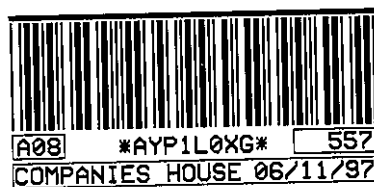


RES 1 STN 4/L

Asda Stores Limited

Report and Accounts

3 May 1997



Asda Stores Limited

Registered No. 464777

DIRECTORS

G V Burr
S A Cain
L A Campbell
M Coupe
P R Cox
F R Emmott
D N Jagger
A L Leighton
B McLaughlin
I McLeod (Appointed 22 April 1997)
P Mason
A J Norman (Chairman)
A De Nunzio

SECRETARIES

D N Jagger
N I Cooper

AUDITORS

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

BANKERS

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

REGISTERED OFFICE

Asda House
Southbank
Great Wilson Street
Leeds
LS11 5AD

The directors present their report and the accounts for the 53 weeks ended 3 May 1997.

RESULTS AND DIVIDENDS

The company's profit for the financial year, as set out on page 7, amounted to £194,097,000 (1996 - £263,721,000).

The company paid an interim dividend of £85,273,000 (1996 - £45,795,000). The directors recommend that no final dividend be paid.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

RESEARCH AND DEVELOPMENT

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

DIRECTORS AND THEIR INTERESTS

A list of the current directors is set out on page 1. During the year the following directors resigned:

J Galloway	13 September 1996
L F Boyle	10 January 1997
P R Langsdale	10 January 1997

No director held any interest in the share capital of Asda Stores Limited during the year. The interests of the directors, all of which are beneficially held, including family interests, in the ordinary shares of the ultimate parent undertaking, Asda Group plc, are shown below:

	<i>At 3 May 1997</i>	<i>At 27 April 1996 or subsequent date of appointment</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
G V Burr	1,126	1,126
S A Cain	10,408	37,408
M Coupe	56,104	81,704
A De Nunzio	108,681	5,000
F R Emmott	-	-
D N Jagger	50,371	42,066
P Mason	4,693	2,000
B McLaughlin	2,200	1,200
I McLeod	7,611	7,611

DIRECTORS AND THEIR INTERESTS (continued)

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

	<i>At 27 April 1996</i>	<i>Granted during the year</i>	<i>Exercised during the year</i>	<i>At 3 May 1997</i>
G V Burr	373,459	21,175	52,800	341,834
S A Cain	616,134	-	-	616,134
M Coupe	190,275	249,099	8,741	430,633
A De Nunzio	537,897	259,603	448,818	348,682
F R Emmott	-	684,370	-	684,370
D N Jagger	128,307	382,796	-	511,103
P Mason	825,212	34,030	-	859,242
B McLaughlin	398,626	135,303	47,000	486,929
I McLeod	184,135	-	-	184,135

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

	<i>At 27 April 1996</i>	<i>Granted during the year</i>	<i>Exercised during the year</i>	<i>At 3 May 1997</i>
G V Burr	24,231	34,934	-	59,165
S A Cain	48,077	61,135	-	109,212
M Coupe	38,467	60,262	-	98,729
A De Nunzio	34,615	57,641	-	92,256
F R Emmott	-	104,803	-	104,803
D N Jagger	500,000	57,205	-	557,205
P Mason	25,890	78,602	-	104,492
B McLaughlin	51,923	55,021	-	106,944
I McLeod	53,103	-	-	53,103

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

The interests of Messrs. Campbell, Cox, Leighton and Norman are shown in the Asda Group plc accounts.

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

EMPLOYMENT POLICIES, COLLEAGUE INVOLVEMENT AND COMMUNICATIONS

Our employment policies are designed to reinforce the ASDA Way of Working which is a way of involving and motivating all of our colleagues. This starts with recruiting colleagues with a real enthusiasm for selling and an ability to interact with customers and continues with the development of career paths tailored to meet each colleague's needs and expectations.

Effective communication is central to developing the ASDA Way of Working and during the year we introduced colleague circles into every store as a means of discussing issues with a broad cross section of colleagues. We continue to use more traditional forms of communication such as videos, ASDA News, regular face to face meetings such as team briefings and daily shop floor huddles and have a clearly designated communication zone in all stores where important communications are posted. Direct written communications to every colleague from the chief executive and other senior colleagues are used to provide information on the group's financial performance and to explain important colleague benefits.

