

ASDA STORES LIMITED

Report and Financial Statements

31 December 2004

 ERNST & YOUNG



ASDA Stores Limited

Registered No. 464777

DIRECTORS

A Bond
J J McKenna
D Smith
A Spindler
D Downie
J Longworth
T Page (Appointed 1st January 2005)
A De Nunzio (Resigned 1st April 2005)
M Blundell (Resigned 1st November 2004)
D Cheesewright (Resigned 1st October 2004)
S Clark (Resigned 1st November 2004)
H G Bowles (Resigned 1st November 2004)

SECRETARY

J Longworth

AUDITORS

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

REGISTERED OFFICE

Asda House
Southbank
Great Wilson Street
Leeds
LS11 5AD

BANKERS

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

ASDA Stores Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company are the operation of food, clothing, home and leisure superstores throughout Great Britain. The directors are optimistic that the business will continue to grow in the foreseeable future.

PROFIT AND DIVIDENDS

The company's profit, after taxation, for the financial year, as set out on page 6, amounted to £205,886,000 (31 December 2003: £259,818,000). The directors do not recommend the payment of a dividend (31 December 2003: £680,000,000 - £24.28 per share).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, at the year-end 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 year amounted to £559,996 (31 December 2003: £560,278). There were no political donations made during the year (31 December 2003: £nil).

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 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, Smart Price, Extra Special and George labels.

TRADING TERMS

The company deals with over sixteen 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.

DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever possible to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the group has been continued through briefings on the Asda internal website. Employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees benefit directly in the success of the business through participation in the share option schemes.

AUDITORS

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

On behalf of the board,

J J McKenna
Director
18th July 2005

ASDA Stores Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year 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 financial statements, 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 financial statements; and
- prepare the financial statements 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 financial statements 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 year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Reconciliation of Shareholders' Funds, Balance Sheet and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Leeds

18 July 2005

ASDA Stores Limited

PROFIT & LOSS ACCOUNT

for the year ended 31 December 2004

		<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
	<i>Notes</i>		
SALES		15,153,771	14,204,590
Value added tax		(1,119,781)	(1,107,000)
TURNOVER	2	14,033,990	13,097,590
Operating costs	3	(13,718,916)	(12,759,423)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		315,074	338,167
Investment income	6	-	2,114
Interest receivable and similar income	7	39,294	10,987
Interest payable and similar charges	8	(80,475)	(23,158)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		273,893	328,110
Taxation	9	(68,007)	(68,292)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		205,886	259,818
Dividends	10	-	(680,000)
RETAINED PROFIT/ (LOSS) FOR THE FINANCIAL YEAR		205,886	(420,182)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2004

There are no other recognised gains and losses arising in the year other than the profit for the year ended 31 December 2004 of £205,886,000 (31 December 2003: loss of £420,182,000).

ASDA Stores Limited

RECONCILIATION OF SHAREHOLDERS' FUNDS

for the year ended 31 December 2004

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Profit for the financial year	205,886	259,818
Dividends payable	-	(680,000)
Total recognised gains and losses	205,886	(420,182)
Shareholders' funds at beginning of year	1,324,883	1,745,065
Shareholders' funds at end of year	1,530,769	1,324,883

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2004

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Reported profit on ordinary activities before taxation	273,893	328,110
Adjustment of depreciation to historical cost basis	(2,337)	(2,742)
Historical cost profit on ordinary activities before taxation	271,556	325,368
Historical cost retained profit/ (loss) after taxation and dividends	203,549	(422,924)

ASDA Stores Limited

BALANCE SHEET

as at 31 December 2004

		31 December 2004 £000	31 December 2003 £000
	Notes		
FIXED ASSETS			
Tangible assets	11	3,293,046	2,610,635
Investments	12	500,100	500,100
		<u>3,793,146</u>	<u>3,110,735</u>
CURRENT ASSETS			
Stocks	13	681,120	594,012
Debtors	14	1,194,304	1,158,747
Cash at bank and in hand		134,636	131,951
		<u>2,010,060</u>	<u>1,884,710</u>
CREDITORS: amounts falling due within one year	15	(4,057,487)	(3,466,983)
NET CURRENT LIABILITIES		<u>(2,047,427)</u>	<u>(1,582,273)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,745,719</u>	<u>1,528,462</u>
CREDITORS: amounts falling due after more than one year			
Other creditors	16	-	(186)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(214,950)	(203,393)
TOTAL NET ASSETS		<u>1,530,769</u>	<u>1,324,883</u>
CAPITAL AND RESERVES			
Called up share capital	21	584,865	584,865
Share premium account	22	260	260
Revaluation reserve	22	111,483	111,483
Profit and loss account	22	834,161	628,275
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>1,530,769</u>	<u>1,324,883</u>

ERNST & YOUNG


J J McKenna
Director
18th July 2005

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

1. ACCOUNTING POLICIES

ACCOUNTING BASIS

The financial statements 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 financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards. The transitional provisions of FRS15 have been followed and accordingly prior year valuations of land and buildings have not been updated.

