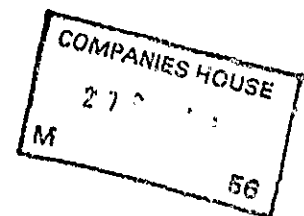


ASDA STORES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE 52 WEEKS ENDED 27 APRIL 1991

COMPANY REGISTRATION NUMBER 464777



ASDA STORES LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

A list of the directors of the company is contained in the Directors' Report on page 3.

SECRETARY

P. M. White

REGISTERED OFFICE

Asda House,
Southbank,
Great Wilson Street,
Leeds,
LS11 5AD

AUDITORS

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

BANKERS

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

ASDA STORES LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited accounts of the Company for the 52 weeks ended 27 April 1991.

1. PROFIT AND LOSS ACCOUNT AND DIVIDENDS

The Company's profit for the financial year, as set out on page 7, amounted to £100,654,000 (1990 - £8,276,000).

The directors recommend that no dividend be paid.

2. PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the company has been the retailing of food and non-food products, together with the processing of meat products.

3. FUTURE DEVELOPMENTS

The group continues to expand into new areas of merchandise where considered appropriate and plans to continue physical expansion of retail stores and manufacturing units as and when the appropriate opportunity arises.

ASDA STORES LIMITED

DIRECTORS' REPORT (continued)

4. RESEARCH AND DEVELOPMENT

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

5. DIRECTORS AND THEIR INTERESTS

The following is a list of the directors of the Company at the end of the financial year and of those persons who were directors at some time during the financial year:-

	Date of Appointment	Date of Resignation
J Ballingall		
L F Boyle		
L A Campbell		
J G Fox	18.06.90	
J Galloway		
J N Hardman		
J R Harker		
A G Jeffries		
A D Lyons		01.03.91
B C Milburn		
M J Russell	01.03.91	
K Shingler		
G H Stow		
G G Street		
J D Duggan		12.10.90

Messrs. Hardman and Stow resigned as directors on 9 June 1991.

ASDA STORES LIMITED

DIRECTORS' REPORT (continued)

The interests of the directors of the Company at 27 April 1991 in the shares of the ultimate Parent undertaking, Asda Group plc, as defined by the Companies Act 1985, were as follows:-

	Executive Share Option Scheme 1984	Savings Related Share Option Scheme	Ordinary Shares of 25p each	
	as at 27 April 1991	as at 27 April 1991	27 April 1991	as at 28 April 1990 (or appointment if later)
J Ballingall	246,559	11,479	10,940	10,940
L F Boyle	238,006	9,842	8,452	8,452
J G Fox	284,459	-	438	438
J Galloway	323,605	-	-	-
A G Jeffries	145,552	8,441	2,709	2,709
M J Russell	164,252	-	1,652	1,652
B C Milburn	174,768	9,495	4,365	4,365
K Shingler	207,459	15,328	36,212	36,212
G G Street	230,894	10,113	11,243	11,243

The interests of Messrs Campbell, Hardman, Harker and Stow are shown in the Asda Group plc accounts.

None of the directors of the Company have any interest in any contracts entered into by the Company.

ASDA STORES LIMITED

DIRECTORS' REPORT (continued)

6. EMPLOYEES AND EMPLOYEE POLICIES

The average number of employees and their remuneration are shown in note 3 to the accounts.

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

Employees are involved in the performance of the whole Group through the Savings Related Share Option Scheme and the specific performance of the Company through the Share Participation Scheme.

The Company is committed to the continuing development of its Equal Opportunities Policies.

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

7. CHARITABLE AND POLITICAL DONATIONS

Charitable donations amounted to £159,000 (1990 - £158,000). There were no political donations made during the year.

8. INCOME AND CORPORATION TAXES ACT 1988

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

9. AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors.

By elective resolution dated 1 November 1990, the company resolved to dispense with its obligation to appoint auditors annually.

