ASDA STORES LIMITED

Reports and Financial Statements
31 December 2015

Registered Number: 464777

DIRECTORS

A Clarke	
S Clarke	Appointed 11 July 2016
M Ibbotson	Resigned 27 February 2015
AJ Moore	
A Murray	Appointed 18 April 2016
A Russo	
S Smith	Resigned 29 April 2015
H Tatum	
BPI Williams	Resigned 8 February 2016

SECRETARY
A Simpson

AUDITORS
Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

REGISTERED OFFICE
ASDA House
Southbank
Great Wilson Street
Leeds
LS11 5AD
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REGISTRARS
Lloyds TSB Registrars
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B30 3EP

BANKERS
National Westminster Bank plc
Leeds City Office
8 Park Row
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STRATEGIC REPORT

The directors present their Strategic Report and financial statements for the year ended 31 December 2015.

Principal activities

The principal activity of ASDA Stores Limited (referred to as "the Company") is the retail of food, clothing, general merchandise, fuel and services throughout the United Kingdom and online. The next smallest group at which consolidated financial statements are prepared is ASDA Group Limited (referred to as "the Group" and / or "ASDA").

Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

The Company has transitioned from previously extant UK Generally Accepted Accounting Practice (UK GAAP) to Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) for all periods presented.

Reconciliation of equity from UK GAAP to FRS 101 as at 1 January 2014 and 31 December 2014 and profit for the year ended 31 December 2014 is shown in note 27.

Results and dividends

Turnover decreased by 4.7% to £22.1bn (2014: £23.2bn). Profit before tax for the year increased to £633.3m (2014: £601.8m) and operating profit increased by 1.7% to £545.0m (2014: £535.7m). Underlying operating profit decreased by 5.5%. Underlying operating profit is defined as operating profit after removing the share options credit (note 5) of £9.1m (2014: £46.8m expense) and technical assistance, services and royalties paid to Wal-Mart Stores, Inc of £183.0m (2014: £178.4m).

Profit after tax is £512.0m (2014: £471.1m).

A final dividend of £205.0m (2014: £200.0m) was paid during the year.

Events since the balance sheet date

On the 14th of January 2016, the Company paid a dividend of £300.0m to its immediate parent undertaking, ASDA Group Limited.

Amounts recharged by ultimate parent company

The Company incurs recharges from the ultimate parent company, Wal-Mart Stores, Inc. These recharges relate to the cost of share options, the cost of services received (mainly relating to IT), and royalties. The share options granted to colleagues by ASDA are in the ultimate parent company. The accounting treatment of these share options is outlined in notes 1 and 21.

KPIs

- Total sales excluding fuel and VAT decreased by 4.4% (total sales including fuel and excluding VAT decreased by 4.7%)
- Underlying operating profit decreased by 5.5%
- Market share down 0.5%, to 16.6% (source: Kantar 52 weeks to 3 January 2016).
- Net cash outflow in the year of £53.4m
- Net intercommunity receivables have increased by £260.2m

STRATEGIC REPORT (CONTINUED)

Operational headlines

- The external environment continued to be challenging with slowing wage growth and inflation rises in the last three months of the year. Despite this, year on year customers had more money in their pockets as a result of a strengthening pound, employment growth and falls in commodity prices. The ASDA income tracker for December 2015 showed that customers had £194 of weekly discretionary income, up by £13 a week on December 2014. However, the grocery market has experienced only minimal growth due to exceptional levels of price deflation caused by ever increasing competitive conditions.

- We continued to focus on price for our customers, maintaining our price leadership over our supermarket peers and continuing our pledge to invest £1billion into price over five years. Further investment was made into rolling back the price of hundreds of household favourites including fruit, vegetables, eggs, meat and fish in the year. Furthermore in June 2015, ASDA won The Grocer Magazine's G33 price award for Britain's cheapest supermarket for an eighteenth consecutive year.

- Maintaining a low operating cost structure is a fundamental part of our drive to reduce costs in our business and invest this in prices for our customers. The ASDA "Low Cost Operating Model" has continued to improve operating efficiency and deliver productivity savings across stores, home shopping, distribution centres and home offices. However, the impact of this has been significantly reduced in the year due to external fixed cost inflationary increases, especially in the areas of property, rates and utilities. International Procurement & Logistics Limited ("IPL"), a wholly owned subsidiary of ASDA has continued to deliver savings and increased profits during 2015 IPL has continued to source fresh produce, wine, chilled products, flowers and plants directly from growers and manufacturers for ASDA, but has also expanded in the year into the procurement of ambient produce for ASDA and other Wal-Mart businesses globally.

- Quality has remained a key area of our focus and through continued investment in our fresh food ranges we were successful in winning top awards for fourteen different products at the Quality food awards 2015. Following the launch of George Home last year, the George Brand has gone from strength to strength with continued sales and profit growth in 2015.

- Online operations continue to be a key focus. Click and collect expansion has continued in the year with new customer collection points at London underground stations. Furthermore, the launch of our 'to you' parcel service in the year will enhance George.com click and collect operations and drive customer footfall in our stores.

- We continue to develop talent and diversity across the whole organisation and believe we have the friendliest and most helpful colleagues in the industry. Through our colleagues, we have continued our focus on supporting and championing local communities and thanks to their hard work and commitment, have won community retailer of the year for the third year running.

- We opened thirty seven new stores during the year; eight superstores and twenty nine small shops including stand alone petrol stations. This added 403,000 sq ft of new space.

Delivering Foundations for future growth

In 2013, we announced our new strategy to redefine value retailing in the UK in response to the structural changes facing the UK grocery market including growing online and discounter sectors. Over a five year time horizon, this focuses on continuing the journey of investing in price and quality, whilst improving our access and reach across the UK through online growth and carefully targeted physical expansions.

During 2015, we delivered against this strategy by continuing to invest in price and product innovation as well as growing online and building stores for the future. We continued to test and trial new store propositions, primarily through three new concept stores. The trials addressed learnings from prior schemes and identified a number of propositions to be deployed through the 2016 Store Refresh Programme.

STRATEGIC REPORT (CONTINUED)

Capital management

As a wholly owned subsidiary, the capital of the Company is monitored in accordance with the overall capital management policy of the ultimate parent company Wal-Mart Stores, Inc. and the primary objective of ASDA's capital management policy is to be consistent with the requirements of the ultimate parent.

A key element of funding is through intercompany loans which can change from time to time. Cash levels are monitored to ensure the Company is able to fulfil its day to day obligations as they fall due. The consolidated financial statements of the ultimate parent company disclose how the Wal-Mart group define and manage capital and meet the group capital objectives.

Risks and uncertainties

Risk is an inevitable part of business. On an ongoing basis, ASDA identify principal risks, assess their likelihood and impacts and develop and monitor appropriate controls. The Board has overall responsibility for risk management and ensuring that this is aligned with business strategy and objectives. The Board is supported by a Risk and Audit Committee that meets quarterly.

Key risks and mitigating actions are set out below:

- **Economic risk**
  Whilst customer discretionary income is slowly rising, the consumer environment continues to be challenging, as customers remain cautious in their spending habits. We expect conditions to remain tough for our customers, with price being a key consideration.

  The ASDA "Low Cost Operating Model" focuses on achieving productivity savings across our business in order to invest in price and pass this onto our customers.

- **Competitive risk**
  In the highly competitive retail industry, success depends on satisfying changing customer needs more effectively than the competition.

  ASDA regularly reviews relevant data on aspects such as price position, product availability and other measures of quality and service that are important to our customers. We constantly monitor market information to understand our position relative to competitors and enable action to be taken on a timely basis.

- **Reputational risk**
  Failure to protect our reputation could lead to a loss of trust in the ASDA brand and consequent erosion of customer loyalty. ASDA regularly engages with customers, both directly and through the monitoring of available external data, in order to ensure that our positive customer perception is maintained.

  We maintain strong relationships with our suppliers by operating on terms that are mutually agreed and updated as appropriate to reflect changes in both parties' respective needs.

  Our colleagues are critical to maintaining our customer and supplier relationships and ultimately protecting our reputation as a business.

- **Strategic risk**
  In challenging market conditions, the board invests significant time into formulating, reviewing and communicating strategy to ensure that our approach continues to deliver sustainable returns.

- **Supplier risk**
  The current economic climate is challenging for our suppliers. This puts increased importance on the strength of our control processes and our ability to recognise and respond to supplier issues. A periodic review process of supplier risk exists to identify issues, develop appropriate action plans and improve our controls in relation to supplier monitoring.

Risks and uncertainties *(continued)*

- **Resourcing and capability risk**
  Retention of key individuals and succession planning is important for long term stability and success. We have a robust appraisal process and Talent Review System to ensure that the right individuals are in the right roles, with a clear career path to long term development. The goodwill of colleagues is maintained through open communication, both to allow management to share information about the business and to give colleagues the opportunity to provide feedback about working at ASDA.

- **Financial risk**
  ASDA's principal financial risk is having funds available at the right time to meet business needs. This risk is managed by the Treasury function, which forecasts cash flows and ensures that adequate short term funds and borrowing facilities are in place to meet liabilities to suppliers, colleagues and our shareholder.

  Certain transactions with suppliers and with the Company's ultimate parent undertaking are denominated in foreign currencies. The Treasury function forecasts the timing and level of foreign currency requirements and for certain product categories, buys forward accordingly. Other currency requirements are purchased on the spot market. It is ASDA's policy not to buy or hold foreign currency speculatively. Currency forward contracts are accounted for at fair value.

  ASDA operates a number of pension arrangements for our employees including a defined benefit pension scheme. This is subject to risk in relation to its pension deficit which is shown as a liability on the balance sheet. This risk was reduced when the defined benefit pension scheme was closed to future accrual in 2011. The risk has been further mitigated through consultation with the pension scheme trustees to identify appropriate long term funding solutions for the scheme. During 2014 the Company signed an updated schedule of contributions following the latest actuarial valuation. This created a more predictable future cash flow.

- **Regulatory and compliance risk**
  We recognise that ASDA operates in an environment where we can be impacted by changes in Government policy. In response to this, we continue to risk assess all regulatory developments and test compliance with internal processes designed to mitigate risks, making improvements where required.

- **Fraud risk**
  We have a control framework in place to help prevent and detect potential fraud and dishonest activity. The ASDA-Wal-Mart Statement of Ethics also provides clear guidance to colleagues on appropriate behaviour, including guidance on how to raise any business conduct concerns they may have through the Expolink whistleblowing initiative, or through the local Ethics Committee. In addition, procedures are in place in respect of compliance with the UK Bribery Act and the US Foreign Corrupt Practices Act.

- **Systems risk**
  Detailed disaster recovery plans are in place in the event of an incident which could severely affect ASDA's ability to trade. A comprehensive Incident Response Plan exists to ensure business continuity in the event of a major incident.