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 FINANCIAL STATEMENTS

The company is a wholly owned subsidiary of Asda Group Limited, a company incorporated in England and Wales. Accordingly, consolidated financial statements have been prepared as permitted by section 228 of the Companies Act 1985.

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

There is no depreciation charged on freehold land. The carrying values of tangible fixed assets are periodically reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

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.

STOCKS

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

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

1. ACCOUNTING POLICIES (CONTINUED)

DEFERRED TAXATION (CONTINUED)

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

PENSIONS

The group operates a defined benefit pension scheme, which requires contributions to be made to separately administered funds. Contributions to these funds are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

The group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

INVESTMENTS

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

RESEARCH AND DEVELOPMENT

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

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.

RESTATEMENT OF COMPARATIVES

Note 9 taxation and note 19 on deferred taxation have been reclassified to give a fairer presentation of the 2003 tax reconciliation and deferred tax provision. The notes include more detailed analysis on the tax impact of pensions.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

2. ANALYSIS OF TURNOVER

Turnover comprises the value of sales excluding value added tax.

Turnover, which is attributable to continuing activities, comprises the value of sales excluding value added tax.

Turnover is derived from the principal operations in the United Kingdom.

3. OPERATING COSTS

This is stated after charging/ (crediting):

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Change in stocks	(87,108)	496
Other operating income	(82,243)	(233,134)
Raw materials and consumables	10,912,520	10,287,323
Staff costs	1,555,462	1,420,988
Depreciation of tangible fixed assets	185,711	178,349
Loss / (Profit) on sale of tangible fixed assets	10,080	(2,853)
Other operating charges	1,224,494	1,108,254
	<u>13,718,916</u>	<u>12,759,423</u>

OTHER OPERATING CHARGES

OPERATING LEASE CHARGES

- land and buildings	61,309	62,000
- plant and machinery	55,186	54,929
	<u>116,495</u>	<u>116,929</u>

AMOUNTS PAID TO AUDITORS

- Audit fees	179	157
- Non-audit fees	8	5
	<u>187</u>	<u>162</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2004

4. DIRECTORS' EMOLUMENTS

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Total directors' remuneration excluding pension costs	5,213	4,941
	<i>No.</i>	<i>No.</i>
Number of directors who are members of the defined benefit scheme	12	12
Number of directors who exercised share options	7	7
Number of directors entitled to receive shares under long term incentive schemes	5	8
Amounts in respect of the highest paid director are as follows:		
Total remuneration excluding pensions	915	871
Accumulated total accrued pension entitlement	77	36

The highest paid director exercised share options during the year and did not receive or become entitled to any shares from qualifying services under a long term incentive scheme. The remuneration of the directors listed below were in respect of their services to the Broadstreet Great Wilson Europe Group as a whole: A Bond; J J McKenna; D Smith; A Spindler; D Downie; J Longworth; T Page; A De Nunzio; M Blundell; D Cheesewright; S Clark and H G Bowles. It is not possible to allocate their remuneration to the companies within the group.

5. STAFF COSTS

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Wages and salaries	1,419,974	1,300,648
Social security costs	90,282	79,643
Other pension costs	45,206	40,697
	1,555,462	1,420,988

The average number of employees during the year was 143,125 (31 December 2003: 134,068).

