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24

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27

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Directors and officers

Notice of meeting

Directors' report

Statement by the chairman

Report of the auditors to the members

Consolidated profit and loss account

Consolidated balance sheet

Balance sheet

Statement of source and application of funds

Notes on the accounts

Consolidated current cost profit and loss account

Consolidated current cost balance sheet

Notes on the current cost accounts

10 year summary of results

Forms of proxy



# Associated Dairies Group Limited

## Directors and officers

Directors	<i>executive</i>	<p>A N Stockdale DFM <i>chairman</i>  E G Bousfield MA (Cantab) <i>vice chairman</i>  <i>and managing director</i></p> <p>P R Baines MA (Cantab) FCIS  D Drew FCA  J D Fletcher MBA (Harvard) BA (Oxon)  A E Gardiner  H Plotnek  J D Ridgway NDD MJBiol</p>
	<i>non-executive</i>	E E Binns FCA
Secretary and registered office		P R Baines Craven House, Kirkstall Road, Leeds LS3 1JE
Auditors		Ernst & Whinney Chartered Accountants Yorkshire House, Greek Street Leeds LS1 5SQ
Registrars and transfer office		National Westminster Bank Limited Registrar's Department—Bristol National Westminster Court 37 Broad Street, Bristol BS99 7NH
Bankers		National Westminster Bank Limited Leeds City Office 8 Park Row, Leeds LS1 1QS
Stockbrokers		Scrimgeour Kemp-Gee & Co 20 Copthall Avenue London EC2R 7JS

## Notice of meeting

NOTICE IS HEREBY GIVEN that an extraordinary shareholders of the company that the THIRSD AGENCY GENERAL MEETING of the company will be held at the Headingley P. 1411, St. Michael's Lane, Leeds 6, on Wednesday 28 October 1981 at 2.30 in the afternoon for the following purposes:

- 1 To receive the report of the directors and the accounts for the fifty two weeks to 2 May 1981 with the report of the auditors thereon and declare a dividend. (Resolution 1)
- 2 To elect the following directors:  
Mr L. J. W. (Resolution 2)  
Mr A. P. Gardiner (Resolution 3)  
Mr J. D. Fletcher (Resolution 4)
- 3 To appoint Messrs Ernst & Whinney auditors of the company and to authorise the directors to fix their remuneration (Resolution 5)
- 4 To transact any other ordinary business of an annual general meeting.

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

By order of the board  
P R HAINES *secretary*

Craver House  
Kirkstall Road, Leeds LS3 1JF  
28 September 1981

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.

## Directors' report

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

### Profit and appropriation

	1981	1980
	£000s	(53 weeks) £000s
The group profits for the fifty-two weeks to 2 May 1981 before taxation amount to	51,389	49,983
After allowing for taxation minority interests and extraordinary items of	16,648	17,373
There remains a net profit attributable to the company of	34,741	32,610
Out of which the directors have paid and recommended dividends as detailed in the group profit and loss account of (See Note 8 to the Accounts)	9,899	7,823
Leaving retained profits of	24,842	24,787

On 26 August 1981 the directors recommended the payment of a final dividend on the ordinary shares of 2p per share for the period. If approved this dividend will be posted on 29 October 1981 to members appearing on the register on 28 September 1981.

### Principal activities of the group

The principal activities of the group during the financial period have been to carry on the business as dairymen and retailers of goods to the general public through the medium of supermarkets, superstores and carpet and furniture retailing through the operation of specialised stores.

The analysis of sales and profits over the major sub-groups were

	1981 (52 weeks)		1980 (53 weeks)	
	Turnover £000s	Trading profit £000s	Turnover £000s	Trading profit £000s
Associated Dairies Ltd	1,059,515	47,230	874,182	41,353
Furniture & Carpet Group	128,153	4,445	124,987	7,959
	<u>1,187,668</u>	<u>51,675</u>	<u>999,169</u>	<u>49,312</u>

### Fixed assets

The following net additions have been made during the financial year to the fixed assets of the group:

Freehold land and buildings:	£11,189,793
Leasehold property:	£23,057,404
Plant, equipment, machinery and vehicles:	£13,753,128

### Shares issued

Pursuant to resolutions passed at an extraordinary general meeting held on 29 October 1980

- (a) The authorised capital of the company was increased from £51,911,980 to £67,911,980 by the creation of 64,000,000 ordinary shares of 25p each.
- (b) The sum of £15,032,255.50 was capitalised from reserves and share premium account and 60,129,022 ordinary shares of 25p each credited as fully paid were issued to ordinary shareholders in the proportion of one such ordinary share for every three ordinary shares of 25p each, held by such shareholders at the close of business at 29 September 1980.

Pursuant to a resolution passed at an extraordinary meeting held on 15 February 1981.

- (a) The authorised capital of the company was increased from £67,911,980 to £81,911,980 by the creation of 56,000,000 ordinary shares of 25p each.
- (b) By way of a Rights Issue, 30,265,093 new ordinary shares of 25p each were offered to existing shareholders at a price of 154p per share in the proportion of one new ordinary share for every eight ordinary shares of 25p each held at the close of business on 23 January 1981.

Pursuant to Rules 5 and 6(b) of the Senior Executive Share Option Scheme 1,758,902 ordinary shares of 25p each fully paid have been issued.

Pursuant to the rules of Associated Dairies Limited Senior Executive Share Incentive Scheme 80,500 partly paid ordinary shares of 25p each (5p paid) became fully paid and 990,133 'A' ordinary shares of 25p each were converted into ordinary shares and in exchange 1,070,633 ordinary shares of 25p each fully paid have been issued.

### Directors and their interests

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

	26 August 1981	2 May 1981	3 May 1980
A N Stockdale	924,758 a	949,922 a	841,187 a
" "	220 b	220 b	220 b
" "	nil c	nil c	25,000 c
" "	nil d	nil d	246,255 d
E G Bousfield	398,008 a	448,008 a	257,459 a
" "	nil c	nil c	15,000 c
" "	nil d	nil d	147,766 d
P R Beines	144,736 a	144,736 a	nil a
" "	nil c	nil c	10,000 c
" "	nil d	nil d	98,552 d
E E Binns	53,779 a	53,779 a	69,335 a
A D Dobson	97,728 a	97,728 a	80,880 a
D Drew	24,689 a	24,689 a	19,609 a
P Firmston-Williams	249,149 a	249,149 a	41,951 a
" "	nil c	nil c	15,000 c
" "	nil d	nil d	115,201 d
A E Gardiner	2,126 a	2,126 a	1,417 a
H Plotnek	1,635,723 a	1,635,723 a	1,197,989 a
J D Ridgway	7,146 a	7,146 a	4,784 a

a Ordinary shares of 25p each fully paid

b 9.75% cumulative preference shares of £1 each fully paid

c Ordinary shares of 25p each (5p paid) (in Associated Dairies Ltd.)

d 'A' ordinary shares of 25p each (in Associated Dairies Ltd.)

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

In addition to the above, non beneficial interests are held by Mr H Plotnek in 13,180 ordinary shares of 25p each and 7,480 preference shares.

