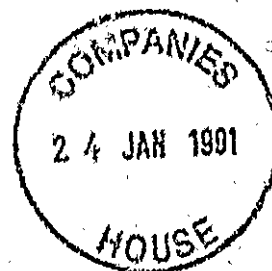


Directors' report & accounts

For the 52 weeks ended 28 April 1990

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Directors' report

The Directors submit their Report and the Accounts of the Group for the 52 weeks ended 28 April 1990.

Group profit and dividends

Group profit for the financial year, as set out on page 35, amounted to £209.3m (1989: £167.6m).

The Directors recommend that this be dealt with as follows:-

	1990 £m	1989 £m
Preference dividend	—	0.1
Ordinary dividends		
Interim paid, 1.85p per share (1989: 1.85p)	21.8	21.5
Final proposed, 2.95p per share (1989: 2.95p)	34.6	34.3
Transfer to reserves	152.9	111.7

If approved the final dividend will be payable on 3 October 1990 to members whose names are on the register on 24 August 1990.

Authority to purchase own shares

On 15 February 1989 shareholders granted authority to the Directors to purchase up to 113m ordinary shares, 10% of the Company's then issued ordinary share capital. Such authority has not been exercised.

Principal activities and review of business developments

The principal activities of the Group during the year were the retailing of food and non-food products, furniture, carpets and other furnishings, together with property development.

A review of the development and activities of the business of the Group is contained in the Chairman's statement and review of operations.

Research and development

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

Fixed assets

The impact of the purchase of businesses during the year on fixed assets is shown in note 21 on page 46. A summary of the changes in fixed assets is set out in note 10 on page 41.

Directors and their interests

The following is a list of persons who were Directors of the Company at the end of the financial year, together with their beneficial interests, including family interests. In the ordinary shares of 25p each fully paid of the Company,

	28 April 1990	29 April 1989
JN Hardman	164,492	112,215
LA Campbell	6,048	4,259
GS Carr	16,214	4,213
RD Scott	13,452	2,091
GH Stow	19,820	7,023
Sir Godfrey Messervy	11,611	11,611
KJ Morton	10,000	10,000

No Director had any interest in the bonds issued by the Company nor any non-beneficial interest in the ordinary shares of the Company.

No Director had any interest during the year in any significant contract with the Company or any subsidiary. Options held by the Directors and not exercised at 28 April 1990 were as follows:-

	Executive Share Option Scheme 1984	Savings Related Share Option Scheme
J N Hardman	608,127	7,154
L A Campbell	409,907	5,384
G S Carr	455,966	-
R D Scott	346,362	5,384
G H Stow	374,721	5,384

There have been no changes in the above particulars between 28 April 1990 and 17 July 1990.

Pursuant to Article 94, Sir Godfrey Messervy and Mr Kenneth Morton retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Neither has a service contract with the Company.

Mr J R Harker was appointed an Executive Director on 17 July 1990. In accordance with Article 92 of the Company's Articles of Association he will be retiring at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. Mr Harker has a Service Contract determinable by the Company on three years' notice.

Employees and employee policies

The average number of employees and their remuneration are shown in note 2 to the Accounts on page 38.

It is the Group's policy that employees should be kept as fully informed as is practicable about the Group's progress through the media of its management associations, trade union consultative machinery, "team briefings", company newspapers and regular visits by Directors.

Employees are encouraged to be involved in the Group's performance through the Savings Related Share Option Scheme and the Share Participation Schemes. There are now 7,467 employees throughout the Group who are members of the Savings Related Share Option Scheme and they hold options over 8.6m shares.

The Share Participation Schemes now have 32,000 participants. This year no allocation from profits will be made to the Schemes.

Details of the shares issued and options to subscribe for shares outstanding under the Executive Share Option Schemes and the Savings Related Share Option Scheme are shown in note 22 to the Accounts on page 48.

The Group is committed to the continuing developments of its Equal Opportunities Policies.

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

Charitable and political donations

Charitable donations amounted to £0.2m (1989: £0.2m). There were no political donations made during the period under review.

Substantial holdings

So far as the Directors are aware, no person, company or group of companies holds or is beneficially interested in 3% or more of the issued capital of the Company except that the registers maintained by the Company under Part VI of the Companies Act 1985 (as amended) disclose, at the date of this report, the following interests:-

Holder	Percentage Held
First City Financial Corporation (Canada)	5.45
Scottish Widows Fund & Life Assurance Society	4.74
Schroder Investment Management Limited	3.60
Prudential Portfolio Managers Funds Limited	3.37

Income and Corporation Taxes Act 1988

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

Auditors

Ernst & Young have expressed their willingness to continue in office as Auditors, and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting - special business

Resolutions 6 to 12 (inclusive) of the notice of the Annual General Meeting on pages 51 and 52 constitute special business; a separate circular from the Chairman accompanies these Report and Accounts.

By order of the Board

John A L Miller *as*
Secretary



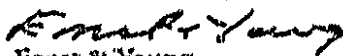
17 July 1990

Auditors' report

Report of the auditors to the members of Asda Group plc

We have audited the accounts on pages 33 to 49 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 28 April 1990, and of the profit and source and application of funds of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Chartered Accountants

London
17 July 1990

Group accounting policies

Accounting basis

The accounts are prepared under the historical cost convention except for the revaluation of interests in certain subsidiaries and related companies.

Consolidated accounts

The consolidated accounts incorporate the accounts of the Company and its subsidiaries together with the Group's share of the profits less losses of related companies, adjusted where appropriate to conform to Group accounting policies. The results of businesses acquired during the year are consolidated from the date of acquisition. The results of other Group companies comprise the 52 weeks ended 28 April 1990.

Goodwill

Goodwill arising on consolidation, representing the excess of acquisition costs over the fair value attributed to the separable net assets acquired, is written off on acquisition against reserves in the Group accounts. All other purchased goodwill is also written off to reserves.