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2004

6. INVESTMENT INCOME

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Dividends receivable from Group undertakings	-	2,114

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Bank interest receivable	718	9,535
Interest receivable from Group undertakings	38,576	1,452
	<u>39,294</u>	<u>10,987</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Bank interest payable	729	-
Interest payable to Group undertakings	79,746	23,158
	<u>80,475</u>	<u>23,158</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2004

9 TAXATION

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

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
CURRENT TAX		
UK corporation tax on profit for the year	40,821	45,385
Adjustments in respect of prior periods	(544)	(14,083)
TOTAL CURRENT TAX	<u>40,277</u>	<u>31,302</u>
DEFERRED TAX		
Origination and reversal of timing differences	28,367	29,082
Adjustments in respect of prior periods	(637)	7,908
TOTAL DEFERRED TAX (NOTE 19)	<u>27,730</u>	<u>36,990</u>
TAX CHARGE ON PROFITS ON ORDINARY ACTIVITIES	<u>68,007</u>	<u>68,292</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) (2003: 30%).
The differences are explained below.

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 As restated £000</i>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	<u>273,893</u>	<u>328,110</u>
PROFIT ON ORDINARY ACTIVITIES MULTIPLIED BY THE STANDARD RATE OF UK CORPORATION TAX (30%) (2003:30%)	<u>82,168</u>	<u>98,433</u>
Effects of:		
Accelerated capital allowances and other timing differences	(34,867)	(38,382)
Pension contributions in excess of pension charge	6,500	9,300
Non-qualifying depreciation	1,873	2,745
Permanent differences	(2,903)	(2,054)
Stock option provision release	(1,958)	3,018
Non taxable income	-	(13,800)
Tax interest	-	(1,847)
Losses surrendered from parent company for nil consideration	(10,866)	(11,466)
Prior period adjustments	(544)	(14,083)
Other	874	(562)
CURRENT TAX CHARGE FOR YEAR	<u>40,277</u>	<u>31,302</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2004

10. DIVIDENDS

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Dividends paid - £nil (2003: £24.28 per ordinary share)	-	680,000

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2004

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 1 January 2004	1,544,951	360,975	1,363,326	3,269,252
Additions	597,705	4,953	244,617	847,275
Disposals	(12,086)	(705)	(80,090)	(92,881)
Transfers to other group undertakings	(124,617)	5,761	-	(118,856)
At 31 December 2004	2,005,953	370,984	1,527,853	3,904,790
COST OR VALUATION AT THE END OF THE YEAR IS REPRESENTED BY:				
Valuation	371,947	-	-	371,947
Cost	1,634,006	370,984	1,527,853	3,532,843
	2,005,953	370,984	1,527,853	3,904,790
DEPRECIATION				
At 1 January 2004	95,406	109,751	820,796	1,025,953
Charge for the year	27,531	10,783	147,397	185,711
Disposals	(5,428)	(470)	(63,944)	(69,842)
Transfers to other group undertakings	(1,811)	1,196	-	(615)
At 31 December 2004	115,698	121,260	904,249	1,141,207
Net book amounts at 31 December 2004	1,890,255	249,724	623,604	2,763,583
Assets under construction				529,463
NET BOOK VALUE AT 31 DECEMBER 2004				3,293,046
Net book amounts at 31 December 2003	1,449,545	251,224	542,530	2,243,299
Assets under construction at 31 December 2003				367,336
NET BOOK VALUE AT 31 DECEMBER 2003				2,610,635

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

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:

	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Freehold properties	260,902	260,902

The net book amount of leasehold property includes:

	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Leases with 50 years or more unexpired	201,030	201,542
Leases with less than 50 years unexpired	48,695	49,682
	249,725	251,224

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2004

12. FIXED ASSET INVESTMENTS

	£000
Cost at 1 January 2004 and 31 December 2004	500,140
Amounts provided at 1 January 2004 and 31 December 2004	(40)
Net book value at 1 January 2004 and 31 December 2004	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 are not less than the balance sheet amount.

13. STOCKS

	31 December 2004 £000	31 December 2003 £000
Goods held for resale	680,631	592,859
Goods not held for resale	489	1,153
	681,120	594,012

14. DEBTORS

Amounts falling due within one year:

	31 December 2004 £000	31 December 2003 £000
Amounts owed by group undertakings	1,044,013	1,031,119
Other debtors	69,714	54,938
Prepayments and accrued income	42,240	37,499
Taxation	38,337	35,191
	1,194,304	1,158,747

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

15. CREDITORS: amounts falling due within one year

	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Obligations under finance leases (note 17)	227	306
Trade creditors	1,399,289	1,553,744
Amounts owed to group undertakings	2,323,057	1,527,361
Amounts owed to ultimate parent company	6,142	17,438
Other taxes and social security	26,805	23,943
Other creditors	97,313	73,895
Accruals	204,654	270,296
	<u>4,057,487</u>	<u>3,466,983</u>