## Directors' report

Under the Senior Executive Share Option Scheme adopted by shareholders on 24 January 1973, options held by directors not exercised at 2 May 1981 were as follows:

	<i>No. of shares</i>	<i>Date of grant</i>	<i>Price per share</i>
A E Gardiner	38,510	24.11.76	41.20p (after adjustment for scrip)
H Plotnek	66,665	14.02.79	92.75p ..

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

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

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

The executive directors have service contracts which in the case of seven directors expire on 31 August 1984 and in the case of Mr H Plotnek on 31 December 1983.

No director had any interest during the year in any significant contract with the company or any subsidiary.

### Employees

The weekly average number of persons employed by the group (including part-time employees) during the period was 26,421 (25,499). Their aggregate remuneration amounted to £84,692,856 (£80,008,012).

### Charitable and political contributions

The group made the following contributions during the period:

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

### Substantial holdings

So far as the directors are aware, no person, company or group of companies holds or is beneficially interested in 5% or more of the issued capital of the company.

### Exports

The value of the goods exported from the United Kingdom by the company and its subsidiaries during the period amounted to £320,000 (£422,113).

### Income and Corporation Taxes Act 1970

The 'Close Company' provisions of the Income and Corporation Taxes Act 1970 do not apply to this company.

#### **Re-registration**

To meet the requirements of the Companies Act 1980 the company intends to re-register under the name of Associated Dairies Group PLC.

#### **Auditors**

The company's auditors Ernst & Whinney have expressed their willingness to continue in office. In accordance with Section 14 of the Companies Act 1976 a resolution proposing the re-appointment of Ernst & Whinney as Auditors of the company will be put to the members at the annual general meeting.

26 August 1981

By order of the board  
P R BAINES *secretary*

## Statement by the Group Chairman, Noel Stockdale

### Financial comment

I am pleased to report that in the 52 weeks to 2 May 1981 group profits before taxation and extraordinary items increased to £51,389,209 (£49,982,396). Of this, the profits available for appropriation in the group total £34,741,336 (£32,609,500). We propose to recommend a final dividend of 2.0p per share which, together with the interim dividend of 1.75p per share, makes a total of 3.75p per share for the year. This compares with 3.19p per share (after adjustment taking into account increased capital) for the 1979/80 financial year and leaves £24,842,554 (£24,786,838) to be added to retained profits.

Your directors have decided in order to bring the share capital more closely into line with the current value of the assets employed in the business, to recommend a capitalisation of part of the share premium which currently stands at £38,023,763 by the issue of one ordinary share for every three ordinary shares held at the close of business on the 28 September 1981. The amount of share premium to be capitalised will be £22,705,145. In order to allow this issue to be made and to maintain the existing amount of unissued to issued share capital an ordinary resolution will be proposed at the extraordinary general meeting notice of which accompanies these accounts, to be held following the annual general meeting.

Subject to the resolution being passed, it is proposed to post renounceable certificates for the new ordinary shares on 6 November 1981. Application will be made to the Council of The Stock Exchange for the shares to be admitted to the official list and dealings are expected to commence on 9 November 1981. The new shares will be pari passu with existing ordinary shares except that they will not rank for any dividends declared in respect of the period ended 2 May 1981.

### General

On the occasion of the annual general meeting last October I advised shareholders that if the group moved forward to yet another record year it would be by the slenderest of margins. If any satisfaction is to be drawn from this forecast, it is due to the fact that my colleagues in each of their divisions were accurate in their reasoning as to the trend that consumer spending would take during the following six months. It is evident from the published figures that the steepest down-turn in profits occurred in Allied Retailers—caused by the integration of Williams Furniture with Wades, coupled with enormous pre-opening expenses incurred by Ukay in the development of Bow and Olympia. We were also, regrettably, accurate in predicting that the buoyant sales experienced during the latter weeks of calendar year 1980 were being generated through the spending of redundancy payments, and this source of spending came to an abrupt halt immediately after Christmas. However, I am delighted to advise you that the integration of Williams with Wades progressed far more smoothly than we could possibly anticipate with the result that all units are now trading satisfactorily, and this exercise is now complete.

At the end of the financial year, we had the opportunity of disposing of ten Ukay furnishing superstores, eight of which were trading, to Harris Queensway, and this Contract was made on 1 May.

It was unfortunate that our approach to furnishing superstores was developed prior to the period when the furniture market fell into such deep recession, the seriousness of which could not be foreseen at the time. Your directors, therefore, were unanimous that, as we have now established a sound and profitable furniture division through the medium of Wades, it would be imprudent to venture further into the expansion of Ukay in the provinces.

At the time of writing this report, I note from Press comments that industrial output in this country is now rising slightly, and that this may signal



that the worst of the recession is over. I am not given to the euphoria or depression which from time to time appears to strike our friends in the City, but if, in fact, the recession has bottomed out, I am confident that your company will move forward to yet another record year.

#### Property Division

A property division has been formed to co-ordinate property activities, site acquisitions and building for the group's retail and manufacturing operations. This, in itself, is not envisaged to be a profit generator, except inasmuch as the group properties which are now in excess of 450 will be professionally administered instead of being the responsibility of the respective trading divisions, and this should result in savings in expenditure. You can be assured that this will be closely monitored.

#### Rights Issue

The successful Rights Issue in February has ensured that the group now has adequate liquid resources to intensify the development of further superstores and has also sufficient in reserve to enable it to invest in profitable expansion within the group as and when the opportunity arises. Gross capital investment during the year amounted to £53 million.

#### Board Changes

Peter Firmston-Williams, Managing Director of Asda Stores, having reached the age of 63, retired from the Board on 31 August 1981.

Peter joined the group in 1971, and for the past ten years played a major role in the rapid and successful development of the Stores Division. On behalf of my Colleagues and Shareholders, I pay to him the highest tribute for his enormous contribution to the group during his years of office.

I am delighted to advise you that he has accepted the appointment of non-Executive Chairman of Ukey.

Arthur Dobson, our former Joint Managing Director, who retired from executive duties in 1969 has resigned from the board. An appreciation of the substantial contribution he made to the group was duly recorded in my Report at that time.

John Fletcher who joined the company in April as Managing Director (Designate) of Asda Stores was appointed to the board on 5 August to take effect from 1 September last. Your directors are confident that in John, they have appointed a worthy successor to Peter Firmston-Williams.

We have emerged from a most difficult trading year during which I have been most appreciative of the responsible and co-operative manner in which our staff, at all levels, have faced up to our mutual problems. For the forthcoming year restraint was exercised in accepting realistic salary and wage settlements; thankfully, redundancies have been minimal, and providing that this attitude is maintained, I have every confidence in our decision to continue with capital investment for the future resulting in job creation.

## Report of the auditors to the members

We have examined the accounts of Associated Dairies Group Limited set out on pages 11 to 21. These accounts have been prepared under the historical cost convention as explained in note 1(a). Our audit has been carried out in accordance with approved auditing standards.

