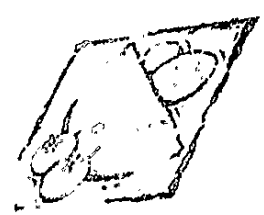
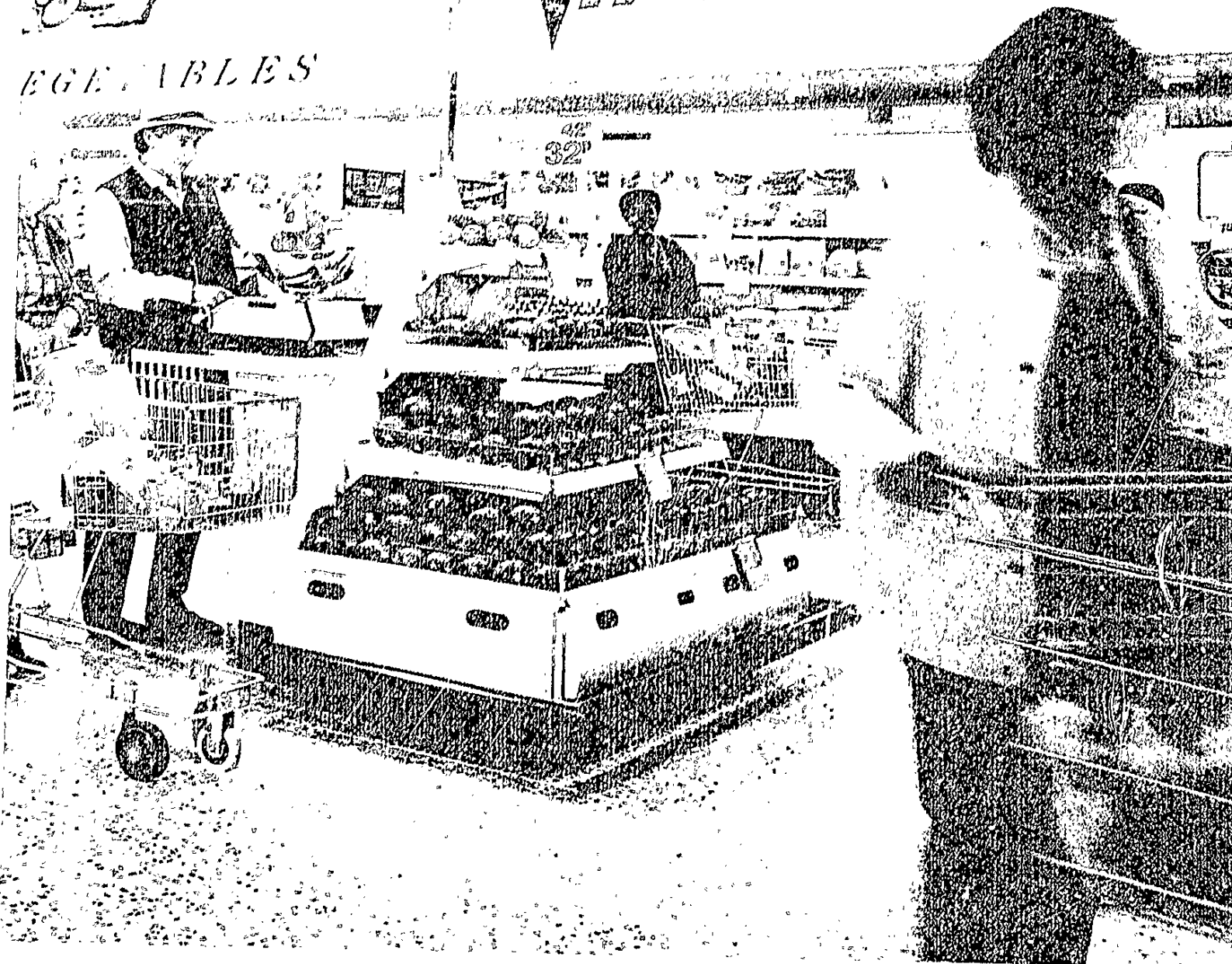


ASDA-MFI Group plc

Annual Report and Accounts 1987



VEGETABLES



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**ASDA-MFI Group plc****Annual report and Accounts 1987**

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**Financial highlights**

	1987 (52 Weeks) £m	1986 (53 Weeks) £m	% change
Sales	2,007.1	2,516.6	6.0
Operating profit	188.6	165.1	14.2
Profit before tax and profit sharing	195.5	169.5	15.3
Profit sharing	3.5	3.1	—
Profit before tax	192.0	166.4	15.4
Dividend per share—final	2.13p	1.90p	12.1
— total	3.50p	3.15p	11.1
Earnings per share			
basic	11.30p	10.13p	12.3
fully diluted	11.21p	10.05p	11.5



## Board of Directors

D L Donne MA *Chairman*

J N Hardman B COMM (Hons) FCA *Deputy Chairman and Group Managing Director*

E G Bousfield MA *Deputy Chairman*

P R Baines MA FCIS

G S Carr MA

A E Gardiner

D M Gransby BA (Hons) M Phil

D S Hunt

E W Lea FCA

Sir Godfrey Messervy *Non-executive*

K J Morton MA FCA *Non-executive*

G H Slow FIPM

SECRETARY P R Baines MA FCIS

AUDITORS Ernst & Whinney,  
Becket House, 1 Lambeth Palace Road,  
London SE1 7EU

REGISTERED OFFICE Craven House, Kirkstall Road, Leeds LS3 1JE

REGISTRARS AND  
TRANSFER OFFICE National Westminster Bank PLC,  
Registrar's Department, PO Box 82, Caxton House,  
Redcliffe Way, Bristol BS09 7NH

BANKERS National Westminster Bank PLC,  
Leeds City Office, 8 Park Row, Leeds LS1 1QS

## Chairman's statement

It has been a successful year for the ASDA-MFI Group. With the decision announced on 10 July to invite offers for MFI and Allied, we have signalled our intention to focus the Group's financial and managerial resources on the development of ASDA Stores.

This is my first report to you as Chairman since succeeding Sir Noel Stockdale last October. I am therefore pleased to be able to announce a Group profit before tax of £102 million --an increase of 15.4% on the previous year. Within this the 24% increase in ASDA Stores' operating profits underlines the opportunities for the future. Against an indifferent trading background, MFI did well to improve on the previous year's profits and Allied achieved excellent results with profits up 30.5%. Earnings per share have risen from 10.13p last year to 11.38p.



At the annual general meeting on 9 September 1987 your directors will recommend to shareholders a final dividend of 2.13p per share which together with the interim dividend already paid, will result in a total dividend payment for the year of 3.50p --an increase of 11.1% on the previous year.

Capital expenditure amounted to £276 million, an increase of 53%. Earlier this year the Group successfully raised £220 million on the Eurobond market. The prime purpose of this exercise was to finance further expansion but we also benefit from a wider shareholder base and from the fact that we are becoming increasingly well known to the European investment community.

## Employees

I would like, on behalf of shareholders, to thank the 48,000 employees throughout the Group whose hard work and dedication have achieved these results.

In any survey of customer reaction I am happy to say that your Group is always rated extremely highly for caring, friendly and efficient service. In part this is a reflection of our 'Customer Care' programme, now a permanent feature of the business. But it is also, I like to think, the result of the emphasis we place on staff training and motivation and the consequent high quality of our people.

Just as our employees are dedicated to looking after our customers, so we are mindful of the well-being of our staff.

Last year saw the introduction of new share participation schemes which resulted

in more than 20,000 employees—nearly half the Group's total—becoming shareholders for the first time. The scheme continues to grow and this year £3.5 million, as against £3.1 million last year, is being allocated for the issue of new shares. In this way everybody has an interest in the Group's prosperity.

## Expansion

ASDA has been one of the main components of the Group's success. The ASDA Stores, together with the fresh food manufacturing and dairies activities, generated over 70% of the Group operating profit and the increased operating margin at ASDA of 6.19% is amongst the highest in the sector.

This year has seen a resurgence of our expansion programme with the opening of eight new superstores. Overall the 111 stores give us a total gross trading area of 7.9 million square feet serving over two million customers a week. What is more those customers, so our surveys tell us, are drawn from every sector of the community across a very broad income range.

Mass market retailing is a very dynamic business, and just as the needs of our customers change, so does ASDA-MFI.

ASDA was the pioneer of the superstore in this country. It is just twenty-two years since we opened the first in Leeds and the time has now come to modernise a number of the original stores. Seven stores were refurbished last year and this programme is being accelerated by the improvement of thirteen stores in the current year. In addition we shall open nine new stores, including an important development at Watford.

Most of the new ASDA stores to be opened this year will be in the southern half of the country. Historically our greatest strength has been in the North, but we are now building a national chain with a balanced programme of openings throughout the whole of the United Kingdom.

Both MFI and Allied have continued to pursue a vigorous store opening programme and seventeen stores have been added to the 215 already in operation. There are plans for the continuation of the store opening programme in the current year.