16. OTHER CREDITORS

	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Obligations under finance leases (note 17)	-	186
	<u>-</u>	<u>186</u>

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
Within one year (note 15)	227	306
Within two to five years (note 16)	-	186
	<u>227</u>	<u>492</u>

18. PROVISION FOR LIABILITIES AND CHARGES

	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Deferred taxation (note 19)	185,145	157,415
Provisions (note 20)	29,805	45,978
	<u>214,950</u>	<u>203,393</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

19. DEFERRED TAXATION

	31 December 2004	31 December 2003
	£000	As restated £000
AMOUNT PROVIDED		
Accelerated capital allowances	186,280	160,952
Pension costs	15,800	7,500
Origination and reversal of timing differences	(16,935)	(11,037)
	<u>185,145</u>	<u>157,415</u>
		<i>Total</i> £000

MOVEMENT IN DEFERRED TAX PROVISION

At January 2004	157,415
Provision charged through the profit and loss account (note 9)	27,730
At 31 December 2004	<u>185,145</u>

Deferred tax has been provided at 30% (2003: 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.

20. PROVISIONS

	Share contribution provision £000	Provision for onerous lease contracts £000	Total £000
At 1 January 2004	40,700	5,278	45,978
Utilised during the year	(14,876)	(1,297)	(16,173)
At 31 December 2004	<u>25,824</u>	<u>3,981</u>	<u>29,805</u>

The share contribution provision represents the provision required to fund the economic cost of the ASDA share schemes which were established to allow colleagues to own shares in the ultimate parent company. The onerous lease provision represents provisions for lease obligations arising from discontinued activities.

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2004

21. CALLED UP SHARE CAPITAL

Authorised

At 31 December 2004 and 31 December 2003

	<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 2004 and 31 December 2003

	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	28,008,978	28,009
Redeemable ordinary shares of £1 each	556,856,118	556,856
	<u>584,865,096</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.

22. RESERVES

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Revaluation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2004	584,865	260	111,483	628,275	1,324,883
Profit for the year	-	-	-	205,886	205,886
At 31 December 2004	<u>584,865</u>	<u>260</u>	<u>111,483</u>	<u>834,161</u>	<u>1,530,769</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

23. FINANCIAL COMMITMENTS

	31 December 2004	31 December 2003
	£m	£m
a) Company capital commitments		
Contracted for but not provided in the financial statements	36	107

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

	31 December 2004	31 December 2003
	£000	£000
Amounts payable:		
Within one year	795	1,735
Between two and five years	2,061	2,178
After five years	48,147	42,958
	51,003	46,871

24. PENSIONS

ASDA group operates a defined benefit pension scheme open to all full time and part time salaried colleagues and a defined contribution plan open to all hourly paid colleagues. These schemes provide a pension in addition to the basic state pension together with other benefits such as life assurance. There is also an unfunded final salary arrangement for salaried colleagues whose salary is in excess of the earnings cap.

The assets of the defined contribution plan are invested with the Prudential Life Assurance Company whilst the assets of the defined benefit pension scheme are placed by the trustees under the management of professional fund managers. The assets of these schemes are held separate from the group's assets.

The trustees of these schemes have been selected to represent the wide range of members and consist of eight colleagues (nine for the defined contribution plan) performing a range of roles in stores, depots and ASDA House. In addition there is one pensioner trustee and a professional independent trustee.

The pension cost relating to the defined benefit pension scheme is assessed in accordance with the advice of an independent qualified actuary who conducted a triennial valuation as at 5 April 2004 using the projected unit method.

The key actuarial assumptions relating to the defined benefit scheme are that: the investment return pre-retirement will be 7.29% per annum; the investment return post-retirement will be 4.89% per annum; pension increases will be 3% per annum; and salary increases will be 4.5% per annum. At 5 April 2004, the market value of the scheme's assets was £495.9 million and this represented 76% of the benefits that had accrued to members, after allowing for expected future increases in salaries. In order to address the deficit the directors have agreed to continue to monitor the deficit on an ongoing basis and make additional contributions to eliminate the deficit when appropriate. To derive the pension cost, the deficit is being spread as a percentage of salaries over the future working lifetime of the existing members.

The pension cost of the unfunded arrangement is assessed in accordance with the advice of an independent qualified actuary.