Turnover

Turnover comprises the value of sales excluding value added tax and inter-group transactions.

Tangible fixed assets

During the year, the Group reviewed the economic useful lives of its tangible fixed assets and introduced two major revisions:

- (a) Depreciation is no longer provided on freehold and leasehold buildings with more than 50 years unexpired.
- (b) The rates applied to plant and equipment have been revised, with an overall increase, reflecting the Group's experience of economic useful lives.

Tangible fixed assets (continued)

The Group follows a regular programme of refurbishment and maintenance of its properties, which includes where necessary the reinstatement of the fabric of the buildings, in order to prolong their useful lives without determinable limit. Such expenditure, with the exception of elements of improvement, is charged to profits in the year in which it is incurred. Accordingly, the Directors consider that the lives of freehold and leasehold buildings with more than 50 years unexpired are such that their depreciation is not significant.

Depreciation, calculated on the basis of estimated useful lives on a straight line basis, is, however, provided on certain elements of the capitalised value of freehold and long leasehold buildings, in particular fixtures, fittings, certain utilities and services.

Other tangible fixed assets are depreciated over their estimated useful lives, on a straight line basis, as follows:-

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.

Assets held under finance leases are capitalised as tangible fixed 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.

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.

Stocks

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

Deferred taxation

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

Investments

Investments in related companies are dealt with under the equity method of accounting in the consolidated accounts. In the Company's accounts investments in related companies are stated at cost or valuation less amounts written off.

Short-term investments are stated at the lower of cost or net realisable value.

Pensions

Pensions costs are charged to the profit and loss account over the expected service lives of employees in the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries.

Consolidated profit and loss account

52 weeks ended 28 April 1990	Notes	1990 £m	1989 £m
Sales to customers at net selling prices		3,813.5	2,907.0
Value added tax		263.3	198.4
Turnover	1	3,550.2	2,708.6
Operating costs	2	3,325.1	2,509.2
Operating profit	1	225.1	199.4
Exceptional charges	4	12.0	—
Share of (losses)/profits of related companies		(2.4)	16.4
Net interest (payable)/receivable	5	(29.9)	14.5
Profit before tax and profit sharing		180.3	250.3
Profit sharing		—	3.7
Profit on ordinary activities before taxation		180.3	246.6
Taxation	6	57.5	79.0
Profit on ordinary activities after taxation		122.8	167.6
Minority interests		0.2	—
Profit before extraordinary items		122.6	167.6
Extraordinary items	7	86.7	—
Profit for the financial year		209.3	167.6
Dividends	8	56.4	55.9
Retained profit	23	152.9	111.7
Earnings per ordinary share	9	pence	pence
Basic		10.47	14.48
Fully diluted		10.13	13.82
Dividend per ordinary share		4.80	4.80

The notes on pages 38 to 43 form an integral part of this Consolidated profit and loss account.

Group cash flow

52 weeks ended 28 April 1990	1990 £m	1989 £m
Funds generated		
Profit before tax and extraordinary items	180.3	246.6
Extraordinary items	86.7	-
Unrealised profit on sale of assets to related company	88.0	-
	355.0	246.6
Items not involving the movement of funds:-		
Depreciation	55.5	41.4
Losses/(profits) retained in related companies	2.4	(16.4)
Net dividends from related companies	-	4.4
Funds generated from operations	412.9	276.0
Shares issued by the Company	15.6	8.7
Shares issued by subsidiary to minority	4.3	-
Funds raised from external sources	19.9	8.7
Total funds generated	432.8	284.7
Funds applied		
Purchase of businesses	771.8	-
Net purchases of fixed assets	154.3	451.7
Investment in related companies	117.2	-
Utilisation of acquisition provisions	58.0	-
(Decrease)/increase in working capital (see note 16 below)	(74.6)	28.3
Applied within the business	1,026.7	480.0
Taxation paid	116.7	29.3
Dividends paid	56.1	50.6
Redemption of preference shares	-	2.9
Dividend paid to minority	0.2	-
10% Bond expenses	-	0.7
Withdrawn from the business	173.0	83.5
Total funds applied	1,199.7	563.5
Increase in Group borrowings	(766.9)	(278.8)
Total Group borrowings		
Short term	(351.5)	(22.5)
Medium and long-term	(555.3)	(340.9)
Cash	40.8	2.9
Investments	2.2	263.6
	(863.8)	(96.9)
Working capital changes exclude for the purpose of the cashflow debtors and creditors arising in respect of dividends and corporate taxation and are as follows:-		
Increase in stocks	117.0	34.5
Increase in debtors	45.4	4.3
Increase in creditors	(237.0)	(19.5)
	(74.6)	28.3

The impact of the purchase of businesses during the year is summarised in note 21 on page 46.

Balance sheets

At 28 April 1990	Notes	1989 £m	Group 1989 £m	1990 £m	Company 1989 £m
Fixed assets					
Tangible assets	10	2,071.1	1,300.3	1.0	1.0
Investments	11	108.0	—	242.1	178.6
		2,179.1	1,300.3	243.1	179.6
Current assets					
Stocks	14	362.3	208.8	12.7	—
Debtors	15	124.9	79.4	1,503.5	746.6
Investments	16	2.2	263.6	—	261.4
Cash at bank and in hand		40.8	2.9	0.2	—
		530.2	554.7	1,516.4	1,008.0
Creditors: amounts falling due within one year					
Borrowings	17	(351.5)	(22.5)	(333.0)	(4.7)
Other creditors	18	(628.8)	(418.8)	(134.2)	(98.4)
		(980.3)	(471.3)	(467.2)	(103.1)
Net current (liabilities)/assets		(450.1)	83.4	1,049.2	904.9
Total assets less current liabilities		1,729.0	1,383.7	1,292.3	1,084.5
Creditors: amounts falling due after more than one year					
Borrowings	17	(555.3)	(340.9)	(536.5)	(330.1)
Other creditors	18	(10.8)	(50.4)	(9.8)	(9.8)
Provisions for liabilities and charges	19	(74.8)	(51.6)	—	(1.2)
		1,088.1	940.8	746.0	743.4
Capital and reserves					
Called up share capital	22	293.2	290.7	293.2	290.7
Share premium account	23	28.9	15.8	28.9	15.8
Revaluation reserve	23	82.8	—	34.9	34.8
Profit and loss account	23	678.9	(34.3)	389.1	(402.1)
Shareholders' Funds		1,083.8	940.8	746.0	743.4
Minority interests		4.3	—	—	—
		1,088.1	940.8	746.0	743.4

John Hardman
Director
Ronald Scott
Director
Approved by the Board
17 July 1990



The notes on pages 38 to 47 form an integral part of these balance sheets.

