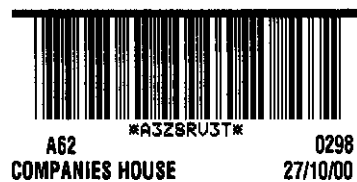


ASDA Group Limited

Report and Accounts

36 weeks ended 7 January 2000

Registered No.1396513



ASDA Group Limited

Registered No. 1396513

DIRECTORS

A J Norman	Chairman (resigned 1/11/99)
A L Leighton	
L A Campbell	
P Mason	
A De Nunzio	
M A Coupe	
R Baker	(appointed 1/11/99)
H L Scott	(appointed 1/11/99)
D Dible	(appointed 1/11/99)
J B Menzer	(appointed 1/11/99)
F W Knight	(resigned 4/6/99)
Sir I Gibson	(resigned 10/9/99)
F A A Maude	(resigned 10/9/99)
R C North	(resigned 10/9/99)
M P Read	(resigned 10/9/99)
I Robinson	(resigned 10/9/99)
S Tinson	(resigned 10/9/99)

SECRETARY

D N Jagger

AUDITORS

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

SOLICITORS

Slaughter and May
35 Basinghall Street
London EC2V 5DB

REGISTERED OFFICE

ASDA House
Southbank
Great Wilson Street
Leeds LS11 5AD

REGISTRARS

Lloyds TSB Registrars
54 Pershore Road
South Birmingham
B30 3EP

BANKERS

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

ASDA Group Limited

Registered No. 1396513

The directors present their report, together with the accounts of the group, for the 36 weeks ended 7 January 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

On 14 June 1999 Wal-Mart Stores (UK) Limited (Wal-Mart UK), a subsidiary of Wal-Mart Stores, Inc., announced a cash offer for 100% of the issued share capital of ASDA Group plc. The offer became fully unconditional on 27 July 1999.

As a consequence of this ASDA Group plc was de-listed from the Stock Exchange Official List on 1 October 1999. On 11 October 1999 ASDA Group plc was re-registered as a private limited company, amending its Memorandum of Association accordingly and adopting new Articles of Association appropriate to a private limited company. Also on 11 October 1999 ASDA Group plc changed its name to ASDA Group Limited.

GROUP PROFIT AND DIVIDENDS

Group loss on ordinary activities before taxation amounts to £69.9 million compared with a profit of £422.9 million for the previous year.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the period are shown on page 2.

Due to the change in ownership that took place during the period, shareholdings and share options held by the directors in ASDA Group plc were substituted for holdings and options in the incumbent ultimate parent company Wal-Mart Stores, Inc. As Wal-Mart Stores, Inc. is incorporated in the USA, disclosure of these interests is not required.

Directors' Share Options

Details of share options held by each director up to the point of substitution to Wal-Mart Stores, Inc. options were as follows:

<i>Director</i>	<i>1 May 1999 or subsequent date of appointment</i>	<i>Granted in the Period</i>	<i>Exercised during the period</i>	<i>Pre substitution to Wal-Mart Stores, Inc. option</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
A J Norman	3,543,748	-	3,494,700	49,048
A L Leighton	2,335,326	7,962	944,725	1,398,563
L A Campbell	1,278,514	4,117	726,159	556,472
P A Mason	948,512	1,975	684,670	265,817
M A Coupe	693,583	1,649	467,896	227,336
A De Nunzio	666,112	1,588	308,669	359,031

CHARITABLE DONATIONS

Last year, fundraising around the business, together with donations from the ASDA Foundation, exceeded £1.5 million.

The company did not make any political donations in the period.

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 continuously 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.

TRADING TERMS

The group deals with over five thousand separate suppliers and has established trading terms which are appropriate to the particular relationship and product supplied. Whenever an order is placed the parties will be aware of the payment terms and it is the company's policy to abide by those terms. There is a procedure in place for ensuring that the trading terms of regular suppliers are reviewed as least annually. The average number of days credit taken for trade purposes at 7 January 2000 was 29 days (1999: 29 days).

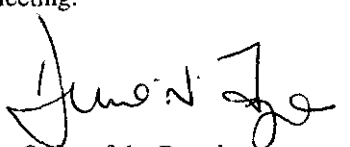
YEAR 2000 COSTS

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

We have undertaken a comprehensive review of our systems and have not experienced any major issues to date. Where appropriate we have changed suppliers who did not appear to be Year 2000 compliant.

