ASDA GROUP PLC.

1396513.

DIRECTORS' REPORT

The directors present their report, together with the accounts of the group, for the 52 weeks ended 29th April, 1995.

Principal activities and business review

The principal activities of the group are the operation of food, clothing, home and leisure superstores throughout the United Kingdom and property development.

This report should be read in conjunction with the letter from your Chairman, the reports from the executive directors and the financial review, which together contain details of the group's business during the year, its financial performance and an indication of likely future developments.

Group profit and dividends

Group profit on ordinary activities before taxation amounted to £257.2 million compared with a loss of £125.9 million for the previous year. After provision for tax of £78.6 million and dividends paid and proposed of £63.9 million, this leaves a retained profit for the year of £114.7 million, (1994: loss £222.2 million) which will be transferred to the profit and loss account reserve.

The directors propose a final dividend of 1.59 pence per ordinary share to be paid on 2nd October, 1995 to shareholders on the register on 6 September, 1995 which, when added to the interim dividend already paid of 0.61 pence per ordinary share, makes a total for the year of 2.20 pence per ordinary share.

Fixed assets

Details of the changes in fixed assets are shown in note 9 to the accounts on page 44.

Share capital and annual general meeting

The company's authorised and issued share capital is set out in note 21 to the accounts on page 49 together with details of the shares issued during the year.

At the annual general meeting resolutions will be proposed to authorise the directors to allot securities in the company. Resolution 5 provides the directors with authority to allot securities in the company up to an aggregate nominal value of £242,165,124. If passed, this resolution will enable the directors to allot a maximum of 968,660,496 ordinary shares which represents approximately 33 per cent of the issued ordinary share capital as at 29 June, 1995. The directors have no present intention of exercising the authority which will be conferred by resolution 5. Resolution 6 is a special resolution disapplying pre-emption rights and granting authority to the directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues and (b) other issues up to an aggregate nominal value of £36,308,580. The authority conferred by resolution 6 is limited as regards issues of shares other than by way of rights issues to 5 per cent of the issued ordinary share capital of the company as at 29 April, 1995, amounting to 145,234,320 ordinary shares. As at 29 June, 1995 this amount represented approximately 5 per cent of the company's issued ordinary share capital. In relation to the exercise of this authority, the company will have regard to the guidelines published by the Investment Committees of both the Association of British Insurers and the National Association of Pension Funds. The authorities sought by these resolutions are to replace the existing powers of the directors which expire on the date of the annual general meeting.

The full text of the resolutions is set out in the notice of meeting contained on page 56.

Major shareholdings

As at 12 June, 1995 the company's register of substantial shareholdings showed the following interests in 3% or more of the company's share capital:-

Schroder Investment Management Limited	10.00%
Robert Fleming Asset Management Limited	5.72%
Phillips and Drew Fund Management Limited	4.32%
The Standard Life Assurance Company Limited	3.14%

The company is not aware of any other interest in its share capital in excess of 3%.

Directors' Report *(continued)*

Employment policies and colleague contribution

The success of the business depends upon the skills, enthusiasm and motivation of our 69,000 colleagues throughout our store and distribution network.

The essence of the ASDA Way of Working is involving colleagues in the business and providing them with a real opportunity to improve our operation. This can only be achieved by successful communication of the group's aims and objectives throughout all levels and to all regions. Our employment policies are designed to encourage participation, to enable colleagues to acquire additional skills and to focus on the achievement of excellence, particularly in the specialised craft areas.

We believe that the delivery of legendary customer service - one of our primary objectives - can only be achieved by recruiting and retaining friendly colleagues who are motivated to sell. Our recruitment policies are designed to attract such colleagues and to ensure that we provide equal opportunities regardless of gender, age, marital status, race, religion or disability.

As such a large proportion of our colleagues are female, we take a particular interest in understanding their needs and through our Women in ASDA initiative are continually reviewing our working practices and adapting our working environment to take account of colleagues' family and home commitments and so enable colleagues to contribute to their full potential.

We place an important emphasis on training and development and organise a number of developmental programmes including the colleague development scheme, first line managers' programme, business awareness programmes and graduate recruitment schemes.

All our internal communications are designed to deliver consistent, comprehensive messages to colleagues so that they are fully informed and able to participate in the business. The most effective means include videos, our colleague newspaper "ASDA News", store briefings, daily shop floor "Huddles", roadshows and the Chief Executive's Quarterly Review attended in store by all General Store Managers.

Colleagues receive periodic briefings on the group's financial performance and have an opportunity to participate in its success through the Sharesave Scheme and the newly introduced Colleague Share Ownership Plan.

We remain in touch with colleagues' views through regular in store listening groups, "We're Listening" surveys and the ever popular "Tell Archie!" suggestion scheme which has generated over 11,000 colleague ideas since inception. Dedication of our colleagues Above and Beyond the Call of Duty continues to be rewarded through our ABCD award scheme which is popular amongst colleagues and customers.

Colleague share ownership plan

Following the group's recovery, the directors have decided to introduce a colleague share ownership plan through which the majority of colleagues have an opportunity to share in the future growth of the business.

Colleagues who are contracted to work at least 15 hours per week and who have worked for the group for at least 12 months receive options over shares exercisable in three and six years time. If still employed by the group at the exercise date colleagues will receive any growth in the share price in the form of shares - with no financial outlay by the colleague. Further details of this plan are contained in note 22 to the accounts on page 50.

Pensions

The group operates a final salary scheme which is open to all full and part time salaried colleagues. It also operates a money purchase plan which is open to hourly paid colleagues who work at least 8 hours per week. Both schemes provide benefits in addition to the basic state pension and offer other important benefits such as life assurance. The group contributes to both schemes on behalf of members and is committed to increasing awareness of the excellent benefits available under the schemes in order to encourage even greater participation.

Research and development

To meet the needs of our customers we are continually searching for new and innovative products which represent overall good value. This year we have undertaken a comprehensive review of our own label ASDA Brand range, introducing over 1,300 new, repackaged and reformulated products. At the end of the financial year we had achieved the highest ever own label penetration for the business and believe there is still considerable scope for improvement and development.

We also continue to invest in the latest technology to improve our understanding of the business, improve productivity and facilitate our selling effort.

Directors and their interests

The directors at the date of this report are shown on page 9, together with brief biographical details.

In accordance with the company's articles of association, Mr. F A A Maude and Mr. D O'Brien retire by rotation at this year's annual general meeting. Mr. F A A Maude being eligible, offers himself for re-election. Mr. D O'Brien is not seeking re-election and the board would like to record their thanks to him for his contribution during the last three years.

The service contracts of the executive directors, Messrs Norman, Cox, Leighton and Campbell are all terminable upon 36 months notice from the company. Apart from these contracts, at no time during the year has any director had a material interest in any contract with the company or any of its subsidiaries.

During the year the group maintained liability insurance for its directors and officers.

The interests of the directors and their families in the company's share capital and details of directors' share options are set out in note 3 to the accounts on page 40.

Charitable and political donations

We believe it is important for the group to support the local communities in which it trades and throughout the year colleagues are encouraged to participate in local events and, in particular, charitable fund raising activities.

During the year our stores participated in a variety of events ranging from The Groundwork Foundation, which is actively involved in building schools, nurseries and renovating derelict areas into playgrounds, to a parachute jump in support of a local Leeds hospital. One region in Scotland covering 14 stores and 6,000 colleagues has raised over £200,000 this year in appeals for the Royal Scottish Society for Prevention of Cruelty to Children, Cash for Kids, which provides gifts to children in need at Christmas and other similar charities. With help from our customers it also collected over 12,000 easter eggs for disadvantaged children and along with some of our suppliers filled a lorry bound for Bosnia with much needed supplies of foods and medicines.

Where colleagues have demonstrated energy and enthusiasm in supporting local events, our charitable trust, The ASDA Foundation, will often add its contribution. Total charitable donations made by the group amounted to £0.1 million (1994: £0.2 million). There were no political donations made during the year.

Taxation status

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

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

The attention of shareholders is drawn to the notice of annual general meeting set out on page 56. In particular, shareholders' attention is drawn to the special business to be transacted at that meeting details of which are referred to under the heading Share Capital in this report.

By order of the Board

Denise N Jagger

Denise N Jagger
Company Secretary
29th June, 1995.

Statement of Directors' Responsibilities and Corporate Governance

Statement of directors' responsibilities in respect of the accounts

The following statement, which should be read in conjunction with the auditors' report set out on page 29, is made for the purpose of clarifying for members the respective responsibilities of the directors and the auditors in the preparation of the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group at the end of that financial year and of the group's profit or loss for the year. The directors consider that, in preparing the accounts, the group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been followed.

After making appropriate enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

The directors have responsibility for ensuring that the group keeps accounting records which disclose with reasonable accuracy at any time the financial position of the group and which enable them to ensure that the accounts comply with the Companies Act 1985. The directors also have responsibility for safeguarding the assets of the group and for the prevention and detection of fraud and other irregularities.

Corporate governance

The group has complied with the provisions of the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance in force during the year.

Internal financial control

The provision of the Code of Best Practice, in relation to internal financial control, comes into effect for the 1995/96 financial year and the directors will report formally in that year's report and accounts. However, anticipating this requirement, internal financial control processes have been designed to allow the board to monitor the group's overall financial position and help protect its assets.

The board has overall responsibility for the group's system of internal financial control which is designed to give reasonable assurance against material financial misstatement or loss. The full board meets regularly and has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. Financial controls have been established which enable the board to meet its responsibilities for the integrity and accuracy of the group's accounting records. The group report and accounts, prepared from these records, complies fully with generally accepted accounting principles.

An Audit Committee, comprising non-executive directors, reviews the effectiveness of the internal control environment of the group and receives reports from the internal auditors on a regular basis. The work of the internal auditors is focused on the areas of greatest risk to the group. The external auditors are engaged to express an opinion on the report and accounts. They independently and objectively review the performance of management in reporting operating results and financial condition. In co-ordination with the internal auditors they also review and test the system of internal financial control and the data contained in the report and accounts to the extent necessary for expressing their opinion.

Auditors' Report to the Members of ASDA Group PLC

We have audited the accounts on pages 30 to 53, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and on the basis of the accounting policies set out on pages 30 and 31.

Respective responsibilities of directors and auditors

As described on page 28, the directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 29th April, 1995 and of the profit of the group for the 52 weeks then ended, and have been properly prepared in accordance with the Companies Act 1985.

Corporate governance

In addition to our audit of the accounts we have reviewed the directors' statement set out on page 28 on the group's compliance with the paragraphs of the Code of Best Practice, so far as they have been brought into application, specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the company's corporate governance procedures nor on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statement on going concern on page 28 in our opinion the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and their statement is not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 28 appropriately reflects the group's compliance with the other paragraphs of the Code specified for our review.

Ernst & Young
Chartered Accountants
Registered Auditor
London
29 June, 1995.

Group Accounting Policies

Accounting basis

The accounts are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

The accounts are prepared in accordance with applicable accounting standards.

Consolidated accounts

The consolidated accounts incorporate the accounts of the company and its subsidiary undertakings together with the group's share of the profits less losses of associated undertakings, adjusted where appropriate to conform to group accounting policies for the 52 weeks ended 29th April, 1995.

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.

On a disposal or closure, goodwill previously written off to reserves is written back and the profit or loss is adjusted accordingly.