Participation in our "We're Listening" surveys has increased and feedback demonstrates that communications are improving, that colleagues are aware of the group's objectives and performance and that more than ever before colleagues feel involved and motivated.

We are committed to ensuring that all of our colleagues have an opportunity to realise their full potential and our recruitment and training policies are designed to attract and retain colleagues regardless of gender, age, marital status, race religion or disability. We are constantly devising more flexible ways of working in order to help retain colleagues and to reduce labour turnover and absenteeism.

It is the group's objective to develop an industry leading benefits package which includes our innovative colleague share ownership plan, launched last year, under which 36,000 colleagues were granted share options. We will continue to develop this plan and our popular savings related share option scheme in order to incentivise and reward even more colleagues by providing them with a real stake in the business.

POLITICAL AND CHARITABLE CONTRIBUTIONS

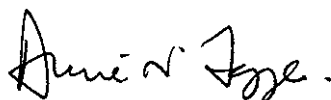
Charitable donations amounted to £60,000 (1996 - £106,000). There were no political donations made during the year.

AUDITORS

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

By order of the board

D N Jagger
Secretary



30 October 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

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

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

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

REPORT OF THE AUDITORS

to the members of Asda Stores Limited

We have audited the accounts on pages 7 to 23 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and on the basis of the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

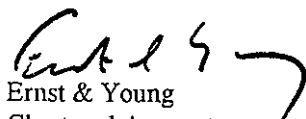
Basis of opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 3 May 1997 and of its profit for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

30 October 1997

Asda Stores Limited

PROFIT AND LOSS ACCOUNT

for 53 weeks ended 3 May 1997

	Notes	1997 £000	1996 £000
SALES		7,439,628	6,495,079
Value added tax		556,196	485,203
TURNOVER	2	6,883,432	6,009,876
Operating costs	3	6,619,704	5,803,507
OPERATING PROFIT		263,728	206,369
Exceptional items:			
Release of provision for reorganisation of group businesses	6	16,012	-
Loss on disposal of fixed assets		(3,134)	-
Property write-off	6	(35,447)	5,197
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		241,159	211,566
Income from investments	7	-	87,200
Interest receivable and similar income	8	31,112	50,826
Interest payable and similar charges	9	(1,814)	(15,724)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		270,457	333,868
Taxation	10	(76,360)	(70,147)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		194,097	263,721
Dividends	11	(85,273)	(45,795)
PROFIT FOR THE FINANCIAL YEAR		108,824	217,926

Asda Stores Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1997 £000	1996 £000
Profit for the financial year	194,097	263,721
Unrealised surplus on revaluation of property	19,642	-
Total recognised gains relating to the period	<u>213,739</u>	<u>263,721</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the 53 weeks ended 3 May 1997

	1997 £000	1996 £000
Reported profit on ordinary activities before taxation	270,457	333,868
Adjustment of depreciation to historical cost basis	(2,512)	(2,051)
Historical cost profit on ordinary activities before taxation	<u>267,945</u>	<u>331,817</u>
Historical cost retained profit	<u>106,312</u>	<u>215,875</u>

Asda Stores Limited

BALANCE SHEET

at 3 May 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	12	1,227,910	938,778
Investments	13	500,100	500,100
		<u>1,728,010</u>	<u>1,438,878</u>
CURRENT ASSETS			
Stocks		283,938	256,571
Debtors (including amounts falling due after more than one year of £Nil (1996 - £824,833,000))	14	350,600	938,781
Cash at bank and in hand		6,563	6,555
		<u>641,101</u>	<u>1,201,907</u>
CREDITORS: amounts falling due within one year	15	(871,191)	(1,234,424)
NET CURRENT LIABILITIES		<u>(230,090)</u>	<u>(32,517)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,497,920</u>	<u>1,406,361</u>
CREDITORS: amounts falling due after more than one year	16	(1,250)	(2,731)
Provisions for liabilities and charges	18	(79,661)	(115,087)
		<u>1,417,009</u>	<u>1,288,543</u>
CAPITAL AND RESERVES			
Called up share capital	21	584,865	584,865
Share premium account	22	260	260
Revaluation reserve	22	115,245	93,791
Profit and loss account	22	716,639	609,627
Shareholders' funds		<u>1,417,009</u>	<u>1,288,543</u>

Shareholders funds include non-equity interests.