- **Environmental risk**
  As a retailer, we recognise that we have a responsibility to minimise the adverse impact that our business activities have on the environment. Failure to do this may result not only in adverse environmental impacts, but also financial penalties and long term damage to our reputation.

  In recent years, we have implemented a number of initiatives and processes in recognition of our environmental responsibilities. We have reduced our absolute carbon footprint since 2010; and our existing stores now emit fewer carbon emissions than in 2005. The major focus of our strategy is now on our supply chain, including running the Sustain and Save Exchange, a unique collaboration tool to help our suppliers become more efficient.

STRATEGIC REPORT (CONTINUED)

On behalf of the board

A Russo
Director
19 July 2016

ASDA House
Southbank
Great Wilson Street
Leeds
LS11 5AD

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2015.

Future Developments

ASDA's future developments are detailed in the Strategic Report on pages 2-6.

Going Concern

The directors have assessed the Company's ability to continue as a going concern including the review of the forecast cash flows, future trading performance and existing borrowings in place. The financial statements are prepared on the going concern basis as the Company has considerable financial resources and good long term prospects. As a consequence, the directors believe that the Company is well placed to manage any financial risks successfully and continue to operate for the foreseeable future.

Events since the balance sheet date

Events since the balance sheet date are detailed in the Strategic Report on page 2.

Political and charitable contributions

During the year, cash donations to charitable organisations made by the Company, including monies raised through store collections and product sales, totalled £13.9m (2014: £15.9m). This included donations to The ASDA Foundation, an affiliate charity of ASDA, of £6.2m (2014: £5.0m).

During the year, cash donations to charitable organisations and other community projects made by ASDA's affiliate charities, The ASDA Foundation and ASDA Tickled Pink, totalled £11.7m (2014: £8.2m). ASDA's colleagues, customers and suppliers have collectively raised monies through events for charities including BBC Children In Need, Tickled Pink (supporting Breast Cancer Care & Breast Cancer Campaign), Orchid, and Tommy's, the baby charity. The ASDA Foundation also supported a range of local charities and sustainable local projects. These projects are local cause-related activities, contributing to local charities or causes that our colleagues wish to support.

The Company did not make any political donations during the year (2014: £nil).

Dividends

Details of dividends paid are detailed in the Strategic Report on page 2.

Colleagues with a disability or impairment

ASDA is a proud member of the Business Disability Forum and also proud to work in partnership with Remploy and Mencap. Working with these partners, we continue to deliver on our commitment to attract, recruit and retain colleagues who reflect the customers and the communities that ASDA serves.

ASDA is an Equal Opportunities Employer, meaning that selection, training, development and promotion is accessible and inclusive. We have a duty to make reasonable adjustments throughout the employment lifecycle to ensure everyone can perform to the best of their ability.

Our active colleague Disability Working Group aims to provide peer support and advises the business on disability access and inclusion, alongside our formal partners.

Colleague involvement

Throughout the year we have continued with our regular meetings between local management and colleagues to allow a free flow of information and ideas. To enhance this process we continue to work closely with our elected bodies to form a consultative group on business changes and future initiatives. In addition our annual engagement survey, Your Voice, serves not only as a temperature check on how our colleagues feel about working at ASDA but also as a way for them to shape our people strategy and activity.

Throughout the year we showed our commitment to keeping colleagues up to date with information about the business through a variety of communication channels including our intranet, face to face briefings and our colleague magazine ASDA Life. Our ASDA Academy continued to be a focus as part of our ongoing commitment to training and development and our aim to provide all colleagues with a structured programme of training.

Directors' liabilities

ASDA has granted an indemnity to each of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity remains in force as at the date of approving the Directors' Report.

The indemnity is controlled and paid centrally by the ultimate parent Company, however a proportion of this indemnity is paid by the Group.

For a list of directors who held office during the year please refer to the beginning of these financial statements.

Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Alessandro Russo

A Russo
Director
19 July 2016

ASDA House
Southbank
Great Wilson Street
Leeds
LS11 5AD

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 AUDITOR'S REPORT TO THE MEMBERS OF ASDA STORES LIMITED

We have audited the financial statements of ASDA Stores Limited for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Victoria Venning (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
20 July 2016

INCOME STATEMENT
for the year ended 31 December 2015

	Notes	Year Ended 31 December 2015 £m	Year Ended 31 December 2014 £m
Continuing Operations			
Revenue	2	22,066.0	23,156.7
Operating costs	3	(21,521.0)	(22,621.0)
Operating profit		545.0	535.7
Financial income	6	137.3	98.7
Financial costs	7	(49.0)	(32.6)
Profit on ordinary activities before taxation		633.3	601.8
Income tax expense	8	(121.3)	(130.7)
Profit for the financial year		512.0	471.1

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2015

	Notes	Year Ended 31 December 2015 £m	Year Ended 31 December 2014 £m
Profit for the year		512.0	471.1
Items not to be reclassified to profit or loss in subsequent periods			
Total remeasurements on defined benefit obligation	21	49.3	(246.6)
(Reduction)/return on plan assets excluding interest income	21	(42.6)	215.3
Changes in onerous liability (excluding interest income)	21	(6.7)	(387.5)
Tax on items recognised directly in equity	8	(12.4)	84.5
		(12.4)	(334.3)
Items to be reclassified to profit or loss in subsequent periods			
Cash flow hedges:			
Reclassification during the year to income statement	18	(29.9)	28.9
Net gain during the year of the not-yet matured contracts	18	20.0	31.3
Tax on cash flow hedges recognised directly in equity	18	2.0	(12.2)
		(7.9)	48.0
Other comprehensive income for the year		(20.3)	(286.3)
Total comprehensive income for the year (attributable to owners of the parent)		491.7	184.8

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Notes	*Called up Share capital £m*	*Share premium account £m*	*Other reserves £m*	*Cash flow hedge £m*	*Retained earnings £m*	*Total Equity £m*
Balance at 1 January 2014		757.6	950.3	119.5	(24.6)	3,440.3	5,243.1
Comprehensive income							
Profit for the year	*18*					471.1	471.1
Other comprehensive income							
Cash flow hedges - losses arising in the year	*18*				60.2		60.2
Tax on cash flow hedges recognised directly in equity	*18*				(12.2)		(12.2)
Total remeasurements on defined benefit obligation	*21*					(246.6)	(246.6)
Return on plan assets excluding interest income	*21*					215.3	215.3
Changes in asset ceiling/onerous liability (excluding interest income)	*21*					(387.5)	(387.5)
Tax on actuarial losses recognised directly in equity	*21*					84.5	84.5
Transfer of historical cost	*18*			(1.5)		1.5	-
Equity dividends paid	*17*					(200.0)	(200.0)
Total comprehensive income		757.6	950.3	118.0	23.4	3,378.6	5,227.9
Tax on items credited to equity	*13*	-	-	-	-	(0.2)	(0.2)
Balance at 1 January 2015		757.6	950.3	118.0	23.4	3,378.4	5,227.7
Comprehensive income							
Profit for the year	*18*					512.0	512.0
Other comprehensive income							
Cash flow hedges - losses arising in the year	*18*				(9.9)		(9.9)
Tax on cash flow hedges recognised directly in equity	*18*				2.0		2.0
Total remeasurements on defined benefit obligation	*21*					49.3	49.3
Return on plan assets excluding interest income	*21*					(42.6)	(42.6)
Changes in asset ceiling/onerous liability (excluding interest income)	*21*					(6.7)	(6.7)
Tax on pension movements recognised directly in equity	*21*					(12.4)	(12.4)
Equity dividends paid	*17*					(205.0)	(205.0)
Total comprehensive income		757.6	950.3	118.0	15.5	3,673.0	5,514.4
Tax on items charged to equity	*13*	-	-	-	-	(0.7)	(0.7)
Balance at 31 December 2015		757.6	950.3	118.0	15.5	3,672.3	5,513.7

BALANCE SHEET
as at 31 December 2015

	Notes	31 December 2015 £m	31 December 2014 £m Restated (note 10)
Assets			
Non-current assets			
Intangible assets	*9*	181.7	176.5
Property, plant and equipment	*10*	4,345.0	4,226.0
Investments	*11*	769.7	769.7
Operating lease prepayments	*12*	46.9	48.1
Deferred tax asset	*13*	23.0	36.4
		5,366.3	5,256.7
Current assets			
Inventories	*14*	1,097.4	1,112.3
Trade and other receivables	*15*	3,033.2	2,737.5
Cash and cash equivalents		160.9	214.3
Operating lease prepayments	*12*	1.2	1.2
		4,292.7	4,065.3
Total assets		9,659.0	9,322.0
Equity and Liabilities			
Equity attributable to the shareholders			
Called up share capital	*16*	757.6	757.6
Share premium account	*18*	950.3	950.3
Cash flow hedge	*18*	15.5	23.4
Other reserves	*18*	118.0	118.0
Retained earnings	*18*	3,672.3	3,378.4
Total equity		5,513.7	5,227.7
Liabilities			
Non-current liabilities			
Borrowings	*19*	156.0	128.8
Provisions	*20*	45.2	49.5
Employee benefits	*21*	652.8	711.3
		854.0	889.6
Current Liabilities			
Trade and other payables	*22*	3,262.3	3,137.1
Borrowings	*19*	9.5	8.1
Employee benefits	*21*	19.5	59.5
		3,291.3	3,204.7
Total liabilities		4,145.3	4,094.3
Total equity and liabilities		9,659.0	9,322.0

The financial statements were approved by the board of directors and signed on its behalf by:

Alessandro Russo

A Russo
Director 19 July 2016

NOTES TO THE ACCOUNTS
as at 31 December 2015

1. ACCOUNTING POLICIES

Authorisation of financial statements and statement of compliance with FRS 101
The financial statements of ASDA Stores Limited (the "Company") for the year ended 31 December 2015 were authorised for issue by the board of directors on 19 July 2016 and the balance sheet was signed on behalf of the directors by A Russo. The Company is incorporated and domiciled in England and Wales under the Companies Act 2006 (registration number 464777).

These financial statements have been prepared for the first time in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with historical cost convention, the Companies Act 2006 and applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest million pounds (£m) except when otherwise indicated. The presentational currency is also the Company functional currency.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of ASDA Group Limited. The results of the Company are included in the consolidated financial statements of ASDA Group Limited, which are available from ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD. These financial statements are therefore separate financial statements of the Company only.

The accounting policies below have, unless otherwise stated, been applied consistently to all periods presented in these Company financial statements.

Basis of preparation
The financial statements are prepared on the going concern basis as the Company has considerable financial resources and good long term prospects. As a consequence, the directors believe that the Company is well placed to manage any financial risks successfully and continue to operate for the foreseeable future.

