


464777

ASDA STORES LIMITED

Report and Accounts

31 December 2001

 ERNST & YOUNG



ASDA Stores Limited

Registered No. 464777

DIRECTORS

R Baker
H G Bowles
G V Burr (resigned 29 June 2001)
A De Nunzio
P Dutton (resigned 30 August 2002)
D N Jagger
P Mason (resigned 23 October 2001)
A Spindler
A Bond
A Clarke (resigned 5 June 2002)
D. Smith
L A Campbell (resigned 2 March 2001)
B McLaughlin (resigned 12 March 2001)
I J McLeod (resigned 12 March 2001)
J King (resigned 12 March 2001)
M Coupe (resigned 9 July 2001)
J McKenna
M Blundell
S Clarke (appointed 14 January 2002)
D Downie (appointed 1 July 2002)
D Cheesewright (appointed 5 August 2002)

SECRETARY

D N Jagger

AUDITORS

Ernst & Young LLP
PO Box 61
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

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

ASDA Stores Limited

DIRECTORS' REPORT

The directors present their report and the accounts for the period ended 31 December 2001.

RESULTS AND DIVIDENDS

The company's profit, after taxation, for the financial period, as set out on page 5, amounted to £251,935,000 (52 weeks ended 6 January 2001 - £294,425,000). The directors recommend that a final dividend of £900,000,000 be paid (52 weeks ended 6 January 2001 : £nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activities of the company are the operation of food, clothing, home and leisure superstores throughout Great Britain.

RESEARCH 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 marketers 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 and Smart Price labels; Extra Special and George.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period and at the date of this report are shown on page 1. The directors' shareholdings and share options are holdings and options in Wal-Mart Stores, Inc. As Wal-Mart Stores, Inc. is incorporated in the USA, disclosure of these interests is not required.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations for the period amounted to £615,000 (52 weeks ended 6 January 2001 - £450,000). There were no political donations made during the period.

EMPLOYEE INVOLVEMENT

During the period the policy of providing information about the company has been continued through daily huddles and listening groups in which employees have also been encouraged to present their suggestions and views on the company's performance. Colleagues participate directly in the success of the business through the company's discretionary bonus scheme and various share option plans.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirement of the job can be adequately fulfilled by a handicapped or disabled person. Where existing colleagues become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled colleagues wherever appropriate.

TRADING TERMS

The company deals with over five 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's 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 purposes at 31 December 2001 was 35 days (6 January 2001: 30 days).

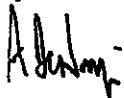
AUDITORS

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

ASDA Stores Limited

DIRECTORS' REPORT

By order of the board



A De Nunzio
Director

24 October 2002

ASDA Stores Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ASDA STORES LIMITED**

We have audited the company's financial statements for the period ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Reconciliation of Movement in Shareholders' Funds and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Leeds

24 October 2002

ASDA Stores Limited

PROFIT AND LOSS ACCOUNT for the period ended 31 December 2001

		<i>Period ended 31 December 2001 £000</i>	<i>52 weeks ended 6 January 2001 £000</i>
	<i>Notes</i>		
SALES		11,500,783	10,500,100
Value added tax		(859,358)	(820,164)
TURNOVER – CONTINUING OPERATIONS	2	10,641,425	9,679,936
Operating costs	3	(10,273,943)	(9,274,291)
Exceptional integration costs	4	-	(9,500)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND EXCEPTIONAL ITEMS		367,482	396,145
Profit on disposal of fixed asset investments		-	8,589
		367,482	404,734
Interest receivable and similar income	7	800	13,906
Interest payable and similar charges	8	(1,342)	(527)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		366,940	418,113
Tax on profit on ordinary activities	9	(115,545)	(123,688)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		251,395	294,425
Dividends payable	10	(900,000)	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD		(648,605)	294,425

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the period ended 31 December 2001

	<i>Period ended 31 December 2001 £000</i>	<i>52 weeks ended 6 January 2001 £000</i>
(Loss)/profit for the financial period	(648,605)	294,425
Prior period adjustment	-	(39,285)
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	(648,605)	255,140

ASDA Stores Limited

NOTE OF HISTORICAL COST PROFITS AND LOSSES for the period ended 31 December 2001

	<i>Period ended 31 December 2001 £000</i>	<i>52 weeks ended 6 January 2001 £000</i>
Reported profit on ordinary activities before taxation	366,940	418,113
Adjustment of depreciation to historical cost basis	(2,547)	(4,007)
Historical cost profit on ordinary activities before taxation	<u>364,393</u>	<u>414,106</u>
Historical cost (loss)/retained profit after taxation and dividends	<u>(651,152)</u>	<u>290,418</u>

