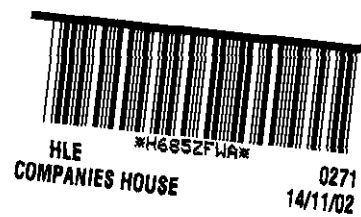


ASDA GROUP LIMITED

Report and Accounts

31 December 2001

Company No. 01346513



# ASDA Group Limited

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## DIRECTORS' REPORT

### DIRECTORS

P Mason (resigned 23 October 2001)  
A De Nunzio  
M A Coupe  
R Baker  
H L Scott  
D Dible  
J B Menzer  
A Clarke (resigned 5 June 2002)  
D Smith  
D Ferguson (resigned 1 October 2001)  
L A Campbell (resigned 2 March 2001)  
A Spindler (appointed 14 January 2002)

### SECRETARY

D N Jagger

### AUDITORS

Ernst & Young LLP  
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

## DIRECTORS' REPORT

The directors present their report, together with the accounts of the group, for the period ended 31 December 2001.

### 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.

### GROUP PROFIT AND DIVIDENDS

Group profit on ordinary activities before taxation for the period amounted to £496.5 million (year ended 6 January 2001 - £500.3 million).

### DIRECTORS AND THEIR INTERESTS

The directors who served during the period are shown on page 1.

The directors' shareholdings and share options are holdings and options in Wal-Mart Stores, Inc. As Wal-Mart Stores, Inc. is incorporated in the USA, disclosure of these interests is not required.

### CHARITABLE DONATIONS

During the period the groups' charitable trust, the Asda Foundation, donated £0.5m (year ended 6 January 2001 £0.8m) to charitable and community projects. Colleagues in stores, depots and offices helped raise a further £3.5m (year ended 6 January 2001 £2.2m) through special events and sponsorship activity, to which customers and colleagues gave generously of both their time and money.

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 Smartprice labels.

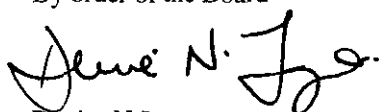
### TRADING TERMS

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 31 December 2001 was 35 days (6 January 2001 - 30 days).

### AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



Denise N Jagger  
Company Secretary

26 June 2002

## ASDA Group Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

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

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

We have audited the group's financial statements for the period ended 31 December 2001 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Consolidated Shareholders' Funds, Note of Historical Cost Profits and Losses, Group Accounting Policies and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

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

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

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

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

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

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

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Leeds

26 June 2002

# ASDA Group Limited

## GROUP PROFIT AND LOSS ACCOUNT

for the period ended 31 December 2001

		<i>Period ended 31 December 2001</i>	<i>52 weeks ended 6 January 2001</i>
	<i>Notes</i>	<i>£m</i>	<i>£m</i>
<b>SALES</b>		11,591.3	10,564.8
Value added tax		(859.4)	(820.2)
<b>TURNOVER</b>	1	10,731.9	9,744.6
Operating costs	2	(10,235.4)	(9,232.4)
Exceptional integration costs	4	-	(9.5)
<b>OPERATING PROFIT</b>		496.5	502.7
Profit on disposal of fixed asset investments		-	8.5
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		496.5	511.2
Net interest payable	3	(1.0)	(10.9)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		495.5	500.3
Taxation	5	(148.8)	(157.8)
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>		346.7	342.5

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the period ended 31 December 2001

	<i>Period ended 31 December 2001</i>	<i>52 weeks ended 6 January 2001</i>
	<i>£m</i>	<i>£m</i>
Profit for the financial period	346.7	342.5
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO PERIOD</b>	346.7	342.5
Prior year adjustment	-	(23.2)
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT</b>	346.7	319.3

# ASDA Group Limited

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

	<i>Period ended 31 December 2001 £m</i>	<i>52 weeks ended 6 January 2001 £m</i>
Total recognised gains and losses for the period	346.7	342.5
Shareholders' funds at beginning of the period	3073.2	2,730.7
Shareholders' funds at end of the period	3,419.9	3,073.2

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

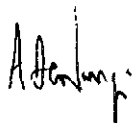
for the period ended 31 December 2001

	<i>31 December 2001 £m</i>	<i>6 January 2001 £m</i>
Reported profit on ordinary activities before taxation	495.5	500.3
Adjustment of depreciation to historical cost basis	(5.2)	(3.3)
Historical cost profit on ordinary activities before taxation	490.3	497.0
Historical cost retained profit	341.5	339.2