Notes to the accounts

1. Analysis of turnover and operating profit by activity.	1990		1989	
	Turnover £m	Operating Profit £m	Turnover £m	Operating Profit £m
Asda	3,300.2	206.0	2,521.4	176.1
Allied Maples	210.4	6.7	169.8	13.8
Gazeley	31.6	12.4	17.4	9.5
	3,550.2	225.1	2,708.6	199.4

The turnover of the Group relates wholly to UK sales.

The activity categorised as Gazeley comprises all of the Group's trading in property development. The results of this activity for the year ended 29 April 1989 included the sale of the Group's London office which was handled by Gazeley Properties Limited.

The contribution of businesses acquired to operating profit for the year is as follows:-

	£m
Asda	32.0
Allied Maples	(1.1)
	30.9

2. Operating costs	1990 £m	1989 £m
Change in stocks	(153.5)	(34.5)
Other operating income	(10.4)	(13.8)
Raw materials and consumables	2,844.1	2,087.6
Staff costs	366.6	262.5
Depreciation of tangible fixed assets (see note 10)	55.5	41.4
Other operating charges	230.8	166.0
	3,325.1	2,509.2
Within other operating charges		
Operating lease charges		
- Land and buildings	33.0	16.2
- plant and machinery	6.8	2.9
Auditors' remuneration	0.2	0.2
Within staff costs		
Wages and salaries	336.4	238.9
Social security costs	23.9	17.5
Other pension costs	6.3	6.1
	366.6	262.5

Analysis of average number of employees according to the operating structure of the Group:

	Employees		Full time equivalents	
	1990	1989	1990	1989
Asda	59,918	48,181	36,249	28,914
Allied Maples	2,729	2,231	2,448	2,101
Gazeley	75	53	75	53
	62,722	50,465	38,772	31,068

3. Emoluments of directors and certain employees

	1990 1990	1989 1989
Directors	34	28
Fees	1,037	1,264
Other emoluments	-	216
Compensation for loss of executive office (paid by the Company)	1,071	1,508

Directors and highest paid employees of the Company in scale

	Number of Directors		Number of employees	
	1990	1989	1990	1989
£ 10,001 to £ 15,000	-	3	-	-
£ 15,001 to £ 20,000	2	-	-	-
£ 20,001 to £ 25,000	-	-	1	-
£ 25,001 to £ 30,000	-	-	2	-
£ 30,001 to £ 35,000	-	1	-	-
£ 35,001 to £ 40,000	-	-	1	-
£ 40,001 to £ 45,000	-	-	1	-
£ 45,001 to £ 50,000	-	1	-	-
£ 50,001 to £ 55,000	-	-	-	-
£ 55,001 to £ 60,000	-	-	-	-
£ 60,001 to £ 65,000	-	-	-	-
£ 65,001 to £ 70,000	-	-	-	-
£ 70,001 to £ 75,000	-	-	-	-
£ 75,001 to £ 80,000	-	-	-	-
£ 80,001 to £ 85,000	-	-	-	-
£ 85,001 to £ 90,000	-	-	-	-
£ 90,001 to £ 95,000	-	-	-	-
£ 95,001 to £ 100,000	-	-	-	-
£ 100,001 to £ 105,000	-	-	-	-
£ 105,001 to £ 110,000	-	-	-	-
£ 110,001 to £ 115,000	-	-	-	-
£ 115,001 to £ 120,000	-	-	-	-
£ 120,001 to £ 125,000	-	-	-	-
£ 125,001 to £ 130,000	-	-	-	-
£ 130,001 to £ 135,000	-	-	-	-
£ 135,001 to £ 140,000	-	-	-	-
£ 140,001 to £ 145,000	-	-	-	-
£ 145,001 to £ 150,000	-	-	-	-
£ 150,001 to £ 155,000	-	-	-	-
£ 155,001 to £ 160,000	-	-	-	-
£ 160,001 to £ 165,000	-	-	-	-
£ 165,001 to £ 170,000	-	-	-	-
£ 170,001 to £ 175,000	-	-	-	-
£ 175,001 to £ 180,000	-	-	-	-
£ 180,001 to £ 185,000	-	-	-	-
£ 185,001 to £ 190,000	-	-	-	-
£ 190,001 to £ 195,000	-	-	-	-
£ 195,001 to £ 200,000	-	-	-	-
£ 200,001 to £ 205,000	-	-	-	-
£ 205,001 to £ 210,000	-	-	-	-
£ 210,001 to £ 215,000	-	-	-	-
£ 215,001 to £ 220,000	-	-	-	-
£ 220,001 to £ 225,000	-	-	-	-
£ 225,001 to £ 230,000	-	-	-	-
£ 230,001 to £ 235,000	-	-	-	-
£ 235,001 to £ 240,000	-	-	-	-
£ 240,001 to £ 245,000	-	-	-	-
£ 245,001 to £ 250,000	-	-	-	-
£ 250,001 to £ 255,000	-	-	-	-
£ 255,001 to £ 260,000	-	-	-	-
£ 260,001 to £ 265,000	-	-	-	-
£ 265,001 to £ 270,000	-	-	-	-

Included in the above is the Chairman whose remuneration for the year ended 28 April 1990 amounted to £231,000 (1989 £265,000). He was also the highest paid director.