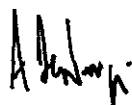
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the period ended 31 December 2001

	<i>Period ended 31 December 2001 £000</i>	<i>52 weeks ended 6 January 2001 £000</i>
Profit for the financial period	251,395	294,425
Dividends payable	(900,000)	-
Total recognised gains and losses	<u>(648,605)</u>	<u>294,425</u>
Shareholders' funds at beginning of period	1,969,316	1,674,891
Shareholders' funds at end of period	<u>1,320,711</u>	<u>1,969,316</u>

ASDA Stores Limited

BALANCE SHEET as at 31 December 2001

	Notes	31 December 2001 £000	6 January 2001 £000
FIXED ASSETS			
Tangible assets	11	1,957,921	1,693,393
Investments	12	500,100	500,100
		<u>2,458,021</u>	<u>2,193,493</u>
CURRENT ASSETS			
Stocks		528,722	483,074
Debtors	13	585,129	651,636
Cash at bank and in hand		13,452	517,476
		<u>1,127,303</u>	<u>1,652,186</u>
CREDITORS: amounts falling due within one year	14	(2,072,979)	(1,733,214)
NET CURRENT LIABILITIES		<u>(945,676)</u>	<u>(81,028)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,512,345</u>	<u>2,112,465</u>
CREDITORS: amounts falling due after more than one year	15	(820)	(1,072)
Provisions for liabilities and charges	17	(190,814)	(142,078)
		<u>1,320,711</u>	<u>1,969,315</u>
CAPITAL AND RESERVES			
Called up share capital	20	584,865	584,865
Share premium account	21	260	260
Revaluation reserve	21	111,483	111,483
Profit and loss account	21	624,103	1,272,708
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>1,320,711</u>	<u>1,969,316</u>



A De Nunzio
Director

24 October 2002

NOTES TO THE ACCOUNTS

as at 31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared on the going concern basis as the immediate holding company has agreed that it will continue to provide financial support to this company to enable it to meet its liabilities as they fall due.

The accounts are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

In accordance with FRS 1 no cash flow statement has been prepared as the company is a wholly owned subsidiary undertaking of Wal-Mart Stores Inc., which produces a consolidated cash flow statement.

Group Accounts

In accordance with FRS 2 consolidated accounts have not been prepared because the company is a wholly owned subsidiary undertaking of Asda Group Limited which is established under the law of a member state of the European Community.

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 less depreciation and amounts written off. In accordance with the transitional provisions of FRS 15 the directors have elected to freeze all future revaluations and the revalued assets have not been restated to their historical cost.

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

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

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

Deferred taxation

Full provision is made for deferred tax assets and liabilities in accordance with FRS 19.

Research and development

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

Investments

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

NOTES TO THE ACCOUNTS

as at 31 December 2001

1. ACCOUNTING POLICIES (continued)

Leased assets

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

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

The costs of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Capitalisation of interest

Interest costs relating to the financing of properties in the course of construction for trading occupation by the company or its subsidiary undertakings are capitalised gross (previously 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 colleagues in the scheme. 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 as at 31 December 2001

3. OPERATING PROFIT

This is stated after charging/(crediting):

	<i>Period ended 31 December 2001 £000</i>	<i>52 weeks ended 6 January 2001 £000</i>
Change in stocks	(45,648)	(6,836)
Other operating (income)/expenses	(27,791)	141,930
Raw materials and consumables	8,278,236	7,607,803
Staff costs	976,535	855,820
Depreciation of tangible fixed assets	133,989	121,340
Other operating charges	958,622	554,234
	<u>10,273,943</u>	<u>9,274,291</u>

WITHIN OTHER OPERATING CHARGES

OPERATING LEASE CHARGES

- land and buildings	177,830	171,503
- plant and machinery	9,104	11,169
	<u>186,934</u>	<u>182,672</u>

AMOUNTS PAID TO AUDITORS

- Audit fees	160	180
- Non-audit fees	4	4
	<u>164</u>	<u>184</u>

4. EXCEPTIONAL ITEMS

	<i>Period ended 31 December 2001 £000</i>	<i>52 weeks ended 6 January 2001 £000</i>
IT integration costs	-	9,500
	<u>-</u>	<u>9,500</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

