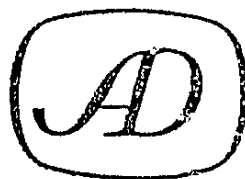


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ASSOCIATED DAIRIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS 1981



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN to the ordinary shareholders of the company that the THIRTY SECOND ANNUAL GENERAL MEETING of the company will be held at the registered office of the company, on Wednesday, 28 October 1981 at 10.30 in the morning for the following purposes:

- 1 To receive the report of the directors and the accounts for the fifty two weeks to 2 May 1981 with report of the auditors thereon and declare a dividend. (Resolution 1)
- 2 To re-elect the following directors:
Mr. A. N. Stockdale (Resolution 2)
Mr. E. E. Binns (Resolution 3)
Mr. J. D. Fletcher (Resolution 4)
- 3 To re-appoint Messrs. Ernst & Whinney auditors of the company and to authorise the directors to fix their remuneration (Resolution 5)
- 4 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 proxy form is enclosed at the end of this report.

By order of the board
P. R. Baines secretary

Craven House
Kirkstall Road
Leeds LS3 1JE

29 September 1981

The register of directors' interest in shares will together with directors' service agreements be available for inspection during usual business hours on any weekday (Saturdays and Public holidays excluded) at the registered office from this date until the date of the annual general meeting and at the place of the meeting for fifteen minutes prior to and until the termination of the meeting.

ASSOCIATED DAIRIES LIMITED

DIRECTORS' REPORT

The directors submit their report and the company's balance sheet at 2 May 1981 together with the group accounts for the fifty two week period ended on that date.

Profit and appropriation

	<u>1981</u>	<u>1980</u>
The group profits for the fifty two weeks to 2 May 1981 before taxation amount to	47,005,332	41,852,156
After allowing for taxation of	19,864,985	13,683,423
There remains a net profit attributable to the company of	<u>27,140,347</u>	<u>28,168,733</u>
Out of which the directors have paid and recommended dividends as detailed in the group profit and loss account of		
(See Note 7 to the Accounts)	23,852,600	10,449,726
Leaving retained profits of	<u>3,287,747</u>	<u>17,719,007</u>

On 26 August 1981 the directors recommended that payment of a final dividend on the ordinary shares of £4,738,307.

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:	10,751,033
Leasehold property:	21,151,436
Plant, equipment, machinery and vehicles:	12,709,609

Shares Issued

Pursuant to the rules of the Senior Executive Share Incentive Scheme 80,500 partly paid ordinary shares of 25p each (5p paid) and 990,133 'A' ordinary shares of 25p each were converted to 1070633 ordinary shares of 25p each fully paid.

Pursuant to a resolution passed at the annual general meeting held on 29 October 1980 the sum of £57,421.25 was capitalised from The Share Premium Account and 229,685 'A' ordinary shares of 25p each credited as fully paid and issued to the members of the Senior Executive Share Incentive Scheme in the proportion of one such 'A' ordinary share for every three partly paid shares of 25p each (5p paid) and for every three 'A' ordinary shares held.

Directors and their interests

The following is a list of the present directors of the company who were directors during the period, together with their beneficial interests including family interest in the shares of the company:

	<u>2 May 1981</u>	<u>3 May 1980</u>
A N Stockdale	NIL	25,000 a
	NIL	246,255 b
E E Binns	NIL	NIL
E G. Bousfield	NIL	15,000 a
	NIL	147,766 b
P R Baines	NIL	10,000 a
	NIL	98,552 b
A D Dobson	NIL	NIL
D Drew	NIL	NIL
P Firmston-Williams	NIL	15,000 a
	NIL	115,201 b
A E Gardiner	NIL	NIL
J D Ridgway	NIL	NIL

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

* b - 'A' ordinary shares of 25p each

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

Pursuant to Article 94 of the company's articles of association Messrs. A. N. Stockdale and E. E. Binns retire by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

Messrs. A. D. Dobson and P. Firmston-Williams held office during the period. Mr. Dobson retired on 30 July 1981 and Mr. Firmston-Williams retires on 31 August 1981.

Mr. J. D. Fletcher was appointed a director on 5 August 1981 to take effect from 1 September 1981. In accordance with Article 92 of the company's articles of association he will retire at the forthcoming annual general meeting and being eligible offers himself for re-appointment.

The executive directors have service contracts which expire on 31 August 1984.

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 23,723 (21,967). Their aggregate remuneration amounted to £67,973,501 (£61,901,984).