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
Denise N Jagger
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The following statement, which should be read in conjunction with the auditors' report 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 for each financial year which give a true and fair view of the state of affairs of the company and the group at the end of that financial year and of the group's profit or loss for the year.

The directors consider that, in preparing the accounts, the group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been followed.

The directors have responsibility for ensuring that the group keeps accounting records which disclose with reasonable accuracy at any time the financial position of the group and which enable them to ensure that the accounts comply with the companies Act 1985. The directors also have responsibility for taking such steps as are reasonably open to them for safeguarding the assets of the group and for the prevention and detection of fraud and other irregularities.

After making appropriate enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

REPORT OF THE AUDITORS
to the members of ASDA Group plc

We have audited the accounts on pages 7 to 26, 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 in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

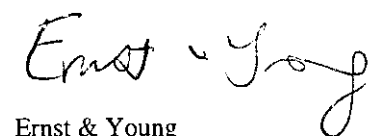
Basis of opinion

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 group'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 affairs of the company and of the group as at 7 January 2000 and of the loss of the group for the 36 weeks then ended, and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

4/7/00

ASDA Group Limited

GROUP PROFIT AND LOSS ACCOUNT

for the 36 weeks ended 7 January 2000

		36 weeks ended 7 January 2000	52 weeks ended 1 May 1999
	Note	£m	£m
SALES		6,948.5	8,866.7
Value added tax		(538.1)	(668.4)
TURNOVER	1	6,410.4	8,198.3
Operating costs	2	(6,065.5)	(7,762.7)
Exceptional integration costs	4	(332.8)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND EXCEPTIONAL ITEMS		12.1	435.6
Loss on disposal of tangible fixed assets		(72.4)	-
		(60.3)	435.6
Net interest payable	3	(9.6)	(12.7)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(69.9)	422.9
Taxation	5	(103.3)	(105.9)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(173.2)	317.0
Dividends	6	-	(28.8)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	22	(173.2)	288.2

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 36 weeks ended 7 January 2000

	36 weeks ended 7 January 2000	52 weeks ended 1 May 1999
	£m	£m
(Loss)/profit for the financial period	(173.2)	317.0
Revaluation reserve arising during the period	251.3	-
Write down of previously revalued items	(26.4)	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	51.7	317.0

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the 36 weeks ended 7 January 2000

	<i>36 weeks ended 7 January 2000 £m</i>	<i>52 weeks ended 1 May 1999 £m</i>
Total recognised gains and losses	51.7	317.0
Dividends	-	(28.8)
	<hr/> 51.7	<hr/> 288.2
Shares issued	126.8	7.4
	<hr/> 178.5	<hr/> 295.6
Total movements during the year	178.5	295.6
Shareholders' funds at beginning of the year	2,575.4	2,279.8
	<hr/> 2,753.9	<hr/> 2,575.4
Shareholders' funds at end of the year	<u>2,753.9</u>	<u>2,575.4</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the 36 weeks ended 7 January 2000

	<i>36 weeks ended 7 January 2000 £m</i>	<i>52 weeks ended 1 May 1999 £m</i>
Reported (loss)/profit on ordinary activities before taxation	(69.9)	422.9
Adjustment of depreciation to historical cost basis	(2.0)	(3.0)
	<hr/> (71.9)	<hr/> 419.9
Historical cost (loss)/profit on ordinary activities before taxation	(71.9)	419.9
	<hr/> (175.2)	<hr/> 285.2
Historical cost retained (loss)/profit	<u>(175.2)</u>	<u>285.2</u>

