

# ASDA Stores Limited

## Report and Accounts

2 May 1998

*Registered number 464777*



# Asda Stores Limited

Registered no. 464777

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## DIRECTORS

D Armstrong (appointed 26/3/98)  
R Baker (appointed 26/3/98)  
G V Burr  
S A Cain (resigned 30/11/98)  
L A Campbell  
M Coupe  
P R Cox (resigned 17/12/98)  
P Dutton (appointed 26/3/98)  
F R Emmott  
D N Jagger  
A L Leighton  
B McLaughlin  
I McLeod  
P Mason  
A J Norman (Chairman)  
A De Nunzio

## SECRETARIES

D N Jagger  
N I Cooper

## AUDITORS

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

## BANKERS

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

## REGISTERED OFFICE

ASDA House  
Southbank  
Great Wilson Street  
Leeds  
LS11 5AD

## DIRECTORS' REPORT

The directors submit their report and audited accounts for the 52 weeks ended 2 May 1998.

### RESULTS AND DIVIDENDS

The company's profit for the financial year, as set out on page 8, amounted to £249,516,000 (1997 - £194,097,000).

The company paid an interim dividend of £101,047,000 (1997 - £85,273,000). The directors recommend that no final dividend be paid.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activities of the company are the retailing of food and clothing, home and leisure products.

### RESEARCH AND DEVELOPMENT

Essential to the company's success is the delivery of fresh, innovative, good value products which are unique to ASDA. Our buying teams, food technologists and marketeers are continually searching to improve the quality of the company's products and to develop new ideas, many of which are sold under the ASDA brand or Farm Stores labels.

### DIRECTORS AND THEIR INTERESTS

A list of the current directors is set out on page 1.

None of the directors held any interest in the share capital of ASDA Stores Limited during the year. The interests of the directors, all of which are beneficially held, including family interests, in the ordinary shares of the ultimate parent undertaking, ASDA Group plc, are shown below:

	<i>At 2 May 1998</i>	<i>At 3 May 1997</i>
	<i>ordinary shares</i>	<i>ordinary shares</i>
D Armstrong	2,000	2,000
R Baker	4,023	4,023
G V Burr	2,026	1,126
M Coupe	22,704	56,104
P Dutton	71,964	71,964
F R Emmott	2,462	-
D N Jagger	56,131	50,371
B McLaughlin	5,212	2,200
I McLeod	7,611	7,611
A De Nunzio	76,728	108,681

## DIRECTORS' REPORT

## DIRECTORS AND THEIR INTERESTS (continued)

Options have been granted to subscribe for ordinary shares in ASDA Group plc as follows:

	<i>At 3 May 1997</i>	<i>Granted during the year</i>	<i>Exercised during the year</i>	<i>At 2 May 1998</i>
D Armstrong	383,864	-	-	383,864
R Baker	369,618	6,655	-	376,273
G V Burr	341,834	79,012	69,824	351,022
M Coupe	430,633	82,583	33,334	479,882
P Dutton	227,644	-	-	227,644
F R Emmott	684,370	19,262	-	703,632
D N Jagger	511,103	31,111	53,208	489,006
B McLaughlin	486,929	148,059	173,512	461,476
I McLeod	184,135	515,330	79,226	620,239
A De Nunzio	348,682	92,400	-	441,082

A long term incentive Plan ("the Plan") was implemented in April 1993. A second scheme commenced in the previous financial year. In total, the following directors have been formally granted deeply discounted options over ASDA Group plc ordinary shares, which are only exercisable if certain earnings per share and share price targets for the group are met over a specified period.

	<i>At 3 May 1997</i>	<i>Granted during the year</i>	<i>Exercised during the year</i>	<i>At 2 May 1998</i>
D Armstrong	95,818	-	-	95,818
R Baker	66,587	-	-	66,587
G V Burr	59,165	41,087	-	100,252
M Coupe	98,729	62,854	-	161,583
P Dutton	49,836	-	-	49,836
F R Emmott	104,803	75,530	-	180,333
D N Jagger	557,205	58,549	375,000	240,754
B McLaughlin	106,944	61,416	-	168,360
I McLeod	53,103	69,428	-	122,531
A De Nunzio	92,256	62,532	-	154,788

Details of these schemes are disclosed in the ASDA Group plc accounts.

The interests of Messrs S A Cain, L A Campbell, P R Cox, A L Leighton, P Mason and A J Norman are shown in the ASDA Group plc accounts.

