

Lidl Limited

Report and Financial Statements

28 February 2003

 **ERNST & YOUNG**



Lidl Limited

Registered No: 2816429

Directors

M Kottbauer
A Boening
H C Templin
N Collett

Secretary

A Boening

Auditors

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Bankers

National Westminster Bank plc
P O Box 12258
1 Princes Street
London
EC2R 8PA

Registered office

19 Worples Road
Wimbledon
London
SW19 4JS

Directors' report

The directors present their report and financial statements for the year ended 28 February 2003.

Results and dividends

The profit for the year, after taxation, amounted to £26,000. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company during the year continued to be the provision of services to fellow group companies within the United Kingdom.

The company has been trading profitably during the year and the directors are expecting the company to be profitable in the future.

Future developments

The directors are confident that the company will continue to grow steadily throughout this financial year. Currently it is not planned to change the principal activity of the company or its structure.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the company has continued to inform its employees about relevant events in accordance with the group's information policy.

The employees are continuously given the opportunity to raise any work related issues to management and appraisals are held on a regular basis with all the company's staff. The active participation of the employees in the main operational processes and their development has again been actively encouraged by management and is reinforced by the company's commitment to continued internal training and promotion within the company.

Directors

The directors who served the company during the year were as follows:

M Kottbauer	
A Boening	
W Wislsberger	(Resigned 31 March 2003)
H C Templin	(Appointed 26 April 2002)
N Collett	(Appointed 21 February 2003)
A Leinemann	(Resigned 26 April 2002)
V Murr	(Resigned 26 April 2002)

There are no directors' interests requiring disclosure under the Companies Act 1985.

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

A Boening
Secretary

2003

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Lidl Limited

We have audited the company's financial statements for the year ended 28 February 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

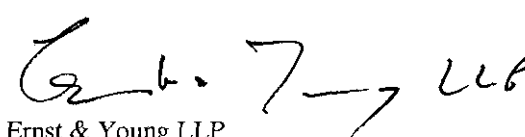
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 28 February 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Reading

7 January 2004.

Profit and loss account

for the year ended 28 February 2003

	Notes	2003 £000	2002 £000
Turnover	2	62,012	59,281
Administrative expenses		63,930	61,273
Other operating income		(1,956)	(2,026)
Profit on ordinary activities before taxation	3	38	34
Tax on profit on ordinary activities	6	12	11
Profit retained for the financial year		26	23

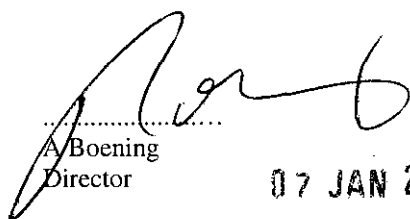
Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £26,000 attributable to the shareholders for the year ended 28 February 2003 (2002 - profit of £23,000).

Balance sheet

at 28 February 2003

	Notes	2003 £000	2002 £000
Current assets			
Debtors	7	3,246	4,694
Creditors: amounts falling due within one year	8	3,154	4,628
Net current assets		<u>92</u>	<u>66</u>
Total assets less current liabilities		<u>92</u>	<u>66</u>
Capital and reserves			
Share capital	11	—	—
Profit and loss account	12	<u>92</u>	<u>66</u>
Equity shareholders' funds	12	<u>92</u>	<u>66</u>


A Boening
Director

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Statement of cash flows

for the year ended 28 February 2003

	<i>Notes</i>	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
/			
Net cash inflow from operating activities	13(a)	2	232
Taxation	13(b)	(10)	(4)
(Decrease)/increase in cash		<u>(8)</u>	<u>228</u>

Reconciliation of net cash flow to movement in net debt

		<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
(Decrease)/increase in cash		<u>(8)</u>	<u>228</u>
Movement in net debt		(8)	228
Net debt at 1 March	13(c)	<u>(39)</u>	<u>(267)</u>
Net debt at 28 February	13(c)	<u>(47)</u>	<u>(39)</u>

Notes to the financial statements

at 28 February 2003

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to group companies for services provided within the United Kingdom. Turnover is attributable to one continuing activity, the provision of services to fellow group companies within the United Kingdom.