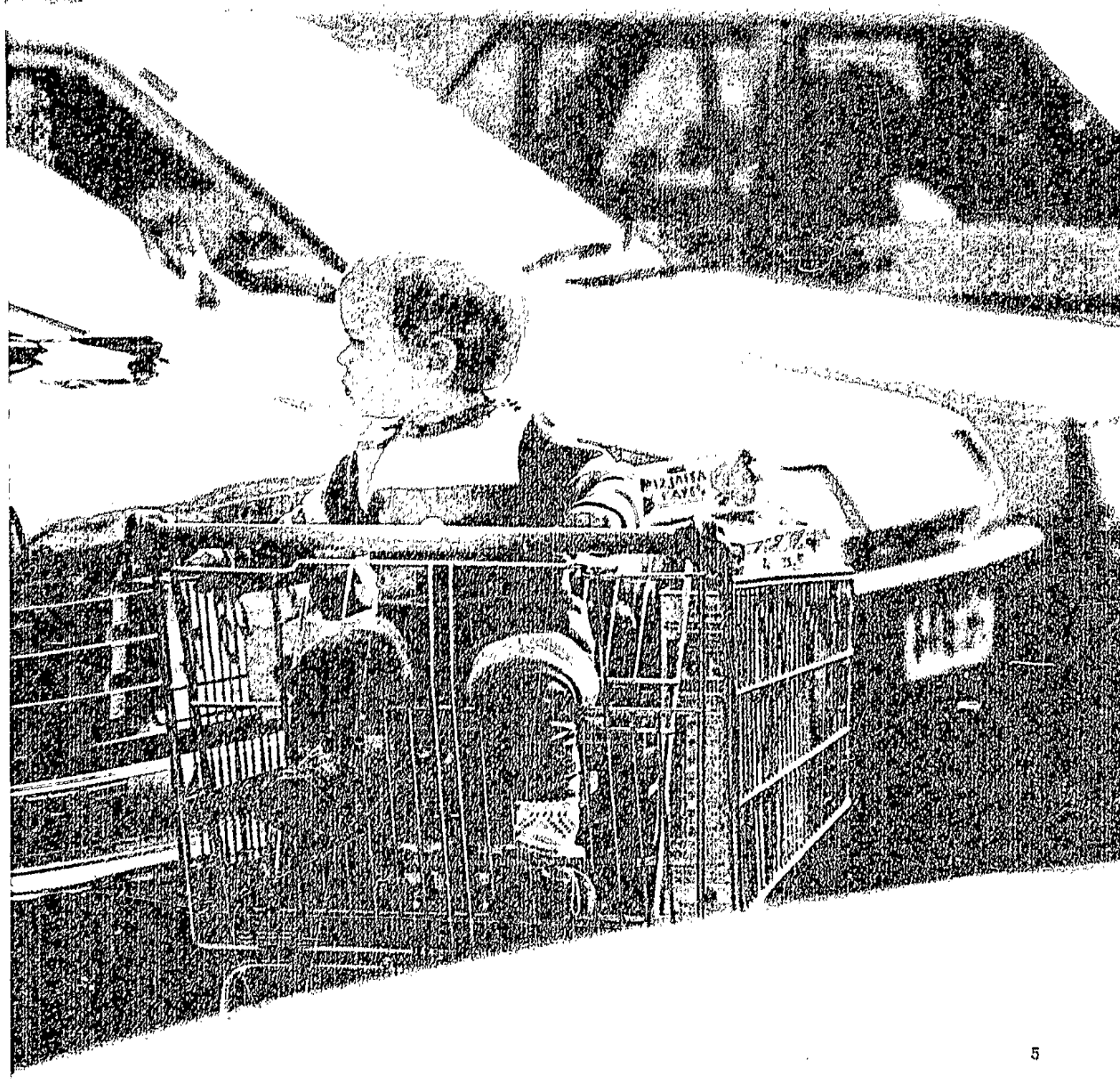
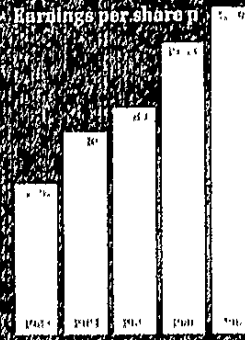
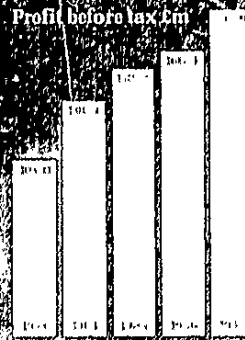
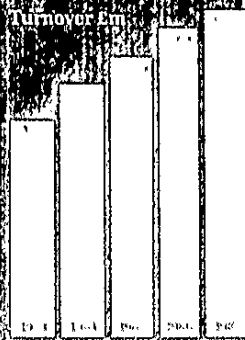
## Product development

The own label programme in ASDA has been a great success and well received. Twenty-two design agents were engaged in design and packaging and 1,750 product lines were introduced in the year. None of this could have been achieved without the help and support of our suppliers which has been much appreciated.

In MFI there is a new range of fitted kitchens whose quality and design puts it far ahead of any competition. At the same time the furniture offer is being widened with the inclusion of bathrooms and top quality fitted-bedroom furniture.

## Community relations

As a Company we do many things for the communities in which we operate and we are joined in this by the personal efforts of our employees. We take part in 'Business in the Community', we have over 300 trainees in Youth Training Schemes, we have started a positive programme for Equal Opportunities and



'Armchair ASDA' is a scheme that involves the long-term unemployed calling on senior citizens to do their shopping for them.

This year we have set up the ASDA-MFI Foundation. Working closely with the Sports Council and local authorities, its purpose is to help finance the construction and operation of sports facilities in those communities where they are most needed.

Our charitable giving is now concentrated on one or two national charities each year and employees are encouraged to join in. The first enormously successful example was a donation of £300,000 to the National Children's Home of which £225,000 was raised by employees of MFI.

#### Board of directors

In order to ensure a smooth transition of MFI and Allied to new owners, Mr Derek Hunt has relinquished his position as Group Deputy Chairman and Chief Executive, but will remain a director of the Group. Mr Hunt remains Chairman of MFI and will concentrate on the management of that company.

Mr John Hardman who has been running ASDA Stores since 1983 has been appointed Group Managing Director, while remaining Managing Director of ASDA Stores.

Good non-executive directors are important to any company. During the year we were fortunate that Sir Godfrey Messervy, Chairman of Lucas Industries and Chairman designate of Costain Group and Mr Kenneth Morton, a director of Hill Samuel, both joined the Board as non-executive directors. They have already made an important contribution during this period of change.

Mr Graham Stow, who has overall responsibility for personnel and training, and Mr Geoffrey Carr, who is in charge of business development, have been appointed to the Board of ASDA-MFI Group.

Three directors will retire at the forthcoming annual general meeting each of whom has made a major contribution over many years to the success of the Group. Mr Tony Gardiner has eleven years service as a director during which time he has been responsible for the dairies and fresh food operations. Mr Philip Baines has been Company Secretary for twenty years for eleven of which he has also been a director. Mr Roy Bousfield, currently a Deputy Chairman, has forty years service with the Company including nine years as Group Managing Director. In acknowledging the great skill and loyalty these directors have given to the Company over many years I would like to wish them well for the future.

#### Background to proposed sales

Since the end of the last financial year, the Board has carried out a detailed review of the Group's strategy and the potential for future expansion of the main businesses. The conclusion was that each of these businesses has excellent growth prospects. However, the Board also believes that in order to reap maximum benefits for shareholders from all the opportunities available, the Group should



Dividend per share p

Capital investment £m

Group employment  
(000s)

1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997





concentrate its financial and management resources on its principal business which is ASDA superstores.

Two years ago the new senior management of ASDA Stores started to implement a series of measures to refocus the superstore business. The principal features of this programme have been:

- An accelerated programme of store openings; eight new stores were opened in 1986/87, nine are planned for 1987/88 and fourteen for 1988/89. This compares with an increase of eleven in total for the three years ended April 1986.
- An increasing emphasis on store openings in the South.
- A major improvement in the size and quality of both the food and non-food product ranges.
- The successful introduction of a major range of high quality own label products, on which margins are higher; 1,750 products were introduced last year and a further 1,500 are planned for the current year.
- Dramatic improvements in the style, design and layout of the stores.
- Improved training for all levels of management and staff and the introduction of incentive schemes for all employees.
- The replacement of the existing distribution system by a centralised system, for which plans are completed and work has started.

The success of this major programme is demonstrated by the 24% increase in ASDA Stores' operating profits last year and this also underlines the opportunities for the future. In order to take advantage of these opportunities the Group expects to invest around £1 billion in the superstore business over the next three years.

## Prospects

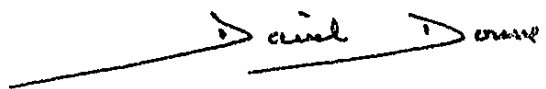
Taking account of the changed background, the Board unanimously decided to concentrate on ASDA Stores and that offers should be invited for MFI and Allied. The Board had already reached an advanced stage in the negotiations for the sale of the Dairy Division of Associated Fresh Foods in the belief that this business would be more prosperous if it could sell its products outside the Group, as well as to ASDA itself.

At the time of writing the possible outcome of this operation is changing all the time. Shareholders will be kept informed of developments as they occur.

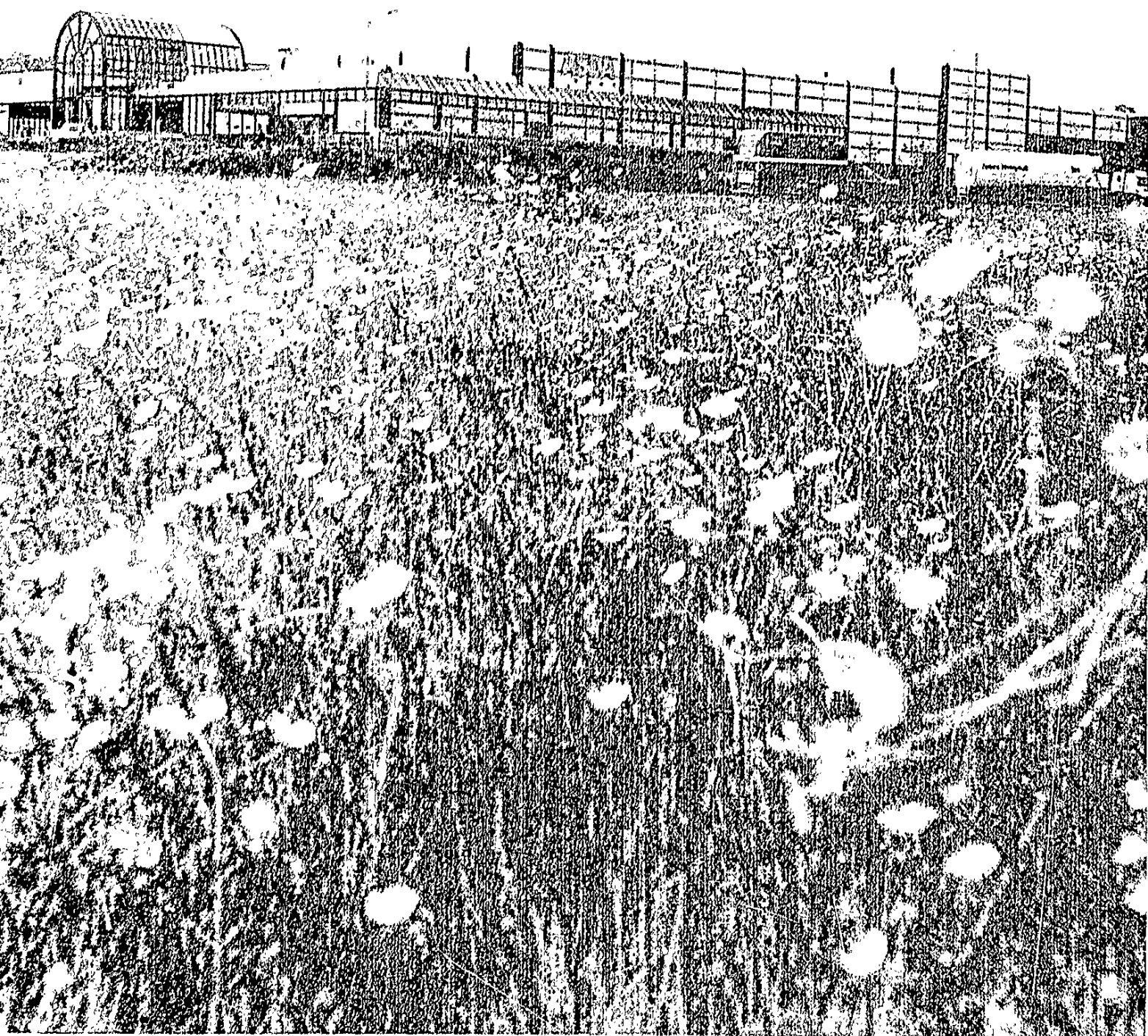
Business is about the management of change. This decision to invite offers for an important part of the Group is a radical one, but there is no doubt as to the ability of the management in all the Group companies to carry through the changes.

We believe that the Group has exciting opportunities and that this will be another successful year.