The Company transitioned from previously extant UK Generally Accepted Accounting Practice to FRS 101 for all periods presented. Transition tables showing all material adjustments are disclosed in note 27. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'; and
  - Paragraph 118(e) of IAS 38 'Intangible Assets'.
- The requirements of paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements';
- The requirements of IAS 7 'Statement of Cash Flows';
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- The requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures';
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

1. ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'.

Where applicable, equivalent disclosures are included in the consolidated financial statements of ASDA Group Limited, in which the Company is consolidated.

Judgements, estimates and assumptions

Management are required to make judgements, estimates and assumptions that affect the application of policies and reported assets and liabilities, income and expenses. Judgements, estimates and assumptions are continually evaluated and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and assumptions impacting the carrying value of assets and liabilities are discussed further below.

Judgements

Impairment of brand intangible assets

The Company has a brand related intangible asset on the balance sheet. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

The cash flows are derived from the budget for the next five years. The recoverable amount is most sensitive to the sales growth, operating costs, growth rate for extrapolated cash flows and the discount rate. The key assumptions used to determine recoverable amount are further explained in note 9.

Supplier Income

Supplier incentives, rebates, fixed income and discounts are collectively known as "supplier income". Accounting for the amount and timing of recognition of certain elements of supplier income may require the exercise of judgement. The three key types of supplier income are explained in the accounting policy on page 23. The areas requiring a level of judgement and estimation involved are considered below:

- Annual supplier rebates - typically these are earned and billed within the financial year of the Group. A small proportion of rebate agreements may extend beyond the year end and in these cases, estimations may be required of projected sales volumes and judgement may also need to be applied to determine the rebate level earned if agreements involve multiple tiers. All income accruals are supported by detailed calculations, based on the explicit terms in each agreement and judgements are minimal, due to the small number of agreements spanning the year end.
- Fixed amount supplier income - the majority of this income is earned and billed within the financial year of the Group. A small proportion of agreements may not be coterminous with the year end and, in these cases, any income accrued is supported by detailed calculations. These require judgement to determine when the terms of the agreement are satisfied and that amounts are recognised in the correct period.

Supplier income recognised in the income statement and included in trade payables at the year end for which estimation and judgement is required is £0.1m. This represents the net amount of accrued income (£0.0m) and deferred income (£0.1m) on deals running across the year end.

1. ACCOUNTING POLICIES (CONTINUED)

Judgements (continued)

Other

Additional judgements are made with regard to provisions for onerous leases (note 20). Judgement is applied in determining when a provision should be booked and its value, based on changing circumstances around the trading or sub-letting of a site. Judgements are also made with regard to litigation (note 25).

Judgement is made in determining whether balances under supply chain financing arrangements should be classified as trade payables or financing. In determining the classification, the Company reviews each arrangement against a number of characteristics and the legal form of the arrangement is considered. All balances under supply chain financing arrangements are currently treated as trade payables.

Judgement is applied in determining whether control exists in instances where a majority equity interest is not held. The fair value of the assets and liabilities is determined at the point control is achieved with subsequent results consolidated into the financial statements. In determining whether control exists, the Company considers whether indicators of control are present including the right to financially benefit from the operations of the company, the ability to influence the composition of the board, the ability to significantly influence the operating and financial activities of each entity and the ability to actively participate in key decision making due to the signing of legal agreements.

Estimates and assumptions

Pension benefits
The carrying value of the liabilities relating to the defined benefit pension scheme is valued using an actuarial valuation. This valuation is based on assumptions. All the assumptions used are estimates of future events. Further details about the key assumptions used are given in note 21.

Share-based payment transactions
The Company estimates fair value for share-based payment transactions depending on the terms and conditions of the grants. This estimate also requires determining the most appropriate inputs to the valuation model including assumptions of the expected life of the share option, share price, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 21.

Finance versus operating lease classification
In assessing whether a lease is finance or operating in nature, assumptions and estimates need to be made including determination of the implicit interest rate, fair values of properties and the split of land and building elements of property lease contracts. Market data is used to determine these assumptions.

Changes in accounting estimates

Intangible assets
The Company reassessed its accounting estimate with respect to the useful economic life of the George brand intangible. The Company previously amortised the brand over a finite life of 20 years however following assessment an indefinite useful life is now considered more appropriate due to the establishment of the brand in the UK market, its recent expansion and its profitability.

The asset will be assigned an indefinite useful life from 1 January 2015, the year of the change, and prospectively reviewed for impairment on an annual basis. See note 9 for further details.

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences are taken to the income statement, except when hedge accounting is applied and differences are taken to other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated at the spot rate ruling at the balance sheet date. The income and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are recognised in other comprehensive income. They are released into the income statement upon disposal.

Intangible Assets

Intangible assets acquired are carried initially at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives, with charges included in operating costs, as follows:

Lease buy out costs	Over lease term
Software and development costs	4 years
Other intangibles	3 years

Intangible assets with an indefinite life are not amortised.

Property, plant and equipment

The Company's property, plant and equipment are included in the balance sheet at cost less accumulated depreciation and impairment losses. Certain items of property, plant and equipment that had been revalued to fair value prior to 1 January 2014, the date of transition to FRS 101, are measured on the basis of deemed cost less accumulated depreciation and impairment losses. Deemed cost at date of transition is revalued cost under previously extant UK GAAP.

Assets under the course of construction are included in the balance sheet at cost and not depreciated. Depreciation is charged from the date the assets are available for use.

Assets acquired by way of a finance lease are stated at an amount equal to lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	20 - 50 years
Long leasehold property and properties held under finance leases	Shorter of 20 - 50 years or the lease term
Short leasehold property	Over lease term
Fixtures and equipment	3 - 20 years

All items of property, plant and equipment are reviewed for impairment in accordance with *IAS 36 'Impairment of Assets'*.

An item of property, plant and equipment is derecognised upon disposal. Any gain or loss arising on the derecognition of the asset is included in the income statement.

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent from those of other assets or groups of assets. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and second, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Investments
In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off. Provision against the underlying value of the investments in subsidiary undertakings is made where, in the opinion of the directors, there is impairment to the value of the underlying business.

Provisions
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee
Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Other leases are classified as operating leases. Where land and buildings are held under leases the determination of the land is considered separately from that of the buildings.

Finance Leases
Assets acquired by way of a finance lease are recognised at an amount equal to the lower of the fair value of the leased asset and the present value, calculated using the interest rate implicit in the lease, of the minimum lease payments at inception of the lease with a corresponding liability as an obligation to pay future rentals. Lease payments are apportioned between the finance charge and the outstanding obligation so as to produce a constant rate of interest on the remaining balance of the liability. Assets are depreciated over the lease term.

1. **ACCOUNTING POLICIES (CONTINUED)**

Leases (continued)

Operating Leases
Rental payments are taken to the income statement on a straight line basis over the lease term. Leases that contain predetermined fixed rental increases are accounted for such that the increases are recognised on a straight line basis over the lease term. Lease incentives received are recognised in the income statement over the lease term. Prepaid operating lease rentals are recognised on a straight line basis over the lease term.

Company as a lessor
Assets leased out under operating leases are included in non-current assets and depreciated over their useful economic lives. Rental income and lease incentives are recognised on a straight line basis over the lease term.

Financial Instruments
Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Financial assets and liabilities
The Company classifies its financial assets and liabilities in the following categories: financial assets at fair value through profit and loss, loans and receivables, interest bearing loans and borrowings, derivatives designated as hedges and trade payables.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.
All financial assets and liabilities are recognised initially at fair value. The Company assesses at each balance sheet date whether there is objective evidence that financial assets are impaired.

Financial assets and liabilities at fair value through profit and loss
Derivatives are categorised as held for trading unless they are designated as hedges. Gains or losses arising from changes in the fair value of the financial assets and liabilities at fair value through profit or loss are included in the income statement in the period in which they arise.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortised cost. They are included in current assets except for those with maturities greater than 12 months after the balance sheet date. Loans and receivables comprise cash and short-term deposits and trade and other receivables.

Interest bearing loans and borrowings
Interest bearing bank loans and overdrafts are recorded initially at fair value plus directly attributable transaction costs. Subsequently, these liabilities are carried at cost and amortised using a constant rate on the carrying amount. Gains or losses arising on repurchase, settlement or cancellation of liabilities are recognised respectively in finance income or finance cost.

Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Fair values
Fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length transactions, reference to the current value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

1. ACCOUNTING POLICIES (CONTINUED)

***Financial Instruments** (continued)*

Derivative financial instruments and hedging
Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rate fluctuations.

Derivatives are stated at their fair value. The fair value of foreign currency derivative contracts is their market value at the balance sheet date. Market values are calculated using mathematical models and are based on the duration of derivative together with quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the nature of the risk being hedged and how effectiveness will be measured throughout its duration.

All of the Company's hedges are considered to be cash flow hedges, hedging exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.
For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised in profit and loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

If a forecast transaction is no longer expected to occur, the amounts previously recognised in equity are transferred to profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and are transferred to the income statement.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments.

Inventories
Inventories comprise goods for resale and goods not for resale and are stated at the lower of cost and net realisable value.

Goods at warehouses are valued at weighted average cost. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Inventories at retail outlets are valued at average cost prices. Goods not for resale primarily comprise fuel and is valued on a first in, first out basis.

Trade and other receivables
Trade and other receivables are stated at their original invoiced value (discounted if material) and reduced by appropriate allowances for estimated irrecoverable amounts. Impaired debts are derecognised when they are assessed as uncollectible. Intercompany receivables are interest bearing (6%), unsecured, have no fixed repayment date and are measured at amortised cost.

Cash and cash equivalents
Cash and short term deposits comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

Trade and other payables
Trade and other payables, other than intercompany loans, are not interest bearing and are stated at their nominal value. Intercompany payables are interest bearing (6%), unsecured and have no fixed repayment date.

1. **ACCOUNTING POLICIES (CONTINUED)**

Taxation
Taxation comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes except:

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The amount of deferred tax provided is measured on an undiscounted basis based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Borrowing costs
Borrowing costs are recognised in the Company's income statement except for costs that are directly attributable to the construction of buildings which are capitalised and included within the initial cost of a building. Capitalisation of borrowing costs ceases when the property is ready for use. The interest rate applied is based on the average rate of general borrowings outstanding during a period.

Pensions and other post employment benefits

Defined contribution pension plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit pension plans
The Company's net obligation in respect of its defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. The operating and financing costs of the scheme are recognised in the period in which they arise.

In respect of actuarial gains and losses that arise, the Company recognises them in full to equity in the period they occur in the statement of changes in equity.