Charitable and political contributions

The group made the following contributions during the period:

For charitable purposes £6,301
For political purposes £100

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 £6,000. (£52,113)

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

The company's auditors Ernst & Whinney have expressed their willingness to continue in office. 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 at the members of the annual general meeting.

26 August 1981

By order of the Board
P. R. Baines Secretary

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 12. These have been prepared under the historical cost convention as explained in note 1(a). Our audit has been carried out in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs at 2 May 1981 and of the profit and source and application of funds for the period then ended and comply with the Companies Acts 1948 to 1980.

Ernst & Whinney

Leeds

26 August 1981

ASSOCIATED DAIRIES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE FIFTY-TWO WEEKS ENDED 2 MAY 1981

	Note	1981 £	53 weeks ended 3 May 1980 £
TURNOVER	2	<u>£ 1,058,000,000</u>	<u>£ 872,000,000</u>
OPERATING PROFIT	3	47,345,144	41,258,376
Net interest	4	(476,196)	421,806
Other income	5	136,384	171,974
PROFIT BEFORE TAXATION		<u>47,005,332</u>	<u>41,852,156</u>
Taxation	6	19,864,985	13,683,423
PROFIT AFTER TAXATION		<u>27,140,347</u>	<u>28,168,733</u>
Dividends	7	23,852,600	10,449,726
RETAINED PROFIT FOR THE PERIOD	15	<u>£ 3,287,747</u>	<u>£ 17,719,007</u>

ASSOCIATED DAIRIES LIMITED

BALANCE SHEET AT 2 MAY 1981

	Note	£	1981 £	1980 £
ASSETS EMPLOYED				
FIXED ASSETS	8		156,552,327	126,710,315
INTEREST IN SUBSIDIARIES	9		6,600,494	7,743,446
TRADE INVESTMENTS AND LOANS	10		188,621	210,313
CURRENT ASSETS				
Stocks		53,826,720		50,365,350
Debtors		10,314,929		9,785,860
Amount due from holding company	11	3,731,711		24,311,517
Short-term deposits		501,000		751,605
Bank balances and cash		3,433,271		676,346
			71,807,631	85,890,678
			235,149,073	220,554,752
DEDUCT CURRENT LIABILITIES				
Bank overdraft		-		13,496,119
Creditors		86,743,501		68,177,012
Amount due to fellow subsidiaries		324,990		-
Taxation		34,326,191		26,809,380
Dividends		4,738,307		6,509,403
			126,132,989	114,991,914
GOODWILL	12		109,016,084	105,562,838
			1,163,396	1,099,355
			£ 110,179,480	£ 106,662,193
FINANCED BY				
SHAREHOLDERS' FUNDS				
Share capital	13		28,008,978	27,935,456
Share premium	14		260,496	196,548
Reserves	15		78,839,198	75,551,451
			107,108,672	103,683,455
SECURED LOANS	16		596,270	607,720
DEFERRED TAXATION	17		6,655	13,526
GOVERNMENT GRANTS			2,467,883	2,357,492
A N STOCKDALE				
D DREW				
		Directors		
			£ 110,179,480	£ 106,662,193

ASSOCIATED DAIRIES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE FIFTY-TWO WEEKS ENDED 2 MAY 1981

	1981	53 weeks ended
	£'000	3 May 1980
	£'000	£'000
SOURCE OF FUNDS		
FROM OPERATIONS		
Profit before taxation	47,005	41,852
Adjustments for items not involving movement of funds:		
Depreciation	9,945	7,117
Government grant credit	(198)	(196)
Total generated from operations	56,752	48,773
FROM OTHER SOURCES		
Shares issued for value less expenses	137	98
Government grants received	308	309
Trade investments and loans	22	-
	57,219	49,180
FUNDS APPLIED		
Dividends paid	25,624	9,047
Taxation paid	12,355	5,969
Net purchase of fixed assets	39,787	39,049
Long term loans repaid	11	66
Trade investments and loans	-	56
Goodwill relating to milk rounds	64	13
	77,841	54,200
	(20,622)	(5,020)
DECREASE IN WORKING CAPITAL		
Increase in stocks	3,461	13,890
Increase in debtors	529	2,945
Increase in creditors	(18,566)	(9,452)
(Decrease)/increase in amount due from holding company	(20,580)	2,693
Increase in amount due to fellow subsidiaries	(325)	-
(Decrease)/increase in interest in subsidiaries	(1,143)	1,445
Movement in net liquid funds:		
Increase/(decrease) in cash balances	16,253	(16,042)
Decrease in short-term deposits	(251)	(499)
	(20,622)	(5,020)