By order of the board

P M White

Secretary



11 July 1991

REPORT OF THE AUDITORS TO THE MEMBERS OF ASDA STORES LIMITED

We have audited the accounts on pages 7 to 23 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 27 April 1991 and of the profit and source and application of funds for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Ernst & Young

London

11 July 1991

ASDA STORES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE FIFTY-TWO WEEKS ENDED 27 APRIL 1991

	Note	1991 £'000	1990 £'000
TURNOVER	2	4,139,865	3,289,324
Operating costs		3,952,019	3,121,884
		-----	-----
OPERATING PROFIT	2,3	187,846	167,440
Exceptional Charges	5	-	(124,325)
Interest receivable and similar income	6	65,940	62,918
Interest payable and similar charges	7	(104,367)	(95,998)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		149,419	10,035
Taxation	8	48,765	21,033
		-----	-----
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		100,654	(10,998)
Extraordinary items after taxation	9	-	19,274
		-----	-----
PROFIT FOR THE FINANCIAL YEAR		100,654	8,276
Dividends	10	-	29,455
		-----	-----
RETAINED PROFIT/(DEFICIT) FOR THE YEAR	21	100,654	(21,179)
		-----	-----

Movements on retained profits are set out in note 21

ASDA STORES LIMITED

BALANCE SHEET - 27 APRIL 1991

	Note	1991 £'000	1990 £'000
FIXED ASSETS			
Tangible assets	11	751,805	732,900
Investments	12	846	3,385
		-----	-----
		752,651	736,285
CURRENT ASSETS			
Stocks	13	253,233	251,251
Debtors	14	126,752	419,572
Investments		109	'04
Cash at bank and in hand		72,706	36,905
		-----	-----
		452,800	707,892
CREDITORS - amounts falling due within one year	15	(740,658)	(1,068,918)
		-----	-----
NET CURRENT LIABILITIES		(287,858)	(361,026)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		464,793	375,259
CREDITORS - amounts falling due after more than one year	16	(9,345)	(6,230)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(37,231)	(51,466)
		-----	-----
		418,217	317,563
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	20	28,009	28,009
Share premium account		260	260
Profit and loss account	21	389,948	289,294
		-----	-----
		418,217	317,563
		-----	-----



L A CAMPBELL
Director
11 July 1991

ASDA STORES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE FIFTY-TWO WEEKS ENDED
27 APRIL 1991

	1991 £'000	1990 £'000
SOURCE OF FUNDS FROM OPERATIONS		
Profit before taxation	149,419	10,035
Extraordinary item	-	19,274
	-----	-----
	149,419	29,309
Adjustment for item not involving the movement of funds:		
Depreciation	60,970	44,260
	-----	-----
Total generated from operations	210,389	73,569
FROM OTHER SOURCES		
Net disposal of fixed asset investments	2,539	-
	-----	-----
	212,928	73,569
	-----	-----
FUNDS APPLIED		
Dividends paid	18,583	32,872
Taxation paid	55,292	101,655
Net purchase of tangible fixed assets	79,875	64,048
Purchase of fixed asset investments	-	786
Utilisation of acquisition provision	23,998	-
	-----	-----
	177,748	199,361
	-----	-----
NET SOURCE/(APPLICATION) OF FUNDS	35,180	(125,792)
	=====	=====
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	1,982	101,190
Debtors	(292,820)	298,555
Investments	5	(295)
Creditors	287,330	(562,095)
Net liquid funds	38,683	36,853
	-----	-----
	35,180	(125,792)
	=====	=====

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

1. ACCOUNTING POLICIES

(a) Basis of accounts

The accounts are prepared under the historical cost convention.

The accounts are prepared in accordance with applicable accounting standards

b) Group accounts

Consolidated accounts have not been prepared because the company is a wholly-owned subsidiary undertaking of Asda Group plc.

(c) Tangible Fixed Assets

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

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

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

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

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

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

1. ACCOUNTING POLICIES (continued)

(c) Tangible Fixed Assets (continued)

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

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

(d) Capitalisation of interest

Interest costs relating to the financing of properties in course of construction are capitalised net of tax relief.