The Company is subject to minimum funding requirements in the UK and does not have an unconditional right to a refund of a surplus. This results in an obligation which is recognised as an additional liability and a reduction to other comprehensive income.

Share based payments
For all liabilities arising from share-based payment arrangements the Company has applied IFRS 2 *'Share-Based Payments'*.

The share option programmes allow Company employees to acquire shares of the ultimate parent company; these awards are granted by the Company. The fair value of options granted is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The charge is recognised as an employee expense, with a corresponding increase in liabilities.

The fair value of the share option is measured based on an option valuation model, taking into account the terms and conditions upon which the instruments were granted. The liability is re-measured at each balance sheet date and at settlement date and any changes in fair value are recognised in the income statement during the vesting period. These share based payment transactions are accounted for as cash settled.

1. ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition
Revenue represents sales to customers through retail outlets and online, excluding value added tax. Revenue is recognised net of intra-group transactions, staff discounts, coupons and the free element of multi-save transactions.

Income from concessions and commissions
Income from concessions and commissions is based on the terms of the contract and is included within operating costs.

Financial Income and Costs
Interest payable and receivable comprises interest on funds borrowed or invested as well as on amounts owed to or by other group undertakings. Interest income and interest payable is recognised in the income statement as it accrues, at a constant rate on the carrying amount.

Supplier income

Supplier incentives, rebates, fixed income and discounts (collectively known as "supplier income") are recognised, as a deduction from costs, as they accrue in accordance with the terms of each relevant supplier agreement. All supplier income is supported by agreements and, in the majority of instances, these agreements begin and end within the Group's financial year. In a small number of instances, contractual periods may extend over the Group's year end. In such cases the amount of any income accrued in relation to these agreements is supported by detailed calculations.

Supplier income is split into three classifications:

- Supplier incentives and discounts – which are usually expressed in the supplier agreement as an agreed amount per item sold. This type of supplier income is mechanically calculated and therefore no judgement is required in determining the amount of income to record in the financial year;
- Annual supplier rebates – these are earned and billed within the Group's financial year in the majority of cases. The rebates are linked to pre-agreed volumes of sales or purchases of specific products and are supported by explicit contractual terms.
- Fixed amount supplier income – this is earned and billed within the Group's financial year in the majority of cases. Fixed monetary amounts are agreed with suppliers relating to certain promotional activities including, for example, the exclusive use of premium space in store for a determined period of time.

Unbilled amounts of income to which the Group is contractually entitled are included in trade and other receivables, however these amounts are not considered material. Billed amounts unpaid at year end are included in trade receivables or offset against corresponding trade payables where a contractual right of offset exists.

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Contingent liabilities
The Company may, from time to time, be subject to legal proceedings. The Company records a liability with respect to these matters, as appropriate, which are then reflected in the financial statements. Where a liability is not probable or the amount cannot be reasonably estimated a liability is not recognised. However, where a liability is possible and may be material, such matters are disclosed as contingent liabilities.

2. REVENUE AND SEGMENTAL ANALYSIS

Revenue comprises the value of sales excluding value added tax. Revenue is derived from the principal activities in the United Kingdom. Revenue is recognised net of staff discounts, coupons and the free element of multisave transactions.

The Company is engaged in a single reportable operating segment of business, being the retailing of food, clothing, home and leisure products, fuel and services in a single geographical segment, the United Kingdom and online. The Company is not reliant on any individual major customers.

All significant revenue is generated by the sale of goods through retail outlets in the United Kingdom and online. The operations of all product areas of the business are subject to similar economic characteristics and are sold in a similar retail environment.

The Company has taken these factors into account and the core principles of IFRS 8 in determining that it has a single reportable operating segment.

Revenue for the year is as follows:

	Year Ended 31 December 2015 *£m*	*Year Ended 31 December 2014* *£m*
Sale of goods	19,756.0	20,662.6
Fuel	2,310.0	2,494.1
Total revenue	22,066.0	23,156.7

After excluding revenue on fuel, like-for-like sales reduced by 5.9% in 2015 (2014: 1.0% reduction) excluding VAT. Like-for-like sales is a measure of year on year sales growth (excluding VAT and fuel) for stores open for more than one year.

NOTES TO THE ACCOUNTS
as at 31 December 2015

3. OPERATING PROFIT

Operating profit is stated after (charging)/crediting:

	Year Ended 31 December 2015 *£m*	*Year Ended 31 December 2014* *£m*
Cost of inventory recognised as an expense	(16,138.0)	(17,189.0)
Cost of inventory written off in the year	(419.1)	(391.2)
Employment costs (note 5)	(2,391.7)	(2,513.7)
Amortisation of intangible assets (note 9)	(21.2)	(16.1)
Depreciation of property plant and equipment (note 10)		
- Owned property, plant and equipment	(348.0)	(311.9)
- Property, plant and equipment held under finance leases	(5.1)	(3.1)
Rental income	15.1	15.0
Other income	35.2	35.5
Profit/(loss) on sale of property, plant and equipment	0.8	(5.3)
Impairment of property, plant and equipment	(2.4)	(3.5)
Foreign currency (losses)/gains	(5.1)	8.9
License fees paid to fellow subsidiary of ultimate parent company	(4.8)	(12.6)
OPERATING LEASE CHARGES		
- Land and buildings	(111.3)	(85.7)
- Plant and machinery	(49.7)	(49.9)
	(161.0)	(135.6)
AMOUNTS PAID TO AUDITORS		
Fees payable to the company's auditors for the audit of the company financial statements	(0.2)	(0.2)
Fees payable to the company's auditors for other services	(0.1)	-

NOTES TO THE ACCOUNTS
as at 31 December 2015

4. DIRECTORS' REMUNERATION

	Year Ended 31 December 2015	*Year Ended 31 December 2014*
	£m	*£m*
Total directors' remuneration excluding pension costs	4.6	6.2
Share-based payments	2.8	2.7

No amounts were paid to directors of the Company in respect of compensation for loss of office (2014: £0.5m).

	No.	*No.*
Number of directors who were active members of the defined benefit scheme during the year	-	-
Number of directors who exercised share options	6	8
Number of directors entitled to receive shares under long term incentive schemes	7	9
Amounts in respect of the highest paid director are as follows:	*£m*	*£m*
Total remuneration excluding pensions	1.5	1.7
Total share-based payments	1.1	1.0
Accumulated total accrued pension entitlement	-	-

The highest paid director exercised share options during the year and received shares from qualifying services under a long term incentive scheme.

The remuneration of the directors is in respect of their services to the Broadstreet Great Wilson Europe Group (the highest UK holding company in which the company is consolidated) as a whole. It is not possible to allocate their remuneration to the companies within the group.

Two directors were deferred members of the defined benefit scheme (2014: three). None of the directors were members of the defined contribution schemes during the year (2014: none).

5. EMPLOYMENT COSTS

The average number of people employed by the Company (including directors) during the year was as follows:

	Year Ended 31 December 2015	*Year Ended 31 December 2014*
Total		
- Retail & Distribution	159,358	168,931
- Home offices	4,156	4,096
	163,514	173,027
Full time equivalents		
- Retail & Distribution	107,740	113,363
- Home offices	4,048	3,999
	111,788	117,362

The aggregate payroll costs of these people were as follows:

	Year Ended 31 December 2015 £m	*Year Ended 31 December 2014 £m*
Wages and salaries	2,211.3	2,274.3
Share based payments (credit)/charge *(note 21)*	(9.1)	46.8
Social security costs	123.1	124.9
Other pension costs *(note 21)*	66.4	67.7
	2,391.7	2,513.7

6. FINANCIAL INCOME

	Year Ended 31 December 2015 £m	*Year Ended 31 December 2014 £m*
External interest receivable and similar income	-	0.2
Intercompany interest receivable	137.3	98.5
	137.3	98.7

7. FINANCIAL COSTS

	Year Ended 31 December 2015 *£m*	*Year Ended 31 December 2014* *£m*
Intercompany interest payable	14.6	10.2
Finance lease interest	10.3	7.5
Net interest cost on pension scheme *(note 21)*	25.2	15.1
Interest capitalised	(1.1)	(0.2)
	49.0	32.6

8. TAXATION

Recognised in the income statement

	Year Ended 31 December 2015 *£m*	*Year Ended 31 December 2014* *£m*
Current tax		
UK corporation tax on profit for the year	123.5	138.0
Adjustments in respect of prior periods	(4.5)	(15.4)
Current tax charge for the year	119.0	122.6
Deferred tax		
Origination and reversal of temporary differences	7.8	(3.0)
Adjustments in respect of prior periods	(4.1)	10.2
Reduction/(increase) in deferred tax asset relating to pension obligation	8.1	(0.4)
Adjustment arising from change in tax rate	(9.5)	1.3
Total deferred tax charge *(note 13)*	2.3	8.1
Total tax charge for the year	121.3	130.7

8. TAXATION (CONTINUED)

Reconciliation of effective tax rate

A reconciliation of the total tax charge compared to the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%) applied to the profit on ordinary activities before tax is as follows:

	Year Ended 31 December 2015 £m	*Year Ended 31 December 2014 £m*
Profit before tax	633.3	601.8
Tax using the UK corporation tax rate of 20.25% (2014: 21.49%)	128.2	129.3
Effects of:		
Expenses not deductible for tax purposes	1.0	3.8
Non-qualifying depreciation	12.1	1.7
Gain on sale of non-qualifying property, plant and equipment	(1.1)	(0.2)
Share options costs	(0.6)	-
Adjustments in respect of prior periods	(8.6)	(5.2)
Change in tax rate	(9.5)	1.3
Other	(0.2)	-
Total tax charge for the year	121.3	130.7

The standard rate of corporation tax in the United Kingdom for the year is 20.25% (2014:21.49%). In 2016, the Finance Act 2016 will receive Royal Assent and will enact a reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. This will supersede the previously enacted rate change which would have reduced the corporation tax rate to 18% on this date.

Deferred tax has been provided at the rate of 18%, based on the Company's estimate of when timing differences are likely to reverse.