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS - 2 MAY 1981

1 ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of properties.

b) Consolidated accounts

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

c) Depreciation

Depreciation is provided to write off the cost or valuation of fixed assets, excluding freehold land, over their estimated useful lives as follows:

Freehold buildings and long leasehold property	66 years
Short leasehold property	Over period of lease
Plant and equipment	3-20 years
Motor vehicles	4-10 years

d) 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.

e) Stocks

Stocks comprise goods held for resale and are valued at the lower of cost and net realisable value. Cost comprises retail selling prices less a calculated average gross profit margin.

f) Goodwill

Goodwill relating to milk businesses is capitalised upon purchase.

g) Deferred taxation

Provision is made for deferred taxation, using the liability method, on short term timing differences and all other material timing differences which are not expected to continue in the future.

h) Pension benefits

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

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS - 2 MAY 1981

2 TURNOVER

Turnover comprises value of sales exclusive of VAT.

3 OPERATING PROFIT is arrived at after charging:

	1981 £	1980 £
a) Depreciation	£9,945,115	£7,117,471
b) Hire charge for plant and machinery	£ 952,565	£2,098,144
c) Auditors' remuneration	£ 47,000	£ 40,000
d) Emoluments of directors:		
Fees	500	500
Management remuneration	297,612	326,073
	£ 298,112	£ 326,573

Eight (1980: Nine) directors waived fees under Article 82 amounting to £4,000 (1980: £4,750).

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

	Number of directors	
	1981	1980
Chairman and highest paid director - emoluments £38,540 (1980: £33,415)	1	1
Other directors' emoluments in scale:		
Not more than £5,000	1	2
£5,001 to £10,000	1	-
£30,001 to £35,000	5	3
£35,001 to £40,000	1	-
	Number of employees	
Employees: £20,001 to £25,000	7	1
£25,001 to £30,000	2	-

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS - 2 MAY 1981

4 NET INTEREST

	1981 £	1980 £
Receivable		
Short term corporation, treasury stock and bank loan interest	260,729	800,302
Receivable from group companies	313,081	174,600
	<u>573,810</u>	<u>974,902</u>
Payable		
Debenture and mortgage interest	56,529	57,196
Short term loans and bank overdraft	955,547	495,900
Payable to group companies	37,930	-
	<u>1,050,006</u>	<u>553,096</u>
	<u>£(476,196)</u>	<u>£ 421,806</u>

5 OTHER INCOME

	1981 £	1980 £
Other income	2,384	17,739
Dividend receivable from subsidiary company	134,000	154,235
	<u>£136,384</u>	<u>£171,974</u>

6 TAXATION

The charge based on the profit for the period comprises:

	1981 £	1980 £
UK Corporation tax - current period	19,914,351	13,667,001
- prior period adjustment (42,495)	9,796
Deferred taxation - current period on full deferral	3,764,290	4,207,745
- SSAP 15 release	(3,771,161)	(4,201,119)
	<u>£ 19,864,985</u>	<u>£ 13,683,423</u>

UK corporation tax is payable at 52% on 1 January 1983.

The release, in accordance with Statement of Standard Accounting Practice 15 for taxation which is not likely to become payable in the future, relates to accelerated capital allowances and roll-over relief.

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS - 2 MAY 1981

7 DIVIDENDS

	1981 £	1980 £
Ordinary - interims	19,114,293	3,940,323
- proposed final	4,738,307	6,509,403
	<u>£23,852,600</u>	<u>£10,449,726</u>

The preference share dividends have been waived.

8 FIXED ASSETS

	Freehold properties £	Leasehold properties £	Plant, machinery equipment & vehicles £	Total £
a) Cost or valuation:				
At 3 May 1980	39,245,661	37,555,597	53,393,811	130,195,069
Additions during period	11,124,513	24,215,612	16,199,940	51,540,065
Transfers from group companies	-	331,172	4,263	335,435
Cost of disposals	(373,480)	(3,395,348)	(3,494,594)	(7,263,422)
At 2 May 1981	<u>49,996,694</u>	<u>58,707,033</u>	<u>66,103,420</u>	<u>174,807,147</u>
Depreciation:				
At 3 May 1980	1,473,712	1,673,600	18,498,205	21,645,517
Charge for period	513,080	769,132	8,662,903	9,945,115
On transfers from group companies	-	116,461	1,584	118,045
Relating to disposals	(27,783)	(68,612)	(1,971,302)	(2,067,697)
At 2 May 1981	<u>1,959,009</u>	<u>2,490,581</u>	<u>25,191,390</u>	<u>29,640,980</u>
Net book amounts				
2 May 1981	<u>£ 48,037,685</u>	<u>£ 56,216,452</u>	<u>£ 40,912,030</u>	<u>145,166,167</u>
Payments under contracts not yet completed (1980: £18,160,763)				<u>11,336,160</u>
				<u>£ 156,502,327</u>