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

In our opinion the abridged current cost accounts set out on pages 22 to 25 have been properly prepared, in accordance with the policies and methods described in notes 1 to 5, to give the information required by Statement of Standard Accounting Practice No. 16.

ERNST & WHINNEY

Leeds  
26 August 1981

## Consolidated profit and loss account for the fifty-two weeks ended 2 May 1981

		1981	1980
	Note	£000s	£000s
Turnover	2	1,188,000	1,100,000
Operating profit	3	51,675	44,452
Net interest	4	(507)	(1,124)
Other income	5	221	1,100
Profit before taxation		51,389	44,428
Taxation	6	17,180	17,425
Profit after taxation		34,209	32,555
Minority interests		19	5
Profit after taxation and minorities		34,190	32,550
Extraordinary items	7	551	(12)
Profit for period available for appropriation		34,741	32,610
Dividends	8	9,899	7,623
Retained profit for the period	16	24,842	24,787
Earnings per ordinary share	9	13.56p	13.29p
Earnings per ordinary share (full provision for deferred taxation)	9	11.29p	11.22p

# Consolidated balance sheet at 2 May 1981

	Note	1981 £000s	1980 £000s
<b>Assets employed</b>			
Fixed assets	10	183,366	157,820
Trade investments	12	417	210
Current assets			
Stocks		78,547	14,291
Debtors on deferred terms		7,410	4,920
Other debtors		19,606	11,276
Short term deposits		39,264	2,252
Cash		893	762
		<u>145,830</u>	<u>100,451</u>
		329,603	254,278
<b>Current liabilities</b>			
Bank overdrafts		2,189	18,567
Creditors		110,084	91,869
Taxation		31,448	27,166
Dividend		5,456	4,941
		<u>149,177</u>	<u>141,663</u>
		180,426	112,615
Goodwill	13	1,163	1,099
		<u>181,589</u>	<u>113,714</u>
<b>Financed by</b>			
<b>Shareholders' funds</b>			
Share capital	14	70,118	46,812
Share premium	15	38,024	311
Reserves	16	69,438	59,531
		<u>177,580</u>	<u>106,654</u>
Minority interests	17	70	248
Secured loans	18	646	659
Deferred taxation	19	789	3,758
Government grants		2,504	2,397
		<u>181,589</u>	<u>113,714</u>



A N STOCKDALE }  
D DREW } Directors

**Balance sheet  
at 2 May 1981**

	1980	£000s	1981	£000s
<i>Assets employed</i>				
Interest in subsidiaries	11		86 564	
Deferred taxation recoverable	19		2 191	
<i>Current assets</i>				
Debtors		283		
Taxation recoverable		4,831		
Dividends receivable from subsidiaries		5 184		
Short term deposits		37,500		
			47 779	8 798
			116,523	50 968
<i>Current liabilities</i>				
Bank overdraft		2,196		
Dividend		5,456		4,041
			7,652	4,041
			107,881	46,927
<i>Financed by</i>				
Shareholders' funds				
Share capital	14		70,118	46,812
Share premium	15		37,763	115
			107,881	46,927

A N STOCKDALE  
D. DREW

} Directors =

**Statement of source and application  
of funds for the fifty-two weeks ended  
2 May 1981**

	1981		1980	
	£000s	£000s	£000s	£000s
<b>Source of funds</b>				
<b>From operations</b>		51,388		41,385
Profit before taxation	(19)			
Minority interests	1,321			
Extraordinary items before taxation		1,302		55
		<u>52,681</u>		<u>51,038</u>
<b>Adjustment for items not involving movement of funds</b>				
Minority interests retained	19			5
Depreciation	13,418			9,507
Government grant credit	(558)			(200)
Profits retained by associated companies	(212)			(128)
		<u>12,669</u>		<u>9,184</u>
<b>Total generated from operations</b>		<b>65,350</b>		<b>59,222</b>
<b>From other sources</b>				
Shares issued for value (including rights issue)		45,889		476
Government grants received		663		310
Trade investments realised		1,622		(1,358)
		<u>113,534</u>		<u>58,650</u>
<b>Funds applied</b>				
Dividends paid	(8,484)		(8,878)	
Taxation paid	(16,483)		(9,925)	
Net purchases of fixed assets	(44,948)		(47,898)	
Secured loans	(13)		(82)	
Goodwill	(64)		(13)	
		<u>(69,992)</u>		<u>(66,796)</u>
		<u>43,542</u>		<u>(6,146)</u>
<b>Increase/(decrease) in working capital</b>				
Increase in stocks	4,258		15,977	
Increase in debtors	4,960		1,591	
Increase in creditors	(18,215)		(11,276)	
<b>Movement in net liquid funds</b>				
Increase/(decrease) in cash and bank balances	15,509		(15,439)	
Increase in short term deposits	37,032		1,001	
		<u>43,542</u>		<u>(4,146)</u>

# Notes on the accounts

## Accounting policies

### (a) Accounting convention

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

### (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 and also include the group's share of post acquisition profits less losses of associated companies.

### (c) Depreciation

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

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

### (d) Government grants

Government grants in respect of expenditure on fixed assets are credited to a separate account and credit is taken in the profit and loss account over the estimated average life of the relevant assets.

### (e) Stocks

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

### (f) Deferred credit transactions

In respect of hire purchase sales, gross profit and finance charges receivable are spread over the life of the relevant contract, so that only the proportion received in cash is credited to income.

In respect of credit sales, finance charges are generally spread over the life of the relevant agreement so that only the proportion received in cash is credited to income.

### (g) Goodwill

Goodwill relating to milk businesses is capitalised upon purchase. Goodwill arising upon consolidation is written off as and when acquired.

### (h) Deferred taxation

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

### (i) Pension benefits

Pension benefits provided to employees are funded over the employee's period of service.

## 2 Turnover

Turnover comprises value of sales exclusive of VAT and inter-group transactions.

# Notes on the accounts

continued

## 3 Operating profit is arrived at after charging

	1981 £000s	1980
(a) Depreciation and amortisation	13,418	
(b) Hire charges for plant and machinery	1,189	
(c) Auditors' remuneration	125	100
(d) Emoluments of directors of Associated Dairies Group Limited		
Fees	1	1
Management remuneration	392	417
	393	418

Nine (1980: Ten) directors waived fees under article 82 amounting to £4,500 (1980: £5,250)

Additional information in respect of emoluments of directors excluding pension contributions:

	Number of directors	
	1981	1980
Chairman—emoluments £38,540 (1980: £33,415)	1	1
Highest paid director (1980: £33,830)	n/a	1
Other directors' emoluments in scale:		
Not more than £5,000	1	2
£5,001 to £10,000	1	—
£10,001 to £20,000	—	5
£20,001 to £30,000	5	3
£30,001 to £40,000	2	—

## 4 Net interest

	1981 £000s	1980 £000s
Receivable		
Short term corporation, treasury stock and bank loan interest	1,109	1,370
Payable		
Debenture and mortgage interest	61	61
Short term loans and bank overdrafts	1,556	794
	1,616	855
	(507)	515