ASDA Group Limited

BALANCE SHEET

as at 7 January 2000

		Group		Company	
		7 January	1 May	7 January	1 May
		2000	1999	2000	1999
	Note	£m	£m	£m	£m
FIXED ASSETS					
Tangible assets	8	3,840.7	3,574.8	-	-
Investments	9	52.0	9.3	1,724.9	1,682.2
Colleague Share Ownership Plan	19	-	57.1	-	57.1
		<u>3,892.7</u>	<u>3,641.2</u>	<u>1,724.9</u>	<u>1,739.3</u>
CURRENT ASSETS					
Stocks	11	526.1	426.7	-	-
Debtors	12	49.6	121.6	1,660.0	1,644.5
Investments	13	363.3	103.2	363.2	103.0
Cash at bank and in hand		20.6	17.1	-	-
		<u>959.6</u>	<u>668.6</u>	<u>2,023.2</u>	<u>1,747.5</u>
CREDITORS: amounts falling due within one year					
Borrowings	17	(155.9)	(81.8)	-	(6.0)
Other creditors	14	(1,336.8)	(1,099.3)	(1,308.8)	(1,152.2)
		<u>(1,492.7)</u>	<u>(1,181.1)</u>	<u>(1,308.8)</u>	<u>(1,158.2)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(533.1)</u>	<u>(512.5)</u>	<u>714.4</u>	<u>589.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,359.6</u>	<u>3,128.7</u>	<u>2,439.3</u>	<u>2328.6</u>
CREDITORS: amounts falling due after more than one year					
Borrowings	17	(481.7)	(512.5)	(480.3)	(480.0)
Provisions	15	(124.0)	(40.8)	-	-
		<u>2,753.9</u>	<u>2,575.4</u>	<u>1,959.0</u>	<u>1,848.6</u>
CAPITAL AND RESERVES					
Called up share capital	20	783.9	763.2	783.9	763.2
Share premium account	22	568.4	408.8	568.4	408.8
Revaluation reserve	22	437.1	229.4	161.5	161.5
Profit and loss account	22	964.5	1,174.0	445.2	515.1
EQUITY SHAREHOLDERS' FUNDS		<u>2,753.9</u>	<u>2,575.4</u>	<u>1,959.0</u>	<u>1,848.6</u>

A De Nunzio
Finance Director



ACCOUNTING BASIS

The accounts are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

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 Wal-Mart Stores Inc. which produces a consolidated cash flow statement.

CONSOLIDATED ACCOUNTS

The consolidated accounts incorporate the accounts of the company and its subsidiary undertakings together with the group's share of the profits less losses of associated undertakings, adjusted where appropriate to conform to group accounting policies for the 36 weeks ended 7 January 2000.

GOODWILL

Goodwill arising on acquisitions prior to 2 May 1998 was set off directly against reserves in the group accounts. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS 10.

Positive goodwill arising on acquisitions since 2 May 1998 is ordinarily capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

TURNOVER

Turnover comprises the value of sales excluding value added tax and intra-group transactions.

TANGIBLE FIXED ASSETS

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

DEPRECIATION

The group'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

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

LEASED ASSETS

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

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

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

CAPITALISATION OF INTEREST

Interest costs relating to the financing of properties in the course of construction for trading occupation by the company or its subsidiary undertakings are capitalised gross (previously net of tax relief).

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

STOCKS

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

DEFERRED TAXATION

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

INVESTMENTS

Investments in associated undertakings are dealt with under the equity method of accounting in the consolidated accounts less amounts written off. In the company's accounts investments in associated undertakings are stated at cost less amounts written off.

Short term investments are stated at the lower of cost and net realisable value. All income from these investments is included in the profit and loss account as interest receivable and similar income.

FOREIGN CURRENCIES

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

PENSIONS

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

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 7 January 2000

1. TURNOVER AND SEGMENTAL ANALYSIS

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

The group operated in two principal areas of activity, categorised as follows:

- ASDA - retail of food, clothing, home and leisure superstores;
- Gazeley - property developments.

	<i>36 weeks ended 7 January 2000 £m</i>	<i>52 weeks ended 1 May 1999 £m</i>
TURNOVER		
ASDA	6,398.2	8,178.0
Gazeley	12.2	20.3
	<u>6,410.4</u>	<u>8,198.3</u>
PROFIT		
ASDA	5.5	426.9
Gazeley	6.6	8.7
Operating profit	<u>12.1</u>	<u>435.6</u>
Non-operating exceptional items	(72.4)	-
Net interest payable	<u>(9.6)</u>	<u>(12.7)</u>
Loss on ordinary activities before taxation	<u>(69.9)</u>	<u>422.9</u>
NET ASSETS		
ASDA	2,965.7	2,949.4
Gazeley	62.8	59.9
	<u>3,028.5</u>	<u>3,009.3</u>
Unallocated net liabilities	<u>(274.6)</u>	<u>(433.9)</u>
Total net assets	<u>2,753.9</u>	<u>2,575.4</u>

Unallocated net liabilities comprise balances in respect of investments, dividends and borrowings.