8 FIXED ASSETS (continued)

b) The cost or valuation figure of properties comprises:

	1981 £	1980 £
At valuation 1974	168,692	168,692
At cost	76,632,566	76,632,566
	<u>£76,801,258</u>	<u>£76,801,258</u>

c) The net book value of leasehold property comprises:

	1981 £	1980 £
Leases with fifty years or more unexpired	53,064,937	33,087,980
Leases with less than fifty years unexpired	3,151,515	2,794,017
	<u>£56,216,452</u>	<u>£35,881,997</u>

9 INTEREST IN SUBSIDIARIES

	1981 £	1980 £
a) Shares at cost less amounts written off	6,972,818	6,972,818
Amounts owing by subsidiaries	577,060	1,673,417
	<u>7,549,878</u>	<u>8,646,235</u>
Less amounts owing to subsidiaries	949,384	957,024
	<u>6,600,494</u>	<u>7,689,211</u>
Add Dividend due from subsidiary company	-	54,235
	<u>£6,600,494</u>	<u>£7,743,446</u>

b) The subsidiaries of Associated Dairies Limited, owned directly and indirectly and incorporated in England, are:

Wholly owned:

Wades Departmental Stores Limited
Clegg and Huntington Limited
Strongmill Limited

Fifty-two non-trading companies

Partly owned:

Rosenda (Blackburn) Limited - 85%

10 TRADE INVESTMENTS AND LOANS

	1981 £	1980 £
Associated company - shares at cost (unlisted)	36,540	36,540
Other trade investments	94,881	101,773
Sinking fund	57,200	52,000
	<u>£188,621</u>	<u>£190,313</u>

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS - 2 MAY 1981

10 TRADE INVESTMENTS AND LOANS (continued)

- a) The company holds 50% 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. The policy is to mature in 1995 and the premium is £5,200 per annum.
- c) The directors regard the investments to be fairly stated at cost.

11 HOLDING COMPANY

	1981 £	1980 £
Amount due from holding company	£3,731,711	£24,311,517

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

12 GOODWILL

	£
At 3 May 1980	1,099,355
Net purchase of milk rounds	64,041
At 2 May 1981 - relating to milk businesses	£1,163,396

13 SHARE CAPITAL

	Authorised		Issued and fully paid	
	1981 £	1980 £	1981 £	1980 £
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	28,500,000	27,509,355	27,241,696
'A' Ordinary shares of 25p each			-	190,112
Ordinary shares of 25p each, 5p paid			-	4,025
	£29,000,000	£29,000,000	£28,008,978	£27,935,836

'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.

Further calls were made on shares in the Senior Executive Share Incentive Scheme amounting to £73,522.

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS - 2 MAY 1981

14 SHARE PREMIUM ACCOUNT

	£
At 3 May 1980	196,548
Arising during the year (less expenses of £1,987)	121,369
	<u>317,917</u>
Capitalised during year	57,421
At 2 May 1981	<u>£260,496</u>

15 RESERVES

	£
At 3 May 1980	75,551,451
Retained profit for the period	3,287,747
	<u>£78,839,198</u>
At 2 May 1981	

16 SECURED LOANS

	1981 £	1980 £
7½% Debenture stock 1988/93	214,020	220,970
Loans on mortgage repayable 1995 to 2022 (interest rates 9½% to 10½%)	382,250	386,750
	<u>£596,270</u>	<u>£607,720</u>

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 £6,950 nominal value of stock at a cost of £4,566.

17 DEFERRED TAXATION

	1981 £	1980 £
Potential liability for deferred taxation:		
Capital allowances	26,674,807	22,903,646
Capital gains	290,000	284,034
Short term timing differences	6,555	13,526
	<u>£26,971,462</u>	<u>£23,201,206</u>
Provision retained:		
Short term timing differences	<u>£ 6,555</u>	<u>£ 13,526</u>

ASSOCIATED DAIRIES LIMITED

NOTES ON THE ACCOUNTS - 2 MAY 1981

18 CAPITAL COMMITMENTS

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

	1981 £	1980 £
Contracted for	10,600,000	14,900,000
Not contracted for	48,100,000	40,500,000