## 5 Other income

	1981 £000s	1980 £000s
Sundry income	9	25
Share of associated companies' profits	212	125
	221	150



## 6 Taxation

The charge based on the profit for the period comprises

	1981 £000s	1980 £000s
UK corporation tax—current period	20,408	15,911
Deferred taxation —current period on full deferral	2,293	6,143
—SSAP 15 release	(5,695)	(4,030)
Associated companies	174	(35)
	<u>17,180</u>	<u>17,428</u>

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

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

## 7 Extraordinary items

	1981 £000s	1980 £000s
Net loss in respect of closure of Williams Furniture stores less tax	(200)	—
Profit on sale of eight Ukay Furnishing Centres stores less provision for costs and taxation in connection with their closure	751	—
Release in respect of potential liability in respect of former subsidiary less tax	—	60
	<u>551</u>	<u>60</u>

## 8 Dividends

	1981 £000s	1980 £000s
Preference	186	186
Ordinary—interim of 1.75p per share (1980: 2p—equivalent to 1.5p)	4,239	3,585
Ordinary—proposed final of 2p per share (1980: 2.25p—equivalent to 1.69p)	5,456	4,041
Final dividend for 1980 underprovided in respect of late issue of shares	18	11
	<u>9,899</u>	<u>7,823</u>

## 9 Earnings per ordinary share

The calculation of earnings per ordinary share is based on earnings of £34,004,158 (1980: £32,363,056) and on the weighted average of 250,734,524 shares in issue and ranking for dividend during the period (1980: 239,468,464 shares).

The earnings per share for 1980 has been adjusted for the bonus issue and for the bonus element of the rights issue during this period.

If full provision for deferred taxation had been made, the revised earnings per share figures would have been 11.29p (1980: 11.22p).

# Notes on the accounts

continued

## 10 Fixed assets

	Freehold properties £000s	Leasehold properties £000s	Plant, machinery, equipment and vehicles £000s	Total £000s
(a) Cost or valuation:				
At 3 May 1980	44,945	51,926	66,355	1,322,226
Additions	11,564	28,072	20,036	59,672
Cost of disposals	(373)	(5,015)	(6,283)	(11,671)
At 2 May 1981	56,136	74,983	80,108	211,227
Depreciation:				
At 3 May 1980	1,689	3,899	23,973	29,561
Charge for period	587	1,515	11,316	13,418
Relating to disposals	(28)	(323)	(3,371)	(3,722)
At 2 May 1981	2,248	5,091	31,918	39,257
Net book amounts 2 May 1981	53,888	69,892	48,190	171,970
Contracts not yet completed (1980: £18,160,764)				11,386
				183,356

### (b) The cost or valuation figure of properties comprises:

	1981 £000s	1980 £000s
At valuations 1958 to 1976	2,769	3,075
At cost	128,350	93,796
	131,119	96,871

### (c) The net book amount of leasehold property comprises:

	1981 £000s	1980 £000s
Leases with fifty years or more unexpired	56,630	36,755
Leases with less than fifty years unexpired	13,262	11,272
	69,892	48,027

## 11 Interest in subsidiaries

	1981 £000s	1980 £000s
(a) Shares at cost	65,017	64,750
Amounts due from subsidiaries	4,278	—
Amounts owing to subsidiaries	(3,731)	(24,312)
	65,564	40,438

### (b) The subsidiaries of Associated Dairies Group Limited, owned directly and indirectly and incorporated in England, wholly-owned except where otherwise stated, are:

Associated Dairies Limited  
Allied Retailers Limited  
Wades Departmental Stores Limited  
Allied Carpet Stores Limited  
Allied Carpet Manufacturers Limited  
Williams Furniture Limited  
Ukay Furnishing Centres Limited  
Mossbrook Finance Limited  
Lordswood Finance Co Limited  
Clegg & Huntington Limited  
Rosenda (Blackburn) Limited—85% owned  
Strongmill Limited  
Seventy non-trading companies

## 12 Trade investments

	1981 £000s	1980 £000s
Associated companies		
—shares at cost (unlisted)	37	123
—amounts due on current account	—	15
—share of undistributed profits less losses since acquisition	227	15
	<u>264</u>	<u>153</u>
Other trade investments	96	123
Sinking fund	57	52
	<u>417</u>	<u>2,001</u>

(a) The group holds 50% of Eden Vale (North) Limited and sold its 49% stake in Yewtree Finance Limited during the period, both companies being registered in England. Audited accounts, together with management accounts, have been used to calculate the basis of the group's share of profits.

(b) The sinking fund comprises premiums paid on a sinking fund insurance policy taken out as collateral security for a loan on mortgage. The policy is to mature in 1995 and the premium is £5,200 per annum.

(c) The directors regard the investments to be fairly stated at cost.

## 13 Goodwill

	£000s
At 3 May 1980	1,099
Net purchases of milk rounds	64
	<u>1,163</u>
At 2 May 1981	

## 14 Share capital

	Authorised		Issued and fully paid	
	1981 £000s	1980 £000s	1981 £000s	1980 £000s
9 $\frac{3}{4}$ % cumulative preference shares of £1 each	1,912	1,912	1,912	1,912
Ordinary shares of 25p each	30,000	50,000	68,206	44,900
	<u>81,912</u>	<u>51,912</u>	<u>70,118</u>	<u>46,812</u>

The authorised share capital was increased on 29 October 1980 by 64,000,000 ordinary shares of 25p each, and on 16 February 1981 by 51,000,000 shares.

The increase in the issued share capital, as the result of the bonus issue on 29 October 1980 of one ordinary share for every three held, amounting to £15,032,255 was capitalised out of reserves and share premium.

As a result of the rights issue on 16 February 1981 of one ordinary share for every eight held 30,256,093 ordinary shares were issued.

Following calls made on shares in the Associated Dairies Limited Senior Executive Share Option and Senior Executive Share Incentive Schemes, 2,820,535 ordinary shares were issued.

Under the terms of the Associated Dairies Limited Senior Executive Share Option Scheme there are 5,484,866 ordinary shares for which options have been granted to subscribe for shares in Associated Dairies Group Limited at an adjusted price of 25p per share as to 255,279 shares, 41.63p per share as to 100,816 shares, 41.20p per share as to 529,903 shares, 87.75p per share as to 944,362 shares, 92.75p per share as to 2,610,900 shares, 112.13p per share as to 457,106 shares and 194.25p per share as to 536,500 shares, exercisable by November 1987.

# Notes on the accounts

continued

## 15 Share premium

	Group £000s	Company £000s
At 3 May 1980	311	111
Arising during the period—rights issue (less expenses £1,544,141) other issues	37,498 395	37,498 273
	<u>38,204</u>	<u>37,886</u>
Capitalised upon bonus issue	180	123
	<u>38,024</u>	<u>37,763</u>

## 16 Reserves

	Group £000s	Company £000s
At 3 May 1980	59,531	—
Retained profit for the period	24,842	14,935
	<u>84,373</u>	<u>14,935</u>
Less: Amount capitalised upon bonus issue (including expenses £25,986)	14,935	14,935
At 2 May 1981	<u>69,438</u>	<u>—</u>

## 17 Minority interests

	1981 £000s	1980 £000s
Associated Dairies Limited—partly paid ordinary and 'A' ordinary shares	—	194
Rosenda (Blackburn) Limited	70	52
	<u>70</u>	<u>246</u>

The partly paid ordinary shares in Associated Dairies Limited were issued under the Senior Executive Share Incentive Scheme, and the 'A' ordinary shares arose as bonus issue thereon. The final call has now been paid and the shares exchanged for an equivalent number of ordinary shares in Associated Dairies Group Limited.