Phil Cox - Director

30 October 1997

Asda Stores Limited

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the 53 weeks ended 3 May 1997

	1997 £'000	1996 £'000
Total recognised gains and losses	194,097	263,721
Dividends	(85,273)	(45,795)
	<hr/>	<hr/>
Other gains relating to the year	108,824	217,926
	19,642	-
	<hr/>	<hr/>
Net additions to shareholders' funds	128,466	217,926
Shareholders' funds at beginning of year	1,288,543	1,070,617
	<hr/>	<hr/>
Shareholders' funds at end of year	1,417,009	1,288,543
	<hr/>	<hr/>

	1997 £'000	1996 £'000
Equity shareholders funds	860,153	731,687
Non-equity shareholders funds	556,856	556,856
	<hr/>	<hr/>
	1,417,009	1,288,543
	<hr/>	<hr/>

1. ACCOUNTING POLICIES

Accounting convention

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

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

Group Accounts

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

Depreciation

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

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

Tangible fixed assets

The company's tangible fixed assets are included in the balance sheet at cost less depreciation, with the exception of its food retailing properties, which have been included at valuation as at 2 May 1992 less depreciation and amounts written off.

Stocks

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

Deferred taxation

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

Research and development

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

Investments

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

NOTES TO THE ACCOUNTS

at 3 May 1997

1. **ACCOUNTING POLICIES** (continued)

Leased assets

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

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

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

Capitalisation of interest

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

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

Foreign currencies

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

Pensions

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

2. **ANALYSIS OF TURNOVER**

Turnover comprises the value of sales excluding value added tax.

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

Asda Stores Limited

NOTES TO THE ACCOUNTS

at 3 May 1997

3. OPERATING PROFIT

This is stated after charging/(crediting):

	1997 £000	1996 £000
Change in stocks	(27,367)	(19,013)
Other operating income	(23,546)	(19,947)
Raw materials and consumables	5,367,329	4,690,820
Staff costs	557,053	455,360
Depreciation of tangible fixed assets	87,245	71,218
Other operating charges	514,379	448,661
Operating lease charges:		
- Land and buildings	133,866	167,345
- Plant and machinery	10,524	8,873
Fees paid to auditors:		
- Audit fee	192	178
- Other	29	12
	<u>6,619,704</u>	<u>5,803,507</u>

4. DIRECTORS' EMOLUMENTS

	1997 £000	1996 £000
Emoluments (including pension contributions)	3,195	3,809
	<u>3,195</u>	<u>3,809</u>
	1997 £000	1996 £000
Remuneration of highest paid director	<u>553</u>	<u>548</u>

The accrued pension entitlement of the highest paid director at 3 May 1997 was £74,000.

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

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

Asda Stores Limited

NOTES TO THE ACCOUNTS

at 3 May 1997

5. STAFF COSTS

	1997 £000	1996 £000
Wages and salaries	517,717	425,233
Social security costs	30,608	23,293
Other pension costs	8,728	6,834
	<u>557,053</u>	<u>455,360</u>

The average weekly number of employees during the year was 74,625 (1996 - 73,581).

6. EXCEPTIONAL ITEMS

	1997 £000	1996 £000
Provision for reorganisation of group businesses:		
Release of renewal provision	16,012	-
Other:		
Interest on corporation tax refund	-	5,197
Loss on disposal of fixed assets	(3,134)	-
Exceptional property write-off	(35,447)	(5,197)
	<u>(38,581)</u>	<u>-</u>

7. INCOME FROM INVESTMENTS

	1997 £	1996 £
Unlisted	-	87,200

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	1997 £000	1996 £000
Interest receivable from group undertakings	29,833	49,566
Other	1,279	1,260
	<u>31,112</u>	<u>50,826</u>

Asda Stores Limited

NOTES TO THE ACCOUNTS

at 3 May 1997

9. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £000	1996 £000
Interest payable to group undertakings	296	19,155
Bank overdraft interest	449	279
Finance lease charges	790	209
Debenture and mortgage interest	-	10
Other	279	622
	<u>1,814</u>	<u>20,275</u>
Interest capitalised (before tax relief of £1,501,830 - 1996)	-	(4,551)
	<u>1,814</u>	<u>15,724</u>

10. TAXATION

The taxation charge is made up as follows:

	1997 £000	1996 £000
Based on the profit for the year:		
Corporation tax at 33% (1996 - 33%)		
Current	77,832	62,970
Deferred	(1,472)	2,513
Adjustments in respect of prior years:		
Current	-	(13,805)
Deferred	-	18,469
	<u>76,360</u>	<u>70,147</u>

11. DIVIDENDS

	1997 £000	1996 £000
Ordinary dividends paid	<u>85,273</u>	<u>45,795</u>

Asda Stores Limited

NOTES TO THE ACCOUNTS

at 3 May 1997

12. TANGIBLE FIXED ASSETS

	<i>Land and buildings</i>		<i>Plant and</i>	
	<i>Freehold</i>	<i>Leasehold</i>	<i>machinery</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:				
At 27 April 1996	167,279	437,217	558,994	1,163,490
Additions	230,943	41,882	157,569	430,394
Reclassification	(4,597)	(229)	4,826	-
Transfers from other group undertakings	608	4,219	4,386	9,213
Transfer to other group undertakings	(59,986)	(18,258)	-	(78,244)
Revaluation	4,999	14,643	-	19,642
Disposals	(2,170)	(2,404)	(43,674)	(48,248)
At 3 May 1997	337,076	477,070	682,101	1,496,247
Depreciation:				
At 27 April 1996	8,572	65,831	314,625	389,028
Reclassification	(688)	(179)	867	-
Charge for the year	2,795	8,233	76,217	87,245
Transfers from other group undertakings	20	847	2,177	3,044
Transfers to other group undertakings	(467)	(116)	-	(583)
Disposals	(594)	(633)	(30,045)	(31,272)
Permanent diminution in value	2,391	6,687	26,368	35,446
At 3 May 1997	12,029	80,670	390,209	482,908
Net book value:				
At 3 May 1997	325,047	396,400	291,892	1,013,339
Assets under construction (1996 - £164,317)				214,571
Net book value:				
At 3 May 1997				1,227,910
Net book value:				
At 27 April 1996				938,778

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

Asda Stores Limited

NOTES TO THE ACCOUNTS

at 3 May 1997

12. TANGIBLE FIXED ASSETS (continued)

The results of these valuations have been incorporated into the company's accounts, the effect of which is to decrease the carrying amount of the retail properties by £15.8 million. Of this amount a net permanent diminution in value adjustment of £35.4 million, has been charged to the profit and loss account (see note 3 on page 44) and a net surplus of £19.6 million has been taken to revaluation reserve (see note 22 on page 53).

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

	1997 £000	1996 £000
Freehold properties	247,866	83,068
Leasehold properties	404,344	379,134
	<u>652,210</u>	<u>462,202</u>

An amount of £Nil (1996 - £2,115,670) has been included in additions in respect of interest capitalised during the year ended 3 May 1997 after deducting tax relief of £Nil (1996 - £1,042,046).

The net book amount of plant, machinery, equipment and vehicles includes £8,063,491 (1996 - £13,455,164) in respect of leased assets after charging depreciation of £2,920,913 (1996 - £2,632,161).

The net book amount of leasehold property includes:

	1997 £000	1996 £000
Leases with 50 years or more unexpired	333,997	311,950
Leases with less than 50 years unexpired	62,404	59,436
	<u>396,401</u>	<u>371,386</u>

13. FIXED ASSET INVESTMENTS

	£000
Cost at 3 May 1997 and 27 April 1996	<u>500,140</u>
Amounts provided:	
At 27 April 1996	(40)
Provided in year	-
At 3 May 1997	<u>(40)</u>
Net book value at 3 May 1997 and 27 April 1996	<u>500,100</u>

Asda Stores Limited

NOTES TO THE ACCOUNTS

at 3 May 1997

13. FIXED ASSET INVESTMENTS (continued)

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

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

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

14. DEBTORS

Amounts falling due within one year:	1997 £000	1996 £000
Amounts owed by parent undertakings	213,439	-
Amounts owed by fellow subsidiary undertakings	27,803	27,079
Other debtors	31,139	25,207
Prepayments and accrued income	78,219	61,662
	<u>350,600</u>	<u>113,948</u>
Amounts falling due after more than one year:		
Amounts owed by fellow subsidiary undertakings	-	824,833
	<u>350,600</u>	<u>938,781</u>