# ASDA Group Limited

## BALANCE SHEET at 31 December 2001

		<i>Group</i>		<i>Company</i>
	<i>31 December</i>	<i>6 January 31 December</i>	<i>6 January</i>	
	<i>2001</i>	<i>2001</i>	<i>2001</i>	<i>2001</i>
<i>Notes</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<b>FIXED ASSETS</b>				
Tangible assets	7	4,462.9	4,124.1	-
Investments	8	30.1	40.5	1,703.0
		4,493.0	4,164.6	1,713.4
<b>CURRENT ASSETS</b>				
Stocks	10	619.4	574.3	-
Debtors	11	191.4	300.9	2,350.5
Investments	12	496.5	26.5	496.3
Cash at bank and in hand		22.9	524.3	1.5
		1,330.2	1,426.0	2,848.3
<b>CREDITORS: amounts falling due within one year</b>				
Borrowings	16	(116.5)	(525.0)	(58.3)
Other creditors	13	(1,662.9)	(1,364.0)	(1,212.9)
		(1,779.4)	(1,889.0)	(1,271.2)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(449.2)	(463.0)	1,577.1
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		4,043.8	3,701.6	3,280.1
<b>CREDITORS: amounts falling due after more than one year</b>				
Borrowings	16	(423.6)	(481.7)	(422.8)
Provisions	14	(200.3)	(146.7)	-
<b>NET ASSETS</b>		3,419.9	3,073.2	2,857.3
<b>CAPITAL AND RESERVES</b>				
Called up share capital	18	783.9	783.9	783.9
Share premium account	20	568.4	568.4	568.4
Revaluation reserve	20	437.1	437.1	161.5
Profit and loss account	20	1,630.5	1,283.8	1,343.5
<b>EQUITY SHAREHOLDERS' FUNDS</b>		3,419.9	3,073.2	2,857.3



A De Nunzio  
Finance Director  
26 June 2002



# ASDA Group Limited

## GROUP ACCOUNTING POLICIES

for the period 31 December 2001

### ACCOUNTING BASIS

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

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, adjusted where appropriate to conform to group accounting policies for the period ended 31 December 2001.

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

### DEPRECIATION

The 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.

# ASDA Group Limited

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## GROUP ACCOUNTING POLICIES

for the period 31 December 2001

### 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.

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

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

### 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 31 December 2001

### 1. TURNOVER AND SEGMENTAL ANALYSIS

Turnover, which is attributable to one continuing activity, comprises the value of sales excluding value added tax. Turnover is derived from operations in the United Kingdom.

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

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

	<i>Period ended 31 December 2001 £m</i>	<i>52 weeks ended 6 January 2001 £m</i>
<b>TURNOVER</b>		
ASDA	10,660.2	9,679.9
Gazeley	71.7	64.7
	<u>10,731.9</u>	<u>9,744.6</u>
<b>PROFIT</b>		
ASDA	473.6	486.7
Gazeley	22.9	16.0
Operating profit	<u>496.5</u>	<u>502.7</u>
<b>NET ASSETS</b>		
ASDA	3,358.6	3,979.1
Gazeley	104.9	74.3
	<u>3,463.5</u>	<u>4,053.4</u>
Unallocated net liabilities	(43.6)	(980.2)
Total net assets	<u>3419.9</u>	<u>3,073.2</u>

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

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 2. OPERATING COSTS

	<i>Period ended 31 December 2001 £m</i>	<i>52 weeks ended 6 January 2001 £m</i>
Change in stocks	45.1	48.2
Other operating income	45.4	105.8
Raw materials and consumables	(8,337.7)	(7,577.8)
Employment costs	(1,065.7)	(931.2)
Depreciation of tangible fixed assets	(168.7)	(160.3)
Other operating charges	(753.8)	(717.1)
	<u>(10,235.4)</u>	<u>(9,232.4)</u>
<b>OTHER OPERATING CHARGES</b>		
<b>OPERATING LEASE CHARGES</b>		
land and buildings	47.1	44.6
plant and machinery	9.1	13.9
	<u></u>	<u></u>
<b>AMOUNTS PAID TO AUDITORS</b>		
Fees charged to profit and loss account in respect of:		
Audit fees	0.2	0.2
Non-audit fees	0.2	0.2
	<u>0.4</u>	<u>0.4</u>
<b>EMPLOYMENT COSTS</b>		
Wages and salaries	977.6	858.4
Social security costs	56.0	50.5
Pension costs	32.1	22.3
	<u>1,065.7</u>	<u>931.2</u>

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

	<i>31 December 2001 No.</i>	<i>Total 6 January 2001 No.</i>	<i>Full time equivalents 31 December 2001 No.</i>	<i>6 January 2001 No.</i>
ASDA	106,853	95,523	70,742	61,202
Gazeley	29	24	29	24
	<u>106,882</u>	<u>95,547</u>	<u>70,771</u>	<u>61,226</u>