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 7 January 2000

2. OPERATING COSTS

	<i>36 weeks ended 7 January 2000 £m</i>	<i>52 weeks ended 1 May 1999 £m</i>
Change in stocks	(99.4)	(61.7)
Other operating income	(24.6)	(36.8)
Raw materials and consumables	5,040.9	6,367.3
Employment costs	602.2	758.3
Depreciation of tangible fixed assets	95.9	145.3
Other operating charges	450.5	590.3
	<u>6,065.5</u>	<u>7,762.7</u>

WITHIN OTHER OPERATING CHARGES

OPERATING LEASE CHARGES

- land and buildings	29.3	41.2
- plant and machinery	11.7	12.7
	<u>41.0</u>	<u>53.9</u>

AMOUNTS PAID TO AUDITORS

Fees charged to profit and loss account in respect of:

Audit	0.2	0.3
Other	-	0.2
	<u>0.2</u>	<u>0.5</u>

EMPLOYMENT COSTS

Wages and salaries	557.5	697.9
Social security costs	32.2	45.0
Pension costs	12.5	15.4
	<u>602.2</u>	<u>758.3</u>

NOTES TO THE ACCOUNTS

at 7 January 2000

2. OPERATING COSTS (continued)

The average number of colleagues employed by the group during the period was:

	<i>Total</i>		<i>Full time equivalents</i>	
	<i>36 weeks ended</i>	<i>52 weeks ended</i>	<i>36 weeks ended</i>	<i>52 weeks ended</i>
	<i>7 January 2000</i>	<i>1 May 1999</i>	<i>7 January 2000</i>	<i>1 May 1999</i>
ASDA	88,592	83,280	54,682	51,270
Gazeley	23	23	22	22
	<u>88,615</u>	<u>83,303</u>	<u>54,704</u>	<u>51,292</u>

3. NET INTEREST PAYABLE

	<i>36 weeks ended</i>	<i>52 weeks ended</i>
	<i>7 January 2000</i>	<i>1 May 1999</i>
	<i>£m</i>	<i>£m</i>
Bank loans and overdrafts	(5.0)	(7.9)
Finance leases	(0.3)	(0.6)
Bonds	(26.7)	(38.9)
	<u>(32.0)</u>	<u>(47.4)</u>
Interest capitalised	14.6	17.2
	<u>(17.4)</u>	<u>(30.2)</u>
Interest receivable and similar income	7.8	17.5
	<u>(9.6)</u>	<u>(12.7)</u>

NOTES TO THE ACCOUNTS

at 7 January 2000

4. EXCEPTIONAL ITEMS

	36 weeks ended 7 January 2000 £m
IT integration costs	15.9
Professional fees	16.1
ASDA contribution on share schemes	107.3
Write down of fixed assets	177.4
Other costs associated with Wal-Mart integration	16.1
	<u>332.8</u>

5. TAXATION

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

	36 weeks ended 7 January 2000 £m	52 weeks ended 1 May 1999 £m
On profit for the year:		
Current	(101.9)	(128.0)
Deferred	(1.4)	20.0
Adjustments in respect of prior years:		
Current	3.7	9.8
Deferred	(3.7)	(7.7)
	<u>(103.3)</u>	<u>(105.9)</u>

A tax charge arises despite the loss in the period due to no tax relief being available for the majority of the exceptional costs. However, the tax charge for the period has been reduced as a result of the impact of partial provision for deferred tax in respect of fixed asset timing differences.