(e) 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 useful life of the relevant assets.

(f) Stocks

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

(g) Deferred taxation

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

(h) Research and development

Expenditure on research and development is written off in the year in which it is incurred.

(i) Turnover

Turnover comprises value of sales exclusive of VAT and intra-company transactions.

(j) Investments

Investments are stated at the lower of cost and net realisable value.

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

(k) Pensions

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

2. ANALYSIS OF TURNOVER AND OPERATING PROFITS BY ACTIVITIES

	1991		1990	
	Turnover £'000	Operating Profit £'000	Turnover £'000	Operating Profit £'000
Asda Stores	4,137,550	184,449	3,287,299	165,449
Asda Manufacturing	145,133	3,397	121,754	1,991
less: Intra-company sales	(142,818)	-	(119,729)	-
	<u>4,139,865</u>	<u>187,846</u>	<u>3,289,324</u>	<u>167,440</u>

3. OPERATING PROFIT

Arrived at after charging:

	1991 £'000	1990 £'000
Change in stocks	(1,982)	(3,225)
Other operating income	(27,558)	(14,895)
Raw materials and consumables	3,095,070	2,527,404
Staff costs	367,709	325,665
Depreciation of tangible fixed assets	60,970	44,260
Other operating charges	457,810	242,675
	<u>3,952,019</u>	<u>3,121,884</u>

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

3. OPERATING PROFIT (continued)

Within other operating charges:

	1991 £'000	1990 £'000
Operating lease charges		
Land and buildings	120,356	71,075
Plant and machinery	10,019	6,204
Auditors' remuneration	135	103
	-----	-----

Within staff costs:

	1991 £'000	1990 £'000
Wages and salaries	338,587	299,146
Social security costs	24,565	20,660
Other pension costs	4,557	5,859
	-----	-----
	367,709	325,665
	-----	-----

The average number of employees is analysed as follows:

Employees

	1991	1990
Asda Stores	69,654	58,346
Asda Manufacturing	1,513	1,389
	-----	-----
	71,167	59,735
	-----	-----

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

4. EMOLUMENTS OF DIRECTORS

	1991 £'000	1990 £'000
Fees	-	-
Other emoluments	1,041	1,247
Compensation for loss of office	-	444
	-----	-----
	1,041	1,691
	-----	-----

	1991	1990
£ 0 - £5,000	5	6
£10,001 - £15,000	1	-
£25,001 - £30,000	-	4
£30,001 - £35,000	-	1
£40,001 - £45,000	-	1
£45,001 - £50,000	-	1
£50,001 - £55,000	-	1
£60,001 - £65,000	-	1
£75,001 - £80,000	-	1
£85,001 - £90,000	1	1
£90,001 - £95,000	3	-
£95,001 - £100,000	3	1
£100,001 - £105,000	1	1
£110,001 - £115,000	1	-

Included in the above is the highest paid director whose remuneration for the year ended 27 April 1991 amounted to £111,540 (1990: £101,129). The Chairman received no emoluments from the company.

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

5. EXCEPTIONAL CHARGES

	1991 £'000	1990 £'000
Write down of stores acquired to fair value	-	39,030
Provisions for costs of integration and reorganisation of stores acquired	-	66,020
Stamp duty payable on acquired stores	-	6,770
Operating inefficiencies incurred by the new central distribution system during its build to optimal capacity	-	8,055
Cost associated with the introduction of the clothing and footwear ranges from The George Davis Partnership plc	-	4,450
	-----	-----
	-	124,325
	-----	-----

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1991 £'000	1990 £'000
Interest receivable from group undertakings	65,811	62,653
Other	129	265
	-----	-----
	65,940	62,918
	-----	-----