# ASDA Group Limited

## NOTES TO THE ACCOUNTS at 31 December 2001

### 3. NET INTEREST PAYABLE

	<i>Period ended 31 December 2001 £m</i>	<i>52 weeks ended 6 January 2001 £m</i>
Bank loans and overdrafts	-	(1.2)
Finance leases	-	(0.3)
Bonds	(40.5)	(40.5)
	<u>(40.5)</u>	<u>(42.0)</u>
Interest capitalised	19.5	17.9
	<u>(21.0)</u>	<u>(24.1)</u>
Interest receivable and similar income	20.0	13.2
	<u>(1.0)</u>	<u>(10.9)</u>
	<u><u>(1.0)</u></u>	<u><u>(10.9)</u></u>

### 4. EXCEPTIONAL ITEMS

	<i>Period ended 31 December 2001 £m</i>	<i>52 weeks ended 6 January 2001 £m</i>
IT integration costs	-	(9.5)
	<u>-</u>	<u>(9.5)</u>
	<u><u>-</u></u>	<u><u>(9.5)</u></u>

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 5. TAXATION

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

	<i>Period ended 31 December 2001 £m</i>	<i>52 weeks ended 6 January 2001 £m</i>
<b>CURRENT TAX</b>		
UK corporation tax on profits for the period	144.0	130.9
Adjustments in respect of prior periods	(20.1)	7.7
<b>TOTAL CURRENT TAX</b>	<u>123.9</u>	<u>138.6</u>
<b>DEFERRED TAX</b>		
On profits of the period	30.1	26.9
Adjustments in respect of prior periods	(5.2)	(7.7)
<b>TOTAL DEFERRED TAX</b>	<u>24.9</u>	<u>19.2</u>
<b>TAX ON PROFITS ON ORDINARY ACTIVITIES</b>	<u>148.8</u>	<u>157.8</u>

The tax charge reconciliation is as follows:

	<i>Period ended 31 December 2001 £m</i>	<i>52 weeks ended 6 January 2001 £m</i>
<b>PROFITS ON ORDINARY ACTIVITIES BEFORE TAX</b>	<u>495.5</u>	<u>500.3</u>
<b>PROFITS ON ORDINARY ACTIVITIES MULTIPLIED BY THE STANDARD RATE OF UK CORPORATION TAX (30%)</b>	<u>148.7</u>	<u>150.1</u>
Effects of:		
Expenses not deductible for tax purposes	9.6	1.5
Non-qualifying depreciation	14.1	10.9
Accelerated capital allowances and other timing differences	(30.1)	(29.7)
Exceptional items	-	(1.8)
Other	1.7	(0.1)
Prior periods' adjustments	(20.1)	7.7
<b>CURRENT TAX CHARGE FOR PERIOD</b>	<u>123.9</u>	<u>138.6</u>

The prior periods' adjustments of £20.1m includes a credit of £25.3m relating to the agreement of certain

# ASDA Group Limited

## NOTES TO THE ACCOUNTS at 31 December 2001

prior periods' liabilities with the Inland Revenue. No corresponding deferred tax provision is required in respect of these items.

### 6. DIRECTORS' REMUNERATION

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

	<i>Period ended 31 December 2001 £000</i>	<i>52 weeks ended 6 January 2001 £000</i>
Total directors' remuneration excluding pension costs	3,195	2,214
	<i>No.</i>	<i>No.</i>
Number of directors who are members of the defined benefit scheme	8	7
Number of directors who exercised share options	4	5
Number of directors entitled to receive shares under long term incentive schemes	8	8
Amounts in respect of the highest paid director are as follows:		
Total remuneration excluding pensions and gains on exercise of share options	666	558
Accumulated total accrued pension	32	29

The highest paid director exercised share options during the year and did not receive or become entitled to any shares from qualifying services under a long term incentive scheme.