6. DIVIDENDS

	36 weeks ended 7 January 2000 £m	52 weeks ended 1 May 1999 £m
Ordinary - interim paid	-	28.8
- final proposed	-	-
	<u>-</u>	<u>28.8</u>

NOTES TO THE ACCOUNTS

at 7 January 2000

7. DIRECTORS' REMUNERATION

The total remuneration of the directors for each of the last two financial periods is as follows:

	36 weeks ended 7 January 2000 £000	52 weeks ended 1 May 1999 £000
Total directors' remuneration excluding pension	<u>1,375</u>	<u>2,277</u>
	No.	No.
Number of directors who are members of the defined benefit scheme	7	8
Number of directors who exercised share options	6	3
Number of directors entitled to receive shares under long term incentive schemes	6	6

Amounts in respect of the highest paid director are as follows:

	36 weeks ended 7 January 2000 £000	52 weeks ended 1 May 1999 £000
Total remuneration excluding pension and gains on exercise of share options	348	500

	7 January 2000 £000	1 May 1999 £000
Accumulated total accrued pension	22	20

The highest paid director exercised 944,725 share options during the period up to the point of substitution to Wal-Mart Stores Inc and had 7,962 shares granted under a long term incentive scheme up to this point.

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 7 January 2000

8. TANGIBLE FIXED ASSETS

	<i>Freehold properties £m</i>	<i>Leasehold properties £m</i>	<i>Plant fixtures & fittings £m</i>	<i>Total £m</i>
COST OR VALUATION				
At beginning of the year	2,569.4	643.6	849.2	4,062.2
Reclassification	164.1	(163.1)	(1.0)	-
Additions	163.8	11.3	110.4	285.5
Surplus on revaluation	✓ 251.3	-	-	251.3
Disposals	(9.4)	(1.4)	(164.4)	(175.2)
At end of the period	3,139.2	490.4	794.2	4,423.8
COST OR VALUATION AT END OF THE PERIOD IS REPRESENTED BY:				
Valuation	2,349.5	-	-	2,349.5
Cost	789.7	490.4	794.2	2,074.3
	3,139.2	490.4	794.2	4,423.8
DEPRECIATION				
At beginning of the year	187.5	106.3	443.8	737.6
Reclassification	0.3	(0.3)	-	-
Charge for the period	29.8	6.8	59.3	95.9
Permanent diminution in value	126.1	33.0	44.3	203.4
Disposals	(9.0)	(0.4)	(93.3)	(102.7)
At end of the period	334.7	145.4	454.1	934.2
Net book amounts at end of the period	2,804.5	345.0	340.1	3,489.6
Assets under construction (1999 - £250.2 million)				351.1
NET BOOK AMOUNTS AT END OF THE PERIOD				3,840.7
NET BOOK AMOUNTS AT BEGINNING OF THE PERIOD				3,574.8

NOTES TO THE ACCOUNTS

at 7 January 2000

8. TANGIBLE FIXED ASSETS (continued)

Food retailing properties were revalued at 1 June 1999 by External Valuers, Messrs G.L. Hearn and Partners, Chartered Surveyors. The open market valuations were carried out on the basis of "Existing Use Value" as defined in Practice Statement 4 of, and in accordance with, the RICS Appraisal and Valuation Manual (the New Red Book) published by the Royal Institute of Chartered Surveyors, with the exception of certain superstores which, in the opinion of the directors, have a limited future economic life in existing use. In respect of these properties, the directors have estimated their lower, alternative use value.

The cumulative amount of capitalised interest included in the net book value of fixed assets is £49.7 million (52 weeks ended May 1999: £40.7 million). Details of interest capitalised during the year are given in note 3 on page 15.

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

	7 January 2000 £m	1 May 1999 £m
Freehold properties	1,912.4	1,428.6
Leasehold properties	-	573.5
	<u>1,912.4</u>	<u>2,002.1</u>

The net book amount of plant, fixtures and fittings for the group includes £0.6 million (1999 - £1.5 million) in respect of leased assets after charging depreciation of £0.9 million (1999 - £5.9 million).

	7 January 2000 £m	1 May 1999 £m
Leases with 50 years or more unexpired	280.7	460.6
Leases with less than 50 years unexpired	64.3	76.8
	<u>345.0</u>	<u>537.4</u>

9. FIXED ASSET INVESTMENTS

	Group		Company	
	7 January 2000 £m	1 May 1999 £m	7 January 2000 £m	1 May 1999 £m
Subsidiary undertakings (note 9)	-	-	1,672.9	1,672.9
Qualifying Employee Share Ownership Trust	52.0	9.3	52.0	9.3
	<u>52.0</u>	<u>9.3</u>	<u>1,724.9</u>	<u>1,682.2</u>