Turnover

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

Tangible fixed assets

The group's tangible fixed assets are included in the balance sheet at cost less depreciation, with the exception of its food retailing properties, which have been included at valuation as at 2 May, 1992 less depreciation and amounts written off.

Depreciation

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

Freehold and long leasehold property	20 - 50 years
Short leasehold property	Over period of lease
Plant, fixtures and fittings	3 - 20 years

Leased assets

Assets held under finance leases are capitalised as tangible fixed assets and included in borrowings at the cost of outright purchase. Rentals are apportioned between reductions in the capital obligations included in borrowings and those relating to finance charges which are charged to the profit and loss account at a constant periodic rate of charge.

The capitalised cost of leased assets is written off over the shorter of their estimated useful lives or the lease terms.

The costs of operating leases are charged to the profit and loss account as incurred.

Capitalisation of interest

Interest costs relating to the financing of properties in the course of construction for trading occupation by the company or its subsidiary undertakings are capitalised net of tax relief.

Interest costs incurred in funding land and construction work in progress in respect of property development projects are capitalised during the year of development.

Stocks

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

Deferred taxation

Deferred tax has been accounted for to the extent that it is probable that a liability or asset will crystallise.

Investments

Investments in associated undertakings are dealt with under the equity method of accounting in the consolidated accounts less amounts written off. In the company's accounts investments in associated undertakings are stated at cost less amounts written off.

Short term investments are stated at the lower of cost and net realisable value. Money market investments are stated at market value. All income from these investments is included in the profit and loss account as interest receivable and similar income.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Pensions

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

Group Profit and Loss Account

52 weeks ended 29 April, 1995	*Note*	1995 £m	1994 £m
Sales		5,682.6	5,282.8
Value added tax		397.3	400.6
Turnover	1	5,285.3	4,882.2
Operating costs	2	5,034.2	4,685.5
Operating profit		251.1	196.7
Share of profits of associated undertakings		2.7	1.3
Release of provision for reorganisation of group businesses	4	11.0	-
Provision for losses and profits on disposal of fixed assets	4	-	(178.9)
Losses on sale or termination of group businesses	4	-	(130.0)
Profit/(loss) on ordinary activities before interest		264.8	(110.9)
Net interest payable	5	(7.6)	(15.0)
Profit/(loss) on ordinary activities before taxation		257.2	(125.9)
Taxation	6	(78.6)	(45.3)
Profit/(loss) for the financial year		178.6	(171.2)
Dividends	7	(63.9)	(51.0)
Retained Profit/(loss) for the financial year	23	114.7	(222.2)
Earnings/(loss) per ordinary share	8	Pence	Pence
Basic		6.16	(5.91)
Before exceptional items		5.90	4.36
Dividend per ordinary share	7	2.20	1.76

Group Statement of Total Recognised Gains and Losses

52 weeks ended 29 April, 1995	1995 £m	1994 £m
Profit/(loss) for the year	178.6	(171.2)
Unrealised deficit on properties	-	(22.1)
Total recognised gains and losses relating to the year	178.6	(193.3)

The notes on pages 36 to 53 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

52 weeks ended 29 April, 1995	1995 £m	1994 £m
Total recognised gains and losses	178.6	(193.3)
Dividends	(63.9)	(51.0)
	114.7	(244.3)
Goodwill on disposal	-	53.3
Shares issued	2.1	0.1
Costs in respect of 1993 rights issue	-	(0.4)
Total movements during the year	116.8	(191.3)
Shareholders' funds at beginning of year	1,376.4	1,567.7
Shareholders' funds at end of year	1,493.2	1,376.4

Note of Historical Cost Profits and Losses

52 weeks ended 29 April, 1995	1995 £m	1994 £m
Reported profit/(loss) on ordinary activities before taxation	257.2	(125.9)
Realisation of property revaluation surpluses and deficits	-	1.7
Adjustment of depreciation to historical cost basis	(1.7)	(1.8)
Adjustment of exceptional charge against properties for previous downward revaluations	-	(18.8)
Historical cost profit/(loss) on ordinary activities before taxation	255.5	(144.8)
Historical cost retained profit/(loss)	113.0	(241.1)

The notes on pages 36 to 53 form an integral part of these accounts.

Balance Sheets

At 29 April, 1995	Note	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Fixed assets					
Tangible assets	9	1,927.7	1,848.4	-	-
Investments	10	75.7	74.2	799.8	799.8
Colleague share ownership plan	22	16.7	-	16.7	-
		2,020.1	1,922.6	816.5	799.8
Current assets					
Stocks	13	275.2	260.9	1.9	3.2
Debtors	14	103.0	95.4	1,229.5	1,274.3
Investments	15	428.6	354.2	428.0	174.0
Cash at bank and in hand		14.7	11.8	-	-
		821.5	722.3	1,659.4	1,451.5
Creditors: amounts falling due within one year					
Borrowings	16	(110.7)	(56.0)	(3.0)	(8.4)
Other creditors	17	(757.7)	(660.7)	(346.9)	(143.3)
		(868.4)	(716.7)	(349.9)	(151.7)
Net current (liabilities)/assets		(46.9)	5.6	1,309.5	1,299.8
Total assets less current liabilities		1,973.2	1,928.2	2,126.0	2,099.6
Creditors: amounts falling due after more than one year					
Borrowings	16	(328.4)	(392.7)	(167.1)	(188.8)
Other creditors	17	(0.3)	(0.3)	(356.0)	(338.1)
Provisions for liabilities and charges	18	(151.3)	(158.8)	(3.9)	(5.2)
		1,493.2	1,376.4	1,599.0	1,567.5
Capital and reserves					
Called up share capital	21	726.2	724.7	726.2	724.7
Share premium account	23	302.6	302.0	302.6	302.0
Revaluation reserve	23	83.9	83.9	161.5	161.5
Profit and loss account	23	380.5	265.8	408.7	379.3
Equity shareholders' funds		1,493.2	1,376.4	1,599.0	1,567.5

Phil Cox
Finance Director
Approved by the Board *29 June, 1995.*

The notes on pages 36 to 53 form an integral part of these accounts.

Group Cash Flow

52 weeks ended 29 April, 1995	*Note*	1995 £m	1994 £m
Net cash inflow from operating activities	26	378.0	319.8
Returns on investments and servicing of finance			
Net interest paid		(12.9)	(15.4)
Dividends paid		(52.8)	(47.7)
Dividends received from associated undertaking		0.3	-
Net cash outflow from returns on investments and servicing of finance		(65.4)	(63.1)
Taxation			
Corporation tax paid (including advance corporation tax)		(34.3)	(31.5)
Investing activities			
Disposal of tangible fixed assets		27.3	28.3
Purchase of tangible fixed assets		(204.1)	(241.5)
Colleague share ownership plan		(16.7)	-
Net movement on short term investments	26	4.9	(255.0)
Disposal of Allied Maples		-	(18.0)
Net cash outflow from investing activities		(188.6)	(486.2)
Net cash inflow/(outflow) before financing		89.7	(261.0)
Financing			
Issue of ordinary share capital	26	2.1	(0.3)
Decrease in borrowings		(9.6)	(9.7)
Net cash outflow from financing		(7.5)	(10.0)
Increase/(decrease) in cash and cash equivalents	26	82.2	(271.0)

Short term investments are all convertible to cash at short notice.

The notes on pages 36 to 53 form an integral part of these accounts.

NOTES TO THE ACCOUNTS

1. TURNOVER AND SEGMENTAL ANALYSIS

Turnover comprises the value of sales excluding value added tax.
Following disposal of Allied Maples, the group operated in two principal areas of activity, categorised as follows:

ASDA - operation of food, clothing, home and leisure superstores.
Gazeley - property development.

	1995 £m	1994 £m
Turnover		
ASDA	5,257.2	4,794.1
Allied Maples	-	84.7
Gazeley	28.1	3.4
	5,285.3	4,882.2
Profit		
ASDA	246.8	207.6
Allied Maples	-	(14.4)
Gazeley	4.3	3.5
Operating profit	251.1	196.7
Share of profits of associated undertakings	2.7	1.3
Net interest payable	(7.6)	(15.0)
Profit before taxation and exceptional items	246.2	183.0
Exceptional items		
ASDA	11.0	(148.9)
Allied Maples	-	(130.0)
Gazeley	-	(30.0)
	11.0	(308.9)
Profit/(loss) on ordinary activities before taxation	257.2	(125.9)
Net assets		
ASDA	1,411.6	1,389.5
Gazeley	45.9	42.3
	1,457.5	1,431.8
Investments in associated undertakings	75.7	74.2
Unallocated net liabilities	(40.0)	(129.6)
Total net assets	1,493.2	1,376.4

Unallocated net liabilities comprise balances in respect of investments, dividends and borrowings.

2. Operating costs

	1995 £m	1994 £m
Change in stocks	(14.3)	12.3
Other operating income	(28.5)	(29.6)
Raw materials and consumables	4,086.1	3,702.3
Employment costs	446.6	432.7
Depreciation of tangible fixed assets	90.8	102.9
Other operating charges	453.5	464.9
	5,034.2	4,685.5

Within other operating charges		
Operating lease charges		
- land and buildings	70.9	79.1
- plant and machinery	9.4	12.1

Amounts paid to auditors

Fees charged to profit and loss account in respect of:		
Audit	0.2	0.2
Other	0.1	0.3
	0.3	0.5

Employment costs		
Wages and salaries	418.6	402.8
Social security costs	24.4	26.5
Pension costs	3.6	3.4
	446.6	432.7

The average number of colleagues employed by the group during the year was:

	Total		Full time equivalents	
	1995	1994	1995	1994
ASDA	69,338	69,228	36,134	36,401
Allied Maples	-	1,248	-	1,033
Gazeley	28	39	27	39
	69,366	70,515	36,161	37,473

NOTES TO THE ACCOUNTS *(continued)*

3. DIRECTORS' REMUNERATION AND INTERESTS

Remuneration policy

The directors believe it is in the best interests of shareholders for the group to attract and retain senior executives of the highest calibre. To do this it is appropriate to offer market related salaries and benefit packages. However the group consciously keeps fringe benefits to a minimum preferring instead to offer a reasonable salary plus, if appropriate, a bonus based upon performance.

The remuneration of executive directors is determined by the Remuneration Committee of the board. This is chaired by the Chairman, Patrick Gillam, and is comprised solely of non-executive directors. The aim of the Committee is to ensure that the executive directors are rewarded for their contribution and are motivated through performance related targets to enhance returns for shareholders and to achieve the group's business objectives. In doing so the Committee also takes account of market practices and remuneration levels.

Salaries

All colleagues' salaries are reviewed annually to ensure that they reflect individual and group performance and market rates.

Performance related bonus

The group operates an annual performance related bonus scheme for around 500 senior managers including the executive directors. Bonuses ranging from 20% to 40% of base salary are payable under the scheme depending upon the achievement of specified company, departmental and individual performance targets designed to reflect strategic objectives. These annual bonuses are paid in cash.

Bonus payments do not form part of pensionable salary.