## 18 Secured loans

	1981 £000s	1980 £000s
Loans repayable within five years (interest rates $6\frac{3}{4}\%$ to $14\%$ )	50	51
Loans repayable 1995 to 2022 (interest rates $9\frac{1}{4}\%$ to $10\frac{3}{4}\%$ )	382	387
$7\frac{1}{4}\%$ Debenture Stock 1988/93	214	221
	<u>646</u>	<u>659</u>

## 19 Deferred taxation

	1981 £000s	1980 £000s
(a) Group		
Potential liability for deferred taxation		
Capital allowances	31,187	27,204
Stock appreciation relief	1,607	3,618
Capital gains	1,378	1,094
Short-term timing differences	741	403
	<u>34,913</u>	<u>32,316</u>
Advance corporation tax on proposed dividends	(2,338)	(1,732)
	<u>32,575</u>	<u>30,584</u>
Provision retained:		
Capital allowances	779	1,469
Stock appreciation relief	1,607	3,618
Short-term timing differences	741	403
	<u>3,127</u>	<u>5,490</u>
Advance corporation tax on proposed dividends	(2,338)	(1,732)
	<u>789</u>	<u>3,758</u>
(b) Company—full provision		
Short-term timing differences	147	—
Advance corporation tax on proposed dividend	(2,338)	(1,732)
	<u>(2,191)</u>	<u>(1,732)</u>

## 20 Capital commitments

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

	1981 £000s	1980 £000s
Contracted for	12,300	17,800
Not contracted for	49,500	45,200

## Consolidated current cost profit and loss account for the period ended 2 May 1981

	<i>Note</i>	£ millions	£ millions
<b>Turnover</b>			1.188
<b>Historical cost operating profit before interest</b>			51.9
Current cost operating adjustments	2		8.7
<b>Current cost operating profit</b>			43.2
Interest payable on net borrowing		( 5)	
Gearing adjustment		.7	
			.2
<b>Current cost profit before taxation</b>			43.4
Taxation			17.2
<b>Current cost profit after taxation</b>			26.2
Extraordinary items and minority interest			.5
<b>Current cost profit attributable to shareholders</b>			26.7
Dividends			9.9
<b>Retained current cost profit for the period</b>	5		16.8
<b>Current cost earnings per ordinary share</b>			10.39p
<b>Current cost earnings per ordinary share</b> (full provision for deferred taxation)			8.12p

# Consolidated current cost balance sheet at 2 May 1981

	Note	£ millions	£ millions
<b>Assets employed</b>			
<b>Fixed assets</b>	3		278.4
<b>Trade investments</b>			4
<b>Net current liabilities</b>			
Stocks		79.4	
Monetary working capital (net)		(86.1)	
Other current assets (net)		4.2	
			(2.5)
			276.3
<b>Goodwill</b>			1.2
			277.5
<b>Financed by</b>			
<b>Shareholders' funds</b>			
Share capital			70.1
Share premium			38.0
Current cost reserve	4		91.5
Other reserves	5		76.4
			276.0
<b>Minority interests</b>			.1
<b>Secured loans</b>			.6
<b>Deferred taxation</b>			.8
			277.5

## Notes on the current cost accounts

### 1 Current cost accounting policies

(a) General

The current cost accounts have been prepared in accordance with Statement of Standard Accounting Practice 16 (SSAP 16) and, except as stated below, follow the accounting policies set out on page 15 of the historical cost accounts

This is the first year in which current cost accounts have been prepared and no comparative figures are shown

(b) Cost of sales adjustment

Cost of sales adjustment has been calculated, using the average method, to charge the profit and loss account with the current cost of stocks at the time sales were made

(c) Monetary working capital adjustment

Monetary working capital adjustment has been calculated using the average method to allow, in the profit and loss account, for the effect of price changes on the monetary working capital of the group, which comprises trade debtors less trade creditors and such cash and short term bank borrowing as is required for normal trading operations.

(d) Depreciation adjustment

Additional depreciation has been calculated by applying appropriate price indices to the historical cost depreciation (except in the case of certain properties where indices have been applied to the amortisation of the professional valuations carried out in previous years), in order to charge profit and loss account with depreciation at a rate which reflects current costs.

(e) Gearing adjustment

Gearing adjustment represents the part of the adjustments made in calculating the current cost operating profit, detailed in notes (b), (c) and (d) above, which is financed by average borrowings as distinct from shareholders' funds. It is calculated by applying to those adjustments the proportion which average net borrowings bear to the total of net borrowings and shareholders' funds.

(f) Valuation policies

Fixed assets are stated at current replacement cost calculated by applying appropriate price indices to the historical cost net book amount. Government grants have been deducted from current replacement cost

Stocks are stated at the lower of current replacement cost, calculated by applying appropriate price indices, and net realisable value.

### 2 Current cost operating adjustments

	£ millions
Cost of sales adjustment	5.8
Depreciation adjustment	5.8
Monetary working capital adjustment	(2.9)
	<hr/>
	8.7
	<hr/>



**3 Fixed assets**

	<i>Gross current cost</i> £ millions	<i>Accumulated depreciation</i> £ millions	<i>Net current cost</i> £ millions
Land and buildings	229.5	22.1	207.4
Plant, equipment and vehicles	116.2	56.6	59.6
Contracts not yet completed	11.4	—	11.4
	<u>357.1</u>	<u>78.7</u>	<u>278.4</u>

**4 Current cost reserve**

	£ millions	£ millions
Revaluation surpluses reflecting price changes		
Fixed assets	103.3	
Stocks	.9	
	<u>          </u>	104.2
Amount capitalised upon bonus issue		(14.9)
Cost of sales adjustment	5.8	
Monetary working capital adjustment	(2.3)	
Gearing adjustment	(.7)	
	<u>          </u>	2.2
At 2 May 1981		<u>91.5</u>
Of the above £89,300,000 is unrealised		

**5 Other reserves**

	£ millions
At 3 May 1980	59.6
Current cost profit for the period	16.8
At 2 May 1981	<u>76.4</u>

## 10 year summary of results

	£000s									
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Turnover	95,110	128,100	158,200	221,300	312,000	429,000	536,000	791,000	999,000	1,188,000
Profit before tax	3,787	6,265	7,411	9,882	14,770	23,941	26,202	41,008	49,983	51,389
Profit % to turnover	3.98	4.89	4.68	4.46	4.73	5.58	4.89	5.18	5.00	4.30
Dividends: Preference	27	23	19	19	19	19	19	10	186	186
Ordinary	620	516	473	505	553	613	696	5,854	7,637	9,713

### Notes:

In 1972 dividends are shown gross of tax.