NOTES TO THE ACCOUNTS

at 7 January 2000

9. FIXED ASSET INVESTMENTS (continued)

During the period, contributions of £53.5 million and loans of £56.1 million have been made to the Qualifying Employee Share Ownership Trust (QUEST). The QUEST used the funds to subscribe for 50,308,792 new ordinary shares in the ASDA Group. As at date of conversion of the ASDA shareholding to Wal-Mart stock 22,513,135 ordinary ASDA shares issued to the QUEST had been transferred to the option holders exercising options under the Save As You Earn (SAYE) scheme and the option money received by the QUEST used to repay part of the loan. At point of conversion 49,700,000 ASDA ordinary shares were converted to 3,890,674 units of Wal-Mart stock. As at 7 Jan 2000 214,032 of the Wal-Mart stock held by the QUEST had been transferred to the option shareholders. The remaining 3,676,642 shares held by the QUEST, over which options have been granted, are included in fixed asset investments at a cost of £52.0 million.

10. SUBSIDIARY UNDERTAKINGS

As at 7 January 2000, the following companies, being those whose results principally affect the financial position of the group, were subsidiary undertakings whose ordinary share capital was wholly owned, and which were registered in England and Wales and operating in the UK.

	<i>Principal activities</i>	<i>Holding Company</i>
ASDA Stores Limited	Retailing	ASDA Group Limited
Gazeley Properties Limited	Property Development	Gazeley Holdings Limited
McLagan Investments Limited	Property Investment	ASDA Group Limited
The Burwood House Group Plc	Property Investment	McLagan Investments Limited

A complete list of subsidiary undertakings will be annexed to the next annual return to the Registrar of Companies.

<i>Company carrying value</i>	<i>2000</i> <i>£m</i>
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At 1 May 1999 and end of the period	<u>1,672.9</u>
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A revaluation of the company's investments in subsidiary undertakings was undertaken by the directors at 3 May 1997. The difference between the carrying value of investments in subsidiary undertakings and their historic cost is £161.5 million.

11. STOCKS

	<i>Group</i>		<i>Company</i>	
	<i>7 January</i>	<i>1 May</i>	<i>7 January</i>	<i>1 May</i>
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Goods held for resale	476.2	385.5	-	-
Development properties	49.9	41.2	-	-
	<u>526.1</u>	<u>426.7</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS

at 7 January 2000

12. DEBTORS

	Group		Company	
	7 January	1 May	7 January	1 May
	2000	1999	2000	1999
	£m	£m	£m	£m
Amounts owed by subsidiary undertakings	-	-	1,658.6	1,642.5
Other debtors	24.3	48.9	0.9	1.3
Prepayments and accrued income	25.3	72.7	0.5	0.7
	<u>49.6</u>	<u>121.6</u>	<u>1,660.0</u>	<u>1,644.5</u>

Amounts owed by subsidiary undertakings includes £425.7m (1999 £405.7m) due after more than one year.

13. INVESTMENTS

Investments are in short term instruments with approved counterparties.

14. OTHER CREDITORS

	Group		Company	
	7 January	1 May	7 January	1 May
	2000	1999	2000	1999
	£m	£m	£m	£m
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank overdraft	-	-	1.7	0.5
Trade creditors	725.1	689.3	-	-
Amounts owed to subsidiaries	-	-	1,259.4	1,115.8
Amounts owed to parent undertaking	2.1	-	-	-
Taxation	230.9	156.7	8.9	16.6
Social security	25.5	12.4	-	-
Other creditors	105.4	94.5	12.1	10.6
Accruals	247.8	146.4	26.7	8.7
	<u>1,336.8</u>	<u>1,099.3</u>	<u>1,308.8</u>	<u>1,152.2</u>

NOTES TO THE ACCOUNTS

at 7 January 2000

15. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group</i>		<i>Company</i>	
	<i>7 January</i>	<i>1 May</i>	<i>7 January</i>	<i>1 May</i>
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Provisions (note 16)	89.2	11.2	-	-
Deferred taxation (note 18)	34.8	29.6	-	-
	<u>124.0</u>	<u>40.8</u>	<u>-</u>	<u>-</u>

16. PROVISIONS

	<i>Share contribution provision</i>	<i>Onerous lease provision</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
At beginning of the period	-	11.2	11.2
Utilised during the period	-	(1.0)	(1.0)
Provided during the period	79.0	-	79.0
At end of the period	<u>79.0</u>	<u>10.2</u>	<u>89.2</u>