An analysis of turnover by geographical market is given below:

	2003 £000	2002 £000
United Kingdom	<u>62,012</u>	<u>59,281</u>

3. Operating profit

This is stated after charging:

	2003 £000	2002 £000
Auditors' remuneration - audit services	10	10
- non-audit services	<u>7</u>	<u>3</u>
	<u>17</u>	<u>13</u>

Notes to the financial statements

at 28 February 2003

4. Staff costs

	2003 £000	2002 £000
Wages and salaries	56,756	53,344
Social security costs	4,306	4,532
Staff pension contributions	982	1,157
	<u>62,044</u>	<u>59,033</u>

The monthly average number of employees during the year was as follows:

	2003 No.	2002 No.
Full time employees	1,785	1,755
Part time employees	2,195	2,064
	<u>3,980</u>	<u>3,819</u>

5. Directors' emoluments

	2003 £000	2002 £000
Emoluments	<u>1,538</u>	<u>1,188</u>
Value of company pension contributions to money purchase schemes	<u>100</u>	<u>73</u>
Additional pension paid to directors	<u>35</u>	<u>—</u>

The amounts in respect of the highest paid director are as follows:

	2003 £000	2002 £000
Emoluments	<u>339</u>	<u>258</u>
Value of company pension contributions to money purchase schemes	<u>30</u>	<u>24</u>

6. Tax

(a) Tax on profit on ordinary activities
The tax charge is made up as follows:

	2003 £000	2002 £000
<i>Current tax:</i>		
UK corporation tax	12	10
Tax under provided in previous years	—	1
Total current tax (note 6(b))	<u>12</u>	<u>11</u>

Notes to the financial statements

at 28 February 2003

6. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are reconciled below:

	2003 £000	2002 £000
Profit on ordinary activities before taxation	38	34
Profit/(loss) on ordinary activities by rate of tax	12	10
Tax underprovided in previous years	—	1
Total current tax (note 6(a))	12	11

7. Debtors

	2003 £000	2002 £000
Amounts owed by group undertakings	1,853	3,755
Other debtors	1,214	807
Prepayments and accrued income	179	132
	3,246	4,694

8. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank overdrafts	47	39
Amounts owed to group undertakings	—	1,814
Corporation tax	12	10
Other taxation and social security	1,413	1,171
Other creditors	150	210
Accruals and deferred income	1,532	1,384
	3,154	4,628

9. Pensions

The company operates a defined contribution pension scheme, the Group Stake Holder Pension, for certain of its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the year end, included in "other creditors" (note 8), are £148,680 (2002: £201,054).

Notes to the financial statements

at 28 February 2003

10. Related party transactions

During the year Lidl Ltd undertook transactions with the following related parties:

Lidl UK Assets GmbH
Lidl UK GmbH
Lidl UK Properties GmbH & Co. KG

Lidl Ltd and Lidl UK Assets GmbH are wholly owned subsidiaries of Lidl UK GmbH. 100% of the profit rights of Lidl UK Properties GmbH & Co KG are held by Lidl UK Assets GmbH whereas the whole of the voting rights belong to ZMRS Warenhandel Beteiligungs GmbH, who is also the fully liable partner.

During the year Lidl Ltd provided employment services to Lidl UK GmbH and provided rent collection services to Lidl UK Properties GmbH & Co KG and Lidl UK Assets GmbH with charges calculated on a normal commercial basis. The charges made to these companies were as follows:

Lidl UK Assets GmbH	£272,630
Lidl UK GmbH	£62,012,019
Lidl UK Properties GmbH & Co. KG	£904,834

Additionally Lidl Ltd paid £1,298,942 to Lidl UK GmbH for expense recharges.

At the year-end amounts were due to related parties as follows:

Lidl UK GmbH	£1,852,434
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11. Share capital

		Authorised	
		2003	2002
		£000	£000
Ordinary shares of £1 each		1	1

		Allotted, called up and fully paid	
		2003	2002
		£000	£000
No.		No.	
	£000		£000
Ordinary shares of £1 each	2	—	—

Notes to the financial statements

at 28 February 2003

12. Reconciliation of shareholders' funds and movement on reserves

	<i>Profit and loss account £000</i>
At 1 March 2001	43
Profit for the year	23
At 28 February 2002	66
Profit for the year	26
At 28 February 2003	92

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13. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	<i>2003 £000</i>	<i>2002 £000</i>
Operating profit	38	34
Decrease in debtors	1,448	831
Decrease in creditors	(1,484)	(633)
Net cash inflow from operating activities	2	232

(b) Taxation

	<i>2003 £000</i>	<i>2002 £000</i>
Corporation tax paid	(10)	(4)

(c) Analysis of changes in net debt

	<i>At 1 March 2002 £000</i>	<i>Cash flows £000</i>	<i>At 28 February 2003 £000</i>
Overdrafts	(39)	(8)	(47)
	(39)	(8)	(47)

14. Parent undertaking and controlling party

The company's immediate parent undertaking is Lidl UK GmbH, a company incorporated in Germany.

In the directors' opinion the company's ultimate parent undertaking and controlling party is Lidl Stiftung & Co. KG, which is incorporated in Germany. It has included the company in its group accounts.