15. CREDITORS: amounts falling due within one year

	1997 £000	1996 £000
Bank overdraft	31,267	34,912
Obligations under finance leases (note 17)	1,410	5,288
Trade creditors	541,159	510,074
Amounts owed to parent undertaking	5,784	158,133
Amounts owed to fellow subsidiary undertakings	4,067	295,215
Taxation	90,391	68,069
Social Security	9,871	7,250
Other creditors	35,995	38,354
Accruals	151,247	117,129
	<u>871,191</u>	<u>1,234,424</u>

Asda Stores Limited

NOTES TO THE ACCOUNTS

at 3 May 1997

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

	1997 £000	1996 £000
Obligations under finance leases (note 17)	1,250	2,616
Other creditors	-	115
	<u>1,250</u>	<u>2,731</u>

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1997 £000	1996 £000
Amounts payable:		
within one year	1,410	5,288
within two to five years	1,250	1,463
in more than five years	-	1,153
	<u>2,660</u>	<u>7,904</u>

18. PROVISION FOR LIABILITIES AND CHARGES

	1997 £000	1996 £000
Deferred taxation (note 19)	43,378	44,850
Provisions (note 20)	36,283	70,237
	<u>79,661</u>	<u>115,087</u>

19. DEFERRED TAXATION

Amount provided

	Accelerated capital allowances £000	Short term timing differences £000	Total £000
At 27 April 1996	60,569	(15,719)	44,850
Transfer from profit and loss account	-	(1,472)	(1,472)
At 3 May 1997	<u>60,569</u>	<u>(17,191)</u>	<u>43,378</u>

Asda Stores Limited

NOTES TO THE ACCOUNTS

at 3 May 1997

19. DEFERRED TAXATION (continued)

Provision has been made for Corporation Tax at 33% on timing differences which are expected to reverse in the foreseeable future.

<i>Full potential liability</i>	<i>Accelerated capital allowances £000</i>	<i>Short term timing differences £000</i>	<i>Total £000</i>
At 27 April 1996	78,504	(15,719)	62,785
Arising during the year	-	(1,472)	(1,472)
At 3 May 1997	78,504	(17,191)	61,313

20. PROVISIONS

	<i>Lease purchase provisions £000</i>	<i>Other £000</i>	<i>Total £000</i>
At 27 April 1996	36,283	33,954	70,237
Utilised during the year	-	(17,942)	(17,942)
Released during the year	-	(16,012)	(16,012)
At 3 May 1997	36,283	-	36,283

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

In 1992, the company established a provision for the costs of correcting past neglect of the store portfolio. At the year end, the remaining balance of this provision has been released to the profit and loss account as an exceptional credit. All future refurbishment costs will be charged against operating profit as ordinary activity.

Asda Stores Limited

NOTES TO THE ACCOUNTS

at 3 May 1997

21. CALLED UP SHARE CAPITAL

Authorised

At 3 May 1997 and at 27 April 1996

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

Allotted, called up and fully paid

At 3 May 1997 and at 27 April 1996

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

Ordinary redeemable shares

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

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

Asda Stores Limited

NOTES TO THE ACCOUNTS

at 3 May 1997

22. RESERVES

	<i>Share premium account £000</i>	<i>Revaluation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 27 April 1996	260	93,791	609,627	703,678
Realisation of temporary diminution	-	1,812	(1,812)	-
Revaluation of properties	-	19,642	-	19,642
Profit for the year	-	-	108,824	108,824
At 3 May 1997	260	115,245	716,639	832,144

23. FINANCIAL COMMITMENTS

The directors have authorised future capital expenditure which amounts to:

	<i>1997 £000</i>	<i>1996 £000</i>
Contracted	33,315	60,179

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

	<i>1997 £000</i>	<i>1996 £000</i>
Amounts payable:		
within one year	-	91
after more than five years	34,930	35,570
	34,930	35,661

24. PENSIONS

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

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

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

The total pension cost to the company was £8,728,000 (1996 - £6,833,944).

NOTES TO THE ACCOUNTS

at 3 May 1997

25. RELATED PARTY TRANSACTIONS

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

During the year, Asda Stores Limited sold a residential property to Mr B McLaughlin (a director of the company) for £107,500. The property had been purchased from Mr McLaughlin in 1995 for £115,000 to enable Mr McLaughlin to move to Leeds to fulfil his duties as a director.

There were no other related party transactions in the year.

26. ULTIMATE PARENT UNDERTAKING

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

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