None of the directors of the company had an interest in any contracts entered into by the company.

Mr P R Cox resigned as director on 17 December 1998.

DIRECTORS' REPORT

**COLLEAGUE INVOLVEMENT AND COMMUNICATIONS**

We are committed to ensuring that all colleagues have an opportunity to realise their full potential and that all colleagues and applicants are treated fairly regardless of gender, age, marital status, race, religion or disability.

The active participation of our colleagues in the business and the extraordinary motivation and customer service that this encourages has become widely recognised. This high level of participation and enthusiasm is greatly valued and considerable effort goes into ensuring that it is maintained. We have created a culture of openness and co-operation where colleagues are actively encouraged to come forward with ideas for improving their business.

The successful Tell Archie Suggestion Scheme is now in its 5<sup>th</sup> year and has received over 40,000 suggestions. Our VPI scheme rewards colleagues for getting behind great selling ideas, whilst a customer service league encourages excellent service at store level. Our STAR Programme (Success Through Achieving Results) recognises colleagues' achievements by awarding star points which are exchangeable for a range of rewards.

To ensure that colleague involvement is encouraged throughout the business we operate a colleague involvement league. This measures stores on a number of aspects: the extent to which they become involved in their local community and charitable events; participation in regular We're Listening Surveys seeking colleagues' views; and the level of Tell Archie and VPI participation. Customers and colleagues can applaud extraordinary colleague effort by nominating colleagues for an ABCD award denoting service 'Above and Beyond the Call of Duty'. We also recognise AWW heroes - that is, colleagues exemplifying the open and collegiate ASDA Way of Working.

How we look after our colleagues and manage the business is also critical to our success. Key to this is the colleague circle in each store which meets monthly to obtain views from colleagues on matters as diverse as colleague uniforms, recruitment, pay and benefits and re-rostering. Annually we hold a national colleague circle to which every store sends a representative to engage in open discussions with members of the board.

Colleagues are kept informed about the company's business through monthly ASDA News videos and colleague newsletters and on its financial performance through face to face briefings and a letter from the Chief Executive following each full and half year results announcement.

Information about colleagues' objectives and day to day tasks is provided at daily 'huddles' - meetings which take place on the shop floor and in all departments at ASDA House, George and in distribution centres.

The high levels of dedication and enthusiasm which the business now enjoys has a direct effect on the company's performance and it has long been the belief of the board that colleagues should share in its success. In 1995 we launched the Colleague Share Ownership Plan (see ASDA Group Plc Report and Accounts) which provide colleagues with shares in the business at three yearly intervals provided the share price exceeds the option price established at the time of the grant. On 25 June 1998 over 42,000 colleagues held share options and in July 1998 the first 26,000 colleagues received their ASDA shares under the plan.

DIRECTORS' REPORT

**YEAR 2000 COST**

Many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to avoid malfunctions and disruption from the year 2000 and beyond.

A wide ranging assessment programme has been completed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed. Priority is given to those stems which could have a significant financial or legal impact on the business if they were to fail. The project plans include confirming key supplier compliance.

The total cost of the plan is currently estimated at £15-17 million, of which £7 million has been incurred.

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

Charitable donations amounted to £210,000 (1997 - £60,000). There were no political donations made during the year.

**TRADING TERMS**

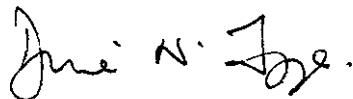
The company deals with over one thousand separate suppliers and has established trading terms which are appropriate to the particular relationship and product supplied. Whenever an order is placed the parties will be aware of the payment terms and it is the company policy to abide by those terms. There is a procedure in place for ensuring that the trading terms of regular suppliers are reviewed at least annually.

The average number of days credit taken for trade purchases at 2 May was 29 days (1997 32 days).

**AUDITORS**

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

By order of the board



D N Jagger  
Secretary

22/2 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 6, is made for the purpose of clarifying for members the respective responsibilities of the Directors and the auditors in the preparation of the accounts.

The Directors are required by the Companies Act 1985 to prepare accounts which give a true and fair view of the state of affairs of the company at the end of each financial year and of its profit for the year. In preparing the financial statements, the Directors ensure that applicable accounting standards have been followed and that appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used. The accounts have been prepared on a going concern basis.

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

## **REPORT OF THE AUDITORS to the members of ASDA Stores Limited**

We have audited the accounts on pages 8 to 22 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and on the basis of the accounting policies set out on pages 12 and 13.