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

17. BORROWINGS

	<i>Group</i>		<i>Company</i>	
	<i>7 January</i>	<i>1 May</i>	<i>7 January</i>	<i>1 May</i>
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank finance (a)	153.2	79.1	-	6.0
Obligations under finance leases	2.7	2.7	-	-
	<u>155.9</u>	<u>81.8</u>	<u>-</u>	<u>6.0</u>

NOTES TO THE ACCOUNTS

at 7 January 2000

17. BORROWINGS (continued)

	<i>Group</i>		<i>Company</i>	
	<i>7 January</i>	<i>1 May</i>	<i>7 January</i>	<i>1 May</i>
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
AMOUNTS REPAYABLE BETWEEN ONE AND TWO YEARS				
Bank finance (a)	-	30.5	-	-
Obligations under finance leases	1.4	2.0	-	-
AMOUNTS REPAYABLE BETWEEN TWO AND FIVE YEARS				
Bank finance (a)	-	-	-	-
Obligations under finance leases	-	-	-	-
Bonds due 2002 (b)	58.3	58.3	58.3	58.3
AMOUNTS REPAYABLE IN FIVE YEARS OR MORE				
Bonds due 2007 (c)	197.7	197.5	197.7	197.5
Bonds due 2010 (d)	75.9	75.9	75.9	75.9
Bonds due 2015 (e)	148.4	148.3	148.4	148.3
	<u>481.7</u>	<u>512.5</u>	<u>480.3</u>	<u>480.0</u>

(a) Bank finance includes bank borrowings and the factoring of certain rental commitments.

(b) On 15 May 1986, the company issued £100 million of unsecured 9 5/8 % bonds at 99 1/2% of nominal value redeemable at par on 25 April 2002 unless previously redeemed at the company's request.

(c) On 24 April 1997, the company issued £200 million of unsecured 8 3/8 % bonds at 98.872% of nominal value redeemable at par on 24 April 2007 unless previously redeemed at the company's request.

(d) On 31 March 1989, the company issued £125 million of unsecured 10 7/8% bonds at 101.753% of nominal value redeemable at par on 20 April 2010, unless previously redeemed at the company's request, at the higher of par or a price calculated to provide a yield equal to that earned on 12% Exchequer Stock 2013/2017.

(e) On 17 July 1998, the company issued £150 million of unsecured 6 5/8% bonds at 99.441% of nominal value redeemable at par on 17 July 2015 unless previously redeemed at the company's request.

As at 7 January 2000 all gross borrowings were in sterling at fixed rates of interest.

The average interest rate of fixed rate debt is 8.4% for which the rate is fixed on average for 9 years.

NOTES TO THE ACCOUNTS

at 7 January 2000

18. DEFERRED TAXATION

Group

	<i>Depreciation allowances £m</i>	<i>Short term timing differences £m</i>	<i>Total £m</i>
AMOUNT PROVIDED			
At beginning of the year	40.4	(10.8)	29.6
Provision charged through profit and loss account	-	5.2	5.2
	<hr/>	<hr/>	<hr/>
At end of the year	40.4	(5.6)	34.8
	<hr/>	<hr/>	<hr/>

Provision has been made at the anticipated rate of corporation tax on timing differences which are expected to reverse in the foreseeable future.

Group

	<i>Depreciation allowances £m</i>	<i>Short term timing differences £m</i>	<i>Total £m</i>
POTENTIAL LIABILITY			
At beginning of the year	105.2	(10.8)	94.4
Provision charged through profit and loss account	(25.5)	5.2	(20.3)
	<hr/>	<hr/>	<hr/>
At end of the year	79.7	(5.6)	74.1
	<hr/>	<hr/>	<hr/>

Any capital gains tax arising on the disposal of properties at their revalued amounts would be covered by indexation, rollover relief and capital losses.

There is no liability either actual or potential for deferred taxation in the company.

NOTES TO THE ACCOUNTS

at 7 January 2000

19. COLLEAGUE SHARE OWNERSHIP PLAN

	£m
At beginning of the period	57.1
Repayment of loan	(57.1)
At end of the period	-

On acquisition by Wal-Mart Inc., the CSOP sold its shareholding in ASDA shares and repaid its loan to ASDA.