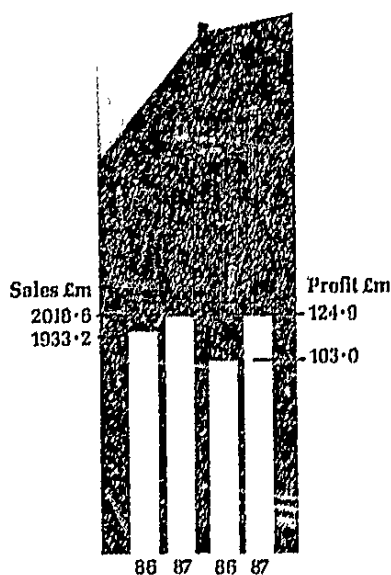
D L Donne Chairman



## Review of operations



## ASDA Stores



Like all retailers ASDA is ultimately judged on its ability to satisfy its customers' needs. At the start of the third year of the Development Plan, enormous strides forward on this front are being made as the results clearly demonstrate.

### Store network development

The impetus of new store openings together with our extensive revamp programme incorporating the highly successful new design layout has now reached record levels.

In 1986/87 ASDA added 759,000 sq. ft. of gross trading space, up by 11% to a total of 7.9 million sq. ft. Altogether eight new superstores were opened and seven major revamps carried out. The pace towards the end of the year when there were three openings on one day was particularly hectic. The geographical spread is being widened at the same time as increasing investment in areas of established strength. In particular, plans to increase representation in London and the South of England and thus build a truly national chain are bearing fruit. In 1987/88 a further nine superstores are planned and some thirteen existing stores will be revamped.

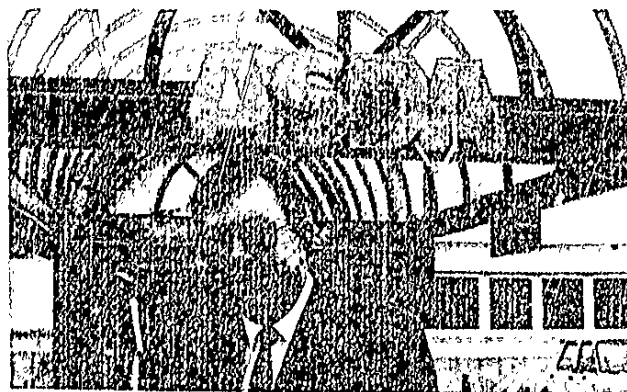
The accent on the South needs little explanation. Not only is the economic outlook good but the stores we are building take business from our competitors rather than cutting into

our existing business. There are currently some thirty-three stores in the development pipeline with the majority of the investment weighted towards London and the South-east. The introduction of electronic scanners (EPOS) at the checkout counters is both convenient for the customer and is an important aid to the efficient running of the business. The system has so far been installed in twenty-three stores and will be introduced to a further twenty between now and the end of the year.

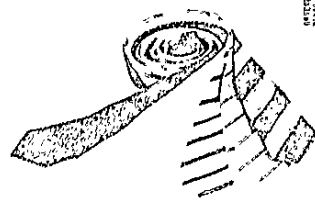
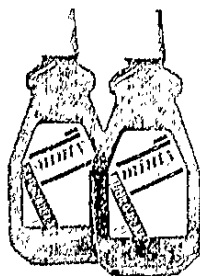
### Store layout and design

Following its successful launch at the Leamington store, the bright new design philosophy is now being applied throughout the network. All new and revamped stores are divided into three separate zones: non-food, grocery and fresh food. And while each has its own distinctive character and colour scheme, the benefits are far more than cosmetic. What is being achieved is an improvement in the ambience and at the same time making shopping easier and more convenient for everybody. Thus in the food hall the atmosphere is brisk and businesslike; in the non-food section shoppers are encouraged to browse; and in the fresh foods area more space and better lighting enhance the attraction of the products.

The results in terms of growing



John Hardman, Deputy Chairman and Group Managing Director, at the new Colindale store in North London.



## ASDA Stores

continued

market share at a time of fierce competition are most satisfactory, especially in the older stores. At Nottingham where there has been significant new competitive opening since we started in 1965, the complete refurbishment in the new style has resulted in sales increased by more than 10% with improved margins.

### Customer care

In the past year a number of important innovations designed to make the shopping experience more convenient and less stressful have been introduced.

There are now baby changing facilities in a number of stores and the introduction at the new Colindale store of an in-store crèche has proved enormously popular. We have the largest network of cash dispensers of any organisation, apart from the banks themselves, and the introduction of a cheque guarantee card, under our 'Privileged Customer' scheme, brings cashless shopping a step closer.

Last October store opening hours were extended on Monday, Tuesday and Saturday evenings. This has proved highly successful and has led to a useful increase in sales.

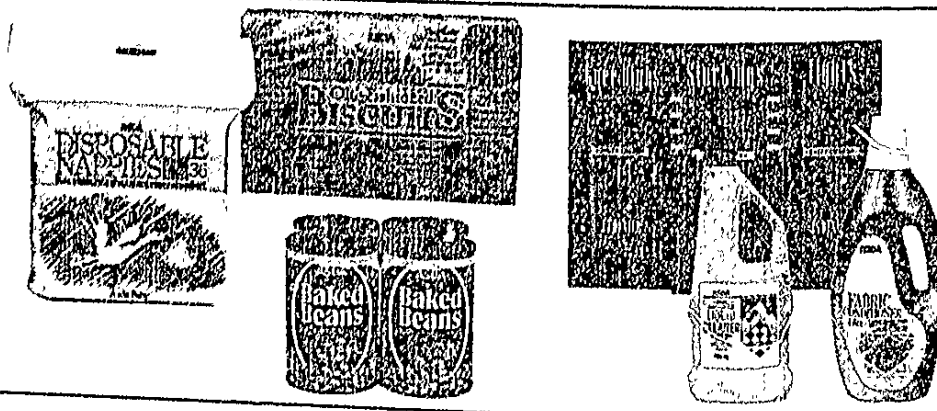
### Product offer

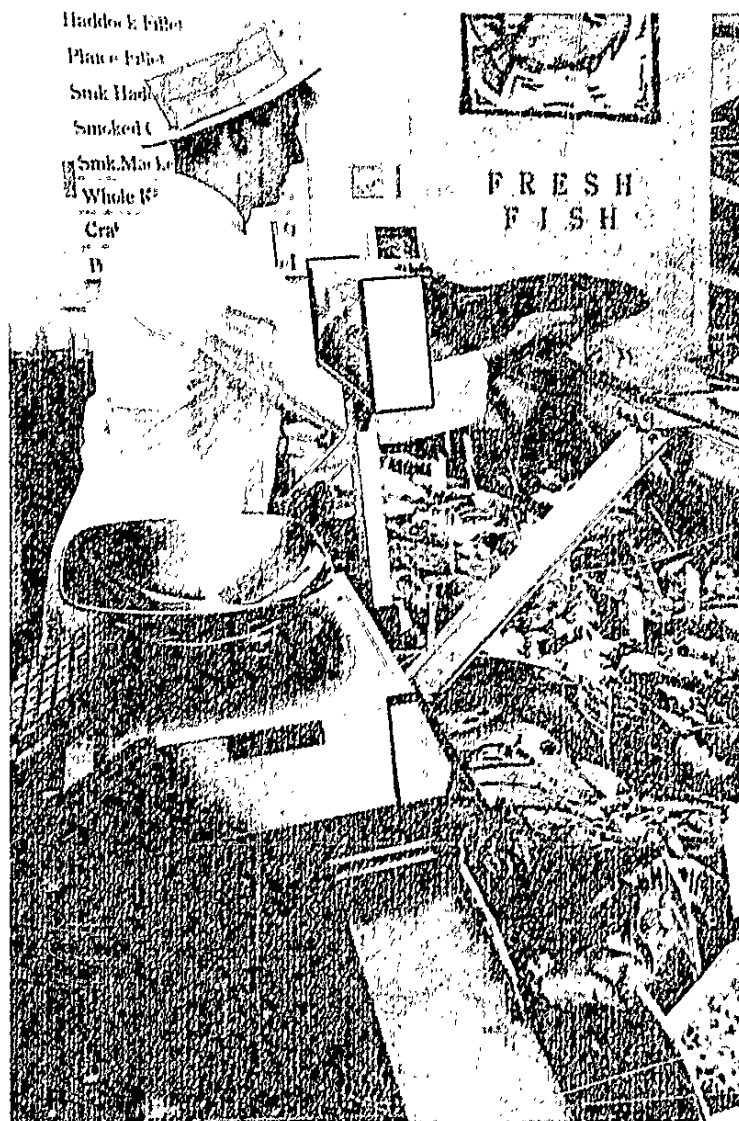
The development of our own label, ASDA Brand, continues apace. The introduction of new lines is

proceeding much faster than anticipated and we finished the year with over 1,750 lines in store against the original target of 1,500. ASDA Brand has been well received and in many product areas we have already achieved results well above the market average for this type of retailing.

While the introduction of ASDA Brand has been the biggest and most spectacular development, perhaps the most significant improvement is in the general area of fresh foods where the entire range has been significantly widened and upgraded to include organically grown fruit and vegetables, exotics and bulk pre-packs of fruit.

Speed of implementation has been accompanied by an absolute insistence on setting new standards in quality. Quality awards have been won for a variety of food products—low salt bacon, poultry, ice cream and fruit juices. There is justifiable pride in the standard of innovation and design which has gone into packaging—again international industry awards have been won. All new and many revamped stores have wet fish counters with nine opened so far this year. At the same time, new ranges of products have been launched in both the meat department and the bakery. In the latter where in new and revamped stores we have added creameries, the





range of products offers a wider spectrum than any of our competitors.

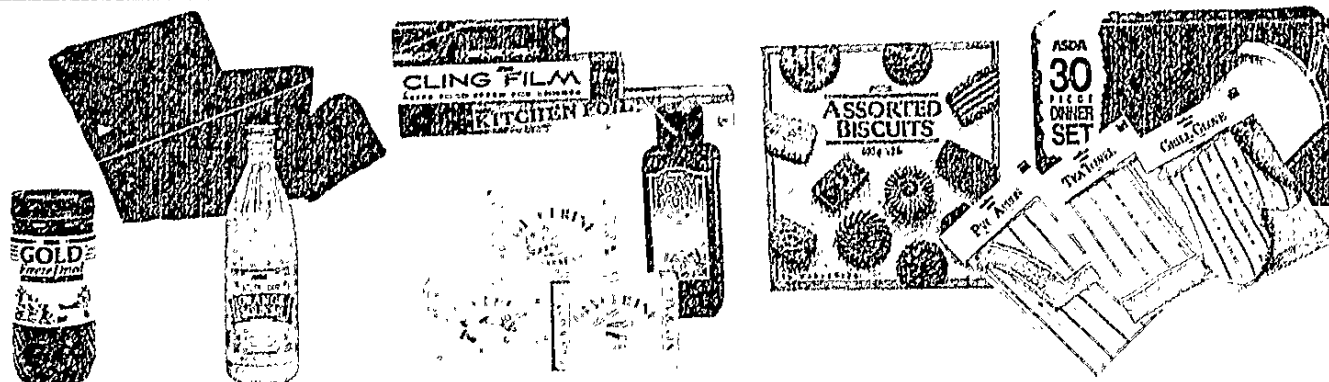
The wines and spirits department has also benefited from the extension of its range and has included a relaunch this year of ASDA Brand wines and spirits, all of which have proved popular with our customers.

On the non-food side the improvements made in quality and display continue to bear fruit. The upgrading of children's and ladies' wear is particularly notable and the clothing departments are now comparable with the best High Street standards.

