotation at the forthcoming annual general meeting are Mr. A.E. Gardiner, D. Baddiley and J.D. Ridgway, who, being eligible, offer themselves for re-election.

Mr. A.D. Dobson having attained the age of 70 or over, retires at the forthcoming annual general meeting in accordance with Article 112 (B) of the articles of association, and being eligible, offers himself for re-election.

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

Employees

The weekly average number of persons employed by the group (including part-time employees) during the period was 19,316 (15,833). Their aggregate remuneration amounted to £41,467,166 (£32,337,382).

Charitable and political contributions

The group made the following contributions during the year:

For charitable purposes £4,696

For political purposes £ 686

Political contributions exceeding £50 were as follows:

West Yorkshire Industrialists Council £500

Leeds Conservatives Associations £186

Substantial holdings

So far as the directors are aware, no person, company or group of companies holds or is beneficially interested in 5% or more of the issued capital of the company.

Exports

The value of goods exported from the United Kingdom by the company and its subsidiaries during the period amounted to £77,770 (£86,197)

Income and Corporation Taxes Act 1970

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

Auditors

Whinney Murray & Co. have merged their practice with Turquands Barton Mayhew & Co. and from 1st July 1979 have practiced in the name of Ernst & Whinney. In accordance with Section 14 of the Companies Act 1976 a resolution proposing the re-appointment of Ernst & Whinney as auditors of the Company will be put to the members at the Annual General Meeting.

By order of the board
P. R. BAINES Secretary