The total remuneration of the directors of the company for the 52 weeks ended 29 April, 1995 comprised:

	1995 £000	1994 £000
Executive directors		
Salaries	1,150	1,182
Performance related bonus	379	343
Benefits in kind	38	47
Compensation for loss of office	-	150
	1,567	1,722
Pension contributions	134	132
Non-executive directors		
Fees	130	138
	1,831	1,992

3. Directors' Remuneration and Interests *(continued)*

The remuneration excluding pension contributions of the individual directors is set out below:

Executive directors	Salary £000	Performance related bonus £000	Taxable benefits £000	Fee £000	1995 Total £000	1994 Total £000
P J Gillam (Chairman)	150	-	-	-	150	150
A J Norman	365	138	7	-	510	463
L A Campbell	200	76	11	-	287	268
P R Cox	210	80	12	-	302	296
A L Leighton	225	85	8	-	318	288
P W Monaghan	-	-	-	-	-	257
	1,150	379	38	-	1,567	1,722
Non-executive directors						
F W Knight	-	-	-	30	30	30
S C Ellen	-	-	-	25	25	25
I Gibson	-	-	-	25	25	14
F A A Maude	-	-	-	25	25	25
D O'Brien	-	-	-	25	25	25
Sir G Messervy	-	-	-	-	-	19
	1,150	379	38	130	1,697	1,860

The pension contributions in respect of the individual directors are set out below:

	1995 £000	1994 £000
P J Gillam (Chairman)	-	-
A J Norman	64	58
L A Campbell	25	25
P R Cox	35	34
A L Leighton	10	10
P W Monaghan	-	5
	134	132

NOTES TO THE ACCOUNTS *(continued)*

3. DIRECTORS' REMUNERATION AND INTERESTS *(continued)*

The interests of the directors, all of which are beneficially held, including family interests, in the ordinary shares of the company are set out below. There have been no changes in these interests between 29th April and 29th June, 1995.

Director's shareholdings	29 April 1995	30 April 1994 (or date of appointment if later)
P J Gillam (Chairman)	130,000	130,000
A J Norman	103,820	103,820
L A Campbell	48,117	48,117
P R Cox	73,304	50,600
S C Ellen	26,000	26,000
I Gibson	11,837	-
F W Knight	26,000	26,000
A L Leighton	51,810	51,810
F A A Maude	26,000	26,000
D O'Brien	16,055	16,055

No director has any interest in the bonds issued by the company or its subsidiary undertakings.

Share options

The executive directors and other senior executives receive share options under the group's executive share option scheme. Full details of the directors' holdings are set out below. Executive directors are entitled to options up to a maximum of 4 times remuneration. Such options may be exercised three and four years after grant and, in respect of options granted since January, 1995, upon condition that the group achieves an earnings per share growth which exceeds RPI by at least 6% over the three year option period. The Chairman does not participate in the executive share option scheme or the long term incentive plan.

	At 30 April 1994	Number of options granted in the year	At 29 April 1995	Exercise price (pence)	Date from which exercisable	Expiry date
A J Norman	4,625,047	-	4,625,047	36.0	5 March 1995	4 March 2002
	-	520,328	520,328	54.5	27 July 1997-50% 27 July 1998-50%	26 July 2004
P R Cox	2,172,371	-	2,172,371	36.0	5 March 1995	4 March 2002
	11,525	-	11,525	25.0	25 August 1995	24 August 2002
	44,904	-	44,904	62.5	28 July 1996	27 July 2003
	-	45,828	45,828	54.5	27 July 1997-50% 27 July 1998-50%	26 July 2004
A L Leighton	3,216,200	-	3,216,200	25.0	25 August 1995	24 August 2002
	14,320	-	14,320	62.5	28 July 1996	27 July 2003
	-	155,919	155,919	54.5	27 July 1997-50% 27 July 1998-50%	26 July 2004
L A Campbell	501,328	-	501,328	112.0 to 170.0	31 October 1988	5 September 1999
	197,839	-	197,839	25.0	25 August 1995	24 August 2002
	25,307	-	25,307	62.5	28 July 1996	27 July 2003
	-	98,645	98,645	54.5	27 July 1997-50% 27 July 1998-50%	26 July 2004

3. **DIRECTORS' REMUNERATION AND INTERESTS** *(continued)*

Long term incentive plan

All the executive directors participate in this plan which was introduced at the commencement of the group's recovery programme to attract, retain and incentivise the group's key executives. Deeply discounted options have been granted to executive directors, which become exercisable four and five years after grant depending upon earnings per share and share price growth over a five year period.

Based upon the group's performance and the company's share price at the outset of the recovery programme in early 1992, the share price targets fall into the range 45p to 125p and earnings per share growth targets are in the range 10% to 15% per annum. The maximum number of shares over which each executive director will be entitled to exercise his option is 1 million or, in the case of the chief executive, 2 million. The exercise price is 0.1p per share.

In order to remain eligible participants must be employed by the company and each year purchase and hold a prescribed amount of shares in the company so that by the end of the five year period they will have purchased shares equal in value to 10% of the cost price of the shares under option to them.

The Remuneration Committee considers the long term incentive plan to be one of the features that has contributed most significantly to the motivation and dedication of the senior team during the company's recovery. The present scheme ends in July, 1997 except for two members who are not directors.

The board has therefore considered what form of long term incentive it should offer for the future in circumstances where a high proportion of FT 100 companies provide long term incentive plans and this is also the practice among the company's major competitors. As a result the board decided to extend the present scheme. The terms are less generous and more stringent to reflect the post recovery situation.

Under the new conditions of the extended scheme, which will include the executive directors and other senior managers, participants will be entitled to receive each year a special long term bonus of up to 75% of salary. The amount awarded in any year will be decided by the Remuneration Committee in the light of each individual's performance in the previous year. This bonus will be paid as share options entitling the holder to receive in three years time a number of shares equal to the bonus divided by the ASDA share price at the date of issue of the options.

The terms on which a director may exercise these options are as follows:-

(a) Options must be held for a minimum of three years.

(b) The group's earnings per share ("EPS") must grow by more than 10% per annum over the three year period. If this target is not met no options may be exercised and they lapse.

(c) At 15% per annum EPS growth over the period 100% of the original grant may be exercised.

(d) At rates of EPS growth between 10-15% per annum the rights of exercise are pro-rated.

(e) As an incentive and to encourage long term holding of options the scheme includes:-

  (i) a provision that if directors hold all their options to the end of the fifth year of the scheme all options from years 1 to 5 may be exercised at that time.

  (ii) if directors hold all their options to the end of the seventh year of the scheme a loyalty bonus of 10% p.a. will be paid. No further performance targets will be demanded as a condition of receiving this bonus.

NOTES TO THE ACCOUNTS *(continued)*

4. EXCEPTIONAL ITEMS

	1995 £m	1994 £m
Release of provision for reorganisation of group businesses *(note 20)*	11.0	-
Provision for losses and profits on disposal of fixed assets:		
Property provision	-	(116.3)
Provision to acquire freeholds *(note 20)*	-	(37.6)
Provision against investment in The Burwood House Group plc *(note 12)*	-	(30.0)
Profit on disposal of retail properties	-	5.0
	-	(178.9)
Losses on sale or termination of group businesses		
Disposal of Allied Maples businesses	-	(130.0)

The taxation effect of the above items is given in note 6.

5. NET INTEREST PAYABLE

	1995 £m	1994 £m
Interest payable		
Repayable within 5 years:		
Short term loans and bank overdrafts	(1.0)	(1.9)
Finance leases	(1.4)	(1.1)
Bonds	(8.7)	(8.6)
Repayable after 5 years:		
Bonds	(25.3)	(27.3)
	(36.4)	(38.9)
Interest capitalised before tax relief of £0.5 million (1994: £0.4 million)	1.7	1.4
	(34.7)	(37.5)
Interest receivable and similar income	27.1	22.5
	(7.6)	(15.0)

6. TAXATION

	1995 £m	1994 £m
The (charge)/credit to UK corporation tax at 33% (1994: 33%) for the year arises as follows:		
On profit before exceptional items:		
Current	(76.2)	(45.6)
Deferred	(7.2)	(19.8)
Associated undertakings	(0.9)	(0.4)
Adjustments in respect of prior years:		
Current	12.1	1.7
Deferred	(2.8)	7.4
	(75.0)	(56.7)
On exceptional items:		
Current	-	5.5
Deferred	(3.6)	5.9
	(3.6)	11.4
	(78.6)	(45.3)

7. DIVIDENDS	Pence payable per share 1995	1994	1995 £m	1994 £m
Ordinary - interim	0.61	0.55	17.7	15.9
- final	1.59	1.21	46.2	35.1
	2.20	1.76	63.9	51.0

8. EARNINGS PER ORDINARY SHARE

Basic

The calculation of basic earnings per ordinary share ("EPS") is based on the profit on ordinary activities after taxation of £178.6 million (1994: loss £171.2 million) divided by the weighted average number of ordinary shares in issue during the year of 2,899.9 million shares (1994: 2,898.6 million shares).

Before exceptional items

Earnings per share before exceptional items has been presented in addition to the basic EPS required by Financial Reporting Standard number 3 since, in the opinion of the directors, this presents a better year on year comparative of the earnings of the group.

	1995 Pence	1994 Pence
Basic	6.16	(5.91)
Adjustments:		
Release of provision for reorganisation of group businesses	(0.26)	-
Provision for losses and profits on disposal of fixed assets	-	5.94
Losses on sale or termination of group businesses	-	4.33
Before exceptional items	5.90	4.36

Fully diluted

Fully diluted earnings per share items are not materially different to the figure shown above.

NOTES TO THE ACCOUNTS *(continued)*

9. TANGIBLE FIXED ASSETS	Freehold properties £m	Leasehold properties £m	Plant fixtures & fittings £m	Total £m
Cost or valuation				
At beginning of year	964.9	772.7	522.0	2,259.6
Additions	45.4	22.3	89.8	157.5
Disposals	(23.6)	(2.7)	(65.9)	(92.2)
At end of year	986.7	792.3	545.9	2,324.9
Cost or valuation at end of year is represented by:				
Valuation at 2 May, 1992	547.8	416.3	-	964.1
Cost	438.9	376.0	545.9	1,360.8
	986.7	792.3	545.9	2,324.9
Depreciation				
At beginning of year	75.2	110.4	292.0	477.6
Charge for the year	11.6	17.4	61.8	90.8
Disposals	(0.7)	(0.4)	(52.6)	(53.7)
At end of year	86.1	127.4	301.2	514.7
Net book amounts at end of year	900.6	664.9	244.7	1,810.2
Assets under construction (1994: £66.4 million)				117.5
Net book amounts at end of year				1,927.7
Net book amounts at beginning of year				1,848.4

Food retailing properties were revalued at 2nd May, 1992 by the group's own surveyors. This was carried out on the basis of open market valuation for existing use, with the exception of certain properties which, in the opinion of the directors, had a limited future life in existing use. In respect of these properties, a directors' valuation was undertaken on the basis of their lower, alternative use value. This valuation was further reviewed at 30th April, 1994 when additional properties were written down to their alternative use value.

The cumulative amount of capitalised interest included in the net book value of fixed assets is £10.2 million (1994: £9.0 million). Details of interest capitalised during the year are given in note 5 on page 42.

The historical cost of food retailing properties included at valuation is as follows:

	1995 £m	1994 £m
Freehold properties	694.8	695.0
Leasehold properties	474.6	474.6
	1,169.4	1,169.6

The net book amount of plant, fixtures and fittings for the group includes £10.5 million (1994: £12.2 million) in respect of leased assets after charging depreciation of £9.3 million (1994: £13.9 million).