Tax relating to components of the statement of changes in equity

	Year Ended 31 December 2015 £m	*Year Ended 31 December 2014 £m*
Deferred tax charge on:		
Share-based payments	0.7	0.2
Total tax on items charged to the statement of changes in equity	0.7	0.2

8. TAXATION (CONTINUED)

Tax on items charged/(credited) directly to the statement of comprehensive income

	Year Ended 31 December 2015	*Year Ended 31 December 2014*
	£m	*£m*
Current tax credit on:		
Pensions	-	(10.7)
Cash flow hedges	-	(1.4)
Deferred tax charge/(credit) on:		
Pensions	12.4	(73.8)
Cash flow hedges	(2.0)	13.9
Total tax on items charged/(credited) to the statement of comprehensive income	10.4	(72.0)

9. INTANGIBLE ASSETS

	Brand	*Software development costs*	*Other*	*Lease buy out costs*	*Total*
	£m	£m	£m	£m	£m
COST					
At 1 January 2015	31.9	64.3	2.1	153.0	251.3
Addition	-	30.7	-	3.5	34.2
Disposals	-	(2.3)	-	-	(2.3)
Transfer to another group undertaking	-	-	-	(7.6)	(7.6)
At 31 December 2015	31.9	92.7	2.1	148.9	275.6
AMORTISATION					
At 1 January 2015	14.5	23.8	0.2	36.3	74.8
Amortisation during the year	-	17.1	0.7	3.4	21.2
Disposals	-	(2.1)	-	-	(2.1)
At 31 December 2015	14.5	38.8	0.9	39.7	93.9
NET BOOK VALUE					
At 31 December 2015	17.4	53.9	1.2	109.2	181.7
At 31 December 2014	17.4	40.5	1.9	116.7	176.5

The George brand has a carrying value of £17.4m (2014: £17.4m). Following a review in the year, the useful life of this brand has been reassessed as indefinite from a previous finite useful life of 20 years. Since the last assessment, the brand has become established. The George brand is generating positive cash flows. There are no plans to exit the brand and no legal limits on its use by the Company.

Other intangible assets are amortised on a straight line basis over an estimated useful life of 3 years.

Software development costs are amortised on a straight line basis over an estimated useful life of 4 years.

Lease buy out costs are amortised on a straight line basis over the each associated lease term.

9. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of George Brand

The George brand arose on the acquisition of the intellectual property rights of Global George Limited in 2006 and has a carrying value of £17.3m. This has been tested for impairment as at 31 December 2015 by assessing the present value of forecasted cash flows arising from the George clothing business.

The recoverable amount is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three year period. The discount rate applied to the cash flow projections is 7.8% and the growth rate used to extrapolate the cash flows beyond specific forecast period is 2.0%.

Based upon calculations performed and sensitivity analysis undertaken, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the George brand to materially exceed its recoverable amount.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold properties	*Finance Leases & Leasehold improvements*	*Plant, fixtures and fittings*	*Assets under construction*	*Total*
	£m	*£m*	*£m*	*£m*	*£m*
COST OR VALUATION					
At 1 January 2015 *(Restated)*	3,012.4	1,127.5	2,687.8	236.1	7,063.8
Additions	221.0	70.5	189.7	16.0	497.2
Disposals	(2.0)	(18.8)	(173.7)	-	(194.5)
Impairments	(2.4)	-	-	-	(2.4)
Transfers	(144.9)	124.8	10.7	-	(9.4)
At 31 December 2015	3,084.1	1,304.0	2,714.5	252.1	7,354.7
DEPRECIATION					
At 1 January 2015 *(Restated)*	589.8	424.3	1,823.6	-	2,837.7
Charge for the year	89.2	54.0	209.9	-	353.1
Disposals	(0.8)	(1.9)	(171.9)	-	(174.6)
Transfers	(7.7)	1.2	-	-	(6.5)
At 31 December 2015	670.5	477.6	1,861.6	-	3,009.7
Net book amounts at 31 December 2015	**2,413.6**	**826.4**	**852.9**	**252.1**	**4,345.0**
Net book amounts at 31 December 2014	2,422.6	703.2	864.2	236.1	4,226.0

Restatement

At the start of the year, corrections were made to reflect the legal ownership of a number of properties in the Group. As a result, restatements have been made to brought forward values of freehold properties (reduction of £438.0m cost, £40.2m accumulated depreciation) and leasehold improvements (increase of £43.9m cost, £30.8m accumulated depreciation).

Impairment

Both the operational and non-operational estate are regularly reviewed for indicators of impairment. Following reviews in the year, impairment charges of £2.4m (2014: £4.3m) were taken on non-operational sites and are included in the cost of disposals above.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Transfers
Transfers between freehold properties and leasehold improvements in the year primarily relate to final revisions of asset classifications from the leasehold asset review in the prior year.

Capitalised Interest
The cumulative amount of capitalised interest included in the cost of property, plant and equipment is £85.0m (2014: £83.9m). Details of interest capitalised during the year is included in note 7. Additions in the year include capitalised interest of £1.1m (2014: £0.2m).

Finance Leases
Properties held under finance leases have the following net book values:

	31 December 2015	*31 December 2014*
	£m	*£m*
Cost	176.3	146.6
Accumulated depreciation	(19.4)	(15.8)
Net book value	156.9	130.8

11. INVESTMENTS

	£m
Cost and net book value at 1 January 2015 and 31 December 2015	769.7

Following a review of the carrying value of investments held by the Company, no impairment charge (2014: £nil) has been recognised in the year.

Subsidiary undertakings

	Country of incorporation and principal place of business	*% equity held*	*Ownership*
ASDA Delivery Limited	United Kingdom	100%	Direct
ASDA Guernsey Limited	United Kingdom	100%	Direct
ASDA Home Shopping Cards Limited	United Kingdom	100%	Direct
ASDA Storage Limited	United Kingdom	100%	Direct
ASDA Supermarkets Limited	United Kingdom	100%	Direct
Erteco UK Limited	United Kingdom	100%	Indirect
Essencerealm Limited	United Kingdom	100%	Direct
Ever 1295 Limited	United Kingdom	100%	Direct
Ever 2010 Limited	United Kingdom	100%	Direct
Ever 2010 North Limited	United Kingdom	100%	Indirect
Ever 2010 South Limited	United Kingdom	100%	Indirect
Forza Foods Limited	United Kingdom	1%	Indirect
George Sourcing Services UK Limited	United Kingdom	100%	Direct
George Tedarik Hizmetleri A.S.	Turkey	100%	Direct
International Procurement and Logistics Limited	United Kingdom	100%	Direct
International Produce Sociedad Limitada	Spain	100%	Indirect
Kober Limited	United Kingdom	1%	Indirect
Nordicline Limited	United Kingdom	100%	Direct
Vinpack Limited	United Kingdom	100%	Indirect
Westry Produce Limited	United Kingdom	100%	Indirect

All investments listed above have 100% ordinary share capital.

11. INVESTMENTS (CONTINUED)

The registered address of the entities listed above is ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD. The exceptions to this are as follows:

ASDA Guernsey Limited *PO Box 91, Legis House, 11 New Street, St Peter Port, Guernsey, GY1 3EG*

ASDA Home Shopping Cards *Temple Chambers, 3 Burlington Road, Dublin 4*

Forza Foods Limited *Unit 1 Foxbridge Way, Normanton Industrial Estate, Normanton, Wakefield, WF6 1TN*

Kober Limited *Unit 4, West 26 Industrial Estate, Hanging Wood Way, Cleckheaton, BD19 4TS*

George Tedarik Hizmetleri A.S. *Mecidiyekoy mah. Oguz Sok. No:4A Sisli, Istanbul, Turkey*

International Produce Sociedad Limitada *Calle Venecia No.1-1izq, 30700 Torre Pacheco, Murcia, Spain*

12. OPERATING LEASE PREPAYMENTS

		31 December 2015 £m	*31 December 2014 £m*
Operating lease prepayments	- current	1.2	1.2
	- non current	46.9	48.1
		48.1	49.3

Operating lease prepayments are amortised over the associated lease term.

13. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Property, plant and equipment	-	-	97.0	112.2	97.0	112.2
Employee benefits	(121.2)	(153.1)	-	-	(121.2)	(153.1)
Provisions	(3.7)	(2.4)	-	-	(3.7)	(2.4)
Other items	-	-	4.9	6.9	4.9	6.9
Tax (assets)/liabilities	(124.9)	(155.5)	101.9	119.1	(23.0)	(36.4)
Netting of tax (assets)/liabilities	101.9	119.1	(101.9)	(119.1)	-	-
Net tax assets	(23.0)	(36.4)	-	-	(23.0)	(36.4)

Deferred tax has been provided at 18% (2014: 20%).

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 become payable if rollover relief was not available.

Corporation Tax of £12.6m (2014: £12.6m) has been deferred as a consequence of rollover relief claims made in respect of the disposal of certain non-current assets in prior periods.

13. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

No provision has been made for deferred tax on accumulated capital losses in the company of £37.1m (2014: £38.7m) as the likelihood of future use cannot be determined with certainty.

Movement in deferred tax during the year:

	1 January 2015	*Recognised in income*	*Recognised in other comprehensive income*	*Recognised in equity*	*31 December 2015*
	£m	*£m*	*£m*	*£m*	*£m*
Property, plant and equipment	112.2	(15.2)	-	-	97.0
Employee benefits	(153.1)	18.8	12.4	0.7	(121.2)
Provisions	(2.4)	(1.3)	-	-	(3.7)
Other items	6.9	-	(2.0)	-	4.9
	(36.4)	2.3	10.4	0.7	(23.0)

Movement in deferred tax during the prior year:

	1 January 2014	*Recognised in income*	*Recognised in other comprehensive income*	*Recognised in equity*	*31 December 2014*
	£m	*£m*	*£m*	*£m*	*£m*
Property, plant and equipment	104.1	8.1	-	-	112.2
Employee benefits	(80.5)	1.0	(73.8)	0.2	(153.1)
Provisions	(1.4)	(1.0)	-	-	(2.4)
Other items	(7.0)	-	13.9	-	6.9
	15.2	8.1	(59.9)	0.2	(36.4)

14. INVENTORIES

	31 December 2015	*31 December 2014*
	£m	*£m*
Goods held for resale	1,095.9	1,110.4
Goods not held for resale	1.5	1.9
	1,097.4	1,112.3

15. TRADE AND OTHER RECEIVABLES

	31 December 2015 £m	*31 December 2014 £m Restated*
Trade receivables	126.7	147.9
Provision for doubtful debts	(4.4)	(1.6)
Intercompany receivables	2,837.2	2,487.1
Other receivables	59.3	85.4
Prepayments and accrued income	14.4	18.7
	3,033.2	2,737.5

Restatement
At the start of the year, corrections were made to reflect the legal ownership of a number of properties in the Group *(note 10)*. Transfer of these properties to other group companies has resulted in an increase to the intercompany receivable balance of £384.7m, restated at 31 December 2014.

16. CALLED UP SHARE CAPITAL

Number authorised, alloted, called up and fully paid

	Redeemable ordinary shares of £1 each	*Ordinary shares of £1 each*	*Total*
At 1 January 2015	566,781,240	190,805,129	757,586,369
At 31 December 2015	566,781,240	190,805,129	757,586,369

Value (£m) authorised, alloted, called up and fully paid

	Redeemable ordinary shares of £1 each	*Ordinary shares of £1 each*	*Total*
At 1 January 2015	566.8	190.8	757.6
At 31 December 2015	566.8	190.8	757.6

Redeemable ordinary shares
The redeemable ordinary 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.