# ASDA Group Limited

## NOTES TO THE ACCOUNTS at 31 December 2001

### 7. TANGIBLE FIXED ASSETS

	<i>Freehold properties £m</i>	<i>Leasehold properties £m</i>	<i>Plant, fixtures &amp; fittings £m</i>	<i>Total £m</i>
Cost or valuation:				
At beginning of the period	3,408.0	529.9	902.3	4,840.2
Reclassifications	(5.5)	5.5	-	-
Additions	324.2	20.8	195.4	540.4
Disposals	(3.2)	(0.9)	(24.4)	(28.5)
At end of the period	3,723.5	555.3	1,073.3	5,352.1
Cost or valuation at end of the period is represented by:				
Valuation	2,349.6	-	-	2,349.6
Cost	1,373.9	555.3	1,073.3	3,002.5
	3,723.5	555.3	1,073.3	5,352.1
Depreciation:				
At beginning of the period	365.9	170.3	533.9	1,070.1
Reclassifications	(0.4)	0.4	-	-
Charge for the period	45.1	10.1	113.5	168.7
Disposals	(1.5)	(0.4)	(14.0)	(15.9)
At end of the period	409.1	180.4	633.4	1,222.9
Net book amounts at end of the period	3,314.4	374.9	439.9	4,129.2
Assets under construction				333.7
Net book amounts at end of the period:				4,462.9
Net book amounts at beginning of the period	3,042.1	359.6	368.4	3,770.1
Assets under construction at beginning of the period				354.0
Net book amounts at beginning of the period				4,124.1



# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 7. TANGIBLE FIXED ASSETS (continued)

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

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

The cumulative amount of capitalised interest included in the net book value of fixed assets is £56.8 million (period ended 6 January 2001: £56.1 million). Details of interest capitalised during the year are given in note 3 on page 13.

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

	31 December 2001 £m	6 January 2001 £m
Freehold properties	1,912.4	1,912.4

The net book amount of plant, fixtures and fittings for the group includes £0 million (2000 - £0.2 million) in respect of leased assets after charging depreciation of £0.1 million (2000 - £0.4 million).

	31 December 2001 £m	6 January 2001 £m
Leases with 50 years or more unexpired	301.0	291.5
Leases with less than 50 years unexpired	73.7	68.1
	374.7	359.6

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 8. FIXED ASSET INVESTMENTS

	<i>Group</i>		<i>Company</i>	
	<i>31 December</i>	<i>6 January</i>	<i>31 December</i>	<i>6 January</i>
	<i>2001</i>	<i>2001</i>	<i>2001</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Subsidiary undertakings (note 9)	-	-	1,672.9	1,672.9
Qualifying Employee Share Ownership Trust	30.1	40.5	30.1	40.5
	<u>30.1</u>	<u>40.5</u>	<u>1,703.0</u>	<u>1,713.4</u>

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

### 9. SUBSIDIARY UNDERTAKINGS

As at 31 December 2001, 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 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.

### 10. STOCKS

<i>Group</i>	<i>31 December</i>	<i>6 January</i>
	<i>2001</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>
Goods held for resale	528.8	483.0
Development properties	90.6	91.3
	<u>619.4</u>	<u>574.3</u>

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 11. DEBTORS

	<i>Group</i>		<i>Company</i>
	<i>31 December</i>	<i>6 January 31 December</i>	<i>6 January</i>
	<i>2001</i>	<i>2001</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Amounts owed by subsidiary undertakings	-	-	2,308.7
Amounts owed by parent undertakings	-	249.9	-
Other debtors	29.8	23.7	41.0
Prepayments and accrued income	161.6	27.3	0.8
	<u>191.4</u>	<u>300.9</u>	<u>2,350.5</u>
	<u>191.4</u>	<u>300.9</u>	<u>1927.2</u>

Amounts owed by subsidiary undertakings includes £425.7m (6 January 2001 £425.7m) due after more than one year.

### 12. INVESTMENTS

Investments are in short term instruments with approved counter parties.

### 13. CREDITORS

	<i>Group</i>		<i>Company</i>
	<i>31 December</i>	<i>6 January 31 December</i>	<i>6 January</i>
	<i>2001</i>	<i>2001</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Bank overdraft	-	-	0.8
Trade creditors	1,035.9	789.5	-
Amounts owed to subsidiary undertakings	-	-	1,175.1
Amounts owed to parent undertaking	1.7	-	-
Taxation	237.1	195.5	-
Social security	14.4	12.9	-
Other creditors	120.0	126.5	12.0
Accruals	253.8	239.6	25.8
	<u>1,662.9</u>	<u>1,364.0</u>	<u>1,212.9</u>
	<u>1,662.9</u>	<u>1,364.0</u>	<u>1,251.8</u>

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

#### Group

	31 December 2001 £m	6 January 2001 £m
Provisions (note 15)	98.2	69.5
Deferred taxation (note 17)	102.1	77.2
	<u>200.3</u>	<u>146.7</u>

### 15. PROVISIONS

	Share contribution provision £m	Onerous lease provision £m	Total £m
At beginning of the period	61.3	8.2	69.5
Utilised/released during the period	(10.0)	(1.3)	(11.3)
Provided during the period	40.0	-	40.0
At end of the period	<u>91.3</u>	<u>6.9</u>	<u>98.2</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.