5. DIRECTORS' EMOLUMENTS

	<i>Period ended 31 December 2001 £000</i>	<i>52 weeks ended 6 January 2001 £000</i>
Total directors' remuneration excluding pension costs	5,422	2,214
	<i>No.</i>	<i>No.</i>
Number of directors who are members of the defined benefit scheme	11	7
Number of directors who exercised share options	2	9
Number of directors entitled to receive shares under long term incentive schemes	10	8
Amounts in respect of the highest paid director are as follows:		
Total remuneration excluding pensions and gains on exercise of share options	666	558
Accumulated total accrued pension	32	29

The highest paid director exercised share options and options were granted under long term incentive plans during the year.

6. STAFF COSTS

	<i>Period ended 31 December 2001 £000</i>	<i>52 weeks ended 6 January 2001 £000</i>
Wages and salaries	900,478	790,055
Social security costs	50,393	44,456
Other pension costs	25,664	21,309
	976,535	855,820

The average weekly number of employees during the period was 100,266 (6 January 2001 - 89,981).

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2001

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Period ended 31 December 2001 £000</i>	<i>52 weeks ended 6 January 2001 £000</i>
Interest receivable from group undertakings	-	13,386
Other	800	520
	<u>800</u>	<u>13,906</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Period ended 31 December 2001 £000</i>	<i>52 weeks ended 6 January 2001 £000</i>
Interest payable from group undertakings	1,208	-
Finance lease charges	-	375
Other	134	152
	<u>1,342</u>	<u>527</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

9. TAXATION

The charge to UK corporation tax for the period arises as follows:

	<i>Period ended 31 December 2001 £</i>	<i>52 weeks ended 6 January 2001 £</i>
CURRENT TAX		
UK corporation tax on profit for the period	88,678	95,176
Adjustments in respect of prior periods	6,784	20,091
TOTAL CURRENT TAX	<u>95,462</u>	<u>115,267</u>
DEFERRED TAX		
Short term timing differences	26,867	28,512
Adjustments in respect of prior periods	(6,784)	(20,091)
TOTAL DEFERRED TAX (NOTE 18)	<u>20,083</u>	<u>8,421</u>
TAX ON PROFITS ON ORDINARY ACTIVITIES	<u>115,545</u>	<u>123,688</u>
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.		
PROFITS ON ORDINARY ACTIVITIES BEFORE TAX	<u>366,940</u>	<u>418,113</u>
PROFITS ON ORDINARY ACTIVITIES MULTIPLIED BY THE STANDARD RATE OF UK CORPORATION TAX (30%)	<u>110,082</u>	<u>125,434</u>
Effects of:		
Accelerated capital allowances and other timing differences	(26,909)	(28,512)
Non-qualifying depreciation	4,270	4,253
Exceptional items	-	(4,610)
Permanent differences	581	(647)
Other	654	(742)
Prior period adjustments	6,784	20,091
CURRENT TAX CHARGE FOR PERIOD	<u>95,642</u>	<u>115,267</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2001

10. DIVIDENDS PAYABLE

	<i>Period ended 31 December 2001</i>	<i>52 weeks ended 6 January 2001</i>
	<i>£</i>	<i>£</i>
Dividends payable	900,000	-

Dividends of £32.13 per ordinary share were paid during the period ended 31 December 2001 (52 weeks ending 6 January 2001: £nil).

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2001

11. TANGIBLE FIXED ASSETS

	<i>Freehold properties £000</i>	<i>Leasehold properties £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
COST OR VALUATION				
At the beginning of the period	864,541	314,225	868,078	2,046,844
Additions	324,309	20,838	195,300	540,447
Transfer from other group undertakings	-	11,987	-	11,987
Disposals	(51)	(902)	(24,426)	(25,379)
Transfers to other group undertakings	(124,696)	(5,829)	-	(130,525)
At end of the period	1,064,103	340,319	1,038,952	2,443,374
COST OR VALUATION AT THE END OF THE PERIOD IS REPRESENTED BY:				
Valuation	371,947	-	-	371,947
Cost	692,156	340,319	1,038,952	2,071,427
	1,064,103	340,319	1,038,952	2,443,374
DEPRECIATION				
At the beginning of the period	48,775	96,861	514,484	660,120
Charge for the year	14,348	6,129	113,512	133,989
Transfers from other group undertakings	-	383	-	383
Disposals	(2)	(329)	(14,023)	(14,354)
Transfers to other group undertakings	(7,248)	(733)	-	(7,981)
At end of the period	55,873	102,311	613,973	772,157
Net book value at end of the period	1,008,230	238,007	424,979	1,671,217
Assets under construction (6 January 2001 - £306,669)				286,704
NET BOOK AMOUNTS AT END OF THE PERIOD				1,957,921
Net book amounts at beginning of the period	815,766	217,364	353,594	1,386,724
Assets under construction at beginning of the period				306,669
NET BOOK AMOUNTS AT BEGINNING OF THE PERIOD				1,693,393