17. DIVIDENDS PROPOSED AND PAID

In 2015 the Company proposed and paid a dividend of £205.0m (2014: £200.0m). This represents a dividend of 27.1p per share (2014: 26.4p).

On the 14th of January 2016, the Company proposed and paid a dividend of £300.0m to its immediate parent company, ASDA Group Limited. This represents a dividend of 39.6p per share.

18. RESERVES

	Share premium £m	*Other Reserves £m*	*Cash Flow Hedge £m*	*Retained Earnings £m*	*Total reserves £m*
At 1 January 2014	950.3	119.5	(24.6)	3,440.3	4,485.5
Profit for the year	-	-	-	471.1	471.1
Cash flow hedges - gains arising in the year	-	-	60.2	-	60.2
Tax on cash flow hedges recognised directly in equity	-	-	(12.2)	-	(12.2)
Total remeasurements on defined benefit obligation	-	-	-	(246.6)	(246.6)
Return on plan assets excluding interest income	-	-	-	215.3	215.3
Tax on actuarial losses recognised directly in equity	-	-	-	84.5	84.5
Changes in asset ceiling/onerous liability (excluding interest income)	-	-	-	(387.5)	(387.5)
Tax on items credited to equity	-	-	-	(0.2)	(0.2)
Transfer of historical cost	-	(1.5)	-	1.5	-
Dividend paid	-	-	-	(200.0)	(200.0)
At 31 December 2014	950.3	118.0	23.4	3,378.4	4,470.1
At 1 January 2015	950.3	118.0	23.4	3,378.4	4,470.1
Profit for the year	-	-	-	512.0	512.0
Cash flow hedges - gains arising in the year	-	-	(9.9)	-	(9.9)
Tax on cash flow hedges recognised directly in equity	-	-	2.0	-	2.0
Total remeasurements on defined benefit obligation	-	-	-	49.3	49.3
Reduction in plan assets excluding interest income	-	-	-	(42.6)	(42.6)
Tax on actuarial losses recognised directly in equity	-	-	-	(12.4)	(12.4)
Changes in asset ceiling/onerous liability (excluding interest income)	-	-	-	(6.7)	(6.7)
Tax on items credited to equity	-	-	-	(0.7)	(0.7)
Dividend paid	-	-	-	(205.0)	(205.0)
At 31 December 2015	950.3	118.0	15.5	3,672.3	4,756.1

The other reserve relates to a revaluation reserve previously disclosed separately from retained earnings for information purposes.

The cash flow hedge reserve represents the gains and losses arising on revaluation of derivatives, being forward purchase currency contracts.

19. BORROWINGS

Finance lease obligation	*31 December 2015 £m*	*31 December 2014 £m*
Less than one year	9.5	8.1
Total amounts repayable within one year	9.5	8.1
Between one and five years	39.5	29.2
After five years	116.5	99.6
Total amounts repayable after one year	156.0	128.8
Total	165.5	136.9

20. PROVISIONS

	Property provision £m
At 1 January 2015	49.5
Provided during the year	1.3
Transferred during the year	(2.5)
Utilised during the year	(1.4)
Unused amounts reversed during the year	(1.3)
Discount and inflationary changes and unwinding	(0.4)
At 31 December 2015	45.2

The property provision represents onerous lease provisions for lease obligations arising from discontinued activities. The majority of this liability is expected to crystallise in the next 30 years. Also included are provisions for asset retirement obligations. These provisions are expected to crystallise at the end of the lease term of each property.

21. EMPLOYEE BENEFITS

PENSION PLANS

Employee benefits

	31 December 2015	*31 December 2014*
	£m	*£m*
Present value of defined benefit obligations	(2,023.5)	(2,057.4)
Effect of minimum funding requirement	(702.7)	(671.1)
Fair value of plan assets	2,091.8	2,054.2
Recognised liability for defined benefit obligations	(634.4)	(674.3)
Cash-settled share-based payment transactions liability - non-current	(18.4)	(37.0)
Total non-current employee benefits liability	(652.8)	(711.3)
Cash-settled share-based payment transactions liability - current	(19.5)	(59.5)
Total employee benefits liability	(672.3)	(770.8)

Pension plans

Total costs charged to the income statement in respect of employee benefits:

	31 December 2015	*31 December 2014*
	£m	*£m*
Wages and salaries	2,211.3	2,274.3
Share-based payments (credit)/charge	(9.1)	46.8
Social security costs	123.1	124.9
Total cost before pension costs	2,325.3	2,446.0
Defined benefit pension scheme		
Net interest on pension scheme	25.2	15.1
Total defined benefit scheme loss	25.2	15.1
Cost of defined contribution schemes	66.4	67.7
Total pension expense	91.6	82.8
Total employee benefit expense	2,416.9	2,528.8

21. EMPLOYEE BENEFITS (CONTINUED)

PENSION PLANS (CONTINUED)

The Company operates a single trust based defined contribution pension plan for current colleagues. The assets of the plan are held by the Legal & General Assurance Society Ltd and the Prudential Life Assurance Company. Previously the Company also operated a contract based defined contribution plan for certain colleagues, but this was amalgamated into the trust based plan in May 2015.

The Company also operates two final salary defined benefit plans in the UK (one funded and one unfunded) which are closed to future accrual. With effect from 12 February 2011, the link between past service benefits and future salary increases was removed. The assets of the funded plan are placed by the trustees under the management of a number of professional fund managers and are held separately from the Company's assets. The trustees invest in a range of assets including bonds, equity securities and assets that will hedge movements in the liabilities. The trustees and Company agreed a de-risking plan in 2011 whereby the proportion of plan assets invested in liability hedging assets will increase over the period to 2021.

Responsibility for governance of the plans – including investment decisions and contribution schedules – lies with the board of trustees. The trustee body of the defined benefit plan is made up of eleven trustees: five of these are member nominated trustees including one pensioner, four are company appointed, and there are two professional independent trustees. The trustee body of the defined contribution plan is made up of seven trustees: three of these are member nominated, three are company appointed, and there is one professional independent trustee.

The Company's ultimate parent company Wal-Mart Stores, Inc., guarantees ASDA Stores' obligations to the funded defined benefit plan up to a maximum amount of £900m. This guarantee has no time limit.

A schedule of contributions is in place between the Company and trustees of the funded defined benefit plan in order to pay down the deficit and the current schedule has been in force since 2014. Under IFRIC 14 this is considered to be a minimum funding requirement (also known as a statutory funding objective). At the current year end the present value of the contributions payable to meet Statutory Funding Objective requirements exceeds the pension plan net liability which indicates that in future the plan would go into a surplus. As the plan rules do not provide the Company with an unconditional right to a refund in the event of a surplus, under the requirements of IFRIC 14 the minimum funding requirement creates an obligation which is recognised as an additional liability of £702.7m (2014: £671.1m).

The expected future benefit payments from the defined benefit plans are based on a number of assumptions including future inflation, retirement ages, benefit options chosen and life expectancy and are therefore inherently uncertain. Actual benefit payments in a given year may be higher or lower, for example if members retire sooner or later than assumed, or take a greater or lesser cash lump sum at retirement. The estimated duration of pension plan liabilities, which is an indicator of the weighted average term of the liabilities, is 25 years (2014: 25 years) although the benefits payable by the pension plans are expected to be paid over more than 80 years.

21. EMPLOYEE BENEFITS (CONTINUED)

PENSION PLANS (CONTINUED)

Movements in present value of defined benefit obligation:

	31 December 2015 *£m*	*31 December 2014* *£m*
At 1 January	(2,057.4)	(1,769.1)
Interest expense	(75.0)	(82.2)
Remeasurements:		
Effect of changes in demographic assumptions	-	(2.5)
Effect of changes in financial assumptions	2.7	(243.6)
Effect of experience adjustments	46.6	(0.5)
Benefits paid	59.6	40.5
At 31 December	(2,023.5)	(2,057.4)

Movements in fair value of plan assets:

	31 December 2015 *£m*	*31 December 2014* *£m*
At 1 January	2,054.2	1,734.6
Interest income	76.1	81.7
Contributions by employer	65.1	65.0
Benefits paid	(59.6)	(40.5)
Administrative expenses paid	(1.4)	(1.9)
Remeasurements:		
(Reduction in)/return on plan assets excluding interest income	(42.6)	215.3
At 31 December	2,091.8	2,054.2

Amounts recognised in the income statement:

	31 December 2015 *£m*	*31 December 2014* *£m*
Interest expense on defined benefit pension plan obligation	(75.0)	(82.2)
Interest income on plan assets	76.1	81.7
Interest expense on effect of asset onerous liability	(24.8)	(12.7)
Administrative expenses and taxes	(1.5)	(1.9)
Total income statement charge	(25.2)	(15.1)

The defined benefit pension scheme expense is recognised in financial costs in the income statement.

21. EMPLOYEE BENEFITS (CONTINUED)

PENSION PLANS (CONTINUED)

The Company expects to contribute approximately £65.0m to its defined benefit scheme in the next financial year.

The Company operates one defined contribution pension plan. There were no unpaid contributions outstanding at the current or prior year end for the defined contribution scheme. The charge for the year for the defined contribution scheme is £66.4m (2014: £67.7m).

The amounts (charged)/credited in the statement of other comprehensive income in the year were:

	31 December 2015 *£m*	*31 December 2014* *£m*
Remeasurements recognised to other comprehensive income		
Effect of changes in demographic assumptions	-	(2.5)
Effect of changes in financial assumptions	2.7	(243.6)
Effect of experience adjustments	46.6	(0.5)
Return on plan assets excluding interest income	(42.6)	215.3
Changes in onerous liability excluding interest expense	(6.7)	(387.5)
Total remeasurements recognised in the statement of comprehensive income	-	(418.8)

The fair value of the plan assets were as follows:

	31 December 2015		*£m*	*31 December 2014*		*£m*
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Cash and cash equivalents	-	5.2	5.2	-	4.5	4.5
Equity securities	255.4	512.8	768.2	287.8	400.2	688.0
Debt securities	664.0	-	664.0	643.6	-	643.6
Property	-	171.4	171.4	-	164.0	164.0
Investment funds	111.3	327.4	438.7	111.5	366.7	478.2
Other	44.3	-	44.3	75.9	-	75.9
	1,075.0	1,016.8	2,091.8	1,118.8	935.4	2,054.2

21. EMPLOYEE BENEFITS (CONTINUED)

PENSION PLANS (CONTINUED)

Principal actuarial assumptions (expressed as weighted averages):

	31 December 2015	*31 December 2014*
	%	%
Discount rate	3.9	3.7
Inflation - RPI	3.2	3.0
Inflation - CPI	2.2	2.0
Future pension increases	3.1	2.9

As the defined benefit scheme is closed to future accrual, future salary increases is no longer an actuarial assumption.