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2004

24. PENSIONS (CONTINUED)

FRS17 Retirement Benefits

The Group operates a defined benefit pension scheme in the UK. A full actuarial valuation was carried out at 5 April 2004 and updated to 31 December 2004 by a qualified independent actuary.

Under the transitional arrangements of FRS 17, the company is required to disclose the following information about the defined benefit pension scheme and the figures that would have been shown under FRS17 in the financial statements.

FRS17 gives the present value of the schemes assets and liabilities by discounting pension commitments, including salary growth, at an AA corporate bond yield.

The FRS17 value of liabilities, including those that are unfunded at 31 December 2004 is £803.6m (31 December 2003: £690m) and the market value of assets is £598.6m (31 December 2003: £473.8m) giving a pension scheme deficit of £205.0m (31 December 2003: £216.2m).

In calculating the liabilities of the defined benefit pension scheme the following assumptions have been used:

31 DECEMBER 2004

UK SCHEME % PER ANNUM

Discount rates for liabilities	5.30
Future salary growth	4.30
Future price inflation	2.80
Future pension growth	2.80

The assets and liabilities in the scheme as at 31 December 2004 were:

	Rate of Return %	Value £m
Equities	7.5	521.5
Bonds	4.9	67.3
Gilts and other	7.0	9.8
		<hr/>
Market value of assets		598.6
Present value of scheme liabilities		(803.6)
		<hr/>
Pension liability before deferred tax		(205.0)
Deferred tax asset		61.5
		<hr/>
Net pension liability		(143.5)
		<hr/>

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2004

24. PENSIONS (CONTINUED)

31 DECEMBER 2003

UK SCHEME % PER ANNUM

Discount rates for liabilities	5.40
Future salary growth	4.30
Future price inflation	2.80
Future pension growth	2.80

The assets and liabilities in the scheme as at 31 December 2003 were:

	<i>Rate of Return %</i>	<i>Value £m</i>
Equities	7.3	414.7
Bonds	5.1	51.0
Gilts and other	7.3	8.1
Market value of assets		473.8
Present value of scheme liabilities		(690.0)
Pension liability before deferred tax		(216.2)
Deferred tax asset		64.9
Net pension liability		(151.3)

31 DECEMBER 2002

UK SCHEME % PER ANNUM

Discount rates for liabilities	5.50
Future salary growth	3.85
Future price inflation	2.35
Future pension growth	2.35

The assets and liabilities in the scheme as at 31 December 2002 were:

	<i>Rate of Return %</i>	<i>Value £m</i>
Equities	7.0	304.8
Bonds	5.0	47.0
Gilts and others	7.0	8.1
Market value of assets		359.9
Present value of scheme liabilities		(534.0)
Pension liability before deferred tax		(174.1)
Deferred tax asset		52.2
Net pension liability		(121.9)

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

24. PENSIONS (CONTINUED)

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss account at 31 December 2004 and 31 December 2003 would have been as follows:

	31 December 2004	31 December 2003
	£m	£m
Net assets excluding pension liability	1,530.8	1,324.9
Reversal of SSAP24 prepayment	(50.8)	(28.5)
Deferred tax in relation to SSAP 24	15.2	8.6
FRS 17 pension liability net of deferred tax	(143.5)	(151.3)
Net assets including pension liability	1,351.7	1,153.7
Profit and loss account excluding pension liability	834.2	628.3
Reversal of SSAP24 prepayment	(50.8)	(28.5)
Deferred tax in relation to SSAP 24	15.2	8.6
FRS 17 pension liability net of deferred tax	(143.5)	(151.3)
Profit and loss account including pension liability	655.1	(457.1)
		£m
Movement in deficit during the year 2004:		
Deficit in scheme at 1 January 2004		(216.2)
Movement in year:		
Current service costs		(39.6)
Contributions		64.8
Net return on assets		(2.5)
Actuarial loss		(11.5)
Deficit in scheme at 31 December 2004		(205.0)
		£m
Movement in deficit during the year 2003:		
Deficit in scheme at 1 January 2003		(174.1)
Movement in year:		
Current service costs		(29.4)
Contribution		31.7
Net return on assets		(4.9)
Actuarial loss		(39.5)
Deficit in scheme at 31 December 2003		(216.2)

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

23. PENSIONS (continued)

	£m
Movement in deficit during the year 2002:	
Deficit in scheme at 1 January 2002	(69.3)
Movement in year:	
Current service costs	(26.5)
Contributions	52.7
Net return on assets	1.7
Actuarial loss	(132.7)
	<hr/>
Deficit in scheme at 31 December 2002	(174.1)
	<hr/>