In 1973 the first interim is shown gross, the second interim and final are shown net of tax as a result of the change in the taxation system.

In 1974 onwards, the dividends are shown net of tax.

In 1979 to 1981 sales and profits include a full year's contribution from Allied Retailers Limited and Wades Departmental Stores Limited.

FOR USE BY ORDINARY SHAREHOLDERS ONLY  
ASSOCIATED DAIRIES GROUP LIMITED

PROXY FORM AGM

I/We .....

of .....

(BLOCK CAPITALS PLEASE)

being (a) Member(s) of the above-named Company, hereby appoint \*the Chairman of the Meeting

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Wednesday the 28th day of October 1981 and at any adjournment thereof.

\*Delete if it is desired to appoint any other person and insert his/her name and address.

Dated ..... 1981

Signature .....

This proxy is to be used:

Resolution	No. 1	No. 2	No. 3	No. 4	No. 5
For					
Against					

Please indicate with an "X" in the spaces provided how you wish your votes to be cast.

NOTES:

- 1 Unless otherwise indicated your proxy will vote or abstain at his discretion.
- 2 This proxy must be lodged with the Company's registrar, National Westminster Bank Limited, Registrar's Department, P.O. Box 82, National Westminster Court, 37 Broad Street, Bristol BS99 7NH not less than 48 hours before the time appointed for holding the meeting.
- 3 In the case of a Corporation the proxy must be appointed either under its Common Seal or under the hand of an officer or attorney so authorised.
- 4 Any alterations made in this form should be initialled.
- 5 In the case of joint holders the signature of one holder will be accepted.

FOR USE BY ORDINARY SHAREHOLDERS ONLY  
ASSOCIATED DAIRIES GROUP LIMITED

PROXY FORM EGM

I/We .....

of .....

(BLOCK CAPITALS PLEASE)

being (a) Member(s) of the above-named Company, hereby appoint \*the Chairman of the Meeting

as my/our proxy to vote for me/us and on my/our behalf at an Extraordinary General Meeting of the said Company, to be held on Wednesday the 28th day of October 1981 and at any adjournment thereof.

\*Delete if it is desired to appoint any other person and insert his/her name and address.

Dated ..... 1981

Signature .....

This proxy is to be used:

Resolution	No. 1	No. 2	No. 3	No. 4	No. 5	No. 6
For						
Against						

Please indicate with an "X" in the spaces provided how you wish your votes to be cast.

NOTES:

- 1 Unless otherwise indicated your proxy will vote or abstain at his discretion.
- 2 This proxy must be lodged with the Company's registrar, National Westminster Bank Limited, Registrar's Department, P.O. Box 82, National Westminster Court, 37 Broad Street, Bristol BS99 7NH not less than 48 hours before the time appointed for holding the meeting.
- 3 In the case of a Corporation the proxy must be appointed either under its Common Seal or under the hand of an officer or attorney so authorised.
- 4 Any alterations made in this form should be initialled.
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2

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# Associated Dairies Group Limited

NOTICE IS HEREBY GIVEN THAT an EXTRAORDINARY GENERAL MEETING of the Company will be held at the Headingley Pavilion, St Michael's Lane, Leeds on Wednesday, the 28th day of October 1981 immediately after the conclusion of the third Annual General Meeting which has been convened for this same day for the purpose of considering and if thought fit passing the following Ordinary Resolutions:

## RESOLUTIONS

- 1 That the capital of the Company be increased from £81,911,980 to £104,911,980 by the creation of 92,000,000 Ordinary Shares of 25p each ranking pari passu in all respects and forming with the 320,000,000 Ordinary Shares of 25p each one class of 412,000,000 Ordinary Shares of 25p each in the capital of the Company.
- 2 That it is desirable to capitalise the sum of £22,766,386.75 (being part of the balance standing to the credit of share premium account) and accordingly that the Directors be and they are hereby authorised and directed to appropriate the said sum to the Shareholders registered at the close of business on the 28th day of September 1981 as the holders of Ordinary Shares of 25p each in the capital of the Company in the proportion in which sum would have been divisible among them had the same been applicable for paying dividends and to apply such sum on their behalf in paying up in full at par 91,065,547 of the unissued Ordinary Shares of 25p each in the capital of the Company to and among such Shareholders in the proportion of one such Ordinary Share for every three Ordinary Shares of 25p each, held by such Shareholders at the close of business on the 28th day of September 1981 so that such new Ordinary Shares will not rank for any dividends declared in respect of the period ended 2nd May 1981, but will rank pari passu with the existing Ordinary Shares of 25p each for any dividend hereafter declared.
- 3 That the Directors be and are generally and unconditionally authorised for the purposes of Section 14 of the Companies Act 1980 to exercise the power of the Company to allot relevant securities up to a maximum nominal amount of £11,934,303 of Shares in the Company until 26th October 1986 on which date such authority will expire, but so that the Company may at any time before it expires make an offer or agreement which would or might require relevant securities to be allotted after it expires.
- 4 Associated Dairies Group Limited Savings Related Share Option Scheme referred to in the letter dated 29th September 1981, which accompanied the notice convening this meeting be hereby adopted and the Directors are hereby authorised to do all acts and things necessary to obtain approval of the Scheme from the Inland Revenue under the provisions of Schedule 10 to the Finance Act 1980 and to carry the Scheme into effect.
- 5 Associated Dairies Group Limited Senior Executive Share Option Scheme 1981 referred to in the letter dated 29th September 1981, which accompanied the notice convening this meeting be hereby adopted and the Directors are hereby authorised to do all acts and things necessary to carry the Scheme into effect.
- 6 The Directors are hereby authorised to vote and be counted in a quorum on any matter connected with the schemes mentioned in Resolutions 4, and 5, notwithstanding that they may be interested in them and that the prohibition contained in the Articles of Association of the Company on Directors voting in relation to contracts in which they are interested is hereby relaxed to that extent.

A member entitled to attend and vote at this 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 form of proxy is enclosed at the end of the Directors Report and Accounts.

By Order of the Board

P R BAINES, Secretary

Registered Office  
Craven House  
Kirkstall Road  
Leeds LS3 1JE

29th September 1981

This document is important and requires your immediate attention. If you are in any doubt about the action to be taken you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

# Associated Dairies Group Limited

*Directors:*

*A N Stockdale  
E G Bousfield  
F R Baines  
D Drew  
J D Fletcher  
A E Gardiner  
H Plotnek  
J D Ridgway  
E E Binns*

Craven House  
Kirkstall Road  
LEEDS  
LS3 1JE

29th September 1981

To: The Shareholders

Dear Sir or Madam,

## CAPITALISATION OF RESERVES

The Notice convening the Extraordinary General Meeting on page 7 of this document invites Shareholders to consider and if thought fit pass the Ordinary Resolutions which are set out in the Notice.