4. Exceptional charges

Operating inefficiencies incurred by the new central distribution system during its build to optimal capacity.
Costs associated with the introduction of the clothing and footwear ranges from The George Davies Partnership plc.

	1990 £m	1989 £m
Operating inefficiencies	8.1	-
Costs associated with the introduction of the clothing and footwear ranges from The George Davies Partnership plc.	4.4	-
	12.5	-

Notes to the accounts

5. Net interest(payable)/receivable	1990 £m	1989 £m
Interest payable		
Repayable within 5 years		
Short-term loans and bank overdrafts	(69.8)	(0.4)
Finance leases	(2.7)	(0.9)
Repayable after 5 years		
Bonds	(27.8)	(28.5)
	(100.3)	(29.8)
Interest capitalised before tax relief of £11.5 million (1989: £9.8 million)	38.1	27.9
	(62.2)	(1.9)
Interest receivable and similar income	32.3	36.4
	(29.9)	34.5

6. Taxation	£m	£m
The charge based on the profit for the period comprises:		
UK corporation tax at 35%	37.6	68.5
Related companies	0.8	5.0
Deferred taxation	19.4	5.0
	57.8	78.5
Prior period adjustments	(0.3)	0.5
	57.5	79.0

7. Extraordinary items	£m	£m
Profits on disposals of property to refinance the Gateway acquisition, principally to The Burwood House Group plc	88.8	-
Provision for costs of disposal of businesses of subsidiary companies	(2.1)	-
	86.7	-

No taxation charge has arisen on the extraordinary item due principally to the utilisation of rollover relief on capital gains.

8. Dividends	Dividend payable per share		1990 £m	1989 £m
	1990	1989		
Preference				0.1
Ordinary - interim	1.85	1.85	21.8	21.5
- final	2.95	2.95	34.6	34.3
	4.80	4.80	56.4	55.9

9. Earnings per ordinary share

Basic

The calculation of basic earnings per ordinary share is based on the profit on ordinary activities after taxation, minority interests, and preference dividends of £122.6 million (1989: £167.5 million) divided by the weighted average number of ordinary shares in issue during the year of 1,169.6 million shares (1989: 1,156.8 million shares).

9. Earnings per ordinary share (continued)

Fully diluted

The calculation of fully diluted earnings per ordinary share is based on the profit on ordinary activities after taxation, and minority interests, after adjustments which assume:

- (i) the full conversion of the remaining 4½% convertible bonds 2002 on the first day of the financial year,
- (ii) the full exercise of all ordinary share options granted under the Company's own schemes on the first day of the financial year, or the date granted if later,
- (iii) the full exercise of all ordinary share options granted to The George Davies Partnership plc at the date of granting in February 1990.

The amount so derived is divided by the weighted average number of ordinary shares in issue during the year together with the weighted average number of ordinary shares arising from the above adjustments.

10. Tangible fixed assets	Group				Company		
	Freehold Properties £m	Leasehold Properties £m	Plant, Machinery, Equipment and Vehicles £m	Total £m	Freehold Properties £m	Plant, Machinery, Equipment and Vehicles £m	Total £m
Cost							
At beginning of year	646.9	268.7	288.3	1,203.9	—	1.2	1.2
Purchase of businesses	277.1	337.2	57.7	672.0	—	—	—
Additions	243.1	53.7	136.0	432.8	13.0	0.1	13.1
Disposals	(180.1)	(43.4)	(32.7)	(256.2)	(13.0)	—	(13.0)
At end of year	987.0	616.2	449.3	2,052.5	—	1.3	1.3
Depreciation							
At beginning of year	17.8	23.2	121.3	162.3	—	0.2	0.2
Charge for the year	1.7	2.7	51.1	55.5	—	0.1	0.1
Disposals	(6.9)	(1.2)	(11.5)	(19.6)	—	—	—
At end of year	12.6	24.7	160.9	198.2	—	0.3	0.3
Net book amounts at 28 April 1990	974.4	591.5	288.4	1,854.3	—	1.0	1.0
Assets under construction (1989: £258.7 million)				216.8			—
Net book amounts at 28 April 1990				2,071.1			1.0
Net book amounts at 29 April 1989				1,700.3			1.0

An amount of £21.7 million (1989: £11.3 million) has been included in additions in respect of interest capitalised during the year, after deducting tax relief of £11.3 million (1989: £9.8 million).

The net book amount of plant, machinery, equipment and vehicles for the Group includes £55.2 million (1989: £17.6 million) in respect of leased assets after charging depreciation of £6.9 million (1989: £2.3 million).

As explained on page 33 the Group has revised its depreciation policies. The effect of these revisions is to reduce the depreciation charge for the year by £7 million.

The net book amount of leasehold property includes:

	Group	
	1990 £m	1989 £m
Leases with fifty years or more unexpired	564.7	235.4
Leases with less than fifty years unexpired	26.8	10.1
	591.5	245.5

Notes to the accounts

11. Fixed asset investments

	Group		Company	
	1990 £m	1989 £m	1990 £m	1989 £m
Subsidiaries (note 12)	—	—	206.6	126.6
Related companies (note 13)	108.0	—	35.5	52.0
	108.0	—	242.1	178.6

12. Subsidiaries (Company Only)

As at 28 April 1990, the following companies, being those whose results principally affect the financial position of the Group, were subsidiaries whose ordinary share capital was wholly owned, and which were incorporated and operating in the UK.

	Principal Activities	Holding Company
Asda Stores Limited	Retailing	Asda Group plc
Allied Maples Group Limited (Formerly Allied Carpets Stores Limited)	Retailing	Asda Group plc
Gazeley Holdings Limited	Property Holding Company	Asda Group plc
Gazeley Properties Limited	Property Development	Gazeley Holdings Limited
McLagan Investments Limited	Property Investment	Asda Stores Limited

£4.3 million Preference shares were issued by Allied Maples Group Limited during the year to the vendors of Colonel Gee's Carpets Limited.