#### Conclusion

None of this could have been achieved without the whole-hearted commitment of our staff. The Company continues to make improvements in the working conditions of our people.

In addition to the share participation scheme already mentioned, health screening has been introduced for all women employees, irrespective of service and hours worked; there are staff discounts on non-food products; and positive action has been taken with regard to the equal opportunities programme.





## Associated Fresh Foods

**W**ith the market in a state of flux, 1986/87 has been a difficult and challenging year. Retailer requirements are changing; consumer tastes and preferences are shifting; and EEC action to reduce the surpluses of milk products has inevitably contributed to a climate of uncertainty. Against this background AFF has made good progress in rationalising distribution, introducing new product and developing own brands in response to market requirements.

### Liquid milk

Milk sales, adversely affected by the Chernobyl nuclear disaster, have recovered well even though the proportion of traditional doorstep sales continues to fall as sales through shops increase. Careful cost control plus the addition of new products, such as high quality orange juice delivered door to door, has helped adaptation to a changing market and points the way forward. To this end capital has been invested in both production and distribution facilities.

### Milk products

Milk supplied for butter and cheese

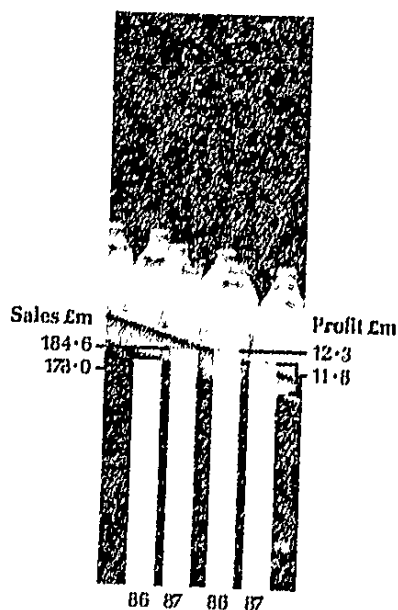
has been in line with expectations. In 1987/88, however, the EEC plans to reduce milk supplies by a further 9%—a move that will inevitably result in surplus production capacity and will further fuel the current debate about the rationalisation of the manufacturing industry.

### Meat products

Sales of sausages and other manufactured products were sharply affected by hostile media comment. The product development and management team, in conjunction with ASDA, continued to widen the range of high quality own label products for ASDA Brand and responded very successfully with a range of new low fat products.

### Sales and distribution

The financial benefits from our rationalisation of van sales continued with profits well ahead of last year. Bulk delivery milk sales increased substantially and the introduction of night deliveries using existing vehicles increased efficiency. The Cravendale product range has been further developed to take advantage of the continued broadening of customer requirements.







## MFI

The performance of MFI fell short of what is normally expected. Profits rose 2.4% and turnover was up 11% on a 52 weeks basis but the gains were modest and do not as yet reflect the sums that have been spent on new products, new services and new stores. In addition smaller stores have been extended and older ones refurbished.

### A new kind of MFI

One of the year's major achievements has been the development of an entirely new store lay-out and design, first unveiled at Thurrock in Essex last December and more recently at Ruislip in May. During the year seven new stores were opened, eight were relocated and a further fourteen were refitted.

Based on extensive research over several years into customers' needs, these new stores provide an entirely new shopping environment. The goods are better displayed; there are more customer services; and the setting is lighter, brighter and more spacious. These differences are evident from the moment the customer reaches the raised entrance platform from which there is a bird's eye view of the whole store.

A similar design has been introduced in other new stores. Customers have been so enthusiastic about these changes that it sets clear guidelines for the future.

### Product development

It is in the area of product development that most efforts and investment have been concentrated. As part of the action plan mentioned earlier the range of products has been greatly widened.

Two years ago carpets and vinyl flooring were offered in just seven MFI stores; now they are available in eighty-eight. Similarly lighting and textiles, first introduced last year on a pilot basis in fourteen stores, are now selling well in seventy-six.

In addition to extending the range of such basic products as carpets and lighting, complete fitted bathrooms and kitchens are now being offered, ready for instant assembly if required by carefully selected and supervised MFI fitters. This service, which should greatly enhance the attractiveness of these products, is designed to appeal to customers who are unwilling to assemble the units for themselves.

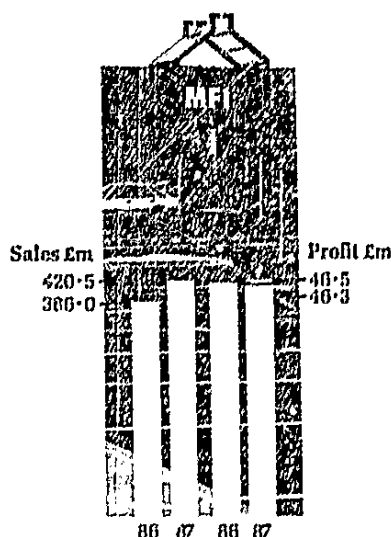
At the end of the current year there were bathroom shops in operation in nineteen stores. This experiment has proved so successful that by the end of September the total number will have risen to fifty-three. At the same time these stores have been fitted with no fewer than twenty-five brand new award winning Hygena kitchens. The new extended Hygena kitchen range now incorporates many 'designer' features normally found in kitchens selling at four or five times the price.

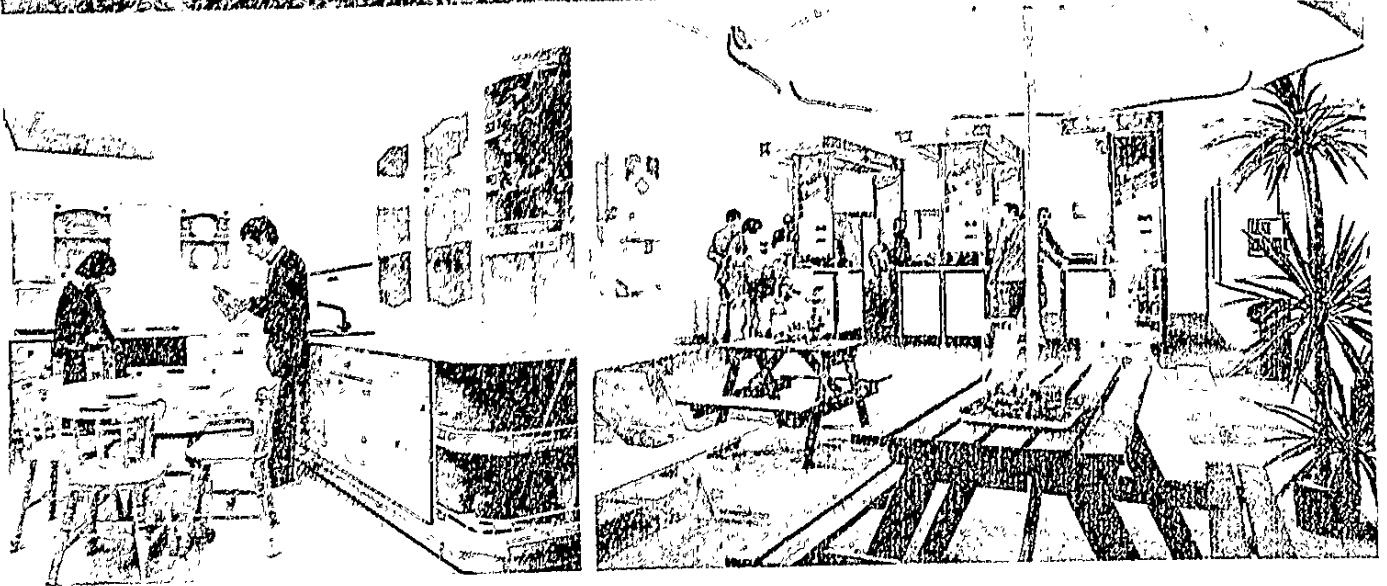
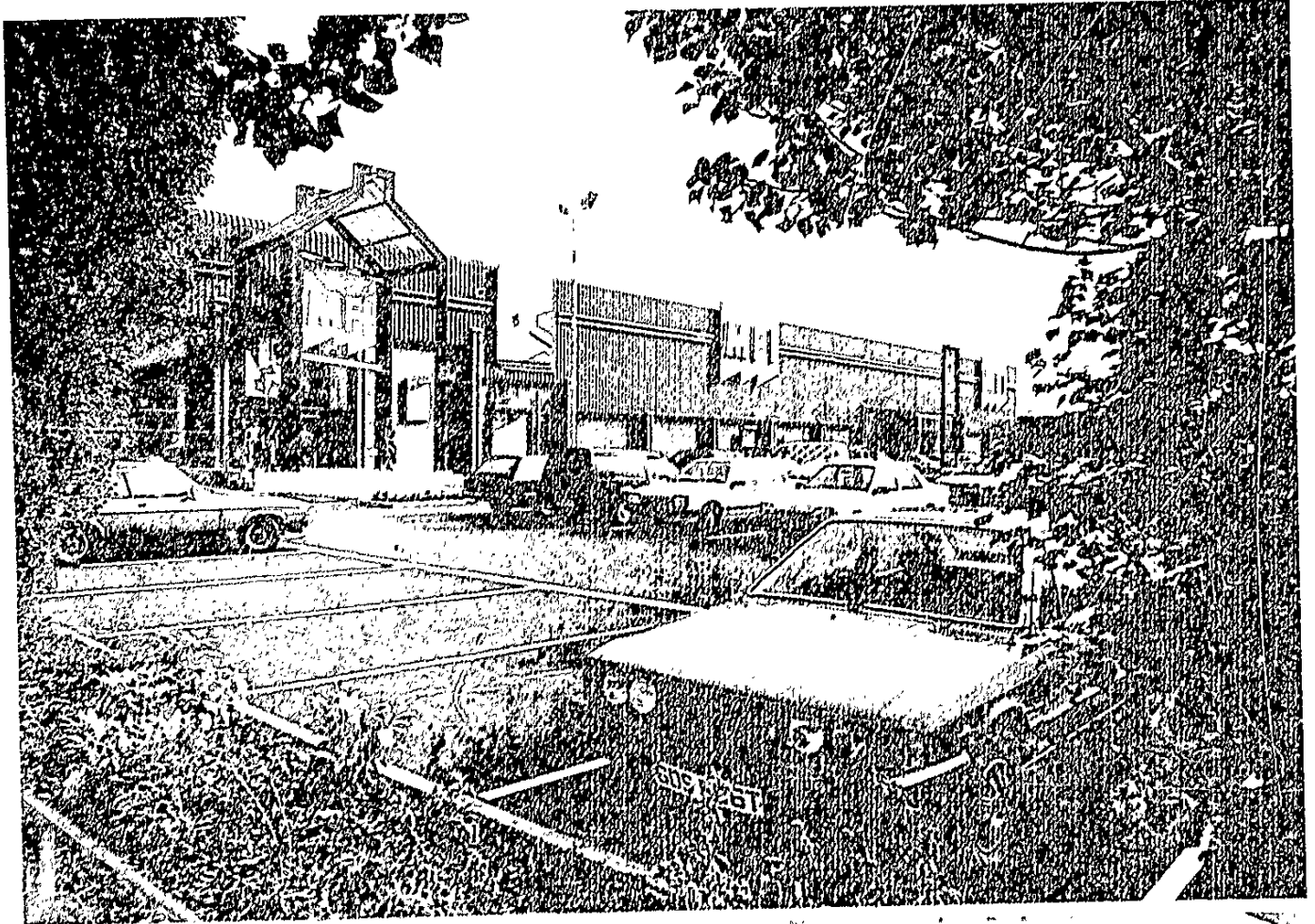
In the current year Hygena won the Gold Award of the Furniture Industry Research Association (FIRA) for its kitchen designs and gained a similar accolade, the first of its kind, for its bedrooms.