### **Respective responsibilities of directors and auditors**

As described on page 6 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

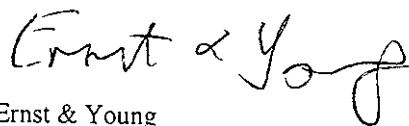
### **Basis of opinion**

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

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

### **Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs at 2 May 1998 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
London

25/2/1999



# Asda Stores Limited

## PROFIT AND LOSS ACCOUNT

for 52 weeks ended 2 May 1998

	Notes	1998 £000	1997 £000
<b>SALES</b>		8,219,897	7,439,628
Value added tax		619,058	556,196
<b>TURNOVER</b>	2	7,600,839	6,883,432
Operating costs		7,302,182	6,619,704
<b>OPERATING PROFIT</b>	3	298,657	263,728
Exceptional items:			
Release of provision for reorganisation of group businesses	6	-	16,012
Loss on disposal of fixed assets		-	(3,134)
Property write-off	6	-	(35,447)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		298,657	241,159
Interest receivable and similar income	7	21,974	31,112
Interest payable and similar charges	8	(731)	(1,814)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		319,900	270,457
Taxation	9	(70,384)	(76,360)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		249,516	194,097
Dividends	10	(101,047)	(85,273)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		148,469	108,824

# Asda Stores Limited

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1998 £000	1997 £000
Profit for the financial year	249,516	194,097
Unrealised surplus on revaluation of property	-	19,642
Total recognised gains relating to the period	<u>249,516</u>	<u>213,739</u>

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the 52 weeks ended 2 May 1998

	1998 £000	1997 £000
Reported profit on ordinary activities before taxation	319,900	270,457
Adjustment of depreciation to historical cost basis	(3,391)	(2,512)
Historical cost profit on ordinary activities before taxation	<u>316,509</u>	<u>267,945</u>
Historical cost retained profit	<u>246,125</u>	<u>106,312</u>

# Asda Stores Limited

## BALANCE SHEET at 2 May 1998

	Notes	1998 £000	1997 £000
<b>FIXED ASSETS</b>			
Tangible assets	11	1,286,465	1,227,910
Investments	12	500,100	500,100
		<u>1,786,565</u>	<u>1,728,010</u>
<b>CURRENT ASSETS</b>			
Stocks		339,331	283,938
Debtors	13	390,473	350,600
Cash at bank and in hand		40,020	6,563
		<u>769,824</u>	<u>641,101</u>
<b>CREDITORS: amounts falling due within one year</b>	14	(915,668)	(871,191)
<b>NET CURRENT LIABILITIES</b>		<u>(145,844)</u>	<u>(230,090)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,640,721</u>	<u>1,497,920</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	(2,486)	(1,250)
Provisions for liabilities and charges	17	(72,757)	(79,661)
		<u>1,565,478</u>	<u>1,417,009</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	584,865	584,865
Share premium account	21	260	260
Revaluation reserve	21	115,245	115,245
Profit and loss account	21	865,108	716,639
<b>SHAREHOLDERS' FUNDS</b>		<u>1,565,478</u>	<u>1,417,009</u>

Shareholders' funds include non-equity interests.

- Director

1999

*A. J. J. J.*  
22/2/99

# Asda Stores Limited

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the 52 weeks ended 2 May 1998

	1998 £'000	1997 £'000
Total recognised gains and losses	249,516	194,097
Dividends	(101,047)	(85,273)
	<u>148,469</u>	<u>108,824</u>
Other gains relating to the year	-	19,642
	<u>148,469</u>	<u>128,466</u>
Net additions to shareholders' funds	148,469	128,466
Shareholders' funds at beginning of year	1,417,009	1,288,543
	<u>1,565,478</u>	<u>1,417,009</u>
Shareholders' funds at end of year	<u>1,565,478</u>	<u>1,417,009</u>
	<u>1,565,478</u>	<u>1,417,009</u>
	1998 £'000	1997 £'000
Equity shareholders' funds	1,008,622	860,153
Non-equity shareholders' funds	556,856	556,856
	<u>1,565,478</u>	<u>1,417,009</u>
	<u>1,565,478</u>	<u>1,417,009</u>

NOTES TO THE ACCOUNTS

at 2 May 1998

1. ACCOUNTING POLICIES

*Accounting convention*

The accounts are prepared under the historical cost convention modified to include the open market valuation of food retailing properties. The accounts are prepared in accordance with applicable accounting standards.