A complete list of subsidiaries will be annexed to the next annual return to the Registrar of Companies.

	1990 £m	1989 £m
Cost or valuation		
At beginning of year	126.6	121.6
Additions	80.0	5.1
Disposals	—	(0.1)
At end of year	206.6	126.6

Investments in subsidiaries are stated at Directors' valuation, which includes a surplus over cost of £34.8 million.

13. Related companies

	Group		Company	
	1990 £m	1989 £m	1990 £m	1989 £m
Cost or valuation				
At beginning of year	—	—	52.0	52.0
Additions at cost	82.5	—	2.3	—
Goodwill	(0.8)	—	(52.8)	—
Provision for unrealised profit	(88.0)	—	—	—
Loss for the year	(0.9)	—	—	—
Surplus on revaluation	82.0	—	—	—
	75.6	—	1.5	52.0
Loans	32.4	—	34.0	—
	108.0	—	35.5	52.0

13. Related companies (continued)

MFI Furniture Group Limited

The Group's interest in MFI Furniture Group Limited, whose principal activity is the manufacture and sale of furniture, comprises:-

	Percentage held
Issued share capital	
58 million 'A' ordinary shares of 1p each	12.54%
588 million convertible preferred ordinary shares of 1p each	25.97%
Total ordinary shares	25.00%
135 million redeemable convertible cumulative preference shares	27.40%
1280 million deferred shares of 1p each	25.00%
Convertible subordinated unsecured loan stock 1997	25.97%

During the year the Company participated in the refinancing of the MFI Furniture Group Limited by subscribing £9.1 million for 76.4 million convertible preferred ordinary shares, 3.6 million 'A' ordinary shares and £8.3 million 17% convertible subordinated unsecured loan stock.

Full provision is not made for the underlying deficiency of net assets in the MFI Furniture Group Limited, which has arisen because of that company's policy to write off goodwill on acquisition against reserves, as there is no requirement for the Group to provide it with financial support. The Group's share of losses of MFI Furniture Group Limited for the year is included in the consolidated profit and loss account but has been applied as a reduction in the book value of the 17% convertible subordinated unsecured loan stock. The Group's share of future profits will be applied to amortise the Group's share of goodwill of MFI Furniture Group Limited until it has been eliminated. At 28 April 1990 goodwill not written off amounted to £576 million (1989: £576 million).

In the Company's own accounts, its investment in MFI Furniture Group Limited has been restated in order to eliminate goodwill arising on the original acquisition. The amount included in the balance sheet of the Company now corresponds with the amount included in the consolidated balance sheet.

The Burwood House Group plc

On 4 December 1989, Gazeley Holdings Limited entered into an agreement with Arlington Securities plc, a subsidiary of British Aerospace plc, to establish a property joint venture company, The Burwood House Group plc. Under the terms of the agreement, the Group and British Aerospace plc subscribed equally for £51.4 million unsecured loan stock and Gazeley Holdings Limited and Arlington Securities plc subscribed equally for £130m ordinary shares of £1 each in The Burwood House Group plc at par value.

During the year, the Group disposed of a portfolio of 34 properties to The Burwood House Group plc at an independently agreed valuation of £372m, which represented a surplus over net book value of £176m. Half of the surplus has been treated as realised in the consolidated profit and loss account and has been disclosed as an extraordinary item. The remaining half has been treated as an unrealised profit on disposal. The Group's investment in The Burwood House Group plc has been revalued to the Group's share of its net assets at 28 April 1990.

The 34 properties have been leased to the Group by The Burwood House Group plc for a primary lease term of 25 years which may be extended at the Group's option to 30 years. Lease rentals on these properties charged to the consolidated profit and loss account amounted to £27 million. The consolidated profit and loss account in the next financial year will incur a full year's lease rentals charge of £32 million.

The George Davies Partnership plc

On 16 March 1990 the Group acquired a 20% interest in the equity share capital of The George Davies Partnership plc which provides consultancy services relating to the Group's clothing and footwear operations.

Notes to the accounts

	Group		Company	
	1990 £m	1989 £m	1990 £m	1989 £m
14. Stocks				
Goods held for resale	286.2	176.5	—	—
Development properties	76.1	32.3	12.7	—
	362.3	208.8	12.7	—

An amount of £3.5 million (1989: £1.1 million) has been included in Group stocks of development properties in respect of interest capitalised.

	Group		Company	
	1990 £m	1989 £m	1990 £m	1989 £m
15. Debtors				
Amounts falling due within one year				
Trade debtors	13.3	13.6	—	—
Amounts owed by subsidiary companies	—	—	1,475.4	723.2
Amount owed by related company	—	4.8	—	1.8
Other debtors	42.7	20.5	3.1	1.0
Prepayments and accrued income	32.3	17.5	11.6	7.3
	88.3	56.4	1,490.1	733.3
Amounts falling due after more than one year				
Advance corporation tax recoverable in respect of proposed dividend	11.5	11.4	11.5	11.4
Other debtors	25.1	11.6	1.9	1.9
	134.9	79.4	1,503.5	746.6

16. Investments

Investments comprise gilts, bonds and other short term deposits.