Resolution No. 1 is to increase the authorised share capital of the Company by the creation of a further 92,000,000 Ordinary Shares of 25p each forming with the existing 320,000,000 Ordinary Shares of 25p each one class of 412,000,000 Ordinary Shares of 25p each. Resolution No. 2 is to authorise the capitalisation of £22,766,386.75 (being part of the balance standing to the credit of share premium account) and the issue of one Ordinary Share credited as fully paid for every three Ordinary Shares held at the close of business on 28th September 1981. Subject to the approval and implementation of the capitalisation issue, there will remain unissued £11,934,303 (11.58 per cent) of the total authorised share capital of the Company. Reference is made to the above in the chairman's statement annexed to the published accounts to be laid before the Company in General Meeting on the 28th day of October 1981.

Shares resulting from fractions which would arise on an exact proportional distribution will be allotted to the undersigned so that they may be sold in the market and the proceeds, less expenses, distributed to Shareholders in proportion to the fraction of a Share to which they would otherwise respectively be entitled.

The new Ordinary Shares will not rank for any dividends declared in respect of the period 2nd May 1981 but will otherwise rank *pari passu* with the existing Ordinary Shares.

Application will be made to the Council of The Stock Exchange, for the appropriate number of new Ordinary Shares of 25p each to be admitted to the Official List.

If the Resolutions are passed Renounceable Share Certificates in respect of Ordinary Shares credited as fully paid will be posted to Shareholders on 6th November 1981. Dealings are then expected to start on 9th November 1981. The last date for registration of renunciation will be 18th December 1981.

## THE COMPANIES ACT 1980

The Company intends to re-register under the name of Associated Dairies Group PLC.

Resolution No. 3 is to comply with the Companies Act 1980 which requires an express authority from Shareholders to enable the Directors to allot shares or grant rights to subscribe for or convert any securities into shares. This authority is sought for the amount of authorised share capital at present unissued and its period is that permitted under the Act. No issue will be made which would effectively alter the control of the Company without prior approval of the Shareholders in general meeting.

## **SAVINGS RELATED SHARE OPTION SCHEME AND SENIOR EXECUTIVE SHARE OPTION SCHEME 1981**

Your Directors feel it is important for employees to participate in the future growth and profitability of the Group by them becoming Shareholders in the Company. The Board has studied various ways to achieve this objective and is seeking your approval to the following proposals at an Extraordinary General Meeting to be held immediately after the forthcoming Annual General Meeting.

The first is a Savings Related Share Option Scheme designed to take advantage of the tax concessions available under the Finance Act 1980. Under this scheme, an employee agrees to enter into a Save As You Earn (SAYE) Contract with either the Department for National Savings or a building society whereby he saves a regular amount as a deduction from his pay each week or month for a period of five years. His SAYE savings plus the bonus paid thereon may, at his choice, be used to buy shares in the Company. The introduction of this scheme is subject to approval being granted by the Inland Revenue under the Finance Act 1980.

The second is a new Senior Executive Share Option Scheme open only to full-time directors and senior executives who carry the main burden of responsibility for the Group's success. It is similar to the scheme which has subsisted since January 1973 and is in the form of a grant of options to buy shares at a future date but without any special tax concessions. Upon the adoption of the new scheme, the existing Senior Executive Share Option Scheme will be terminated although options then subsisting under it will continue in full force and effect until they are exercised, lapsed or cancelled.

The total number of unissued shares which it is sought to make available for both schemes and to cover the exercise of options under the existing Senior Executive Share Option Scheme over the next ten years is 16,391,826, representing 6 per cent of the present issued ordinary share capital. A summary of the principal features of each scheme is set out in pages 3 to 6 of this document. Copies of the Rules of both schemes may be inspected at the offices of Cockman, Copeman & Partners Limited, 9 Staple Inn, High Holborn, London WC1V 7QH during normal business hours on any weekday (Saturdays excepted) up to 27th October 1981 and on 28th October 1981 at the Extraordinary General Meeting being held at the Headingley Pavilion, St Michael's Lane, Leeds.

Your Directors believe it is in the interests of Shareholders to support these proposals and thereby bring more in to line their interests and those of the Group's employees. The Directors intend voting in favour of the resolutions in respect of their shareholdings which are equivalent to 1.3 per cent of the current issued equity.

### **PROXY FORM**

A proxy card for use at the meeting is enclosed, which you are requested to sign and return in accordance with the instructions shown thereon. The completion and return of a proxy does not preclude you from attending the meeting and voting in person if you so wish.

Yours faithfully  
A N STOCKDALE  
Chairman

**SUMMARY OF THE MAIN FEATURES OF  
ASSOCIATED DAIRIES GROUP LIMITED  
SAVINGS RELATED SHARE OPTION SCHEME**

**1 Introduction**

The purpose of the Scheme, which will be administered by the Directors in accordance with the provisions contained in the Rules of the Scheme, is to enable directors and employees who are eligible to participate to apply for options to subscribe for Ordinary Shares in the Company. The Scheme has been designed to conform to the provisions of the Finance Act 1980, and the Inland Revenue has indicated that once it has been formally adopted by the Shareholders, it should be capable of receiving approval under the provisions of the 1980 legislation.

**2 Eligible Employees**

Participation will be offered to directors and employees who have been in continuous employment with the Company or a Subsidiary for a period of not less than three years on the date when the Company makes a preliminary announcement of its results to The Stock Exchange in respect of a relevant year and who work for not less than 16 hours per week and who are not members of another savings-related share option scheme established by the Company or a Subsidiary and which is approved by the Inland Revenue under Schedule 10 to the Finance Act 1980.

**3 Save As You Earn Savings Schemes**

Upon joining the Scheme, employees will be required to enter into a Save As You Earn (SAYE) Savings Scheme Contract under which they agree to pay contributions of between £10 and £50 per month (or such other sums as may be permitted by legislation but not exceeding £100 per month subject to the prior approval of the Directors) for a period of five years. On either the fifth or seventh anniversary of the commencement of the SAYE Contracts, employees may exercise their options to the extent of their refunded contributions plus any bonus or interest payable thereon. The SAYE Savings Scheme Contracts may be taken out either with the Department for National Savings utilising a 'Fourth Issue' contract or with a building society designated by the Directors utilising a 'Sharesave' contract.

**4 Option Price**

The price at which shares may be acquired under an option will be the higher of their nominal value and not less than 90 per cent of the average of the middle market quotations of the Company's shares quoted in the Daily Official List of The Stock Exchange over three consecutive dealing days during the week prior to the week in which the Company makes an offer.

**5 Limit on the Granting of Options**

During the ten years following adoption of the Scheme the number of shares in respect of which options may be granted under the Scheme may not exceed 8,195,913. This is 3 per cent of the present issued ordinary share capital of the Company, but would be adjusted subject to the written confirmation of the auditors that such adjustment is fair and reasonable to reflect capitalisation issues and the bonus element of rights issues, reductions, sub-divisions and consolidations of Ordinary Shares. Provided also that during the ten years following adoption of the Scheme, the number of shares issued or liable to be issued under this or any other schemes which provide for the acquisition of shares by or on behalf of employees, shall not exceed 10 per cent of the present issued ordinary share capital of the Company, but would be adjusted to reflect capitalisation issues and the bonus element of rights issues, reductions, sub-divisions and consolidations of Ordinary Shares.