In accordance with FRS1 no cash flow statement has been prepared as the company is a wholly owned subsidiary undertaking of ASDA Group plc which produces a consolidated cash flow statement.

*Group Accounts*

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

*Depreciation*

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

Freehold and long leasehold property	- 20 - 50 years
Short leasehold property	- over period of lease
Plant, fixtures and fittings	- 3 - 20 years
Motor vehicles	- 4 - 10 years

*Tangible fixed assets*

The company's tangible fixed assets are included in the balance sheet at cost less depreciation, with the exception of its food retailing properties, which have been included at valuation as at 1 May 1996 less depreciation and amounts written off.

*Stocks*

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

*Deferred taxation*

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

*Research and development*

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

*Investments*

Short term investments are stated at the lower of cost and net realisable value.

NOTES TO THE ACCOUNTS  
at 2 May 1998

1. ACCOUNTING POLICIES (continued)

*Leased assets*

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

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

*Capitalisation of interest*

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

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

*Foreign currencies*

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

*Pensions*

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

2. ANALYSIS OF TURNOVER

Turnover comprises the value of sales excluding value added tax.

Turnover is attributable to one continuing activity, the retail of food, clothing, home and leisure products, and arises wholly within the United Kingdom.

# Asda Stores Limited

## NOTES TO THE ACCOUNTS

at 2 May 1998

### 3. OPERATING PROFIT

This is stated after charging/(crediting):

	1998 £000	1997 £000
Change in stocks	(55,393)	(27,367)
Other operating income	(28,873)	(23,546)
Raw materials and consumables	5,956,638	5,367,329
Staff costs	572,723	557,053
Depreciation of tangible fixed assets	102,489	87,245
Other operating charges	642,040	514,469
Operating lease charges:		
- Land and buildings	98,530	133,866
- Plant and machinery	13,896	10,524
Fees paid to auditors:		
- Audit fee	107	102
- Other	25	29
	<u>7,302,182</u>	<u>6,619,704</u>

### 4. DIRECTORS' EMOLUMENTS

	1998 £000	1997 £000
Emoluments (including pension contributions)	<u>3,421</u>	<u>3,195</u>
	1998 £000	1997 £000
Remuneration of highest paid director	<u>447</u>	<u>553</u>

The accrued pension entitlement of the highest paid director at 2 May 1998 was £17,000 (1997 - £14,000).

Executive directors' remuneration includes bonuses which are based on the group's sales and profit performance. Performance targets and bonus levels are set, and their achievement monitored by the Remuneration Committee, which consists of the chairman and three non-executive directors of ASDA Group plc.

All directors of the company are members of the ASDA Group plc defined benefit pension scheme.

# Asda Stores Limited

## NOTES TO THE ACCOUNTS

at 2 May 1998

### 5. STAFF COSTS

	1998 £000	1997 £000
Wages and salaries	529,934	517,717
Social security costs	30,281	30,608
Other pension costs	12,508	8,728
	<u>572,723</u>	<u>557,053</u>

The average weekly number of employees during the year was 76,350 (1997 - 74,625).

### 6. EXCEPTIONAL ITEMS

	1998 £000	1997 £000
Provision for reorganisation of group businesses: Release of renewal provision	-	16,012
Other: Loss on disposal of fixed assets	-	(3,134)
Exceptional property write-off	-	(35,447)
	<u>-</u>	<u>(38,581)</u>

### 7. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £000	1997 £000
Interest receivable from group undertakings	21,063	29,833
Other	911	1,279
	<u>21,974</u>	<u>31,112</u>

### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £000	1997 £000
Interest payable to group undertakings	-	296
Bank overdraft interest	386	449
Finance lease charges	194	790
Other	151	279
	<u>731</u>	<u>1,814</u>

No interest was capitalised during the year (1997 - £nil).