	Group		Company	
	1990 £m	1989 £m	1990 £m	1989 £m
17. Borrowings				
Amounts falling due within one year				
Bank overdrafts	243.3	17.2	333.0	4.7
Obligations under finance leases	8.2	5.3	—	—
	351.5	22.5	333.0	4.7
Amounts falling due after one year				
Bonds due 2002 (note 1)	96.5	96.5	96.5	96.5
Convertible bonds due 2002 (note 2)	104.4	108.4	104.8	108.4
Bonds due 2010 (note 3)	125.0	135.0	125.0	125.0
Amounts repayable between 2 and 5 years				
Transferable term loan	210.0	—	210.0	—
Loan notes	0.2	0.2	0.2	0.2
Obligations under finance leases	16.9	10.4	—	—
Amounts repayable in 5 years or more				
Loan notes	—	0.4	—	—
Obligations under finance leases	1.9	—	—	—
	555.3	340.9	536.5	330.1

17. Borrowings (continued)

- On 15 May 1986, the Company issued £100 million of unsecured 9½% bonds at 99½% of nominal value redeemable at par on 25 April 2002.
- On 3 March 1987, the Company issued £120 million of unsecured 4½% convertible bonds at par, redeemable on 24 April 2002 unless previously converted or redeemed on the following principal terms.
 - Converted into ordinary shares at bondholder's option at a conversion price of 164p per share
 - Redeemed at Company's option at a premium to issue price reducing annually until 23 April 1992, and thereafter at par
 - Redeemed at bondholders' option on 24 April 1992 at par plus interest supplemental to the coupon rate of 4.75% and calculated to yield an aggregate interest return of 9.02% per annum at that date.

In December 1989 the Company obtained the agreement of the trustees to amend the terms of the bonds in order to increase financial flexibility and improve the likelihood that the bonds will be converted into Asda Group ordinary shares. The new terms include:

 - Further investor put option on 24 April 1997 at a price of 106.376% of the principal amount on the same yield as the 1992 put option of 9.02% per annum.
 - Allowing the Company the right, if it so wishes, in April 1992 to offer certain additional benefits to bondholders which could become operative on or after 24 March 1992.

No provision has been made for supplementary interest, if any, which could arise if bondholders exercise their option to redeem the bonds. The maximum supplemental interest which would have accrued in the year to 28 April 1990 is £4.5 million (1989: £4.6 million) giving a total potential liability of £14.1 million at the year end.
- On 31 March 1989 the Company issued £125 million of unsecured 10½% bonds at 101.753% of nominal value redeemable at par on 20 April 2010 unless previously redeemed at the Company's request, at the higher of par or a price calculated to provide a yield equal to that earned on 12% Exchequer Stock 2013/2017.

	Group		Company	
	1990 £m	1989 £m	1990 £m	1989 £m
18. Other creditors				
Amounts falling due within one year				
Trade creditors	340.6	203.6	—	—
Amounts owed to subsidiaries	—	—	28.6	38.3
Taxation	63.3	120.3	51.5	23.4
Social security	8.2	5.5	—	—
Other creditors	110.9	58.3	14.0	1.8
Accruals	71.2	26.8	5.5	0.6
Proposed dividend	34.6	34.3	34.6	34.3
	628.8	448.8	134.2	98.4
Amounts falling due after one year				
Taxation	—	39.9	—	—
Other creditors	10.8	9.8	9.8	9.8
Government grants	0.6	0.7	—	—
	10.8	50.4	9.8	9.8

	Group		Company	
	1990 £m	1989 £m	1990 £m	1989 £m
19. Provisions for liabilities and charges				
Deferred taxation (note 20)	36.9	22.5	—	1.2
Acquisition provisions (note 21)	37.9	29.1	—	—
	74.8	51.6	—	1.2

Notes to the accounts

	Depreciation allowances £m	Group Short-term timing differences £m	Total £m	Company Short-term timing differences £m
20. Deferred taxation				
Amount provided				
At beginning of year	10.2	12.3	22.5	1.2
Provision established/(released) through profit and loss account	7.6	11.8	19.4	(1.2)
Relief set against acquisition provisions	—	(5.0)	(5.0)	—
At end of year	17.8	19.1	36.9	—

Provision has been made for corporation tax at 35% on timing differences which are expected to reverse in the foreseeable future. The full potential liability includes the amount provided.

	Depreciation allowances £m	Group Short-term timing differences £m	Capital gains £m	Total £m
Full potential liability				
At beginning of year	41.4	11.5	35.9	88.8
Arising during the year	17.7	11.4	28.4	57.5
Relief set against acquisition provisions	—	(5.0)	—	(5.0)
At end of year	59.1	17.9	64.3	141.3

The amount of advance corporation tax recoverable on the proposed dividend is included in debtors (note 15).

21. Purchase of businesses

The fair value of the consideration paid and separable net assets of businesses acquired by activity during the year is stated as follows:-

	Asda £m	Allied Maples £m	Total £m
Consideration			
Shares issued by subsidiary	—	4.3	4.3
Cash	734.3	33.2	767.5
	734.3	37.5	771.8
Separable net assets acquired			
Tangible fixed assets	665.2	6.8	672.0
Stocks	30.0	6.5	36.5
	695.2	13.3	708.5
Goodwill arising on fair value adjustments	39.1	24.2	63.3
Professional fees and stamp duty	14.0	3.1	17.1
Provisions	68.0	7.8	73.8
Taxation	(17.0)	(2.3)	(19.9)
Goodwill arising on the purchase of businesses (including purchased goodwill of £16.5 million in Allied Maples)	101.5	32.6	134.3
Amounts taken to reserves			
At 29 April 1989	—	26.8	26.8
During the year	101.5	6.0	107.5
	101.5	32.8	134.3

21. Purchase of businesses (continued)

The movements on the Group acquisition provisions are as follows:-

	Asda £m	Allied Maples £m	Total £m
At beginning of year	-	29.1	29.1
Arising during the year	66.0	0.8	66.8
Utilised during the year	(32.3)	(25.7)	(58.0)
At end of year	33.7	4.2	37.9

Asda

By agreement dated 17 April, restated and re-executed on 25 April and on 16 September 1989, the Company agreed with Isosteles PLC to purchase the business of 61 (later reduced to 60) superstores from its subsidiary, The Gateway Corporation PLC, for a cash consideration of £704.3 million. The agreement also provided for the purchase of the stock relating to the stores being acquired.

The fair value to the Group of the separable net assets acquired has been determined as follows:-

(a) Tangible fixed assets

Land and buildings have been included at fair value based on the costs of developing sites of equivalent size, location, tenure and configuration having regard to the age and condition of the stores acquired.