The following amounts would have been recognised in the accounts in the year ended 31 December 2004 under the requirements of FRS17:

	31 December 2004 £m
PROFIT AND LOSS ACCOUNT	
Amounts charged to operating profit:	
Service cost	39.6
	<hr/>
Amounts charged/ (credited) to other finance income:	
Expected return on pension plan assets	35.9
Interest on pension plan liabilities	(38.4)
	<hr/>
Net return	(2.5)
	<hr/>
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES:	
Actual return less expected return on assets	21.2
Experience gains and losses on liabilities	(2.3)
Changes in assumptions	(30.4)
	<hr/>
Actuarial loss recognised in Statement of total recognised gains and losses	(11.5)
	<hr/>

Details of experience gains and losses for the year ended 31 December 2002:

Difference between actual and expected return on scheme assets	
Amount (£m)	21.2
Percentage of scheme assets	4%
Experience gains and losses on scheme liabilities	
Amount (£m)	(2.3)
Percentage of scheme liabilities	0%
Total amount recognised in statement of total recognised gains and losses	
Amount (£m)	(11.5)
Percentage of scheme liabilities	(1%)

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

23. PENSIONS (continued)

The following amounts would have been recognised in the financial statements in the year ended 31 December 2003 under the requirements of FRS17:

	<i>31 December 2003 £m</i>
PROFIT AND LOSS ACCOUNT	
Amounts charged to operating profit:	
Service cost	29.4
	<hr/>
Amounts charged/ (credited) to other finance income:	
Expected return on pension plan assets	25.4
Interest on pension plan liabilities	(30.3)
	<hr/>
Net return	(4.9)
	<hr/>
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES:	
Actual return less expected return on assets	53.4
Changes in assumptions	(92.9)
	<hr/>
Actuarial loss recognised in Statement of total recognised gains and losses	(39.5)
	<hr/>
Details of experience gains and losses for the year ended 31 December 2003:	
Difference between actual and expected return on scheme assets	
Amount (£m)	53.4
Percentage of scheme assets	11%
Total amount recognised in statement of total recognised gains and losses	
Amount (£m)	(39.5)
Percentage of scheme liabilities	(6%)

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

23. PENSIONS (continued)

The following amounts would have been recognised in the financial statements in the year ended 31 December 2002 under the requirements of FRS17:

	<i>31 December 2002 £m</i>
PROFIT AND LOSS ACCOUNT	
Amounts charged to operating profit:	
Service cost	26.5
	<hr/>
Amounts charged/ (credited) to other finance income:	
Expected return on pension plan assets	28.9
Interest on pension plan liabilities	(27.2)
	<hr/>
Net return	1.7
	<hr/>
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES:	
Actual return less expected return on assets	(107.8)
Changes in assumptions	(24.9)
	<hr/>
Actuarial loss recognised in Statement of total recognised gains and losses	(132.7)
	<hr/>
Details of experience gains and losses for the year ended 31 December 2003:	
Difference between actual and expected return on scheme assets	
Amount (£m)	(107.8)
Percentage of scheme assets	(30%)
	<hr/>
Total amount recognised in statement of total recognised gains and losses	
Amount (£m)	(133.0)
Percentage of scheme liabilities	(25%)

The group operates a defined contribution and a defined benefit pension scheme. The assets of the schemes are held separately from those of the group in an independently administered fund. The unpaid contributions outstanding at the year end, included in other creditors are £0.5m (2003: £0.2m) for the defined contribution scheme. The charge for the year for the defined contribution scheme is £10.5m (2003: £9.0m). The charge for the defined benefit scheme is £34.7m (2003: £31.7m).

25. RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemption in FRS 8 from disclosing transactions with entities where 90% or more of their voting rights are controlled within the Wal-Mart Store group of companies or with investees of the group.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

26. PARENT UNDERTAKING AND CONTROLLING PARTY

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

The smallest group at which consolidated financial statements are prepared is Asda Group Limited. Copies of these financial statements are available from Companies House, Crown Way, Cardiff, CF4 3UZ.

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 financial statements, which include this company, can be obtained from the Company Secretary, Wal-Mart Stores, Inc., Corporate Offices, 702 SW 8th Street, Bentonville, AR72716, USA.