20. CALLED UP SHARE CAPITAL

	Ordinary shares of 25p each	
	7 January 2000 £m	1 May 1999 £m
Authorised	1,250.0	1,250.0
Allotted and fully paid:		
At beginning of the year	763.2	761.1
Issued in relation to share option schemes	20.7	2.1
	783.9	763.2

At 7 January 2000 there were 3,135,704,692 ordinary shares in issue (1999: 3,052,784,731). 82,919,961 ordinary shares with a nominal value of £20,729,990 were allotted during the period.

21. FINANCIAL COMMITMENTS

	7 January 2000 £m	1 May 1999 £m
Contracted	67.6	53.3

The annual commitments under non-cancellable operating leases, which relates primarily to land and buildings, is as follows:

	7 January 2000 £m	1 May 1999 £m
Leases expiring:		
After five years	39.5	40.1

NOTES TO THE ACCOUNTS

at 7 January 2000

22. RESERVES

	Share premium account £m	Revaluation reserve £m	Profit and loss account £m
GROUP			
At beginning of the year	408.8	229.4	1,174.0
Surplus on revaluation	-	251.3	-
Write down of previously revalued items	-	(26.4)	-
Transfers on property revaluations	-	(17.2)	17.2
Premium on ordinary shares in relation to share option schemes	159.6	-	-
Reduction in reserves resulting from shares issued to the QUEST in relation to the sharesave scheme	-	-	(53.5)
Retained (loss)/profit for the period	-	-	(173.2)
	<u>568.4</u>	<u>437.1</u>	<u>964.5</u>
COMPANY			
At beginning of the year	408.8	161.5	515.1
Retained (loss) for the period	-	-	(16.4)
Premium on ordinary shares in relation to share option schemes	159.6	-	-
Reduction in reserves resulting from shares issued to the QUEST in relation to the sharesave scheme	-	-	(53.5)
At end of the period	<u>568.4</u>	<u>161.5</u>	<u>445.2</u>

In accordance with the exemptions given by Section 230 (3) of the Companies Act 1985 the company has not presented its own profit and loss account.

The loss for the financial year in the accounts of the company was £16.4 million (1999 profit: £5.0 million).

The cumulative amount of goodwill written off to reserves since 1 January 1989 is £114.5 million (1999: £114.5 million).

23. PENSIONS

The group operates a final salary scheme open to all full time and part time salaried colleagues and a money purchase plan open to all hourly paid colleagues. These schemes provide a pension in addition to the basic state pension together with other benefits such as life assurance.

The assets of the money purchase plan are invested with the Prudential Life Assurance Company whilst the assets of the final salary scheme are placed by the trustees under the management of professional fund managers. The assets of these schemes are held separate from the group's assets.

The trustees of these schemes have been selected to represent the wide range of members and consist of eight colleagues (nine for the money purchase plan) performing a range of roles in both stores and ASDA House. In addition there is one pensioner trustee and an independent trustee who is a solicitor specialising in pensions work.

The pension cost relating to the final salary scheme is assessed in accordance with the advice of an independent qualified actuary who conducted a triennial valuation as at 6 April 1998 using the projected unit method.

The key actuarial assumptions are that the long term rate of investment return will exceed the rate of increase in salaries by 2% per annum and exceed the rate of increase in pensions by 4.25% per annum. The rate of growth of equity dividends is 4.75% per annum. At 6 April 1998, the market value of the scheme's assets was £317.2 million and the actuarial value of these assets represented 102% of the benefits that had accrued to members, after allowing for expected future increases in salaries. To derive the pension cost, the surplus is being spread on a straight line basis over the future working lifetime of the existing members.

There is no prepayment of contributions to the final salary scheme.

The group has no significant exposure to any other post-retirement benefit obligations.

24. PARENT UNDERTAKING AND CONTROLLING PARTY

The group's immediate parent undertaking is Wal-Mart Stores UK Limited, for which consolidated group accounts have been prepared and are available for inspection at its 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 accounts, which include this group, can be obtained from Company Secretary, Wal-Mart Stores, Inc., Corporate Offices, 702 SW 8th Street, Bentonville, AR72716, USA.