The following table illustrates the residual life expectancy for an average member on reaching age 65, according to the mortality assumptions used to calculate the pension liabilities:

		31 December 2015	*31 December 2014*
Retiring at reporting date at age 65:	Male	23.3	23.1
	Female	25.7	25.6
Retiring in 25 years at age 65:	Male	25.6	25.4
	Female	28.1	28.0

Sensitivity analysis of principal assumptions:

The assumptions on the discount rate, inflation, and life expectancy all have a significant effect on the measurement of the present value of the scheme liabilities. The following table provides an indication of the sensitivity of the IAS 19 pension liability at 31 December 2015, and of the income statement charge for 2015, to changes in these assumptions.

	Decrease / (increase) in liability £m	Decrease / (increase) in liability £m
An increase of 0.1% to the following assumptions:		
Discount rate	41.0	1.7
Inflation rate (assuming RPI and CPI both move by 0.1 percent)	(39.6)	(1.5)
One year increase in life expectancy	(81.3)	(3.2)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to changes in actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and changes in assumptions used in preparing the sensitivity analysis are the same as those used in the previous period.

21. EMPLOYEE BENEFITS (CONTINUED)

SHARE-BASED PAYMENTS

Share-based payment transactions are accounted for in accordance with IFRS 2 'Share-Based Payments'.

The Company offers four share-based payment schemes to employees to enable them to own shares in the ultimate parent company, Wal-Mart Stores, Inc. The Company has the obligation to settle the majority of the obligations for the schemes, including employment taxes for participating employees, and therefore these schemes are accounted for as cash settled liabilities.

The impact is eliminated in the consolidated financial statements of Wal-Mart Stores, Inc. and the share options would not be revalued if the Company were granting options on its own shares in a way consistent with UK public limited companies. Two of these schemes involve the granting of options to employees to acquire shares in the ultimate parent company at pre-determined exercise prices and two of the schemes involve the granting of rights to receive shares in the ultimate parent company for nil consideration. The executive performance share plan has performance conditions relating to the total payout of options issued, no other scheme has any performance conditions attached to the scheme.

The total expenses recognised for the year arising from share based payments and the associated amounts recognised in the balance sheet are as follows:

		31 December 2015 £m	*31 December 2014 £m*
Cash-settled share based payment (credit) / charge		(9.1)	46.8
Total carrying amount of liabilities	- current	19.5	59.5
	- non-current	18.4	37.0
		37.9	96.5

The number and weighted average exercise prices for the Sharesave and Wal-Mart Stock Incentive Plan schemes, which involve the granting of options to employees to acquire shares in the ultimate parent company at predetermined exercise prices, are as follows:

	31 December 2015 Weighted average exercise price £	*31 December 2015 Number of options (thousands)*	*31 December 2014 Weighted average exercise price £*	*31 December 2014 Number of options (thousands)*
Outstanding at the beginning of the year	34.03	5,098	31.14	5,461
Exercised during the year	(27.81)	(1,514)	26.92	(1,697)
Granted during the year	43.82	1,853	35.24	2,208
Forfeited during the year	(37.92)	(728)	33.36	(874)
Outstanding at the end of the year	38.70	4,709	34.03	5,098
Exercisable at the end of the year	32.53	154	30.30	196

21. EMPLOYEE BENEFITS (CONTINUED)

SHARE-BASED PAYMENTS (CONTINUED)

Share options were exercised on a regular basis throughout the year. The average share price during the year to 31 December 2015 was £47.47 (2014: £46.41). The related shares are denominated in US dollars being the reporting currency of the ultimate parent company. The sterling exercise price of the Sharesave scheme options is fixed at the exchange rate on issue, for all other schemes the exercise price is denominated in US dollars and the sterling equivalent is translated based on the current exchange rate.

Sharesave scheme

The scheme has been in existence for employees since 1982 and gained HMRC approval in 2000. Employees with six months service are invited to join the scheme annually. Options are granted annually to employees who elect to join, and are exercisable in three or five years from date of grant, depending on the year of grant. Currently only three year grants are being offered. The options under this scheme are treated as cash-settled. The exercise price of the options granted is equal to the market price of the shares less 20% on the date of grant.

31 December 2015				*31 December 2014*			
Number of options outstanding (thousands)	*Range of exercise price £*	*Weighted average exercise price £*	*Weighted average remaining contractual life (years)*	*Number of options outstanding (thousands)*	*Range of exercise price £*	*Weighted average exercise price £*	*Weighted average remaining contractual life (years)*
4,549	29.76 to 43.79	38.84	1.3	4,889	26.21 to 37.27	34.11	1.3

The fair value of the options outstanding under the Sharesave scheme at 31 December 2015 is £11.8m (2014: £57.2m).

Wal-Mart Stock Incentive Plan (WSIP) scheme

The scheme has been in existence since 1999. Options are granted to employees annually and are exercisable in five or seven years from date of grant, depending on the grant agreement. The options under this scheme are treated as cash-settled.

31 December 2015				*31 December 2014*			
Number of options outstanding (thousands)	*Range of exercise price £*	*Weighted average exercise price £*	*Weighted average remaining contractual life (years)*	*Number of options outstanding (thousands)*	*Range of exercise price £*	*Weighted average exercise price £*	*Weighted average remaining contractual life (years)*
160	29.89 to 54.48	34.88	0.2	209	28.45 to 50.13	32.22	0.2

The fair value of the options outstanding under the WSIP scheme at 31 December 2015 is £1.4m (2014: £5.3m).

21. EMPLOYEE BENEFITS (CONTINUED)

SHARE-BASED PAYMENTS (CONTINUED)

Restricted Stock Rights (RSR) scheme

The scheme was introduced in 2008 as an alternative to the WSIP scheme. Under the RSR scheme, employees are awarded the right to receive a predetermined number of shares in the ultimate parent company three years from the award date. All RSRs are classed as unapproved from an Income Tax and National Insurance perspective. RSR awards are treated as cash-settled.

The number of share awards under the RSR scheme is as follows:

	31 December 2015 (thousands)	*31 December 2014 (thousands)*
Outstanding at the beginning of the year	635	744
Exercised during the year	(213)	(278)
Granted during the year	251	257
Lapsed during the year	(71)	(88)
Reclassified during the year	(29)	-
Outstanding at the end of the year	573	635
Exercisable at the end of the year	-	-

The fair value of the options outstanding under the RSR scheme at 31 December 2015 is £15.0m (2014: £23.2m).

Performance Share Plan (PSP) scheme

The Company offers a PSP scheme, for which conditions exist in relation to exercise as described below.

The scheme came into existence on 20 July 2006. Under the scheme, selected executives are granted the right to receive shares in Wal-Mart Stores, Inc. provided certain pre-determined performance goals are met. These pre-determined goals are in respect of sales growth and return on investment. All share awards under the PSP scheme have been issued for nil consideration and have a contractual life of between 1 and 3 years. The share awards under this scheme are treated as cash-settled.

The number of share awards under the PSP scheme is as follows:

	31 December 2015 (thousands)	*31 December 2014 (thousands)*
Outstanding at the beginning of the year	347	488
Exercised during the year	(104)	(167)
Conditionally granted during the year	77	176
Lapsed during the year	(86)	(150)
Outstanding at the end of the year	234	347
Exercisable at the end of the year	-	-

21. EMPLOYEE BENEFITS (CONTINUED)

SHARE-BASED PAYMENTS (CONTINUED)

The fair value of the options outstanding under the PSP scheme at 31 December 2015 is £9.7m (2014: £10.8m).

The fair value of share options is measured using a Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

The following table gives the weighted average assumptions applied to the options granted during the year and are outstanding in the respective periods shown.

	31 December 2015	*31 December 2014*
Expected dividend yield (%)	3.20	2.80
Expected volatility (%)	18.22	16.62
Risk-free interest rate (%)	0.65	0.25
Weighted average fair value of options granted (£)	17.78	21.11
Weighted average exercise price (£)	38.70	34.03
Expected life of option (years)	3 or 5	3 or 5

Volatility is a measure of the amount by which a price is expected to fluctuate during the year. The Company has used historical volatilities that correlate with the expected term of the options.

Share options are exercisable in US dollars and the risk free interest rate is based on the applicable US treasury rate.

22. TRADE AND OTHER PAYABLES

	31 December 2015 £m	*31 December 2014 £m*
Trade payables	2,169.0	2,128.9
Intercompany payables	302.4	212.5
Other taxes and social security	177.1	191.9
Other payables	160.5	157.9
Accrued expenses	412.5	423.4
Taxation	40.8	22.5
	3,262.3	3,137.1

23. OBLIGATIONS UNDER LEASES

Operating lease agreements where Company is lessee

Future minimum undiscounted lease payments under non-cancellable agreements in respect of land and buildings are as follows:

	31 December 2015 £m	*31 December 2014 £m*
No later than one year	149.1	33,447.0
Later than one year and no later than five years	427.3	397.8
Later than five years	1,909.1	1,757.6
	2,485.5	35,602.4

Total present value of future minimum lease payments in respect of land and buildings is £1,018.3m (2014: £988.2m).

Future minimum lease payments under non-cancellable agreements in respect of plant and machinery are as follows:

	31 December 2015 £m	*31 December 2014 £m*
No later than one year	42.8	50.0
Later than one year and no later than five years	84.8	81.5
Later than five years	5.6	3.9
	133.2	135.4

Total present value of future minimum lease payments in respect of plant and machinery is £117.0m (2014: £120.3m).

The Company leases various offices, stores, warehouses, vehicles and equipment under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights, however they commonly include either a market rent review or an index linked rent review (with a cap and collar). The timing of when rent reviews take place differs for each lease. They have no purchase options.

Operating lease agreements where Company is lessor

Future minimum lease income under non-cancellable agreements is receivable as follows:

	31 December 2015 £m	*31 December 2014 £m*
No later than one year	11.9	12.4
Later than one year and no later than five years	33.7	34.7
Later than five years	44.8	48.9
	90.4	96.0

23. OBLIGATIONS UNDER LEASES (CONTINUED)

Total present value of future minimum lease income is £65.2m (2014: £59.9m). The Company sub-lets buildings of various natures under non-cancellable agreements. The leases have various terms and renewal rights.