These products, together with a forthcoming range of higher priced Hygena bedrooms, take MFI into a new and fast expanding area. And people who have not previously shopped at MFI will be attracted and our market will increase substantially.

### Ashton Dean

The highly successful launch at Colindale of the first-ever furniture store under the Ashton Dean label was a further extension of this trend. The offer of a wide range of sensibly priced, well displayed, high quality branded furniture was so well received that a second Ashton Dean store has been opened at Romford. The search is on for other sites in London in order to expand a most promising and exciting chain.





**MFI**  
- continued -

### USA

With five stores trading in the Philadelphia area a first successful year of test marketing has been completed. More time will be needed to assess fully the chain's true potential.

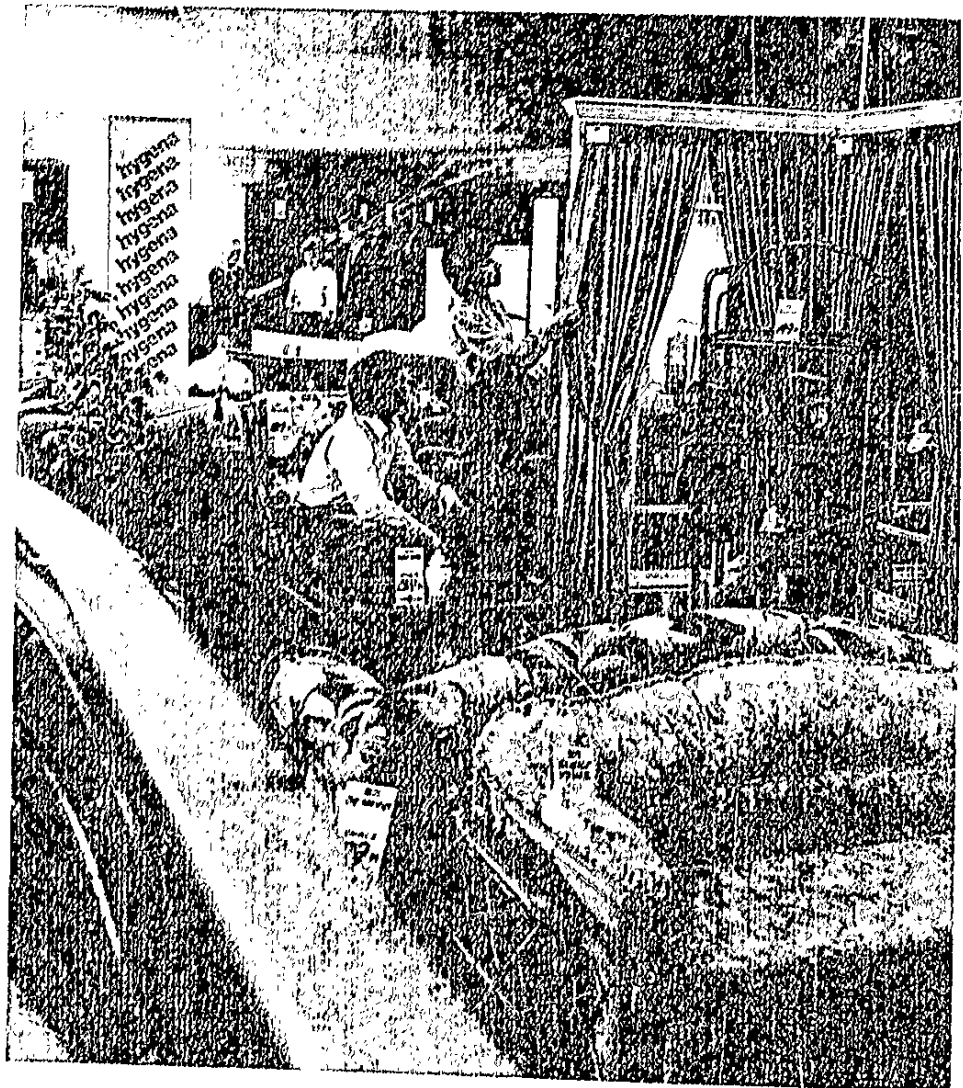
### Staff

The expansion and development programme has, of necessity, placed great demands on the staff and they have, as ever, responded magnificently. It is particularly pleasing to note that, for the second year running, sales per employee have

shown an encouraging increase. As part of our commitment to improved customer service, every store employee will undertake a two-day external training course in addition to the ongoing training programme.

### Prospects

The changes and improvements made in 1986/87 are continuing apace. A new marketing and advertising campaign is to be launched very shortly to support the innovations already in hand.



Sales £m  
118.7  
94.7

## Allied

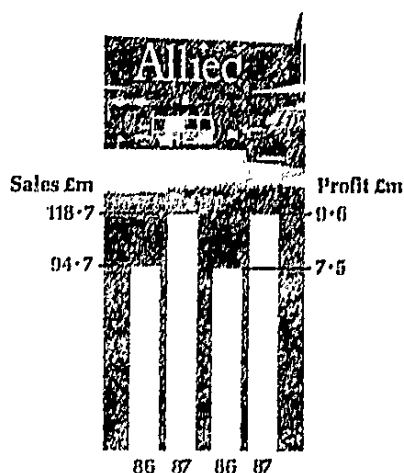
Over the past year Allied has achieved significant growth and has made steady progress in widening its base from being predominantly a carpet retailer to becoming a supplier of eleven types of home furnishing -- from carpets to curtains and from bedrooms to upholstery. Compared with last year sales were up 28% and profits up 30% on a 52 week basis.

### Store network

Fourteen new stores have been opened and two closed taking the

total to eighty-six with a total gross trading space of 1,642,000 sq. ft.—an increase of 41%.

Scottish coverage has been extended with the opening of two new stores in Glasgow and there was a move into East Anglia for the first time with stores at Ipswich and Peterborough. For the coming year there are ten new locations already in various stages of development plus several more awaiting planning decisions. At the same time forty of the existing stores will be either fully or partially revamped to consolidate Allied's position as market leaders.



## Allied

continued

### Product developments

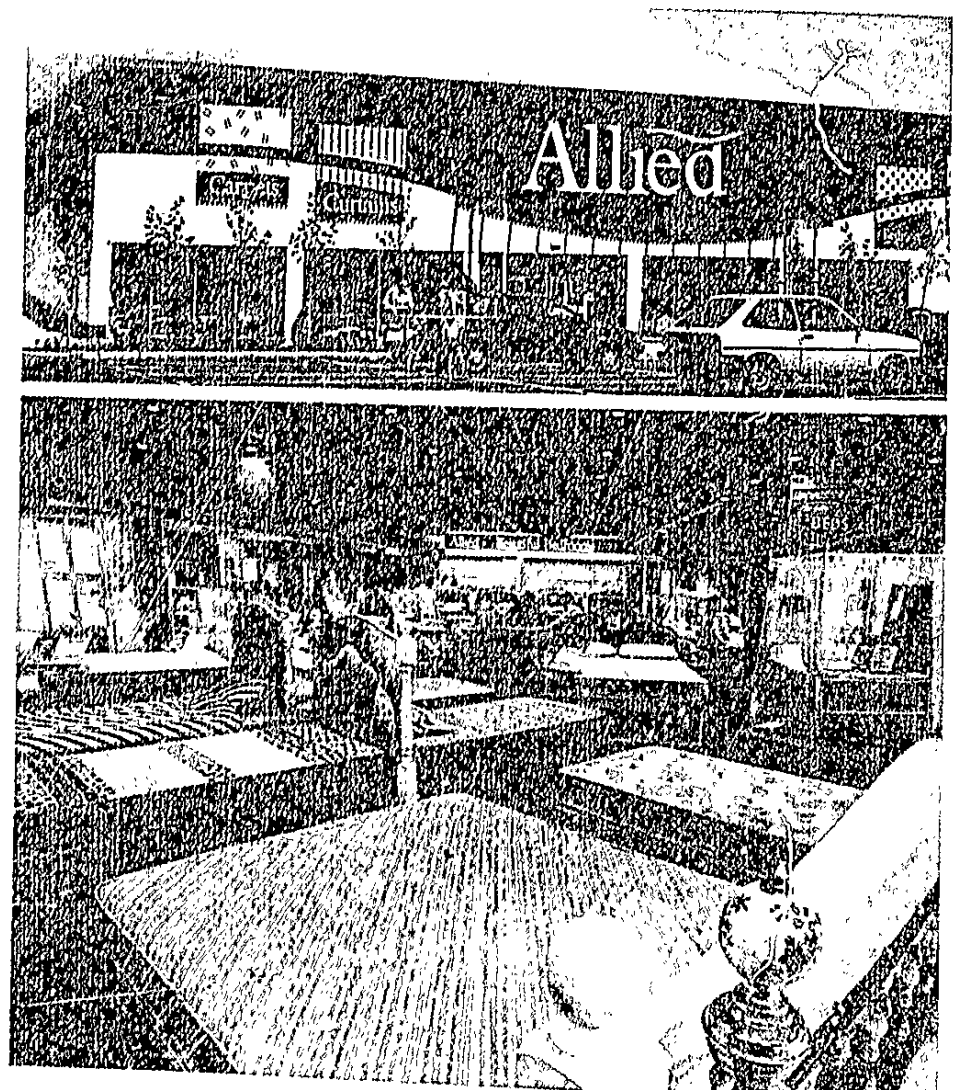
The core carpet and curtain business continues to grow strongly and a number of key additions to the range have been made in the past year. A special 'budget' collection of carpets was introduced aimed at the first time home market and for the more established home owner there is a more elaborate range of design and colour-coordinated carpets and curtains.

Beds are featured in twenty-four of the stores and, after a successful pilot in Blackpool, lounge suites in thirty-three.

In January this year, the product range was extended to fully fitted and free standing bedrooms. These products which come from such well-known manufacturers as Hammond and Schreiber have now been introduced into seven of the stores and will, along with beds and lounge suites, be a feature of most new stores in the forthcoming year.

### Staff

The Allied team now numbers 1,850 and during the year 390 new positions were created.



**Directors' report and Accounts**  
for the 52 weeks ended 2 May 1987

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## Directors' report

### Group profit and dividends

The directors submit their report and the financial statements of the Group for the fifty-two weeks ended 2 May 1987.

Group profit for the financial year, as set out on page 27, amounted to £129.7 million (£114.9 million).

The directors recommend that this be dealt with as follows:

	1987 £m	1986 £m
Preference dividend	0.2	0.2
Ordinary dividends		
Interim paid, 1.57p per share (1986: 1.25p)	15.6	14.2
Final proposed, 2.13p per share (1986: 1.90p)	24.4	21.6
Transfer to reserves	89.5	78.9

If approved the final dividend will be payable on 1 October 1987 to members whose names are on the register on 14 August 1987.