9. Tangible fixed assets *(continued)*

The net book amount of leasehold property includes:	Group	
	1995 £m	1994 £m
Leases with 50 years or more unexpired	507.4	499.6
Leases with less than 50 years unexpired	157.5	162.7
	664.9	662.3

10. Fixed asset investments

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Subsidiary undertakings *(note 11)*	-	-	772.6	772.6
Associated undertakings *(note 12)*	75.7	74.2	27.2	27.2
	75.7	74.2	799.8	799.8

11. Subsidiary undertakings *(Company only)*

As at 29th April, 1995, the following companies, being those whose results principally affect the financial position of the group, were subsidiary undertakings whose ordinary share capital was wholly owned, and which were registered in England and Wales and operating in the UK.

	Principal activities	**Holding company**
Asda Stores Limited	Retailing	Asda Group plc
Gazeley Properties Limited	Property Development	Gazeley Holdings Limited
McLagan Investments Limited	Property Investment	Asda Stores Limited

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

	1995 £m	1994 £m
Valuation	772.6	772.6

A revaluation of the company's investments in subsidiary undertakings was undertaken by the directors at 2nd May, 1992. The difference between the carrying value of investments in subsidiary undertakings and their historic cost is £161.5 million.

NOTES TO THE ACCOUNTS *(continued)*

12. ASSOCIATED UNDERTAKINGS	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Cost or valuation				
At beginning of year	122.2	103.7	45.2	27.2
Additions at cost	-	18.0	-	18.0
Profit for the year	1.8	0.9	-	-
Dividends	(0.3)	(0.4)	-	-
At end of year	123.7	122.2	45.2	45.2
Amounts written off:				
At beginning of year	48.0	-	18.0	-
Written off	-	48.0	-	18.0
At end of year	48.0	48.0	18.0	18.0
Net book value	75.7	74.2	27.2	27.2

Allied Carpets Group Limited

On 3 December, 1993, as part of the transaction to dispose of the Allied Maples businesses, the Company invested £18 million in Carpetland Carpet Centres Limited, including 40% of the issued share capital. Carpetland Carpet Centres Limited, whose principal activity is the retailing of carpets and floor coverings, subsequently changed its name to Allied Carpets Group Limited.

The Burwood House Group plc

The group's interest in The Burwood House Group plc, whose principal activities are retail property investment, development and management, comprises:-

Issued share capital	Percentage held
75 million ordinary A shares of £1 each	100%
75 million ordinary B shares of £1 each	Nil
Total ordinary shares	50%
50.8 million cumulative redeemable preference shares of £1 each	50%

In 1989, the company entered into a joint venture agreement with British Aerospace plc. From December, 1994 onwards, under the terms of the agreement, there is a likelihood of a complete redetermination of shareholdings in the venture. As a result, the directors consider that the value of the group's investment in The Burwood House Group plc should be stated on a realisation basis. The carrying value of the investment was reduced by £30 million at 30 April, 1994. The carrying value at 29 April, 1995 is £74 million.

George Davies Partnership

The group holds 800,000 ordinary B shares of 10p each in Bandsound Limited, representing 20% of that company's issued ordinary share capital. Bandsound Limited is the holding company of George Davies Partnership Limited whose principal activity is the provision of consultancy services relating to the group's clothing operations.

13. STOCKS	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Goods held for resale	237.6	216.7	-	-
Development properties	37.6	44.2	1.9	3.2
	275.2	260.9	1.9	3.2

14. Debtors	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Amounts falling due within one year				
Amounts owed by subsidiary undertakings	-	-	1,214.8	106.3
Other debtors	43.1	32.6	1.3	4.3
Prepayments and accrued income	59.9	62.8	13.4	3.2
	103.0	95.4	1,229.5	113.8
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	-	1,160.5
	103.0	95.4	1,229.5	1,274.3

15. Investments

Investments comprise, bonds and other short term deposits.

16. Borrowings	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Amounts falling due within one year				
Bank borrowings	65.0	50.0	3.0	8.4
Obligations under finance leases	5.5	6.0	-	-
US private placement *(a)*	40.2	-	-	-
	110.7	56.0	3.0	8.4
Amounts repayable between 1 and 2 years				
Obligations under finance leases	2.8	3.6	-	-
US private placement *(a)*	-	40.2	-	-
Amounts repayable between 2 and 5 years				
Obligations under finance leases	1.1	2.4	-	-
US private placement *(a)*	84.2	84.2	-	-
Amounts repayable in 5 years or more				
Obligations under finance leases	0.2	0.5	-	-
Bonds due 2002 *(b)*	58.3	80.0	58.3	80.0
Convertible capital bonds 2005 *(c)*	73.0	73.0	-	-
Bonds due 2010 *(d)*	108.8	108.8	108.8	108.8
	328.4	392.7	167.1	188.8

(a) On 23rd April, 1991, the group completed a private placement of US $210 million bonds with US investors, of which US $68 million is repayable on 25th April, 1996 and US $142 million on 25th April, 1998. The group has entered into swap transactions with a number of banks which have the effect of converting these borrowings to a sterling denominated interest at a margin of 1% over six months' LIBOR.

(b) On 15th May, 1986, the company issued £100 million of unsecured $9^{5}/_{8}$% bonds at $99^{1}/_{2}$% of nominal value redeemable at par on 25th April, 2002 unless previously redeemed at the company's request.

(c) In October, 1990 the group raised £73 million through the issue of $10^{3}/_{4}$% convertible capital bonds 2005 by a Jersey subsidiary undertaking, Asda Finance Limited. The convertible capital bonds are convertible into fully paid 2% exchangeable redeemable preference shares in Asda Finance Limited which are guaranteed on a subordinated basis by Asda Group plc. The preference shares are redeemable at their paid up value and are also exchangeable for fully paid ordinary shares in Asda Group plc at an exchange price of 93 pence.

(d) On 31st March, 1989 the company issued £125 million of unsecured $10^{7}/_{8}$% bonds at 101.753% of nominal value redeemable at par on 20th 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.

NOTES TO THE ACCOUNTS *(continued)*

17. OTHER CREDITORS	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Amounts falling due within one year				
Trade creditors	415.0	382.3	-	-
Amounts owed to subsidiaries	-	-	274.4	78.7
Taxation	86.8	59.1	11.8	19.3
Social security	6.7	7.0	-	-
Other creditors	55.7	46.3	9.9	6.0
Accruals	147.3	130.9	4.6	4.2
Proposed dividend	46.2	35.1	46.2	35.1
	757.7	660.7	346.9	143.3
Amounts falling due after more than one year				
Amounts owed to subsidiaries	-	-	356.0	338.1
Other creditors	0.3	0.3	-	-
	0.3	0.3	356.0	338.1

18. PROVISION FOR LIABILITIES AND CHARGES	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Deferred taxation *(note 19)*	25.4	11.8	(0.9)	(3.1)
Provisions *(note 20)*	125.9	147.0	4.8	8.3
	151.3	158.8	3.9	5.2

19. DEFERRED TAXATION	Group Depreciation allowances £m	Group Short term timing differences £m	Group Total £m	Company Short term timing differences £m
Amount provided				
At beginning of year	29.6	(17.8)	11.8	(3.1)
Provision charged through profit and loss account	21.4	(7.8)	13.6	2.2
At end of year	51.0	(25.6)	25.4	(0.9)

Provision has been made for corporation tax at 33% on timing differences which are expected to reverse in the forseeable future. The amount provided represents the full potential liability.

20. Provisions	Group: Restructuring provisions £m	Group: Other £m	Group: Total £m	Company £m
At beginning of year	132.9	14.1	147.0	8.3
Released through profit and loss account (*note 4*)	(11.0)	-	(11.0)	-
Utilised during the year	(6.5)	(3.6)	(10.1)	(3.5)
At end of year	115.4	10.5	125.9	4.8

In 1992, provision was made against the costs of restructuring and repositioning the group's businesses. These included revenue costs of relaying sales areas across the store portfolio, head office and management restructuring, rearrangement of borrowing facilities and rationalisation of products offered. In 1994 a further provision of £37.6 million was made for the cost of acquiring the freehold interest in those stores which, in the opinion of the directors, have a limited future economic life. Utilisation of the restructuring provisions primarily relates to implementation of the renewal programme and closure costs of loss making stores.

During the year the directors have reassessed the restructuring provisions made in 1992 relating to the renewal programme. As a result £11 million has been released through the profit and loss account.

Other provisions relate to the cessation of the group's food manufacturing activities and the cost of interest rate hedging instruments.

Company figures comprise the exceptional provision against the cost of interest rate hedging instruments.

21. Called up share capital	Ordinary shares of 25p each 1995 £m	1994 £m
Authorised	1,003.0	1,003.0
Allotted and fully paid:		
At beginning of year	724.7	724.6
Share options exercised	1.5	0.1
At end of year	726.2	724.7

At 29 April, 1995 there were 2,904,686,413 ordinary shares in issue (1994: 2,898,680,277). 6,006,136 share options with a nominal value of £1,501,534 were exercised during the year for a total consideration of £2,110,114.

22. SHARE OPTIONS

It is part of the group's philosophy that colleagues should have an opportunity to participate in, and contribute to, the progress of the business. The directors believe this extends to the opportunity to share in the group's future by owning shares in the company. The group therefore operates a number of share schemes for colleagues.

Colleague share ownership plan

On 29th June, 1995 the group announced the introduction of the Colleague Share Ownership Plan ("CSOP") designed to extend share option participation to a much wider proportion of colleagues. Up to 36,000 colleagues could receive shares and the directors anticipate that the CSOP will be an important factor in motivating and retaining a wider group of colleagues. All colleagues who have worked for the group for at least 12 months, who are contracted to work at least 15 hours per week and who do not participate in the group's performance related bonus scheme will be granted an option over shares equal in value to 25% of their salary. Such options will be exercisable 3 and 6 years after grant provided that the colleague remains in employment. Over 36,000 colleagues will be granted options in the first grant and it is anticipated that future grants will take place annually to newly eligible colleagues.

The CSOP will be administered by Mourant & Co. Trustees Limited which is an independent professional trust company resident in Jersey. The trust will purchase sufficient ordinary shares in the company to meet the anticipated future obligations of the CSOP, funded by a direct loan from the company. The costs of the CSOP will be charged to the profit and loss account as they accrue.

During the year, the trust purchased 20,500,000 ordinary shares of the company at an aggregate cost of £16.7 million, the related loan from the company being included within fixed assets on the balance sheet. The market value of the shares at 29th April, 1995 was £16.7 million. It is anticipated that it will be necessary to purchase further shares to the value of £20 million in order to meet the future obligations of the CSOP. The option price for colleagues will be determined by the market price prevailing at the time of grant. The first grant will be made on 20th July, 1995.

Executive share option scheme

The group's Executive Share Option Scheme 1984 was replaced in 1994 with a new scheme under which, in accordance with institutional guidelines, options may only be exercised subject to the satisfaction of group performance criteria. Under this scheme options are exercisable three and four years after grant with the number of options granted related to a multiple of salary, up to a maximum of four times. As at 29th April, 1995 1,310 colleagues were in receipt of options under this scheme.