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1991 £'000	1990 £'000
Repayable within five years:		
Interest payable to group undertakings	121,870	119,166
Bank overdraft interest	304	163
Sundry interest	-	7
Finance lease charges	1,505	2,661
Repayable after five years:		
Debenture and mortgage interest	21	35
	-----	-----
	123,700	122,032
Interest capitalised before tax relief of £6,573,000 (1990 - £9,113,000)	(19,333)	(26,034)
	-----	-----
	104,367	95,998
	-----	-----

8. TAXATION

The charge based on the profit for the year comprises:

	1991 £'000	1990 £'000
UK Corporation tax at 34% (1990: 35%)		
Current	39,002	19,841
Deferred	6,863	2,086
	-----	-----
	45,865	21,927
Adjustments in respect of prior years		
Deferred	2,900	(894)
	-----	-----
	48,765	21,033
	-----	-----

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

9. EXTRAORDINARY PROFITS AFTER TAXATION

	1991 £'000	1990 £'000
Profit on disposal of tangible fixed assets to refinance the acquisition of stores from The Gateway Corporation PLC.	-	19,274
less: tax thereon	-	-
	-----	-----
	-	19,274
	-----	-----

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

10. DIVIDENDS

	1991 £'000	1990 £'000
Ordinary - interim	-	10,872
- second interim	-	18,583
	-----	-----
	-	29,455
	-----	-----

The preference share dividends have been waived.

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

11. TANGIBLE FIXED ASSETS

	Freehold properties £'000	Leasehold properties £'000	Plant machinery, equipment & vehicles £'000	Total £'000
Cost				
At beginning of year	126,671	311,237	365,718	803,626
Reclassifications	(31,139)	28,263	2,876	-
Additions during year	239,679	25,726	74,974	340,379
Transfers from other group undertakings	19,657	10,268	183	30,108
Transfers to other group undertakings	(223,403)	(23,103)	-	(246,506)
Disposals during year	(2,415)	(633)	(13,948)	(16,996)
	-----	-----	-----	-----
At end of year	129,050	351,758	429,803	910,611
	-----	-----	-----	-----
Depreciation				
At beginning of year	2,277	19,835	141,304	163,416
Reclassifications	(449)	451	(2)	-
Charge for year	1,417	3,562	55,991	60,970
Transfers from other group undertakings	473	161	36	670
Transfers to other group undertakings	(28)	(649)	-	(677)
Disposals during year	(11)	-	(8,259)	(8,270)
	-----	-----	-----	-----
At end of year	3,679	23,360	189,070	216,109
	-----	-----	-----	-----
Net book amounts at 27 April 1991	125,371	328,398	240,733	694,502
	-----	-----	-----	-----
Assets under construction (1990: £92,690,000)				57,303

Net book amounts at 27 April 1991				751,805
				=====
Net book amounts at 28 April 1990				732,900
				=====

An amount of £12,760,000 (1990 - £16,921,000) has been included in additions in respect of interest capitalised during the year ended 27 April 1991 after deducting tax relief of £6,573,000 (1990 - £9,113,000).

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

11. TANGIBLE FIXED ASSETS (continued)

The net book amount of plant, machinery, equipment and vehicles includes £25,480,492 (1990 - £23,443,751) in respect of leased assets after charging depreciation of £4,945,491 (1990 - £4,899,655).

The net book value of leasehold property comprises:

	1991 £,000	1990 £,000
Leases with fifty years or more unexpired	288,128	250,119
Lease with less than fifty years unexpired	40,270	41,283
	-----	-----
	328,398	291,402
	-----	-----

12. INVESTMENTS - UNLISTED

	1991 £'000	1990 £'000
Cost		
At beginning of year	3,385	2,599
(Disposals)/Additions	(2,539)	786
	-----	-----
At end of year	846	3,385
	-----	-----

The principal subsidiary undertaking which is wholly owned is McLagan Investments Limited which is registered in England.

McLagan Investments Limited is a property holding company.