### Funding

During the year, the Company has made two bond issues the proceeds of which are being used to finance the Group's expansion. The bonds are listed on the London Stock Exchange and subject to Trust Deeds dated 15 May 1986 and 3 March 1987.

#### 9½% Bonds due 2002

On 15 May 1986, the Company issued £100 million of 9½% Bonds at 99½% of nominal value, redeemable on 15 May 2002. The principal amount was received in two instalments, 35% on 15 May 1986 and 64½% on 30 July 1986. The net proceeds of this issue amounted to £97 million.

#### 4¼% Convertible Bonds due 2002

On 3 March 1987, the Company issued £120 million of unsecured 4¼% Convertible Bonds at par, redeemable on 24 April 2002 unless options are exercised to convert or redeem the bonds as outlined in note 18 on page 38. The net proceeds of the issue amounted to £117 million.

### Principal activities and review of business developments

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

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

### Subsequent events

As explained in the chairman's statement, on 10 July 1987 the Board announced that offers would be invited for MFI and Allied, and that negotiations for the sale of the Dairy Division of Associated Fresh Foods had reached an advanced stage.

No provision has been made in these accounts for proceeds or net profits arising on these sales.

**Research and development**

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

**Fixed assets**

A summary of the changes in fixed assets is set out in note 12 to the accounts on page 35.

**Directors and their interests**

The following is a list of present directors of the Company who were directors during the year, together with their beneficial interests, including family interests in the ordinary shares of 25p each fully paid of the Company.

	10 July 1987 (if changed from May)	2 May 1987	3 May 1986 (or date of appointment if later)
D L Donne		9,006	4,200
J N Hardman		11,595	10,000
E G Bousfield	557,787	572,787	647,164
P R Baines		27,692	150,000
A E Gardiner	93,594	111,371	92,320
D M Gransby		5,225	6,000
D S Hunt		150,112	148,102
E W Lee		147,651	145,988
Sir Godfrey Messervy		1,611	—
K J Morton		10,000	—

Mr E G Bousfield has a non-beneficial interest in 150,037 ordinary shares of 25p each.

Options held by these directors and not exercised at 2 May 1987 were as follows:

	Executive Share Option Schemes		Savings Related Share Option Scheme
	1981	1984	
J N Hardman	95,288	204,297	7,154
E G Bousfield	—	—	7,154
P R Baines	—	60,000	—
A E Gardiner	17,778	106,955	15,046
D M Gransby	—	109,364	4,970
D S Hunt	—	405,402	5,522
E W Lee	—	318,299	5,522

No director had any beneficial interest in bonds issued by the Company during the year.

As noted in last year's report, Sir Noel Stockdale and Mr E E Binns retired on 29 October 1986, and Mr H Plotnek on 30 June 1986.

Sir Godfrey Messervy and Mr K J Morton were appointed non-executive directors on 1 November 1986. Messrs G S Carr and G H Stow were appointed executive directors on 9 July 1987. In accordance with Article 92 of the Company's Articles of Association, they will be retiring at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

Sir Godfrey and Mr Morton do not have service contracts with the Company. Messrs Carr and Stow have two year rolling service contracts, the fixed terms of which expire on 31 July 1990.

Pursuant to Article 94 of the Company's Articles of Association, Messrs A E Gardiner and D M Gransby retire by rotation. Being eligible, Mr Gransby offers himself for re-election at the forthcoming annual general meeting.

	<p>Mr Gransby has a service contract subject to two years' notice.</p> <p>Mr Gardiner does not seek re-election and retires from the office of director after eleven years' service with the Company at the conclusion of the annual general meeting.</p> <p>Messrs E G Bousfield and P R Baines also retire as directors, at the conclusion of the annual general meeting, after forty and twenty years' service respectively.</p> <p>No director had any interest during the period in any significant contract with the Company or any subsidiary.</p>
Employees and employee policies	<p>The average number of employees and their remuneration are shown in note 3 to the accounts on page 32.</p> <p>It is the Group's policy that employees should be kept as fully informed as is practicable about the Group's progress through the media of its management associations, trade union consultative machinery, 'team briefings', Company newspapers, the annual employee financial report and regular visits by directors.</p> <p>Employees are encouraged to be involved in the Group's performance through the Savings Related Share Option Scheme and the Share Participation Schemes. There are now 7,300 employees throughout the Group who are members of the Savings Related Share Option Scheme and they hold options over 14.2 million shares.</p> <p>Under the Share Participation Schemes, which were introduced for the first time last year, 2.3 million shares were appropriated to 20,000 employees. This year £3.5 million has been set aside from profit for the Schemes.</p> <p>Details of the shares issued and options to subscribe for shares outstanding under the Executive Share Option Schemes and the Savings Related Share Option Scheme are shown in note 20 to the accounts on page 39.</p> <p>The Group is committed to the continuing development of its Equal Opportunities Policies.</p> <p>It is also Group policy to give full consideration to suitable applications for employment by disabled persons. Opportunities also exist for the Group's employees who become disabled to continue in their employment or to be trained for other positions in the Group's employment.</p>
Charitable and political donations	Charitable donations amounted to £0.2 million (1986: £0.2 million). There were no political donations made during the period under review.
Substantial holdings	So far as the directors are aware, no person, company or group of companies holds or is beneficially interested in 5% or more of the issued capital of the Company.
Income and Corporation Taxes Act 1970	The close company provisions of this Act do not apply to this Company.
Auditors	The Company's auditors, Messrs Ernst & Whinney, have expressed their willingness to continue in office, and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

**Annual General Meeting--  
Special Business**

A special resolution to dis-apply Section 89 of the Companies Act 1985 generally in respect of a limited number of shares was passed at the last annual general meeting on 29 October 1986. However, in considering that resolution, shareholders may have been unaware that The Stock Exchange had recently changed its policy regarding shareholders' pre-emption rights.

Previously and notwithstanding a waiver by shareholders of their statutory pre-emption rights on the lines of the dis-application referred to above, The Stock Exchange required any issue for cash, other than *pro rata* to existing shareholders, to be subject to shareholders' specific prior approval. This is no longer the case and the resolution in dis-application of Section 89 generally is once again being put to shareholders for their approval so that they may vote in the knowledge that the passing of resolution number 8 in the notice of meeting will effectively empower directors to issue further shares, up to the limit specified in that resolution, other than *pro rata* to existing shareholders.

The Board has no immediate plans for the issue of any shares and in any event no issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

The directors consider it is appropriate for this resolution to be approved and recommend shareholders to vote accordingly.

10 July 1987

By order of the board  
P R BAINES Secretary

## Auditors' report

### Report of the Auditors to the Members of ASDA-MFI GROUP PLC

**W**e have audited the accounts set out on pages 27 to 41 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention as explained in note 1(a).

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 2 May 1987, and of the profit and source and application of funds of the Group for the 52 weeks then ended and comply with the Companies Act 1985.

London  
10 July 1987

*Ernst & Whinney*  
ERNST & WHINNEY  
Chartered Accountants

# Consolidated profit and loss account

52 weeks ended 2 May 1987

	Note	1987 £m	53 weeks ended 3 May 1988 £m
Turnover	2		
Change in stocks		2,667.1	2,516.6
Other operating income		27.6	26.3
		20.2	10.6
		<u>2,714.9</u>	<u>2,559.5</u>
Raw materials and consumables		2,027.5	1,957.6
Staff costs	3	251.6	220.5
Depreciation of tangible fixed assets	12	42.1	34.9
Other operating charges		205.1	181.4
		<u>2,526.3</u>	<u>2,394.4</u>
Operating profit	2		
Other income	5	188.6	165.1
Interest payable and similar charges	6	7.1	5.8
		(0.2)	(1.4)
Profit before tax and profit sharing		<u>195.5</u>	<u>169.5</u>
Profit sharing	7	3.5	3.1
Profit on ordinary activities before taxation			
Taxation	8	192.0	166.4
		62.3	51.5
Profit for the financial year		<u>129.7</u>	<u>114.9</u>
Dividends	9	40.2	36.0
Retained profit	21	<u>89.5</u>	<u>78.9</u>
Earnings per ordinary share	10		
basic		pence	pence
fully diluted		11.38	10.13
		11.21	10.05
Dividend per ordinary share		<u>3.50</u>	<u>3.15</u>

## Balance sheets

at 2 May 1987

	Note	Group		Company	
		1987 £m	1986 £m	1987 £m	1986 £m
<b>Fixed assets</b>					
Intangible assets	11	2.0	1.7	—	—
Tangible assets	12	858.2	850.0	1.0	2.2
Investments	13	0.4	0.4	270.3	268.0
		<u>860.6</u>	<u>852.1</u>	<u>271.3</u>	<u>268.2</u>
<b>Current assets</b>					
Stocks	14	212.4	184.8	—	—
Debtors	15	58.9	40.9	376.8	247.8
Investments	16	14.2	8.0	11.5	4.0
Cash at bank and in hand		<u>54.7</u>	<u>28.3</u>	<u>20.3</u>	<u>—</u>
		<u>340.2</u>	<u>262.0</u>	<u>408.6</u>	<u>251.8</u>
Creditors—amounts falling due within one year	17	(391.4)	(404.3)	(70.4)	(127.3)
<b>Net current (liabilities)/assets</b>		<u>(51.2)</u>	<u>(142.3)</u>	<u>338.2</u>	<u>124.5</u>
<b>Total assets less current liabilities</b>		<u>809.4</u>	<u>509.8</u>	<u>609.5</u>	<u>392.7</u>
Creditors—amounts falling due after more than one year	18	(278.9)	(52.0)	(220.3)	(0.3)
Provisions for liabilities and charges	19	(17.4)	(30.4)	3.1	(1.2)
		<u>513.1</u>	<u>427.4</u>	<u>392.3</u>	<u>391.2</u>
<b>Capital and reserves</b>					
Called up share capital	20	287.6	285.9	287.6	285.9
Reserves	21				
Share premium account		0.5	2.8	0.5	2.8
Revaluation reserve		—	—	38.7	38.8
Related company reserves		0.3	0.3	—	—
Profit and loss account		<u>224.7</u>	<u>138.4</u>	<u>65.5</u>	<u>63.7</u>
		<u>513.1</u>	<u>427.4</u>	<u>392.3</u>	<u>391.2</u>

David Donne }  
Edward Lea } Directors

*David Donne*  
*Edward Lea*

Approved by the Board  
10 July 1987



# Statement of source and application of funds

52 weeks ended 2 May 1987

Source of funds	£m	1987	£m	53 weeks ended 3 May 1986	£m
<b>From operations</b>					
Profit on ordinary activities before taxation			192.0		166.4
Adjustment for items not involving movement of funds					
Goodwill written off directly to reserves	(3.2)				
Depreciation	42.1			34.9	
			38.9		34.9
<b>Total generated from operations</b>			230.9		201.3
<b>From other sources</b>					
Shares issued	5.7				1.8
Net proceeds from bond issues	213.7		219.4		
			450.3		203.1
<b>Funds applied</b>					
Dividends paid	37.4			32.5	
Taxation paid	49.7			69.5	
Net purchases of fixed assets	256.7			156.1	
			(343.0)		(258.1)
			106.5		(55.0)
<b>Increase/(decrease) in working capital</b>					
Stocks			27.6		26.2
Debtors			10.5		(9.9)
Creditors			(42.0)		(10.6)
Net liquid funds			110.4		(60.7)
			106.5		(55.0)

## Notes to the accounts

### 1 Accounting policies

#### (a) Basis of accounts

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

#### (b) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiaries for the fifty-two week period ended 2 May 1987.

The goodwill arising on consolidation, representing the amount by which the consideration paid for new acquisitions exceeds the fair value of their net tangible assets, is written off directly to reserves in the period of acquisition, except where the merger accounting rules apply.