Plant and equipment have been included at fair value based on depreciated replacement cost. Depreciation has been calculated by applying the Group's ruling depreciation rates.

(b) Stocks

Stocks have been included at fair value based on cost less provision against surplus and obsolete stocks and against costs of realisation.

(c) Provisions

Provision has been made for the costs of integration and reorganisation of the stores acquired into the Asda Stores chain.

Allied Maples

On 15 May 1989 Allied Maples Group Limited acquired 48 retail stores and 9 related properties from Gillow plc, together with the Maples, Waring and Gillow, Gillow and Openhouse brand names for a cash consideration of £26m.

On 12 June 1989 Allied Maples Group Limited acquired the whole of the equity share capital of Colonel Gee's Carpets Limited in exchange for £4.5m preference shares and £0.5m cash.

Goodwill arising on the acquisition from Gillow plc amounting to £29.1 million (less £2.3 million deferred tax relief) was provided for in the Group accounts at 29 April 1989.

Goodwill arising on acquisition of Colonel Gee's Carpets Limited amounted to £6.0 million.

Adjustments have been made to the contract values of the net assets acquired to reflect their fair value to the Group. The principal adjustments are as follows:-

(a) Goodwill

In accordance with Group accounting policy, purchased goodwill has been written off.

(b) Tangible fixed assets

Tangible fixed assets have been included at fair value based principally on external professional valuations and after writing off surplus capacity.

Notes to the accounts

21. Purchase of businesses (continued)

(c) Stocks

Provision has been made against surplus and obsolete stocks and against costs of realisation.

(d) Provisions

Provision has been made for the costs of conversion, integration and reorganisation of the stores acquired into the Allied and Allied Maples chains.

	Authorised		Allotted & fully paid	
	1990	1989	1990	1989
	£m	£m	£m	£m
22. Called up share capital				
Ordinary shares of 25p each	375.0	375.0	293.2	290.7

As at 28 April 1990 there were 1,172,989,892 ordinary shares in issue (1989: 1,162,741,822).

Under the terms of trust deeds associated with the issue of the 4½% convertible bonds 2002 in March 1987, bondholders have the right to request conversion of bonds into 25p ordinary shares in the Company on the terms set out in note 17 on page 45 of these accounts. Since issue convertible bonds with a par value of £13.2 million have been converted into 9.3 million ordinary shares. At a conversion price of 164p per ordinary share, full conversion of the remaining convertible bonds would result in the issue of approximately 63.9 million new ordinary shares.

On 20 August 1989, 1.88 million ordinary shares were issued in connection with the Group's share participation schemes.

Following calls made on shares under the various Option Schemes, 6.2 million ordinary shares were issued.

Under the terms of the various Option Schemes of Asda Group plc, the following options are outstanding at 28 April 1990:

	Number of participants	Options ('000)	Price per ordinary share (range) p	Exercisable by
Senior Executive Share Option Scheme 1981	157	366	117	November 1990
Executive Share Option Scheme 1984	1,752	48,586	138-209	February 2000
Savings Related Share Option Scheme	7,467	8,618	65-156	August 1996

The George Davies Partnership plc holds an option on 250,000 ordinary shares. The option price is 112.5p per share and is exercisable between February 1993 and February 1997.

	Revaluation reserve £m	Profit and loss account £m	Share premium account £m
23. Reserves			
Group			
At beginning of year	-	634.3	15.8
Premium on shares issued	-	-	13.1
Goodwill eliminated on related company investment	-	(0.8)	-
Goodwill eliminated on the purchase of businesses	-	(107.5)	-
Retained profit	-	152.9	-
Revaluation of related company investment	82.0	-	-
At end of year	82.0	678.9	28.9

23. Reserves (continued)	Revaluation reserve £m	Profit and loss account £m	Share premium account £m
Company			
At beginning of year	34.8	402.7	15.8
Premium on shares issued	"	"	13.1
Retained profit	"	(13.0)	"
At end of year	34.8	389.7	28.9
	Revaluation reserve	Profit and loss account	Share premium account

In accordance with the exemptions given by Section 228 (7) of the Companies Act 1985, the Company has not presented its own profit and loss account.

The profit for the financial year dealt with in the accounts of the Company was £43.4 million (1989: £82.7 million).

24. Financial commitments

The Directors have authorised future capital expenditure for the Group as follows:-

	1990 £m	1989 £m
Contracted	100.1	137.0
Not contracted	207.5	310.6
	Contracted	Not contracted

The annual commitment under non-cancellable operating leases which relates primarily to land and buildings is as follows:-

Leases expiring:		
Within one year	1.5	"
Within two to five years	5.8	7.2
Thereafter	62.2	18.1
	69.5	25.3
	Within one year	Within two to five years

Gazeley Properties Limited has guaranteed a bank loan to a property joint venture partnership. The amount of the loan outstanding at the year end was £15.8 million.

25. Pensions

The Group operates defined benefit schemes for full time employees, the assets of which are held in a separate trustee administered common investment fund.

The pension cost relating to the schemes is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial assessment of the schemes was at 6 April 1989. The assumptions which have the most significant effect on the results of the valuation are those relating to the long term rate of return on investments and the rates of increase in salaries and pensions.

At the date of the latest actuarial valuation, the market value of the schemes' assets was £78.8 million and the actuarial value of these assets represented 156% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The total pension cost to the Group was £6.3 million (1989 £6.1 million).

The cost has been reduced by £3 million reflecting a reduced employer contribution rate designed to recognise the schemes' surpluses over the average remaining service lives of employees.

With effect from 1 May 1990, the benefits payable by the schemes have been increased. These will be financed in part by utilisation of the schemes' surpluses and in part by increased employer contributions, which will result in an increase in the future pension costs to the Group.