Sharesave scheme

The group also operates a Sharesave scheme offering colleagues an opportunity to make regular saving to a savings plan operated by the Yorkshire Building Society. When colleagues commence saving they are granted share options at a discount to the then market price which become exercisable 5 years after grant. Following a successful launch of the new scheme in July, 1994 it is anticipated that colleagues will be given an annual opportunity to participate in this scheme.

Details of options outstanding as at 29th April, 1995 are set out below:

	Number of participants	Number of options	Price per ordinary share (range) pence	Exercisable by
Executive share option scheme 1984	1,240	38,015,818	25-170	February 2004
Executive share option scheme 1994	70	6,039,209	66	February 2005
Savings related share option scheme 1984	4,304	10,714,625	61-126	March 1999
Sharesave scheme 1994	5,865	26,176,555	47	September 1999
Long term incentive plan	11	8,500,000	0.1	April 2000

George Davies Partnership Limited holds an option over 250,000 ordinary shares at an option price of 96p, which is exercisable until February, 1997.

The group also has £73 million of convertible capital bonds in issue as described in note 16 on page 47.

Long term incentive plan

Details of the long term incentive plan are given in note 3 on page 41.

23. Reserves

	Share premium account £m	Revaluation reserve £m	Profit and loss account £m
Group			
At beginning of year	302.0	83.9	265.8
Retained profit for the year	-	-	114.7
Share options exercised	0.6	-	-
At end of year	302.6	83.9	380.5
Company			
At beginning of year	302.0	161.5	379.3
Retained profit for the year	-	-	29.4
Share options exercised	0.6	-	-
At end of year	302.6	161.5	408.7

In accordance with the exemptions given by Section 230(3) of the Companies Act 1985, the company has not presented its own profit and loss account.

The profit for the financial year after exceptional items dealt with in the accounts of the company was £93.3 million (1994: £17.7 million).

The cumulative amount of goodwill written off to reserves since 1st January, 1989 is £101.5 million (1994: £101.5 million).

24. Financial commitments

	1995 £m	1994 £m
Contracted	63.4	13.9
Not contracted	111.1	96.3

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

Leases expiring:	1995 £m	1994 £m
Within one year	0.2	-
Within 2 to 5 years	0.1	0.2
Thereafter	73.9	69.8
	74.2	70.0

NOTES TO THE ACCOUNTS *(continued)*

25. PENSIONS

The group operates two pension schemes. A final salary scheme open to membership by all full and part time colleagues and a money purchase plan open to membership by all hourly paid colleagues who work at least 8 hours per week. These schemes provide a pension in addition to the basic state pension together with other benefits such as life assurance.

The assets of the money purchase plan are invested with the Prudential Life Assurance Company whilst the assets of the final salary scheme are placed by the trustees under the management of professional fund managers.

The trustees of these schemes have been selected to represent the wide range of members and consist of 7 colleagues performing a range of roles in both stores and Asda House. In addition there is one pensioner trustee and an independent trustee who is a solicitor specialising in pensions work.

The rules relating to the schemes have recently been reviewed and updated to ensure that they comply fully with latest pensions law and practice including the latest rulings on equalisation. As a result new explanatory booklets are being issued to members together with the annual trustees report to members.

The pension cost relating to the final salary scheme is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial assessment of the scheme relevant for the year of these accounts was at 1st March and 6th April, 1992. The most significant influence on the results of the valuation is the relationship between the long term rate of investment return and the rates of increase in salaries and pensions. In this respect, it was assumed that the long term rate of investment return would exceed the rates of increase in salaries by 1 to 2% per annum and exceed the rates of increase in pensions by 5% per annum.

At the date of the most recent actuarial valuation, the market value of the scheme's assets was £121.3 million and the actuarial value of these assets represented 143% of the benefits that had accrued to members, after allowing for expected future increases in salaries. The scheme's trustees, after consulting with the company, decided to utilise the surplus in part by providing improved benefits with effect from 1st July, 1992 and in part by reduced employer contributions, spread over the average service life of scheme members, with effect from 3rd May, 1992. The trustees have commissioned an actuarial valuation of the scheme as at 6 April, 1995.

The total pension cost to the group for the year was £3.6 million (1994: £3.4 million).

26. Cash flow

Reconciliation of operating profit to net cash inflow from operating activities	1995 £m	1994 £m
Operating profit	251.1	196.7
Depreciation	90.8	102.9
Loss on disposal of assets	6.0	5.8
Utilisation of provisions	(9.0)	(37.9)
(Increase)/decrease in stock	(14.3)	12.4
(Increase)/decrease in debtors	(5.4)	22.1
Increase in creditors	58.8	17.8
	378.0	319.8

Analysis of changes in financing during the year

	Share capital including premium 1995 £m	Borrowings *(note 16)* 1995 £m	Share capital including premium 1994 £m	Borrowings *(note 16)* 1994 £m
At beginning of year	1,026.7	448.7	1,027.0	458.4
Issue of new shares	2.1	-	0.1	-
Costs in respect of 1993 rights issue	-	-	(0.4)	-
Repayment of bonds due 2002	-	(21.7)	-	(11.5)
Increase in other short term borrowings	-	12.1	-	1.8
At end of year	1,028.8	439.1	1,026.7	448.7

Analysis of changes in cash and cash equivalents during the year

	Cash equivalent investments £m	Cash £m	Sub-total cash and cash equivalents £m	Short term investments £m	Total cash and investments £m
At beginning of year	99.2	11.8	111.0	255.0	366.0
Net cash inflow	79.3	2.9	82.2	(4.9)	77.3
At end of year	178.5	14.7	193.2	250.1	443.3

Short term investments have been made with a range of maturity dates under one year in order to maximise the group's return. Accordingly, these investing activities are classified within the group cash flow as purchase of investments rather than as movements of cash and cash equivalents. These amounts are all convertible to cash at short notice.

ANALYSIS OF SHAREHOLDINGS

July 1995

Shareholdings range	Shareholders	%	Total Shares	%
1 - 999	23,267	32.31	9,100,677	0.31
1,000 - 9,999	40,375	56.07	126,470,027	4.35
10,000 - 49,999	6,365	8.84	118,869,823	4.09
50,000 - 99,999	649	0.90	43,747,490	1.51
100,000 - 249,999	512	0.71	77,012,772	2.65
250,000 - 999,999	460	0.64	221,636,205	7.63
1,000,000 - 4,999,999	280	0.39	596,170,564	20.51
5,000,000 and above	101	0.14	1,713,170,746	58.95
	72,009	100.00	2,906,178,304	100.00

Category of shareholders	Shareholders	%	Total Shares	%
Pension funds	33	0.05	52,968,522	1.82
Insurance companies	58	0.08	137,713,619	4.74
Banks and nominee companies	4,488	6.23	2,209,691,777	76.03
Corporate bodies	1,143	1.58	207,780,430	7.15
Individual shareholders	66,287	92.06	298,023,956	10.26
	72,009	100.00	2,906,178,304	100.00

Share check hotline

A share check telephone hotline 0891 500 697 is in operation, giving the group's current share price.

Low cost dealing service

A low cost share dealing facility in the company's shares is available to shareholders through the company's brokers, Cazenove & Co.

Five Year Statistics

Financial	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Turnover, excluding value added tax	5,285.3	4,822.2	4,613.8	4,529.1	4,468.1
Results before exceptional items:					
Operating profit	251.1	196.7	190.0	180.0	262.4
Share of profits/(losses) of associates	2.7	1.3	1.2	2.1	(4.1)
Net interest	(7.6)	(15.0)	(50.8)	(95.3)	(90.0)
Profit before tax	246.2	183.0	140.4	86.8	168.3
Earnings per share (pence)	5.90	4.36	3.97	1.20	8.26
Results after exceptional items:					
Operating profit	251.1	196.7	190.0	180.0	262.4
Share of profits/(losses) of associates	2.7	1.3	1.2	2.1	(4.1)
Net exceptional items	11.0	(308.9)	65.2	(451.6)	-
Net interest	(7.6)	(15.0)	(69.0)	(95.3)	(90.0)
Profit/(loss) before tax	257.2	(125.9)	187.4	(364.8)	168.3
Basic earnings/(loss) per share (pence)	6.16	(5.91)	6.40	(17.55)	8.26
Dividend per share (pence)	2.20	1.76	1.60	2.10	4.80
Net assets	1,493.2	1,376.4	1,567.7	1,107.3	1,136.9
Gearing (%)	Nil	6.0	4.9	61.2	83.1

Non-financial (ASDA)	1995	1994	1993	1992	1991
Number of stores	203	202	201	206	204
Total sales area (000 square feet)	8,210	8,134	8,099	8,241	8,160
Average sales area per store (000 square feet)	40.4	40.3	40.3	40.0	40.0

Notes

1. The above summary includes data relating to businesses no longer owned by the group.
2. The comparative figures for net dividends per ordinary share are as paid, and have not been adjusted for the October, 1991 or January, 1993 rights issues.

Notice of Meeting

Notice is hereby given to the shareholders of the company that the seventeenth annual general meeting will be held at Pudsey Civic Hall, Dawsons Corner, Pudsey, Leeds, LS28 5TA on Wednesday, 20th September, 1995 at 11am to conduct the following business:-

Ordinary business

1. To receive, consider and adopt the report of the directors and the accounts for the 52 weeks to 29th April, 1995.
2. To declare a final dividend of 1.59p per ordinary share on the ordinary shares of the company.
3. To re-elect as a director F A A Maude who is required to retire by rotation and, being eligible, offers himself for re-election.
4. To re-appoint Messrs. Ernst & Young as auditors and authorise the directors to fix their remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolution 6 as a special resolution.

5. That:-
   - 5.1 subject to, and in accordance with, Article 18 of the company's Articles of Association, the directors be authorised to allot relevant securities;
   - 5.2 for the purposes of the limitation of the authority referred to in paragraph (a) of the said Article, the nominal amount mentioned therein shall be £242,165,124; and
   - 5.3 the date on which such authority 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 this resolution.
6. That, subject to the passing of the previous resolution:-
   - 6.1 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;
   - 6.2 for the purposes of the limitation of the power referred to in paragraph (c) of the said Article, the nominal amount mentioned therein shall be £36,308,580; and
   - 6.3 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 this resolution.

By order of the board
Denise N Jagger
Company Secretary
29 June, 1995.

Notes:

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 of the company. 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, Lloyds Bank Registrars, 54 Pershore Road South, Birmingham B30 3EP, at least 48 hours before the time appointed for holding the meeting, or any adjournment thereof or, in the case of a poll taken after the date of the meeting or adjourned meeting, at least 48 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 will, together with directors' service agreements, be available for inspection during usual business hours on any weekday (Saturdays and public holidays excluded) at Asda House, Southbank, Great Wilson Street, Leeds, LS11 5AD from this date until the date of the annual general meeting and at the meeting for 15 minutes prior to and until the termination of the meeting.

Shareholders are invited for tea and coffee following the meeting.

A LETTER FROM YOUR CHAIRMAN

Dear Shareholder,

PROSPERITY RESTORED

This is the end of the third and final year of the recovery programme that we launched in 1992. In that time the new board and management have transformed your company from near bankruptcy to one of the leaders of UK industry. Almost every aspect of ASDA's business has been transformed.

Our results, which are summarised opposite, are a compelling testimony to what has been achieved.