**6 Offer of Options**

Options may be offered as the Directors may decide to eligible employees only once in each year. The first offer of options will be made as soon as practicable after adoption of the Scheme by the Company and following formal approval being granted by the Inland Revenue under the provisions of the Finance Act 1980. Thereafter, options may be offered only within 28 days after the Company has made a preliminary announcement of its results in any one year. No options may be offered later than ten years after the date of adoption of the Scheme unless the members of the Company shall have approved an extension of the term.

**7 Exercise of Options**

An option may not be transferred or assigned or charged by an option holder and will normally be exercisable only when the option holder has completed his SAYE Scheme Contract either five or seven years after entering into the SAYE Scheme. Special provisions are provided in the Rules of the Scheme in respect of holders of options who cease employment before completing their SAYE Scheme Contracts. In the event of a takeover or winding up of the Company, options may be exercised by option holders at an earlier time.



**8) Stock Exchange Listing**

Shares allotted and issued following the exercise of an option will rank *pari passu* in all respects with all other Shares of the same class of the Company and the Company will make application to the Council of The Stock Exchange for such Shares to be admitted to the Official List.

**9) Alterations to the Scheme**

The Scheme may be amended, added to or terminated by the Directors providing it shall not cease to meet the approval conditions of Schedule 10 to the Finance Act 1980 and subject to certain conditions which include the prior approval of the Company in general meeting to any alteration to:

- (a) the definitions of eligible employee and price at which Shares are offered under options;
- (b) the maximum number of Shares over which options may be granted;
- (c) the maximum value of an option which may be offered to an eligible employee;
- (d) the rules relating to modifications and alterations to the Scheme and any extension of the Scheme beyond the tenth anniversary of the Scheme being adopted by the Company;
- (e) the rights attaching to the Shares.

No alteration shall be effective if it alters adversely any of the subsisting rights of option holders.

**10) Miscellaneous**

If any matter arises in connection with the Scheme or its operation for which specific provision is not made in the Rules, such matters will be resolved by the Directors as they think fit after taking into account the respective interests of the Company and option holders.

**SUMMARY OF THE MAIN FEATURES OF  
ASSOCIATED DAIRIES GROUP LIMITED  
SENIOR EXECUTIVE SHARE OPTION SCHEME 1981**

**1 Introduction**

The Senior Executive Share Option Scheme of Associated Dairies Limited which was approved by Shareholders in January 1973 was superseded in 1978 by the Associated Dairies Group Limited Senior Executive Share Option Scheme. Now, with the introduction of the Savings Related Share Option Scheme, it is felt necessary to replace the existing arrangements for directors and senior executives with the Senior Executive Share Option Scheme 1981.

The objectives of the 1981 Scheme are substantially the same as those applicable to the existing Scheme, namely to give full-time directors and senior executives who carry the main burden of responsibility the opportunity to participate in a meaningful way in the Group's future prosperity and wealth. The 1981 Scheme provides for a lesser number of shares to be available for options to be granted to full-time directors and senior executives compared with the existing Scheme and the number of Shares to be made available takes account of and allows for Shares liable to be issued under options not yet exercised under the existing Scheme.

The 1981 Scheme also contains certain minor variations in the terminology and operation of the Scheme compared with the existing Scheme, principally in the interests of achieving compatibility with the proposed Savings Related Share Option Scheme. Providing the 1981 Scheme is adopted by Shareholders, the existing Senior Executive Share Option Scheme will be terminated forthwith, although options then subsisting under that Scheme will continue in full force and effect.

**2 Qualified Person**

Full-time directors and senior executives of the Company and its Subsidiaries are eligible to be granted options under the Scheme and will be nominated at the absolute discretion of the Board.

**3 Option Price**

The price at which shares may be acquired under an option will be the higher of their nominal value and the middle market quotation of the Company's shares quoted in the Daily Official List of The Stock Exchange on the dealing day immediately preceding the date on which options are offered.

**4 Limit on the Granting of Options**

During the ten years following adoption of the Scheme the number of Shares in respect of which options may be granted under this scheme when aggregated with the number of Shares which are liable to be issued under the existing Senior Executive Share Option Scheme may not exceed 8,195,913. This is 3 per cent of the present issued ordinary share capital of the Company, but would be adjusted subject to the written confirmation of the Auditors that such adjustment is fair and reasonable to reflect capitalisation issues and the bonus element of rights issues, reductions, sub-divisions and consolidations of Ordinary Shares. Provided also that during the ten years following adoption of the Scheme, the number of Shares issued or liable to be issued under this or any other schemes which provide for the acquisition of Shares by or on behalf of employees, shall not exceed 10 per cent of the present issued ordinary share capital of the Company, but would be adjusted to reflect capitalisation issues and the bonus element of rights issues, reductions, sub-divisions and consolidations of Ordinary Shares.

Options granted to a full-time director or senior executive shall not in value exceed four times his relevant remuneration. Within this limit, the value of options offered to qualified persons will be determined by a committee of the Board administering the Scheme.

**5 Offer of Options**

Options may be offered as the Directors may decide to qualified persons only once in each year. The first offer of options will be made within 28 days after adoption of the Scheme by the Company. Thereafter, options may only be offered within 28 days after the Annual General Meeting of the Company. No options may be offered later than ten years after the date of adoption of the Scheme unless the members of the Company shall have approved an extension of the term.

**6 Exercise of Options**

An option may not be transferred or assigned or charged by an option holder and will normally be exercisable only while the option holder is in the employment of the Company or a Subsidiary (except where his employment is terminated by reason of injury, disability, redundancy, retirement or death). The option holder may exercise one-third of the option after three years from the date of grant, two-thirds after four years from the date of grant and the total after five years from the date of grant, but the option will lapse if not exercised within seven years from the date of grant.

**7 Stock Exchange Listing**

Shares allotted and issued following the exercise of an option will rank *pari passu* in all respects with all other Shares of the same class of the Company and the Company will make application to the Council of The Stock Exchange for such Shares to be admitted to the Official List.

**8 Alterations to the Scheme**

The Scheme may be amended, added to or terminated by the Directors subject to certain conditions which include the prior approval of the Company in general meeting to any alteration to:

- (a) the definitions of qualified person and price at which Shares are offered under options;
- (b) the maximum number of Shares over which options may be granted;
- (c) the maximum value of an option which may be offered to a qualified person;
- (d) the rules relating to modifications and alterations to the Scheme and any extension of the Scheme beyond the tenth anniversary of the Scheme being adopted by the Company;
- (e) the rights attaching to the Shares.

No alteration shall be effective if it alters adversely any of the subsisting rights of option holders.

**9 Miscellaneous**

If any matter arises in connection with the Scheme or its operation for which specific provision is not made in the Rules, such matters will be resolved by the Directors as they think fit after taking into account the respective interests of the Company and option holders.