# Asda Stores Limited

## NOTES TO THE ACCOUNTS at 2 May 1998

### 9. TAXATION

The taxation charge is made up as follows:

	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
Based on the profit for the year:		
Corporation tax at 31% (1997 - 33%)		
Current	87,553	77,832
Deferred	(2,765)	(1,472)
Adjustments in respect of prior years:		
Current	(11,420)	-
Deferred	(2,984)	-
	<u>70,384</u>	<u>76,360</u>

### 10. DIVIDENDS

	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
Ordinary dividends paid	<u>101,047</u>	<u>85,273</u>

# Asda Stores Limited

## NOTES TO THE ACCOUNTS at 2 May 1998

### 11. TANGIBLE FIXED ASSETS

	<i>Land and buildings</i>		<i>Plant and machinery</i>	<i>Total</i>
	<i>Freehold</i>	<i>Leasehold</i>		
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:				
At 3 May 1997	337,076	477,070	682,101	1,496,247
Additions	241,722	26,402	138,996	407,120
Reclassification	72,704	(76,371)	3,667	-
Transfers from other group undertakings	5,503	-	2,811	8,314
Transfer to other group undertakings	(269,009)	(18,910)	-	(287,919)
Revaluation	-	-	-	-
Disposals	(750)	(17,218)	(102,195)	(120,163)
At 2 May 1998	387,246	390,973	725,380	1,503,599
Depreciation:				
At 3 May 1997	12,029	80,670	390,209	482,908
Reclassification	4,216	(5,593)	1,377	-
Charge for the year	7,173	8,131	87,185	102,489
Transfers from other group undertakings	335	-	2,780	3,115
Transfers to other group undertakings	(3,956)	(700)	-	(4,656)
Disposals	(167)	(16,921)	(86,044)	(103,132)
At 2 May 1998	19,630	65,587	395,507	480,724
Net book value:				
At 2 May 1998	367,616	325,386	329,873	
Assets under construction (1997 - £214,571,000).				263,590
Net book value:				
At 2 May 1998				1,286,465
Net book value:				
At 3 May 1997				1,227,910

Food retailing properties were revalued at 1 May 1996 by External Valuers, Messrs G L Hearn and Partners, Chartered Surveyors. The open market valuations were carried out on the basis of 'Existing Use Value' as defined in Practice Statement 4 of and in accordance with the RICS Appraisal and Valuation Manual (the New Red Book) published by the Royal Institution of Chartered Surveyors, with the exception of certain superstores which, in the opinion of the directors, have a limited future economic life in existing use. In respect of these properties, the directors have estimated their lower, alternative use value.

# Asda Stores Limited

## NOTES TO THE ACCOUNTS at 2 May 1998

### 11. TANGIBLE FIXED ASSETS (continued)

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

	1998 £000	1997 £000
Freehold properties	299,616	247,866
Leasehold properties	341,171	404,344
	<u>640,787</u>	<u>652,210</u>

An amount of £Nil (1997 - £Nil) has been included in additions in respect of interest capitalised during the year ended 2 May 1998 after deducting tax relief of £Nil (1997 - £Nil).

The net book amount of plant, machinery, equipment and vehicles includes £7,262,200 (1997 - £8,063,491) in respect of leased assets after charging depreciation of £4,221,603 (1997 - £2,920,913).

The net book amount of leasehold property includes:

	1998 £000	1997 £000
Leases with 50 years or more unexpired	279,100	333,997
Leases with less than 50 years unexpired	48,913	62,404
	<u>328,013</u>	<u>396,401</u>

### 12. FIXED ASSET INVESTMENTS

	£000
Cost at 2 May 1998 and 3 May 1997	<u>500,140</u>
Amounts provided:	
At 3 May 1997	(40)
Provided in year	-
At 2 May 1998	<u>(40)</u>
Net book value at 2 May 1998 and 3 May 1997	<u>500,100</u>

The principal subsidiary undertakings which are wholly owned are McLagan Investments Limited and Corinth Services Limited which are registered in England and Wales.

McLagan Investments Limited is a property holding company. Corinth Services Limited is an investment company.

In the directors' opinion, the aggregate values of investments in subsidiaries is not less than the balance sheet amount.

# Asda Stores Limited

## NOTES TO THE ACCOUNTS

at 2 May 1998

### 13. DEBTORS

Amounts falling due within one year:

	1998 £000	1997 £000
Amounts owed by parent undertaking	197,777	213,439
Amounts owed by fellow subsidiary undertakings	58,623	27,803
Other debtors	36,219	31,139
Prepayments and accrued income	97,854	78,219
	<u>390,473</u>	<u>350,600</u>

### 14. CREDITORS: amounts falling due within one year

	1998 £000	1997 £000
Bank overdraft	-	31,267
Obligations under finance leases (note 5)	1,514	1,410
Trade creditors	601,421	541,159
Amounts owed to parent undertaking	5,784	5,784
Amounts owed to fellow subsidiary undertakings	4,270	4,067
Taxation	94,634	90,391
Social security	10,979	9,871
Other creditors	50,921	35,995
Accruals	146,145	151,247
	<u>915,668</u>	<u>871,191</u>