13. STOCKS

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

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

14. DEBTORS

	1991 £'000	1990 £'000
Amounts falling due within one year		
Trade debtors	965	1,311
Amounts owed by fellow subsidiary undertakings	27,493	347,018
Other debtors	35,521	36,588
Prepayments and accrued income	44,057	12,981
	-----	-----
	108,036	397,198
Amounts falling due after one year		
Other debtors	18,716	22,374
	-----	-----
	126,752	419,572
	-----	-----

15. CREDITORS - amounts falling due within one year

	1991 £'000	1990 £'000
Trade creditors	340,887	325,641
Amounts owed to parent undertaking	139,974	494,982
Amounts owed to fellow subsidiary undertakings	86,149	5,784
Taxation	36,687	52,977
Social security	7,232	7,378
Other creditors	73,405	59,628
Accruals	50,392	95,912
Obligations under finance leases	5,932	5,086
Proposed dividend	-	18,583
Overdraft	-	2,942
	-----	-----
	740,658	1,068,918
	-----	-----

The Group is currently rescheduling its inter company indebtedness. This will result in the creation of sufficient long term inter company borrowings to eliminate the Company's net current liabilities.

16. CREDITORS - amounts falling due after more than one year

	1991 £'000	1990 £'000
Loans repayable 1995 to 2022 (interest rates 9 1/4% to 10 3/4%)	337	342
Obligations under finance leases within two to five years	8,516	5,300
Government grants	492	588
	-----	-----
	9,345	6,230
	-----	-----

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

17. PROVISIONS FOR LIABILITIES AND CHARGES

	1991 £'000	1990 £'000
Deferred taxation (note 18)	27,449	17,686
Integration provision (note 19)	9,782	33,780
	-----	-----
	37,231	51,466
	=====	=====

18. DEFERRED TAXATION

Potential liability

	1991 £'000	1990 £'000
Capital allowances	50,843	52,472
Capital gains	19,744	21,362
Short term timing differences	7,108	2,506
	-----	-----
	77,695	76,340
	-----	-----

Provision retained

UK capital allowances claimed in excess of depreciation charged	20,341	15,180
Short-term timing differences	7,108	2,506
	-----	-----
	27,449	17,686
	-----	-----

19. INTEGRATION PROVISION

The utilisation of the provision made for the integration and reorganisation of the stores acquired from The Gateway Corporation PLC into the chain as follows:

	1991 £'000	1990 £'000
At beginning of year	33,780	-
Arising during the year	-	66,020
Utilised during the year	(23,998)	(32,240)
	-----	-----
At end of year	9,782	33,780
	-----	-----

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

20. CALLED-UP SHARE CAPITAL

	Authorised 1991 & 1990	Allotted, called up & fully paid 1991 & 1990
	£'000	£'000
3.85% cumulative preference shares of £1 each	500	500
Ordinary shares of 25p each	28,500	27,509
	-----	-----
	29,000	28,009
	-----	-----

21. PROFIT AND LOSS ACCOUNT

	£'000
At 28 April 1990	289,294
Profit for the year	100,654

At 27 April 1991	389,948

22. FINANCIAL COMMITMENTS

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

	1991 £'000	1990 £'000
Contracted	30,199	96,675
Not contracted	172,265	201,428

The annual commitment under non-cancellable operating leases, mainly in respect of land and buildings, is as follows:

	1991 £'000	1990 £'000
Leases expiring:		
Within one year	85	-
Within two to five years	315	219
Thereafter	118,990	94,097
	-----	-----
	119,390	94,316
	-----	-----

ASDA STORES LIMITED

NOTES ON THE ACCOUNTS - 27 APRIL 1991

23. PENSIONS

The Asda Group operates defined benefit pension schemes, in which the Company's employees participate, with assets held in separately administered funds.

The Group schemes have been assessed at 5 April 1989 by actuaries. Details of the actuarial valuation of the schemes are contained in the accounts of Asda Group plc.

24. ULTIMATE PARENT COMPANY

The parent company of the group of undertakings for which group accounts are drawn up and of which the company is a member is Asda Group plc, a company registered in England.

Copies of Asda Group plc's accounts can be obtained from Asda House, Southbank, Great Wilson Street, Leeds LS11 5AD.