### 16. BORROWINGS

	Group		Company	
	31 December 2001 £m	6 January 2001 £m	31 December 2001 £m	6 January 2001 £m
Amounts falling due within one year:				
Bank finance	58.0	524.1	-	-
Obligations under finance leases	0.2	0.9	-	-
Bonds due 2002 (a)	58.3	-	58.3	-
	<u>116.5</u>	<u>525.0</u>	<u>58.3</u>	<u>-</u>

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 16. BORROWINGS (continued)

	<i>Group</i>		<i>Company</i>	
	<i>31 December</i>	<i>6 January</i>	<i>31 December</i>	<i>6 January</i>
	<i>2001</i>	<i>2001</i>	<i>2001</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Amounts repayable between one and two years:				
Obligations under finance leases	0.3	0.4	-	-
Bonds due 2002 (a)	-	58.3	-	58.3
Amounts repayable between two and five years:				
Obligations under finance leases	0.5	0.6	-	-
Amounts repayable in five years or more:				
Bonds due 2007 (b)	198.4	198.1	198.4	198.1
Bonds due 2010 (c)	75.8	75.8	75.8	75.8
Bonds due 2015 (d)	148.6	148.5	148.6	148.5
	<u>423.6</u>	<u>481.7</u>	<u>422.8</u>	<u>480.7</u>

(a) 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.

(b) 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.

(c) 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.

(d) 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 31 December 2001 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 7 years.

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 17. DEFERRED TAXATION

#### Group

	31 December 2001 £m	6 January 2001 £m
<b>AMOUNT PROVIDED</b>		
Accelerated capital allowances	109.2	89.9
Short term timing differences	(7.1)	(12.7)
	<u>102.1</u>	<u>77.2</u>
		<i>Total</i> £m
<b>MOVEMENT IN DEFERRED TAX PROVISION</b>		
At beginning of the period		77.2
Deferred tax charge in the profit and loss account attributable to operating profit		24.9
At end of the period		<u>102.1</u>

Deferred tax has been provided at 30%.

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

Corporation tax of £91.1m has been deferred as a consequence of rollover relief claims made in respect of the disposal of certain fixed assets in prior periods.

# ASDA Group Limited

## NOTES TO THE ACCOUNTS at 31 December 2001

### 18. CALLED UP SHARE CAPITAL

	<i>Ordinary shares of 25p each</i>	
	<i>31 December</i>	<i>6 January</i>
	<i>2001</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>
<b>AUTHORISED</b>	1,250.0	1,250.0
	<u>          </u>	<u>          </u>
<b>ALLOTTED AND FULLY PAID</b>		
At beginning and end of the period	783.9	783.9
	<u>          </u>	<u>          </u>

At 31 December 2001 there were 3,135,704,692 ordinary shares in issue (6 January 2001 - 3,135,704,692).

### 19. FINANCIAL COMMITMENTS

#### *Group*

	<i>31 December</i>	<i>6 January</i>
	<i>2001</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>
Contracted	38.9	41.5
	<u>          </u>	<u>          </u>

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

	<i>31 December</i>	<i>6 January</i>
	<i>2001</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>
Leases expiring:		
After five years	49.2	45.7
	<u>          </u>	<u>          </u>

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 20. RESERVES

	<i>Share premium account £m</i>	<i>Revaluation reserve £m</i>	<i>Profit and loss account £m</i>
<b>Group</b>			
At beginning of the period	568.4	437.1	1,283.8
Retained profit for the period	-	-	346.7
At end of the period	<u>568.4</u>	<u>437.1</u>	<u>1,630.5</u>
<b>Company</b>			
At beginning of the period	568.4	161.5	420.6
Profit for the period	-	-	922.9
At end of the period	<u>568.4</u>	<u>161.5</u>	<u>1,343.5</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 profit for the financial period in the accounts of the company was £922.9 million (6 January 2001: £24.6 million loss).

The cumulative amount of goodwill written off to reserves pre 1 January 1989 is £114.5 million (6 January 2001: £114.5 million).



**21. 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. There is also an unfunded final salary arrangement for salaried colleagues whose salary is in excess of the earnings cap.

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 a professional independent trustee.

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

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

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

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

**FRS17 Retirement Benefits**

Initial disclosures in accordance with the transitional arrangements for the implementation of FRS17 are set out below in respect of the UK defined benefit scheme. The information is for disclosure purposes only – pensions costs have been recognised in these accounts in line with SSAP24 as described above.

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

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

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

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

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

### 22. 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 8<sup>th</sup> Street, Bentonville, AR72716, USA.