Over the last three years:

- The business has been revitalised.
- ASDA Brand and ASDA Price have been reborn.
- We have become Britain's best value superstore meeting the weekly shopping needs of ordinary working people and their families who demand value.
- Our customer numbers have increased by 31% to 5.2 million each week.
- We have outperformed the industry in like-for-like sales for 32 months and in total for the last 10 months.
- We have fundamentally changed our organisation and the way all of us at ASDA work together.

THE NEXT THREE YEARS

We have re-established our business but still have much to do. The strategy over the next three years will be about making ASDA unmatchable as the best value fresh food and clothing superstore in Britain. We will achieve this in what we continue to believe will be highly competitive markets and in an environment where because of changed planning rules, new sites will be more and more difficult to obtain. This means we will need to work our existing assets harder and more successfully than ever. But these challenges do not worry us: the situation is similar to that we have faced in the last three years and one in which we have shown we can trade and develop our business outstandingly well.

COLLEAGUE DEVELOPMENTS

The success of the business and the clear sense of direction are improving commitment and morale but I am conscious of the considerable demands placed upon all our colleagues.
My fellow directors and I are most grateful for their support and continuing hard work – without all these efforts we would not be the success we are today.

Patrick Gillam.

We have always believed that our business would prosper more if a large number of colleagues were part owners of the business. We have therefore introduced a share option plan that will benefit colleagues who do not qualify for a bonus, the executive share scheme or the long term incentive plan. We expect that this new scheme will result in the majority of our people sharing directly in the future prosperity of ASDA.

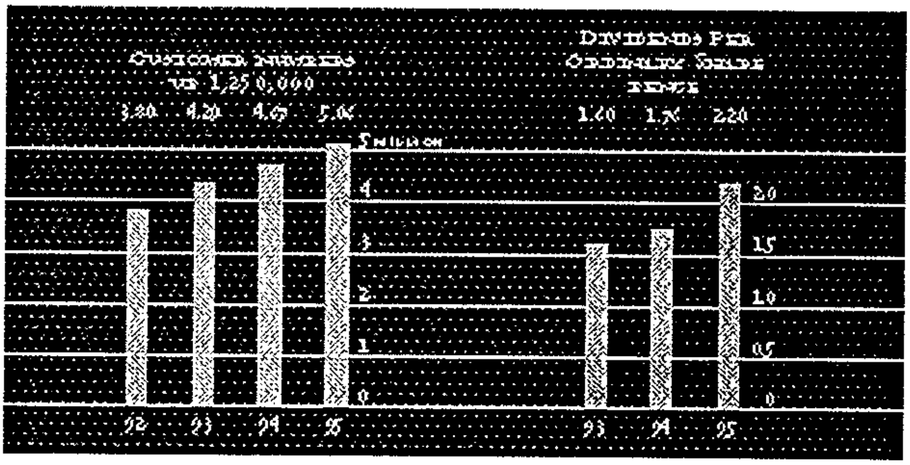
CONSERVATIVE FINANCES

We continue to adopt conservative accounting policies and consider our balance sheet to be the most prudent in the industry. Despite renewing seven stores and renovating 29 others while investing £204 million in the business during the year, we were able to finance this within our cashflow. For the first time since 1988 we had net cash at the end of the year: £4.2 million.

DIVIDEND

As highlighted above, your Board is recommending a final dividend of 1.59 pence per ordinary share. When taken with the interim dividend of 0.61 pence, this makes a total dividend for the year of 2.20 pence (net). This is a total increase of 25% over 1994 and leaves dividend cover well above our stated minimum desirable level of two times.

PATRICK GILLAM June, 1995



Directors

Chairman

Patrick Gillam Aged 62, appointed in September, 1991, following retirement from the Board of British Petroleum Company plc, where he was a Managing Director for ten years. He is Chairman of Standard Chartered PLC and a Non-Executive Director of Commercial Union plc. Chairman of the Remuneration Committee.

Executive Directors

Archie Norman Group Chief Executive. Aged 41, appointed in December, 1991. Formerly a Partner at McKinsey & Co. and Group Finance Director of Kingfisher plc, and currently a Non-Executive Director of Railtrack plc.

Allan Leighton Deputy Chief Executive and Retail Director. Aged 42. Joined the Group Board as Marketing Director in March, 1992. Previously eighteen years with The Mars Corporation, where he was most recently Sales Director, Pedigree Petfoods. Currently Non-Executive Director of Wilson (Connolly) Holdings Plc.

Tony Campbell Trading Director. Aged 45. Joined Asda Stores in 1985 as Divisional Operations Director, following senior management positions with other leading food retailers. Appointed a Group Director in 1987.

Phil Cox Finance Director. Aged 45, appointed in January, 1992. Formerly Group Chief Executive of Burns Anderson plc and Finance Director of Horne Brothers plc and currently a Non-Executive Director of Allied Carpets Group Limited.

Non-Executive Directors

Frank Knight Aged 58, appointed a Director in September, 1991 and Deputy Chairman in July, 1992. Chairman of Field Group plc, Deputy Chairman of Berisford plc, Non-Executive Director of Ocean Group plc and London International Group plc. Chairman of the Audit Committee and Remuneration Committee member.

Rt. Hon. Francis Maude Aged 41, appointed in July, 1992. Formerly Financial Secretary to the Treasury, and currently a Managing Director at Morgan Stanley & Co. Limited, London. Audit Committee member.

Susan Ellen Aged 46, appointed in September, 1992. Managing Director of BUPA Health Services Limited which runs all BUPA Hospitals and Healthcare. Remuneration Committee member.

Ian Gibson Aged 48, appointed in October, 1993. Managing Director of Nissan Motor Manufacturing UK Limited. Vice-President of Nissan Europe N.V. and Board member of various other Nissan group companies. Remuneration Committee member.

David O'Brien Aged 53, appointed in July, 1992. Chairman of Pagoda Limited, a management consultancy, and of Sherwood Computer Services Group Limited, and Non-Executive Director of Computer Systems for Business (CSB) Limited. Audit Committee member.

Company Secretary

Denise Jagger Aged 36, appointed Company Secretary in January, 1993. Formerly a solicitor with Slaughter and May and a Partner with Booth & Co., currently Non-Executive Director of Leeds TEC Limited.

Closer to customers

Customer Services at our Nottingham store include reins for children, spare nappies and special help for mothers.

Legendary customer service

Our objective is to deliver not just good, but Legendary Customer Service. To achieve this, listening to our colleagues and customers has become part of our way of life at ASDA. Every month in every store we measure all aspects of our service from a customer's perspective through our "Mystery Shopper Survey". Detailed plans are then developed by store colleagues to improve on any areas of poor service identified.

To be close to our customers we also have to be close to our colleagues. We hold listening groups on current issues and each store participates in a "We're Listening Survey" that collects colleagues' opinions. Equally important is our daily communication to all colleagues of work issues and store performance through "Huddles" and communication boards.

We encourage colleagues to involve themselves in improving the business through the "Tell Archie" suggestion scheme and monthly "Colleague Circles".

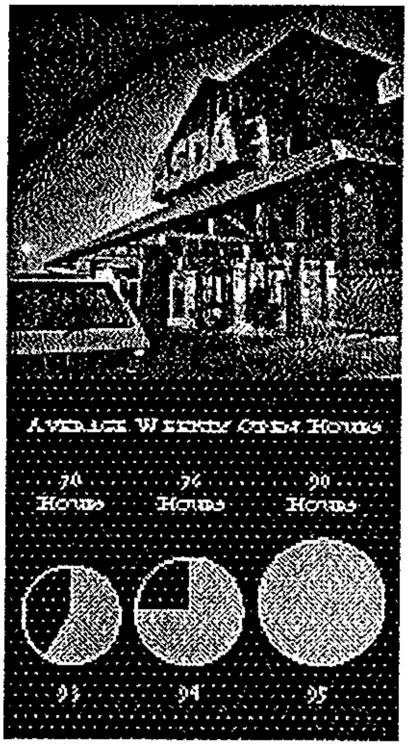
Sold with personality

Our aim is to make shopping at ASDA both easy and interesting and so our service must be sold with personality. This starts with recruiting friendly colleagues motivated to sell who truly will be "Happy To Help". To facilitate this we have recently introduced a new approach to recruitment and induction involving customers and existing colleagues in the process.

Whether it is "Big Shopper" checkouts with our fastest checkout operatives and bag packers, "Brolly Patrol" for customers when it's raining, Pet Stops for customers who bring their pets or providing jump leads for a flat battery, our colleagues are always "Happy To Help".

Jim Mason, GSM at Chadderton, lends a hand at checkouts.

Closer to colleagues



Innovative approaches to shopping hours have provided greater convenience and flexibility for shoppers.

Delivered with quality

The success of our business depends on colleagues achieving consistently high standards in their every day work and in the efficient implementation of new initiatives across all of our stores. We actively encourage colleague suggestions to bring about continuous improvement whilst still maintaining a disciplined approach. The last three years have been about restoring motivation and establishing the right attitudes.

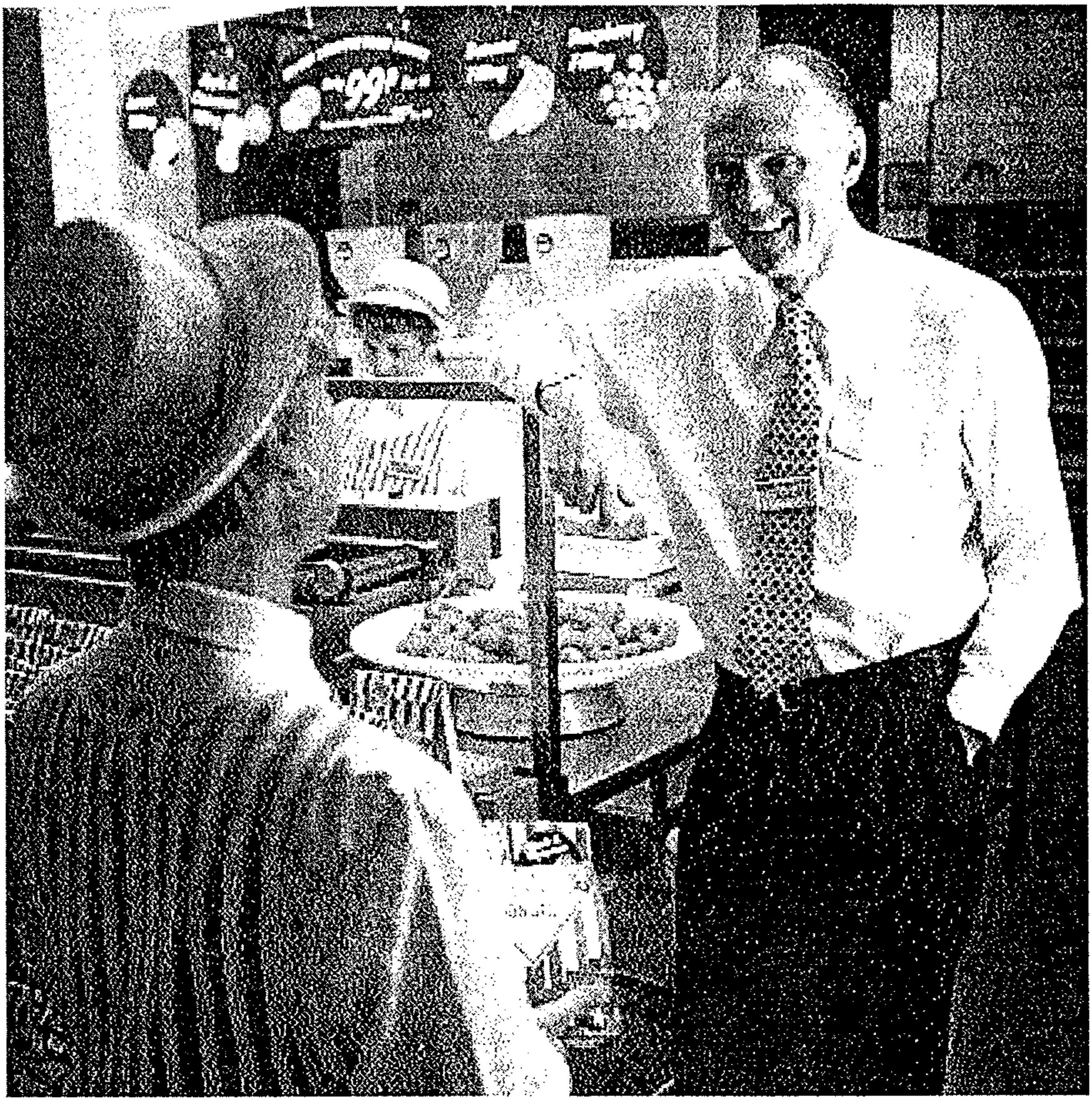
In the next three we will combine these with a new disciplined approach to improving our standards.