Finance lease agreements where Company is lessee

The Company also leases buildings under finance leases. These leases have terms of renewal, including escalation clauses but no purchase options. Renewals are at the option of the lessee. Future minimum lease payments under finance leases are as follows:

	31 December 2015 £m	*31 December 2014 £m*
Future minimum payments due:		
No later than one year	9.5	8.1
Later than one year and no later than five years	39.5	35.2
Later than five years	344.1	289.2
	393.1	332.5
Lease finance charges allocated to future periods	(227.6)	(195.6)
Present value of minimum lease payments	165.5	136.9

No later than one year	9.5	8.1
Later than one year and no later than five years	32.8	29.2
Later than five years	123.2	99.6
	165.5	136.9

24. COMMITMENTS

As at 31 December 2015, the Company had entered into contracts to purchase property, plant and equipment for £nil (2014: £2.0m).

As at 31 December 2015, the Company had entered into contracts to purchase US dollars for £703.9m (2014: £647.7m).

25. CONTINGENT LIABILITIES

Equal Value Claims: ASDA Stores Limited, a wholly-owned subsidiary of the Group, is a Respondent to over 7,000 employment tribunal claims that have been presented on behalf of current and former ASDA store employees, who allege that their work in ASDA's stores is of equal value in terms of the demands of their jobs to that of employees working in ASDA's distribution centres, and that the differences in pay and terms and conditions between the different jobs are not objectively justified. The claimants are requesting differential back pay based on the higher wage rates in the distribution centres and those higher wage rates and more favourable terms and conditions on a prospective basis as part of these equal value proceedings. ASDA believes that further claims may be presented. At present, the Directors cannot predict the number of claims that may be presented, and cannot reasonably estimate any loss or range of loss that may arise from these proceedings. The Directors believe that there are substantial factual and legal defences to these claims, and intend to defend the claims vigorously.

26. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary, the Company has taken advantage of the exemption in paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries of the Broadstreet Great Wilson Europe Limited group.

27. TRANSITION TO FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 'First time adoption of International Financial Reporting Standards'.

Exemptions Applied

IFRS 1 allows first time adopters certain exemptions from the general requirements to apply IFRSs as effective for 31 December 2015 year ends retrospectively. The Company has taken advantage of the following exemptions:

IFRS 3 Business Combinations

A first time adopter must account for business combinations occurring after its date of transition under IFRS 3. An entity may elect not to apply IFRS 3 to business combinations occurring before the date of transition. The Company has elected to take the exemption relating to IFRS 3 and has not reviewed business combinations that occurred pre-the date of transition. There are no acquisition deals after the date of transition that fall under the scope of IFRS 3.

Deemed Cost

The Company has elected to take previous GAAP revaluation of items of property, plant and equipment as deemed cost the date of transition, on the grounds that at the point of revaluation, the assets were adjusted to fair value. The total revaluation amount in cost of property, plant and equipment brought forward is £81.8m. There is no adjustment to previously reported GAAP amounts as a result of this election.

Investments are all stated at previous GAAP values, being the deemed cost on transition.

27. TRANSITION TO FRS 101 (CONTINUED)

Reconciliation of equity as at 1 January 2014	UK GAAP	Share based payments	Cash flow hedge	Pension: IFRIC 14	Pension: Deferred Tax impacts	Reclass	FRS 101
	£m	£m	£m	£m	£m	£m	£m
Assets							
Non-current assets							
Intangible assets	136.6					22.9	159.5
Property, plant and equipment	4,605.5					(22.9)	4,582.6
Investments	769.7						769.7
Operating lease prepayments	-					49.2	49.2
	5,511.8	-	-	-	-	49.2	5,561.0
Current assets							
Inventories	1,069.8						1,069.8
Trade and other receivables	2,351.8						2,351.8
Operating lease prepayments: amounts due within one year	1.2						1.2
Operating lease prepayments: amounts due after more than one year	49.2					(49.2)	-
	3,472.0	-	-	-	-	(49.2)	3,422.8
Total assets	8,983.8	-	-	-	-	-	8,983.8
Equity and Liabilities							
Equity attributable to the shareholders							
Called up share capital	757.6						757.6
Share premium account	950.3						950.3
Cash flow hedge	-		(24.6)				(24.6)
Other reserves	119.5						119.5
Retained earnings	3,658.2	(0.1)	(1.2)	(270.8)	54.2		3,440.3
Total equity	5,485.6	(0.1)	(25.8)	(270.8)	54.2	-	5,243.1
Liabilities							
Non-current liabilities							
Borrowings	105.7						105.7
Provisions	226.0					(185.5)	40.5
Deferred tax liabilities	-	0.1	(6.9)		(61.1)	83.1	15.2
Employee benefits	27.6			270.8	6.9	38.9	344.2
	359.3	0.1	(6.9)	270.8	(54.2)	(63.5)	505.6
Current Liabilities							
Trade and other payables	3,133.2		32.7				3,165.9
Borrowings	5.7						5.7
Employee benefits	-					63.5	63.5
	3,138.9	-	32.7	-	-	63.5	3,235.1
Total liabilities	3,498.2	0.1	25.8	270.8	(54.2)	-	3,740.7
Total equity and liabilities	8,983.8	-	-	-	-	-	8,983.8

27. TRANSITION TO FRS 101 (CONTINUED)

Reconciliation of equity as at 31 December 2014	*UK GAAP*	*Cash flow hedge*	*Pension: IFRIC 14*	*Pension: FRS 17 asset reversal*	*Pension: Deferred Tax impacts*	*Reclass*	*FRS 101*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
Assets							
Non-current assets							
Intangible assets	136.0					40.5	176.5
Property, plant and equipment *(restated)*	4,266.5					(40.5)	4,226.0
Investments	769.7						769.7
Operating lease prepayments	-					48.1	48.1
Deferred tax asset	-				134.9	(98.5)	36.4
	5,172.2	-	-	-	134.9	(50.4)	5,256.7
Current assets							
Inventories	1,112.3						1,112.3
Trade and other receivables *(restated)*	2,703.4	34.1					2,737.5
Cash and cash equivalents	214.3						214.3
Operating lease prepayments: amounts due within one year	1.2						1.2
Operating lease prepayments: amounts due after more than one year	48.1					(48.1)	-
	4,079.3	34.1	-	-	-	(48.1)	4,065.3
Total assets	9,251.5	34.1	-	-	134.9	(98.5)	9,322.0
Equity and Liabilities							
Equity attributable to the shareholders							
Called up share capital	757.6						757.6
Share premium account	950.3						950.3
Cash flow hedge	-	23.4					23.4
Other reserves	118.0						118.0
Retained earnings	3,906.9	3.9	(671.2)	5.7	133.1		3,378.4
Total equity	5,732.8	27.3	(671.2)	5.7	133.1	-	5,227.7
Liabilities							
Non-current liabilities							
Borrowings	128.8						128.8
Provisions	237.7					(188.2)	49.5
Deferred tax liabilities	-	6.8				(6.8)	-
Employee benefits	7.0		671.2	(5.7)	1.8	37.0	711.3
	373.5	6.8	671.2	(5.7)	1.8	(158.0)	889.6
Current Liabilities							
Trade and other payables	3,137.1						3,137.1
Borrowings	8.1						8.1
Employee benefits	-					59.5	59.5
	3,145.2	-	-	-	-	59.5	3,204.7
Total liabilities	3,518.7	6.8	671.2	(5.7)	1.8	(98.5)	4,094.3
Total equity and liabilities	9,251.5	34.1	-	-	134.9	(98.5)	9,322.0

27. TRANSITION TO FRS 101 (CONTINUED)

Restatement of equity from UK GAAP to FRS 101

1. Cash flow hedge

The Group has applied the requirements of *IAS 39 Financial Instruments: Recognition and Measurement* with regards to Hedge accounting. The Group has forward currency hedging contracts outstanding at 31 December 2015, designated as hedges of expected future purchases from suppliers in US dollars. The forward currency contracts are being used to hedge the foreign currency risk of the future purchases. The terms of the forward currency hedging contracts have been negotiated to match the terms of the commitments and none exceed a period of more than 12 months after the 31 December 2015. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss.

Under IFRS 1, hedge accounting can be applied prospectively only from the date that the hedge relationship is fully designated and documented. Hedge accounting has been applied in the ASDA Group Limited accounts since 2010 and hence the relationship has been fully designated and documented from this point. Hedge accounting has therefore been applied from the date of transition which has resulted in the recognition of a hedge asset, associated deferred tax liability and hedge reserve at 31 December 2014. At transition date there was a hedge liability and associated deferred tax asset. Any foreign exchange gains or losses previously taken to the income statement have been reversed.

Under extant UK GAAP this accounting was optional and not applied by the Group.

2. Employee Benefits – IFRIC 14 pension adjustment, related deferred tax and FRS 17 reversal

On conversion, the requirements of *IAS 19 Employee Benefits* have been applied. The Group is committed to a schedule of contributions. Under IFRIC 14 this is considered to be a minimum funding requirement (also known as a statutory funding objective). At the transition date the present value of the contributions payable to meet Statutory Funding Objective requirements exceeds the pension scheme net liability which indicates that in future the scheme would go into a surplus. As the scheme rules do not provide the Group with an unconditional right to a refund in the event of a surplus, under the requirements of IFRIC 14 the minimum funding requirement creates an obligation which is recognised as a liability. Previously extant UK GAAP (FRS 17) did not require the booking of an additional liability of this kind.

As a result of the additional future liability, an associated deferred tax asset has been recognised.

Under FRS 17 an adjustment was required to reduce any fund surplus to nil, adjusting through the pension reserve. This adjustment is not required under IAS 19. Additionally, under IAS 19, finance income or expense is presented net rather than gross under FRS 17. This has resulted in a movement between p&l and reserves and an adjustment to the tax charge in the income statement.

3. Reclassification

Reclassifications have been made as follows:

- Software costs, previously accounted for as tangible assets under extant UK GAAP, have been reclassified as intangible assets in line with the requirements of *IAS 37 Intangible assets.* Amortisation policy remains unchanged at 4 years.
- Long term operating lease prepayments balances previously presented in current assets have been reclassified to non-current assets.
- Provisions in the extant UK GAAP balance sheet included share based payments and deferred tax. On conversion, these balances have been split out and separately presented on the face of the balance sheet, splitting the long and short term elements of share based payments.

27. TRANSITION TO FRS 101 (CONTINUED)

4. Impact on reported profit

The effect of other re-measurement differences on reported profit of the Company for the year ended 31 December 2014 is as follows:

	Year Ended 31 December 2014 £m
Profit for the year ended 31 December 2014 under UK GAAP	477.4
Cash flow hedge *(note 1)*	5.1
Pension movements *(note 2)*	(11.4)
Decrease in reported profit for the year	(6.3)
Profit for the year ended 31 December 2014 under IFRS	471.1

In addition to the above, £10.8m of depreciation has been reclassified as amortisation in line with the reclassification of software assets as intangibles. See reclassification section above for further information.

28. 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 the registered office, ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD.

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.