Merger accounting rules were applied to the Company's acquisition of the shares of MFI Furniture Group plc in May 1985.

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

#### (c) Depreciation

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

Freehold buildings and long leasehold property	50-67 years
Short leasehold property	over period of lease
Plant and equipment	3-20 years
Motor vehicles	4-10 years

Leased assets are depreciated in accordance with the depreciation accounting policy so as to write off their capitalised cost over the shorter of their estimated useful lives or the lease terms.

#### (d) Capitalisation of interest

Interest incurred on borrowings to finance specific property developments is capitalised net of tax relief.

#### (e) Leased assets

Assets held under finance leases are capitalised as tangible assets and included in creditors at the cost of outright purchase.

Rentals are apportioned between reductions in the capital obligations included in creditors, and those relating to finance charges which are charged to the profit and loss account at a constant periodic rate of charge.

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

- (f) *Government grants* Government grants in respect of expenditure on fixed assets are credited to a separate account and credit is taken in the profit and loss account over the estimated average life of the relevant assets.
- (g) *Stocks* Stocks comprise goods held for resale and are valued at the lower of cost and net realisable value.
- (h) *Deferred taxation* Provision is made for deferred taxation, using the liability method, for timing differences which are not expected to continue in the foreseeable future.
- (i) *Research and development* Expenditure on research and development is written off in the period in which it is incurred.
- (j) *Foreign currency* Assets and liabilities denominated in foreign currency are translated into sterling at rates ruling at the balance sheet date. Differences arising on the retranslation of opening net assets are taken direct to reserves. Foreign exchange profits and losses arising during the period are included in profit on ordinary activities before taxation.
- (k) *Turnover* Turnover comprises value of sales exclusive of VAT and inter-company transactions.

## 2 Analysis of turnover and profits between activities

	1987		1986	
	Turnover £m	Operating profit £m	Turnover £m	Operating profit £m
Asda Stores	2,018.6	124.9	1,933.2	103.0
Associated Fresh Foods	184.0	11.8	178.0	12.3
MFI Furniture Group	420.5	46.5	386.0	46.3
Allied	118.7	9.6	94.7	7.5
Other	3.9	0.5	3.1	0.8
	<u>2,745.7</u>	<u>193.3</u>	<u>2,595.0</u>	<u>169.9</u>
Less Inter-company sales	(79.2)	—	(78.4)	—
Group overheads	—	(4.7)	—	(4.8)
	<u>2,666.5</u>	<u>188.6</u>	<u>2,516.6</u>	<u>165.1</u>

The turnover of the Group substantially relates to UK sales.

## Notes to the accounts continued

## 3 Operating profit

	1987 £m	1986 £m
Arrived at after charging		
(a) Operating lease charges for plant and machinery	2.9	2.5
(b) Auditors' remuneration	0.2	0.2
(c) Staff costs		
Wages and salaries	227.8	199.2
Social security costs	16.8	15.3
Other pension costs	7.0	6.0
	<u>251.6</u>	<u>220.5</u>

The average number of employees during the year was 44,230 (1986: 41,305) and is analysed as:

Asda Stores	34,088	31,615
Associated Fresh Foods	3,039	2,853
MFI Furniture Group	5,170	4,998
Allied	1,760	1,470
Group and miscellaneous	173	369
	<u>44,230</u>	<u>41,305</u>

## 4 Emoluments of directors

	£000	£000
Fees	—	—
Management remuneration	1,010	1,047
Compensation to former director	—	275
	<u>1,010</u>	<u>1,322</u>

Nine (1986: Nine) directors waived fees due from a subsidiary amounting to £4,125 (1986: £4,250).

**4 Emoluments of directors**  
(continued)

Additional information in respect of emoluments of directors, excluding pension contributions and compensation to former director:

	1987 £000	1986 £000
Chairman		
Sir Noel Stockdale	67	99
Mr D L Donne	38	
Highest paid director	157	101
Other directors in scale:		
£0 to £ 5,000	5	—
£5,001 to £10,000	—	1
£10,001 to £15,000	—	2
£15,001 to £20,000	—	1
£20,001 to £25,000	—	3
£25,001 to £30,000	1	—
£30,001 to £35,000	1	—
£35,001 to £40,000	—	1
£40,001 to £45,000	—	1
£45,001 to £50,000	1	1
£50,001 to £55,000	1	—
£55,001 to £60,000	2	—

**5 Other income**

	£m	£m
Income from other short-term investments	3.0	4.0
Sundry income	3.2	0.9
	<u>7.1</u>	<u>5.8</u>

**6 Interest payable and similar charges**

Repayable within 5 years		
Short term loans and bank overdrafts	8.4	8.8
Finance leases	0.3	0.1
Repayable after 5 years		
Bonds, debenture and mortgage	9.0	0.1
	<u>17.7</u>	<u>9.0</u>
Interest capitalised before tax relief of £8.1 million (1986: £3.0 million)	<u>(17.5)</u>	<u>(7.6)</u>
	<u>0.2</u>	<u>1.4</u>

**7 Profit sharing**

The profit allocated this year to the Group's Share Participation Schemes for the subscription for ordinary shares in the Company is £3.5 million (1986: £3.1 million).

## Notes to the accounts continued

8 Taxation	1987 £m	1986 £m
The charge based on the profit for the period comprises:		
UK corporation tax at 35.0% (1986: 39.6%)	75.3	65.6
Deferred taxation	(13.0)	(3.1)
	<u>62.3</u>	<u>62.5</u>
Prior period adjustments	—	(11.0)
	<u>62.3</u>	<u>51.5</u>

The year's charge for deferred taxation, had full provision been made, would have been £3.6 million (1986: £6.3 million). This relates principally to chargeable gains not taxable in the foreseeable future.

9 Dividends	1987 £m	1986 £m
Preference	0.2	0.2
Ordinary Interim of 1.37p per share (1986: 1.25p)	15.6	14.2
-proposed final of 2.13p per share (1986: 1.90p)	24.4	21.6
	<u>40.2</u>	<u>36.0</u>

10 Basic and fully diluted  
earnings per ordinary share

(a) The calculation of basic earnings per ordinary share is based on the profit for the financial year, after preference dividend, of £129.5 million (1986: £114.7 million) divided by the weighted average number of ordinary shares in issue during the year of 1,137.7 million shares (1986: 1,132.8 million shares).

(b) The calculation of fully diluted earnings per ordinary share is based on the profit for the financial year, after preference dividend and adjustments which assume:

(i) the full conversion of the 4½% Convertible Bonds 2002 on the day of issue.

(ii) the full exercise of all ordinary share options granted under the Company's own schemes on the first day of the financial year, or the date granted if later.

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

## 11 Intangible fixed assets

	1987 £m	1986 £m
Milk rounds	2.0	1.7

The cost of milk rounds is capitalised upon purchase.

## 12 Tangible fixed assets

	Freehold properties £m	Leasehold properties £m	Group Plant, machinery, equipment and vehicles £m	Total £m	Company Plant, machinery, equipment and vehicles £m
Cost					
At 3 May 1986	293.8	207.3	227.9	729.0	1.1
Reclassifications	1.9	3.0	(4.9)	—	—
Additions	77.5	33.7	82.7	173.9	0.3
Transfers to current assets	(0.4)	—	—	(0.4)	—
Disposals	(18.9)	(4.1)	(13.4)	(36.4)	(0.3)
At 2 May 1987	353.9	239.9	272.3	866.1	1.1
Depreciation					
At 3 May 1986	12.6	18.7	105.7	135.0	0.4
Reclassifications	1.7	0.9	(2.6)	—	—
Charge for the period	4.0	5.2	32.9	42.1	0.2
Disposals	(0.7)	(0.8)	(9.3)	(10.8)	(0.1)
At 2 May 1987	17.6	22.0	126.7	166.3	0.5
Net book amounts	336.3	217.9	145.6	699.8	0.6
Capital work in progress (1986: Group £56.0 million Company £1.5 million)				158.4	0.4
				858.2	1.0

An amount of £11.4 million (1986: £4.6 million) has been included in additions in respect of interest capitalised during the year, after deducting tax relief of £6.1 million (1986: £3.0 million).

The net book amount of plant, machinery, equipment and vehicles for the Group includes £7.0 million (1986: £3.7 million) in respect of leased assets after charging depreciation of £0.8 million (1986: £0.6 million).



## Notes to the accounts continued

**12 Tangible fixed assets**  
(continued)

The cost of freehold land included within freehold properties is £143.0 million (1986: £127.0 million).

The net book amount of leasehold property and capital work in progress includes:

	Group 1987 £m	Group 1986 £m
Leases with fifty years or more unexpired	189.8	171.6
Leases with less than fifty years unexpired	28.5	21.8
	<u>218.3</u>	<u>193.6</u>

**13 Fixed asset investments**

Group	£m	£m
Related company		
Share of net assets at 2 May 1987 and 3 May 1986	0.4	0.4
	<u>          </u>	<u>          </u>
Company		
Subsidiaries	265.6	172.2
Additions	4.4	95.4
Disposals	(0.1)	(2.0)
	<u>269.9</u>	<u>265.6</u>
Related company	0.4	0.4
	<u>270.3</u>	<u>266.0</u>

(a) The investments in subsidiary and related companies are stated at brought forward valuation with the cost of acquiring MFI in May 1985, calculated in accordance with merger accounting principles and comprising the nominal value of shares issued together with the cash element of the consideration including expenses. The fair value of the total consideration was £585 million.

(b) The principal trading subsidiaries of ASDA-MFI GROUP PLC, owned directly and indirectly, registered in England, wholly-owned and engaged in the business of retailing, except where otherwise stated, are:

Associated Dairies Limited  
MFI Furniture Centres Limited\*  
Priceless Kitchens Inc. (Incorporated in USA)\*  
Allied Carpet Stores Limited  
MFI Properties Limited (property)\*

\*Indirectly owned

**13 Fixed asset investments**  
(continued)

(c) The Group holds 50% of the ordinary share capital of Manorcroft Limited, which is engaged in the wholesale distribution of dairy products in the UK.

**14 Stocks**

In the directors' opinion the replacement cost of stocks does not materially exceed the balance sheet value.

**15 Debtors**

	Group		Company	
	1987 £m	1986 £m	1987 £m	1986 £m
Amounts falling due within one year				
Trade debtors	24.9	23.9	—	—
Amounts owed by subsidiary companies	—	—	366.2	244.2
Other debtors	15.1	7.4	1.8	2.2
Prepayments and accrued income	9.1	7.2	—	—
	<u>49.1</u>	<u>38.5</u>	<u>368.0</u>	<u>246.4</u>
Amounts falling due after more than one year				
Advance corporation tax recoverable in respect of proposed dividend	8.8	1.3	8.8	1.4
Debtors on deferred terms	1.0	1.1	—	—
	<u>50.9</u>	<u>40.9</u>	<u>376.8</u>	<u>247.8</u>

**16 Investments**

Investments include vacant properties awaiting disposal written down to net realisable value of £1.3 million (1986: £2.8 million).