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

11. TANGIBLE FIXED ASSETS (continued)

Food retailing properties were revalued at 1 June 1999 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 Institute 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.

In accordance with the transitional provisions of FRS 15, the directors have elected to freeze all future revaluations and the revalued assets have not been restated to their historical cost.

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

	31 December 2001 £000	6 January 2001 £000
Freehold properties	260,902	260,902

The net book amount of plant, machinery, equipment and vehicles includes £33,000 (6 January 2001 - £243,000) in respect of leased assets after charging depreciation of £91,000 (6 January 2001 - £374,000).

The net book amount of leasehold property includes:

	31 December 2001 £000	6 January 2001 £000
Leases with 50 years or more unexpired	194,072	169,850
Leases with less than 50 years unexpired	43,935	47,514
	238,007	217,364

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2001

12. FIXED ASSET INVESTMENTS

	£000
Cost at 31 December 2001 and 6 January 2001	500,140
Amounts provided at 31 December 2001 and 6 January 2001	(40)
Net book value at 31 December 2001 and 6 January 2001	500,100

The principal subsidiary undertaking which is wholly owned is Corinth Services Limited which is registered in England and Wales. 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.

In April 2001 Indigosquare made an offer to purchase the 14% shareholding in Shopsmart Limited held by ASDA. This investment was held on the balance sheet at nil value. The offer resulted in a cash consideration of £0.2m.

13. DEBTORS

Amounts falling due within one year:

	31 December 2001 £000	6 January 2001 £000
Amounts owed by group undertakings	548,139	610,424
Other debtors	27,733	24,423
Prepayments and accrued income	9,257	16,789
	585,129	651,636

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

14. CREDITORS: amounts falling due within one year

	31 December 2001 £000	6 January 2001 £000
Bank overdraft	57,851	521,138
Obligations under finance leases (note 16)	247	914
Trade creditors	1,049,745	808,028
Amounts owed to group undertakings	529,190	16,395
Amounts owed to ultimate parent company	1,940	2,117
Taxation	175,944	123,881
Social security	14,360	8,884
Other creditors	90,696	92,364
Accruals	153,006	159,493
	<u>2,072,979</u>	<u>1,733,214</u>

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

	31 December 2001 £000	6 January 2001 £000
Obligations under finance leases (note 16)	820	1,072
	<u>820</u>	<u>1,072</u>

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	31 December 2001 £000	6 January 2001 £000
Amounts payable:		
Within one year	247	914
Within two to five years	820	1,072
	<u>1,067</u>	<u>1,986</u>

17. PROVISION FOR LIABILITIES AND CHARGES

	31 December 2001 £000	6 January 2001 £000
Deferred taxation (note 18)	92,642	72,559
Provisions (note 19)	98,172	69,519
	<u>190,814</u>	<u>142,078</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2001

18. DEFERRED TAXATION

	31 December 2001 £000	6 January 2001 £000
AMOUNT PROVIDED		
Accelerated capital allowances	109,234	88,107
Short term timing differences	(16,592)	(15,548)
	<u>92,642</u>	<u>72,559</u>
		<i>Total</i> £000

MOVEMENT IN DEFERRED TAX PROVISION

At beginning of the period	72,559
Provision charged through the profit and loss account attributable to operating profit (note 9)	20,083
At end of the period	<u>92,642</u>

Deferred tax has been provided at 30%.

No provision has been made for deferred tax on potential capital gains which would arise as a consequence of the disposal of properties at revalued amounts as any capital gain should be covered by indexation allowance, rollover relief or capital losses. The Company considers it impractical to quantify the amount of tax which would arise if rollover relief was not available.

Corporation tax of £24.3m was deferred as a consequence of rollover relief claims made in respect of the disposal of certain fixed assets in prior periods.