To support our quality standards we have increased our commitment to training, particularly in selling, serving, and craft skills. During the next year, new training programmes will be introduced for new starters, first line managers and the craft skill areas. These, plus a substantial graduate recruitment programme will help us home grow our management of the future.

Truly different stores

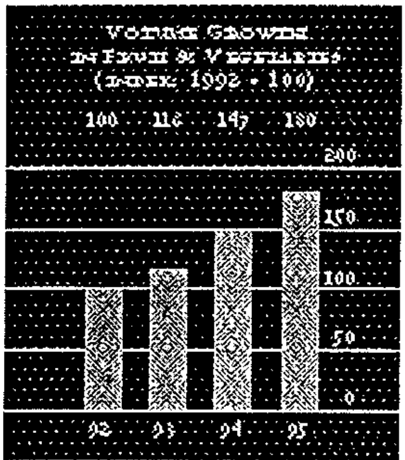
We are beginning to use the advantage of our larger stores by developing truly different stores more akin to market halls than traditional superstores. Our new stores now show our distinctive approach to value merchandising and active selling. This, combined with our focus on productivity in design, particularly in our office and in-store product handling areas, is leading us towards the development of truly different stores.

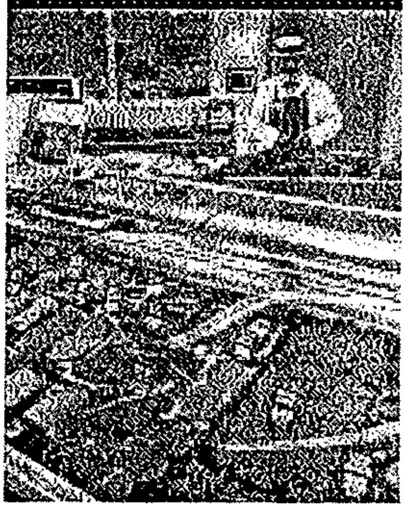
The physical renewal of our store base is revitalising the quality of our stores and their ease of shop. In each renewal store we incorporate innovations from previous stores and test new concepts. We have already invested in over 100 stores and plan to step up the pace of investment during the coming year with a minimum of 50 stores benefiting from some form of physical renewal.



Jackie Batson gives Allan Leighton, Deputy Chief Executive, front line feedback about our newly introduced fresh donuts in Leicester.

EXPANDING THE BRAND





High priority is given to training in butchery, bakery and delicatessen where craft skills make a real difference.

Our objective is to be Britain's best value fresh food, clothing and general merchandise superstore. We achieve this by checking prices of more than 1,000 competitor products every week to ensure that our prices are kept permanently low. These checks, along with 20 other independently published surveys confirm that we are delivering the best value for family shopping week in, week out.

FRESH FOODS

We have transformed the performance of our fresh food offer by changing the range, quality and pricing; all with abundant display. For example, our fruit and vegetable sales volumes have increased 80% since 1992. Although our customers' perception of ASDA's quality and good value overall has risen substantially, there is still scope for growth as many of our customers still buy elsewhere. In the next three years we are committed to becoming Britain's best for fresh foods.

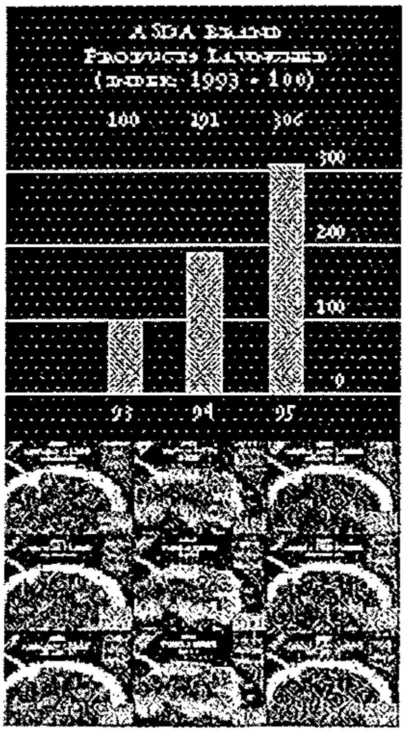
SUPPLIERS AND ASDA

We have entered into development relationships with a small number of suppliers where the combination of our craft skills and retail knowledge and their technical and production capabilities creates volume sales opportunities, with products available only at ASDA.

By working with an increasingly focused supplier base we are able to create exciting new ranges and products that satisfy the needs of family shoppers.

Development Chef Jonathan Rose tries out one of the new product development ideas on Tony Campbell, Trading Director and Gwyn Wilson, Head of The Development Division.

Driving the Difference



Chilli Con Carne was voted best for value and taste in press articles following its launch in September, 1994.

Good wholesome family food at exceptionally low prices from our range of Farm Stores products.

At the start of the recovery programme ASDA's own label portfolio was variable in quality and value and lacked innovation. We have made satisfactory progress in designing new products, improving recipes and packaging and, as a consequence, enhancing ASDA's value for money. Over three years we have withdrawn 1,700 products and introduced 2,600 new and repackaged products, including over 1,300 in the last year alone.

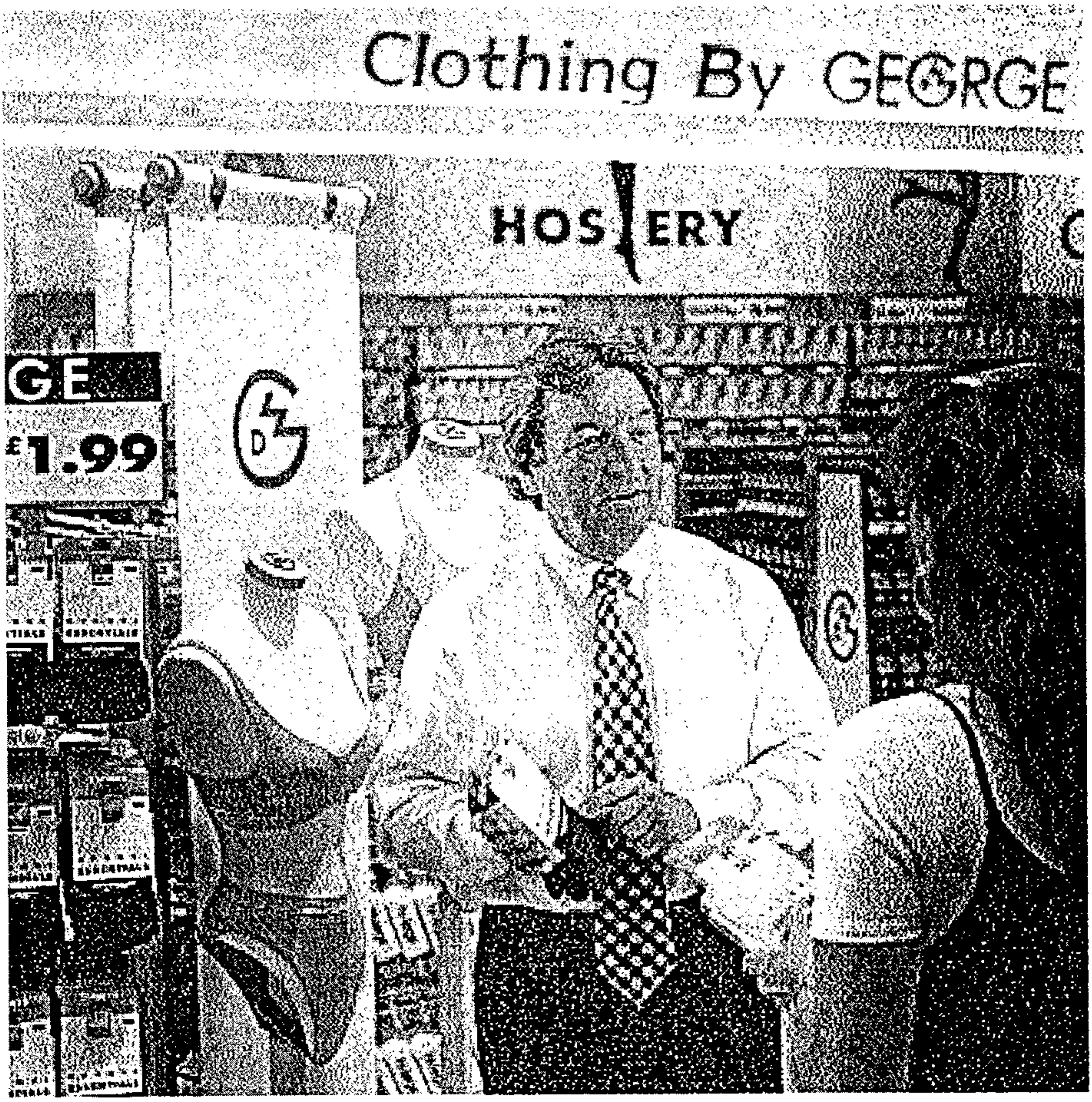
The re-positioning and rationalisation phase is now over. In the next three years we need to greatly improve our capacity to develop and launch new food products and we aim to double the rate of new product development over this period.

All our customers demand outstanding value and many are looking for good quality at very low prices. To meet their needs we have introduced a distinctively packaged new brand called Farm Stores. These products provide wholesome family food and household products at exceptionally low prices. We have introduced over 200 of these lines in the last year and the Farm Stores brand will be a permanent part of our range.