Analysis of shareholdings

at July 1990

Shareholdings range	Shareholders	%	Shares	%
1-999	14,414	32.27	6,884,694	0.59
1,000-9,999	25,745	57.64	67,904,041	5.79
10,000-49,999	3,030	6.76	59,391,856	5.06
50,000-99,999	505	1.13	34,022,015	2.90
100,000-249,999	453	1.01	67,123,427	5.72
250,000-999,999	333	0.75	159,941,525	13.64
1,000,000-4,999,999	150	0.34	306,016,042	26.09
5,000,000-9,999,999	10	0.04	129,043,349	11.00
Over 10,000,000	18	0.04	342,880,024	29.21
	44,666	100.00	1,173,006,973	100.00

Category of Shareholders		%		%
Pension Funds	73	0.16	62,050,341	5.29
Insurance Companies	293	0.66	156,602,335	13.35
Investment Companies	99	0.22	6,281,374	0.54
Bankers and Nominee Companies	4,307	9.64	692,286,066	59.02
Trust Companies	1,698	3.80	55,105,332	4.70
Other Corporate Bodies	789	1.77	36,043,300	3.07
Other Shareholders	37,407	83.75	164,636,225	14.03
	44,666	100.0	1,173,006,973	100.0

Capital gains tax

The market values of the Company's shares for the purposes of capital gains tax were:

As at 31st March 1982

	pence each	Adjusted pence each*
Ordinary shares of 25p	129p	60.47p
9.75% Cumulative preference shares of £1 each	97.5p	97.5p

*Adjusted in the account of the Capitalisation issued in October (each of the years 1983, 1984 and 1985)

Ordinary shares purchased between the dates stated below should be subject to the following calculations to derive the adjusted value.

01.04.82 to 30.10.82 - purchase price x 45/96

01.11.82 to 30.10.83 - purchase price x 1/2

31.10.83 to 05.11.84 - purchase price x 5/6

Share check hotline

A share check hotline 0898 500 697 is now in operation, giving the Group's current share price.

Notice of meeting

NOTICE IS HEREBY GIVEN to the shareholders of the Company that the twelfth Annual General Meeting of the Company will be held at Pudsey Civic Hall, Dawson's Corner, Pudsey, Leeds LS28 5TA, on Wednesday 26 September 1990 at 2.30 in the afternoon for the following purposes:-

Resolutions

- 1 To receive the Report of the Directors and the Accounts for the 52 weeks to 28 April 1990 with the Auditors' Report thereon and declare a dividend.

To re-elect as a Director:

- 2 Sir Godfrey Messervy
- 3 Mr Kenneth Morton
- 4 Mr Richard Harker

- 5 To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration.

As special business to consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions.

- 6 That the authorised capital of the Company be increased from £375 million to £425 million by the creation of 200 million ordinary shares of 25p each ranking *pari passu* in all respects with the existing 1,500 million ordinary shares of 25p each.
- 7 That, subject to and in accordance with Article 18 of the Company's Articles of Association, the Directors be authorised to allot relevant securities having (or giving the right to subscribe or convert into shares having) a nominal value not exceeding £9775 million in aggregate and the previous authority given by ordinary resolution on 30 October 1985 shall henceforth cease to have effect.
- 8 That the authority granted to the Company on 15 February 1989 be renewed and accordingly the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of its ordinary shares of 25p each in the capital of the Company provided that:
 - i the maximum number of ordinary shares hereby authorised to be purchased is 113 million;
 - ii the minimum price which may be paid for ordinary shares is 25p per ordinary share;
 - iii the maximum price at which ordinary shares may be purchased is an amount equal to 105 per cent of the average of the middle market prices shown in the quotations for an ordinary share as derived from The Stock Exchange Daily Official List for the ten business days immediately preceding the date of purchase; and
 - iv the authority to purchase hereby conferred shall, unless renewed prior to such time, expire at the conclusion of the next following Annual General Meeting of the Company save that the Company may before such expiry enter into a contract of purchase under which such purchase may be completed or executed wholly or partly after the expiration of this authority.

- 9 That the Directors be and are hereby authorised to alter the Trust Deeds and Rules of the ASDA-MFI Services, the Associated Dairies and the Allied Carpets Share Participation Schemes in (or substantially in) the form proposed and summarised in the letter from the Chairman to the members of the Company dated 17 August 1990, subject to the approval of the Board of Inland Revenue;
- 10 That the Asda Group Contributory Share Scheme, in (or substantially in) the form proposed and summarised in the letter from the Chairman to the members of the Company dated 17 August 1990, be approved and adopted for the purpose of making Matching Offers under the provisions of the Share Participation Schemes and the Directors be and are hereby authorised to do all things expedient and necessary to secure and maintain any relevant approval by the Board of Inland Revenue or to comply with any of the requirements of The Stock Exchange or the Investment Protection Committees of the Association of British Insurers and the National Association of Pension Funds.

As special business to consider and, if thought fit, pass the following resolutions which will be proposed as special resolutions.

11 That:-

- i subject to and in accordance with Article 19 of the Company's Articles of Association, the Directors be empowered to allot equity securities for cash;
- ii for the purposes of the limitation of the said power referred to in paragraph (c) of the said Article the nominal amount therein mentioned shall be £14,660,000; and
- iii the date on which such power shall expire (save as mentioned in the said Article) shall be the date of the next Annual General Meeting of the Company after the passing of the resolution.

- 12 That the regulations contained in the document produced to the Meeting and for the purpose of identification signed by the Chairman be and the same are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association of the Company.

By Order of the Board

John A. L. Miller was

Secretary

Asda House
Southbank
Great Wilson Street
LEEDS LS11 5AD

17 August 1990

A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member. To be effective, a form of proxy, together with the power of attorney (if any) under which it is executed or a notarially certified copy of such power of attorney must be lodged with the Registrars of the Company, National Westminster Bank PLC, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7YA not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, or, in the case of a poll taken subsequently to the date of the Meeting or adjourned Meeting, not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.

The Register of Directors' interests 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 15 minutes prior to and until the termination of the Meeting.