19. PROVISIONS

	Share contribution provision £000	Provision for onerous lease contracts £000	Total £000
At the beginning of the period	61,340	8,179	69,519
Utilised during the period	(9,964)	(1,291)	(11,255)
Provided during the period	39,908	-	39,908
At end of the period	<u>91,284</u>	<u>6,888</u>	<u>98,172</u>

The onerous lease provision represents provisions for lease obligations arising from discontinued activities. The share contribution provision represents the provision required to fund the economic cost of the ASDA share schemes.

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2001

20. CALLED UP SHARE CAPITAL

Authorised

At 31 December 2001 and 6 January 2001

	<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 31 December 2001 and 6 January 2001

	<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 2009.

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 beginning of the period	260	111,483	1,272,708	1,384,451
Loss for the period	-	-	(648,605)	(648,605)
At end of the period	<u>260</u>	<u>111,483</u>	<u>624,103</u>	<u>735,846</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

22. FINANCIAL COMMITMENTS

The directors have authorised future capital expenditure which amounts to:

	31 December 2001 £000	6 January 2001 £000
Contracted	8,064	10,138

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

	31 December 2001 £000	6 January 2001 £000
Amounts payable: After more than five years	49,183	45,722

23. PENSIONS

ASDA Group Ltd, the ultimate parent undertaking, operates a final salary scheme open to all full time and part time salaried colleagues and a money purchase plan open to all hourly paid colleagues. The assets of these schemes are held separate from the Group's assets.

The pension cost relating to the final salary scheme is assessed in accordance with the advice of an independent qualified actuary who conducted a triennial valuation as at 5 April 2001 using the projected unit method.

The key actuarial assumptions are that: the investment return pre-retirement will be 6.8% per annum; the investment return post-retirement will be 4.8% per annum; pension increases will be 2.3% per annum; and salary increases will be 3.8% per annum. At 5 April 2001, the market value of the scheme's assets was £385.3 million and this represented 93% of the benefits that had accrued to members, after allowing for expected future increases in salaries. To derive the pension cost, the deficit is being spread as a percentage of salaries over the future working lifetime of the existing members.

Full details of the scheme are set out in the accounts of Asda Group Limited.

FRS 17 Retirement benefits

The Company participates in the Asda Group Pension Scheme and pension cost for the year has been accounted for on the basis of contributions paid to the scheme, amounting to £31.03m.

The Asda Group Pension Scheme is a defined benefit scheme, but is operated at a group level and the Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2001

The main assumptions to calculate the Group schemes' liabilities under FRS17 are as follows;

	UK scheme % per annum
Discount rates for liabilities	5.8
Future salary growth	3.9
Future price inflation	2.4
Future pension growth	2.4

The assets and liabilities in the Group scheme as at 31 December 2001 were:

	Rate of Return %	Value £m
Equities	7.25	345.5
Gilts/other	5.0	39.9
		<hr/>
Market value of assets		385.4
Scheme liabilities		(454.7)
		<hr/>
Scheme Deficit		(69.3)
Deferred tax asset		20.8
		<hr/>
Net pension liability		(48.5)
		<hr/>

Over the year the Company contributed at the rate of 16.6% of pensionable salaries for management employees and 24.4% of pensionable salary for executive employees. These contribution rates are set at a group level, allowing for independent actuarial advice. The most recent assessment of the contribution rate required took place at 5 April 2001. This indicated that a deficit of £28.2m existed in the Scheme at that date and that contributions at the above rate would be required until 31 December 2008 to remove the deficit, at which point contributions are expected to reduce to 13.3% of pensionable salaries for management employees and 19.6% of pensionable salaries for executive employees. The contribution rates are next due for review at 5 April 2004.

The Company also participates in the Asda Pension Plan which is a defined contribution scheme.

24. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of ASDA Group Limited and is therefore exempt from disclosing transactions with other group companies. There were no other related party transactions in the year.

NOTES TO THE ACCOUNTS

as at 31 December 2001

25. PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is ASDA Group Limited, a company incorporated in England and Wales.

In the directors' opinion, the ultimate parent undertaking and controlling party is Wal-Mart Stores, Inc. which is incorporated in the USA. Copies of its consolidated accounts, which include this company, can be obtained from Company Secretary, Wal-Mart Stores, Inc., Corporate Offices, 702 SW 8th Street, Bentonville, AR72716, USA.