Only at ASDA

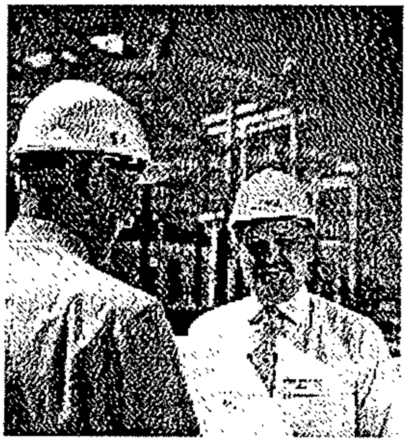
We intend to establish ourselves as the leading retailer of out-of-town clothing and home and leisure based on the convenience of a wide range of everyday and seasonal products all under one roof. Many of our competitors are following us into this market but in smaller stores with little authority. We will extend our advantage by increasing the pace of development in our unique "George" range of clothing and devoting more space to it.

Our Home and Leisure business provides higher margin opportunities in growth markets and plays an important role in differentiating our offer. In the last three years we have rationalised our range and discarded the elements that did not belong. We are now in a position to grow sales based on our new "Seasons and Occasions" concept.



George Davies, Chairman of the George Davies Partnership, discusses a point of detail with Marilyn Harris.

Lower costs, better value



Ian Whitehead, Project Manager at Govan, one of six new ASDA stores opening in the next 12 months.

In our different kind of organisation we want all colleagues to take responsibility for driving costs lower and improving the business. Releasing their ideas will create many opportunities for us to make improvements alongside company wide initiatives.

Efficient systems

Our major IT systems are inadequate and therefore we are investing £70 million to completely replace all our major systems over a three year period. During the next 18 months we will replace the existing computers in our stores with more powerful and flexible equipment and implement new systems support and management information software. These new systems include automated cash handling, sales based ordering, daily store trading management information and integrated colleague systems incorporating scheduling, attendance and pay.

Eliminating waste

An important objective in our drive to lower costs is to eliminate waste. We have reduced waste by 11% in the last year by focusing our attention on its causes and by changing colleague attitudes towards waste throughout the business. We will reduce waste further by implementing new production planning, fresh food ordering and store management information systems during the coming year.

Expanding our capacity

Our distribution system is now one of the most efficient in the industry. It has handled a 38% increase in volume since 1992 with the addition of only one ambient warehouse and with a 24% reduction in the average cost of each case distributed. We are nearing our capacity limits and will open a further specialised ambient warehouse in October, 1995 at Didcot and reconfigure five regional centres to increase our chilled and frozen capacity by 30%.

Investing for the best returns

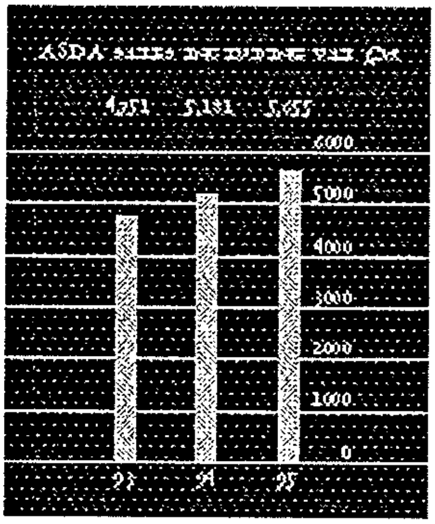
We are investing heavily in our business through the renewal of our existing stores and by opening new and replacement stores. We are determined to obtain the best returns in the industry from these investments and have recently appointed a Store Development Director to manage the whole process from design through to implementation. This will ensure that we can evolve and change our store formats at the lowest possible cost.

Phil Cox, Finance Director, gets a progress report on new technology being developed especially for ASDA.

FINANCIAL REVIEW

Over the last three years of our renewal, we have achieved a dramatic improvement in our operating performance and established a conservative and strong balance sheet. Profits before tax and exceptional items have increased by 183% and sales per FTE by 34%. We have divested loss making activities and have eliminated borrowings of £678 million in May, 1992 to have net cash and short term investments of £4 million in April, 1995.

Market conditions have remained competitive but we have continued to offer our customers the best value for money and achieved like-for-like sales growth ahead of all major competitors for the third consecutive year.



OPERATING RESULTS FOR THE YEAR

Turnover in ASDA grew by 9.7% to £5.3 billion with like-for-like sales up by 8.4%.

Operating profit in ASDA grew by 18.9% to £246.8 million. In an increasingly competitive market our gross margins have been reduced to achieve our leading price position. We have continued to improve productivity by simplifying management structures and administrative processes. As a consequence, sales per full time colleague have increased by 11% over the last year and the number of colleagues employed at ASDA House has fallen by a further 5%. Our distribution system has continued to improve its efficiency and the costs per delivered case have fallen by 10% in the last year.

ASSOCIATES

The Burwood House Group Plc and The George Davies Partnership Limited contributed profits of £2.1 and £0.6 million respectively.

GAZELEY

We have made good progress during the year in letting development properties held by Gazeley. The investment market for pre-funded and pre-let warehousing is stable and Gazeley is developing a limited number of profitable opportunities outside Magna Park with very limited exposure to unlet developments.

EXCEPTIONAL ITEMS

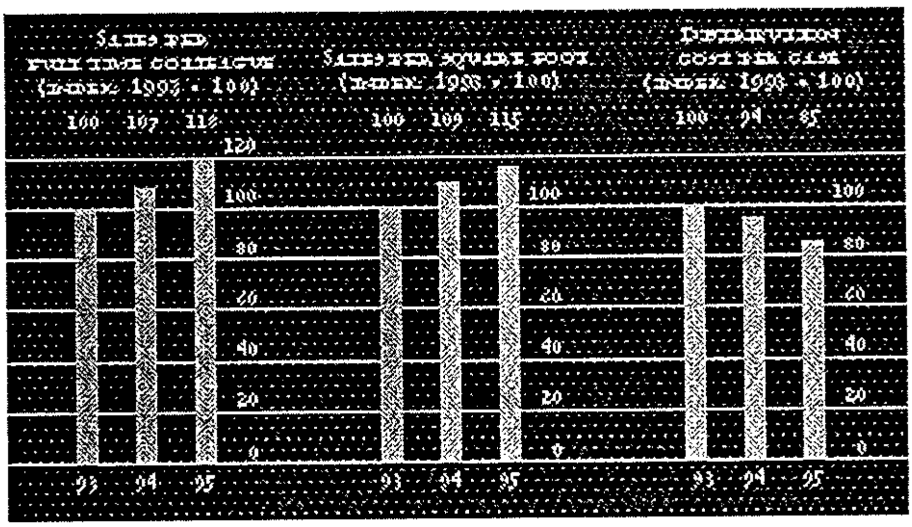
£11 million of the renewal provision made in 1992 has been released as an exceptional credit to the profit and loss account. The provision anticipated early replacement of fixtures and fittings which were to be scrapped under the renewal programme. Throughout the extended renewal timetable these assets have continued to be depreciated, which has reduced their value such that the full amount of the provision is no longer required.

TAXATION

The group's effective tax rate before exceptional items decreased slightly from 31.0% to 30.4%. At the year end we continued to provide fully for all current and deferred tax liabilities.

CAPITAL INVESTMENT

Our investment strategy is managed by applying conservative investment criteria to all new investments to ensure that we achieve attractive rates of return in a market which is becoming progressively less profitable.



FINANCIAL REVIEW

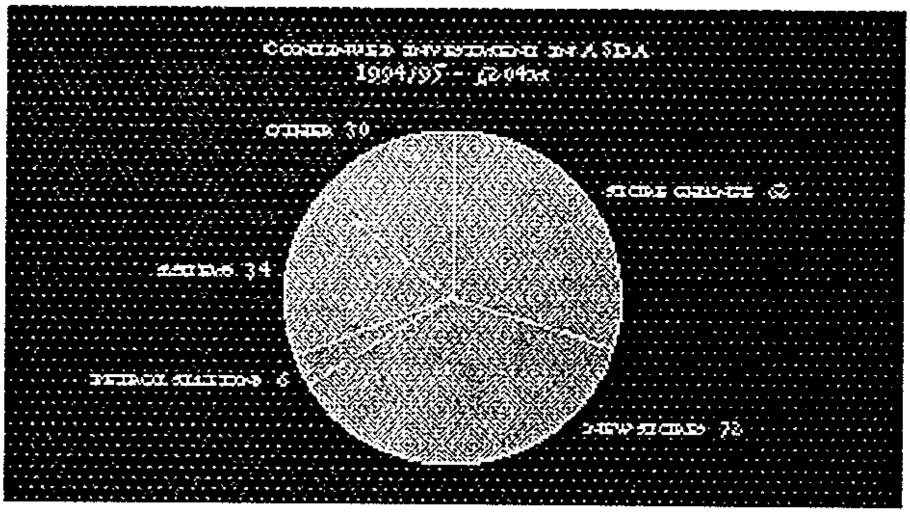
The renewal of our stores has continued during the year and we are now half way through our programme. It remains the major focus of our investment spend alongside the growing expenditure on new stores. We expect to open six new stores by May, 1996 including two replacement stores.

Total capital expenditure for the year was £204 million. Seven stores received full renewal conversion with a further 29 stores undergoing substantial refurbishment including many elements of the renewal treatment. Two new stores at Burnley and Leigh and two replacement stores at Colne and Chadderton were opened during the year and have traded ahead of expectations.

CASH FLOW, FINANCING AND TREASURY POLICY

Strong operating cash flows completely funded capital expenditure, taxation and dividend payments in the year. At the end of the year, the group had net cash of £4.2 million compared to net borrowings of £82.7 million last year. Working capital was reduced by £39.1 million

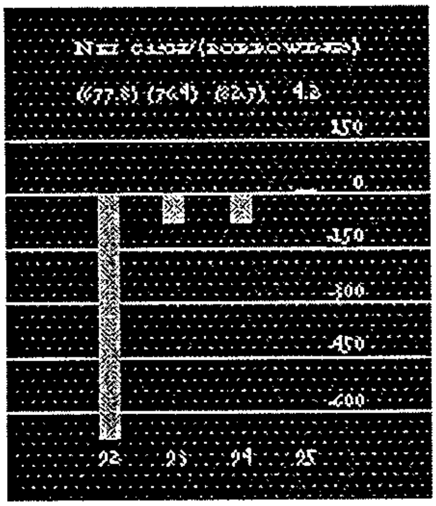
After repaying £21.7 million of 9⁵⁄₈% bonds due in 2002, borrowings included bonds and convertible bonds totalling £240.1 million with fixed interest rates and maturities between 2002 and 2010.



At the year end, investments were held in bank and building society deposits and medium term notes with maturities of up to one year and in gilts. The group has £140 million of unutilised bank facilities that mature in December, 1998.

The responsibility for the accounting, confirmation and settlement of treasury deals is completely segregated from the dealing operation in the treasury department. The group limits its foreign currency exposure through normal market mechanisms, such as forward currency purchases.

Net interest costs for the year were reduced to £7.6 million from £15.0 million last year.



DIVIDEND POLICY

In line with the dividend policy established at the time of the 1993 rights issue, we are committed to retaining dividend cover of at least two times. The board has therefore decided to recommend an increase in the final dividend to 1.59 pence per ordinary share, which, when taken with the interim dividend of 0.61 pence, makes a total dividend for the financial year of 2.20 pence (net).

Directors' Report and Accounts

Registered Office
Asda House
Southbank
Great Wilson Street
LEEDS LS11 5AD

Company Secretary
Denise N Jagger

Registrars
Lloyds Bank Registrars
54 Pershore Road South
BIRMINGHAM B30 3EP

Bankers
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