**17 Creditors: amounts falling due within one year**

	Group		Company	
	1987 £m	1986 £m	1987 £m	1986 £m
Bank overdrafts	5.3	83.1	5.0	79.1
Trade creditors	202.0	180.6	—	—
Amounts owed to subsidiary companies	—	—	25.6	10.5
Taxation	55.5	33.8	5.3	9.5
Social security	7.0	5.6	—	—
Other creditors	50.7	40.3	0.3	5.7
Accruals	35.7	21.5	9.8	0.9
Obligations under finance leases	1.8	0.8	—	—
Proposed dividend	24.4	21.6	24.4	21.6
	<u>391.4</u>	<u>404.3</u>	<u>70.4</u>	<u>127.3</u>

## Notes to the accounts continued

## 18 Creditors—amounts falling due after more than one year

	Group		Company	
	1987 £m	1986 £m	1987 £m	1986 £m
Taxation, payable 1 January 1989	51.8	46.5	—	—
Obligations under finance leases within two to five years	4.5	2.7	—	—
Bonds due 2002 (note 1) (interest rate 9½%)	100.0	—	100.0	—
Convertible Bonds due 2002 (note 2) (interest rate 4½%)	120.0	—	120.0	—
Loan notes repayable up to 1994 (interest rates ½% above base lending rate)	0.3	0.3	0.3	0.3
Loans repayable 1995 to 2022 (interest rates 9½% to 10½%)	0.4	0.4	—	—
Government grants	1.0	2.1	—	—
	<u>278.0</u>	<u>52.0</u>	<u>220.3</u>	<u>0.3</u>

1 On 15 May 1986, the Company issued £100 million of unsecured 9½% Bonds at 99½% of nominal value redeemable at par on 15 May 2002. The principal amount was received in two instalments as to 35% on 15 May 1986 and 64½% on 30 July 1986.

The costs of the issue, amounting to £3.1 million, have been written off the Share Premium Account.

2 On 3 March 1987, the Company issued £120 million of unsecured 4½% Convertible Bonds at par, redeemable on 24 April 2002 unless previously converted or redeemed as outlined below:

- i. Conversion into ordinary shares at bondholders' option at a conversion price of 104p per share
- ii. Redemption at Company's option at a premium to issue price reducing annually until 23 April 1992, and thereafter at par
- iii. Redemption at bondholders' option on 24 April 1992 at par plus interest supplemental to the coupon rate of 4½% calculated to yield an aggregate interest return of 0.02% per annum at that date.

No provision has been made for supplemental interest, if any, payable if bonds are redeemed at bondholders' option in April 1992.

The costs of the issue, amounting to £3.2 million, have been written off the Share Premium Account.

## 19 Provisions for liabilities and charges

	Group	
	1987 £m	1986 £m
Deferred taxation		
Potential liability:		
Capital allowances	47.0	48.1
Capital gains	10.8	4.5
Short-term timing differences	(1.6)	—
	<u>56.2</u>	<u>52.6</u>

# 19 Provisions for liabilities and charges (continued)

## Provision retained:

	Group		Company	
	1987 £m	1986 £m	1987 £m	1986 £m
UK capital allowances claimed in excess of depreciation charged	19.0	30.4	—	—
Short term timing differences	(1.6)	—	(3.1)	1.2
	<u>17.4</u>	<u>30.4</u>	<u>(3.1)</u>	<u>1.2</u>

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

# 20 Called up share capital

	Authorised		Issued and fully paid	
	1987 £m	1986 £m	1987 £m	1986 £m
9½% Cumulative preference shares of £1 each	1.0	1.0	1.0	1.0
Ordinary shares of 25p each	375.0	375.0	285.7	284.0
	<u>376.0</u>	<u>376.0</u>	<u>286.6</u>	<u>285.0</u>

Under the terms of trust deeds associated with the issue of the 4½% Convertible Bonds 2002 in March 1987, bondholders have the right to request conversion of bonds into 25p ordinary shares in the Company on the terms set out in note 18 on page 38 to these accounts. At a conversion price of 104p per ordinary share, full conversion would result in the issue of approximately 73 million new ordinary shares.

On 29 August 1986, 2.3 million ordinary shares were issued in connection with the Group's share participation scheme.

Following calls made on shares under the various Option Schemes, 4.6 million ordinary shares were issued.

Under the terms of the various Option Schemes of ASDA-MFI GROUP PLC, the following options are outstanding at 2 May 1987:

	Options (000)	Price per ordinary share (range) p	Exercisable by
Senior Executive Share Option Scheme 1978	5.7	68	November 1987
Senior Executive Share Option Scheme 1981	4,885.0	59-117	November 1990
Executive Share Option Scheme 1984	22,068.0	138-158	February 1997
Savings Related Share Option Scheme	14,260.0	54-134	April 1994

## Notes to the accounts continued

## 21 Reserves

		Share Premium Account £m	Profit and Loss Account £m
<b>Group</b>			
At 3 May 1986		2.8	138.4
Premium on shares issued		4.0	—
Goodwill on acquisitions		—	(3.2)
Costs of bond issues		(6.3)	—
Retained profit		—	89.5
		<u>0.5</u>	<u>224.7</u>
At 2 May 1987			
	Revaluation Reserve £m		
<b>Company</b>			
At 3 May 1986	30.8	2.8	63.7
Premium on shares issued	—	4.0	—
Costs of bond issues	—	(6.3)	—
Revaluation realised	(0.1)	—	—
Retained profit	—	—	1.8
	<u>30.7</u>	<u>0.5</u>	<u>65.5</u>
At 2 May 1987			

The Group's share of retained reserves of the related company was £20.3 million at both 2 May 1987 and 3 May 1986.

The profit for the financial year dealt with in the accounts of the Company was £31.9 million (1986: £59.0 million).

## 22 Financial commitments

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

	1987 £m	1986 £m
Contracted	75.0	40.0
Not contracted	270.0	153.0

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

	Group 1987 £m	Group 1986 £m
Leases expiring:		
Within one year	0.6	0.2
Within two to five years	1.4	0.9
Thereafter	22.7	18.4
	<u>24.7</u>	<u>19.5</u>

**23 Pensions**

Retirement benefits to employees are provided by benefit schemes which are funded by contributions from the Group and employees. The schemes which are administered by trustees are revalued every 3 years by independent actuaries and operate entirely independently of the Group's finances. The schemes are fully funded and contributions are paid in accordance with the recommendations of the independent actuaries.

The Group's contributions are charged against profits in the period in which they are made.

**24 Contingent liabilities**

i. Amounts outstanding against letters of credit and counter-indemnities were £10.1 million (1986: £10.5 million)

ii. Supplemental Interest on 4½% Convertible Bonds 2002

No provision has been made for supplemental interest, if any, payable if bonds are redeemed at the bondholders' option in April 1992; the maximum supplemental interest which would have arisen in the period to 2 May 1987 is £0.8 million.

**25 Subsequent events**

As explained in the chairman's statement, on 10 July 1987 the Board announced that offers would be invited for MFI and Allied, and that negotiations for the sale of the Dairy Division of Associated Fresh Foods had reached an advanced stage.

No provision has been made in these accounts for proceeds or net profits arising on these sales.

## Analysis of shareholdings

at July 1987

### Shareholdings range

Number of shareholders	39,299	
	Shareholders %	Shares %
1 - 999	32.6	0.5
1,000 - 9,999	55.7	5.2
10,000 - 49,999	7.4	5.3
50,000 - 99,999	1.6	3.6
100,000 - 249,999	1.3	6.7
250,000 - 999,999	0.9	15.1
Over 1,000,000	0.5	63.6
	<u>100.0</u>	<u>100.0</u>

### Category of shareholders

	Shareholders %	Shares %
Pension funds	0.4	6.2
Insurance companies	0.9	13.3
Investment companies	0.2	0.3
Banks and nominee companies	11.2	56.1
Trust companies	5.5	5.2
Other corporate bodies	2.0	3.3
Other shareholders	79.8	15.6
	<u>100.0</u>	<u>100.0</u>

## Financial diary

Annual General Meeting	9 September 1987
Final ordinary dividend	Payable 1 October 1987 to shareholders on the register at the close of business on 14 August 1987.
Half year results to 14 November 1987	Announced January 1988
Interim ordinary dividend	Paid April 1988
Preference dividends	Payable 1 January and 1 July

## Notice of Meeting

### RESOLUTION 1

**N**OTICE IS HEREBY GIVEN to the ordinary shareholders of the Company that the Ninth Annual General Meeting of the Company will be held at the Pudsey Civic Hall, Dawson's Corner, Pudsey, Leeds LS28 5TA, on Wednesday 9 September 1987 at 2.30 in the afternoon for the following purposes:

To receive the report of the directors and the accounts for the fifty-two weeks to 2 May 1987 with the report of the auditors thereon and declare a dividend.

To re-elect the following directors:

Sir Godfrey Messervy

Mr K J Morton

Mr G S Carr

Mr G H Stow

Mr D M Gransby

To re-appoint Messrs Ernst & Whinney auditors of the Company and to authorise the directors to fix their remuneration.

### RESOLUTION 2

### RESOLUTION 3

### RESOLUTION 4

### RESOLUTION 5

### RESOLUTION 6

### RESOLUTION 7

### RESOLUTION 8

As special business to consider and if thought fit, pass the resolution which will be proposed as a special resolution that:

- i subject to and in accordance with Article 10 of the Company's Articles of Association, the directors be empowered to allot equity securities for cash;
- ii for the purposes of the limitation on the said power referred to in paragraph (c) of the said Article the nominal amount therein mentioned shall be £9,375,000; and
- iii the date on which such power shall expire (save as mentioned in the said Article) shall be the date of the next Annual General Meeting of the Company after the passing of this resolution.

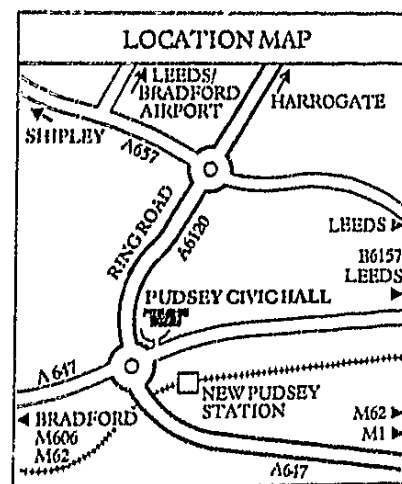
A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and on a poll vote on his behalf; a proxy need not be a member. A proxy form is enclosed.

By order of the board  
P R BAINES Secretary

Craven House, Kirkstall Road, Leeds  
LS3 1JE.

7 August 1987

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





FORM ML8

A

BULK LIST OF SHAREHOLDERS OR MEMBERS

*microfiche*  
A bulk list (over 10 pages) for the company named below has been lodged  
but does not appear on this Annual Return microfiche.

If you wish to search the list, please enquire at the Search Control Counter.

Company Number 139 6513

Company Name Asda - MFI Group plc

Made-up-date 23.9.87