### 15. CREDITORS: amounts falling due after more than one year

	1998 £000	1997 £000
Obligations under finance leases (note 16)	<u>2,486</u>	<u>1,250</u>

### 16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1998 £000	1997 £000
Amounts payable:		
within one year	1,514	1,410
within two to five years	2,486	1,250
	<u>4,000</u>	<u>2,660</u>

# Asda Stores Limited

## NOTES TO THE ACCOUNTS at 2 May 1998

### 17. PROVISION FOR LIABILITIES AND CHARGES

	1998 £000	1997 £000
Deferred taxation (note 18)	37,628	43,378
Provisions (note 19)	35,129	36,283
	<u>72,757</u>	<u>79,661</u>

### 18. DEFERRED TAXATION

*Amount provided*

	<i>Accelerated capital allowances £000</i>	<i>Short term timing differences £000</i>	<i>Total £000</i>
At 3 May 1997	60,569	(17,191)	43,378
Transfer to profit and loss account	(5,506)	(244)	(5,750)
At 2 May 1998	<u>55,063</u>	<u>(17,435)</u>	<u>37,628</u>

Provision has been made for Corporation Tax at 31% on timing differences which are expected to reverse in the foreseeable future.

*Full potential liability*

	<i>Accelerated capital allowances £000</i>	<i>Short term timing differences £000</i>	<i>Total £000</i>
At 3 May 1997	78,504	(17,191)	61,313
Arising during the year	6,565	(244)	6,321
At 2 May 1998	<u>85,069</u>	<u>(17,435)</u>	<u>67,634</u>

### 19. PROVISIONS

	<i>Lease purchase provisions £000</i>
At 3 May 1997	36,283
Utilised during the year	(1,154)
At 2 May 1998	<u>35,129</u>

# Asda Stores Limited

## NOTES TO THE ACCOUNTS at 2 May 1998

### 19. PROVISIONS (continued)

Lease purchase provisions represent provisions against the cost of withdrawal from leases relating to those properties which, in the opinion of the directors have a limited future economic life.

### 20. CALLED UP SHARE CAPITAL

Authorised

At 2 May 1998 and at 3 May 1997

	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	29,000,000	29,000
Redeemable ordinary shares of £1 each	721,000,000	721,000
	<u>750,000,000</u>	<u>750,000</u>

*Allotted, called up and fully paid*

At 2 May 1998 and at 3 May 1997

	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	28,008,978	28,009
Redeemable ordinary shares of £1 each	556,856,000	556,856
	<u>584,864,978</u>	<u>584,865</u>

#### Ordinary redeemable shares

The ordinary redeemable shares rank in all respects *pari passu* with, and have the same rights as, the ordinary shares except that they are redeemable at par together with any arrears or accruals of dividend calculated down to and including the due date for redemption.

The redeemable shares are redeemable at the option of the company on or before 31 December 2099.

### 21. RESERVES

	<i>Share premium account £000</i>	<i>Revaluation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 3 May 1997	260	115,245	716,639	832,144
Profit for the year	-	-	148,469	148,469
at 2 May 1998	<u>260</u>	<u>115,245</u>	<u>865,108</u>	<u>980,613</u>

NOTES TO THE ACCOUNTS  
at 2 May 1998

22. FINANCIAL COMMITMENTS

The directors have authorised future capital expenditure which amounts to:

	1998 £000	1997 £000
Contracted	14,999	1,648

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

	1998 £000	1997 £000
Amounts payable: after more than five years	37,805	34,930

23. PENSIONS

ASDA Group plc operates a defined contribution pension plan for hourly paid colleagues, the assets of which are invested with The Prudential Life Assurance Company.

ASDA Group plc also operates two defined benefit schemes for full time colleagues, the assets of which are held in a separate trustee administered common investment fund. The trustees of the schemes have been specifically selected from a wide range of existing colleague members in different functions throughout the group. In addition, a pensioner trustee has been appointed as well as an independent trustee, a pensions lawyer who has no connection with the group.

Full details of the pension schemes and the most recent actuarial valuation are included in the accounts of ASDA Group plc.

The total pension cost to the company was £12,508,000 (1997 - £8,728,000).

24. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of ASDA Group plc and is therefore exempt from disclosing transactions with other group companies.

There were no other related party transactions in the year.

25. ULTIMATE PARENT UNDERTAKING

The parent undertaking 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 and Wales.

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