

1396513

ASDA GROUP LIMITED

Report and Accounts

6 January 2001



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# ASDA Group Limited

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Registered No. 1396513

## DIRECTORS

P Mason  
A De Nunzio  
M A Coupe  
R Baker  
H L Scott  
D Dible  
J B Menzer  
A. Clarke (appointed 18 December 2000)  
D. Smith (appointed 18 December 2000)  
D. Ferguson (appointed 18 December 2000)  
A L Leighton (resigned 3 November 2000)  
L A Campbell (resigned 2 March 2001)

## 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

# ASDA Group Limited

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Registered No. 1396513

## 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 6 January 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 £500.3 million compared with a loss of £69.9 million for the 36 weeks to 7 January 2000.

### 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 year, fundraising around the business, together with donations from ASDA Foundation, was approximately £3 million (2000 – in excess of £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 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 at least annually. The average number of days credit taken for trade purposes at 6 January 2001 was 30 days (2000: 29 days).

### AUDITORS

A resolution to re-appoint Ernst & Young as the Company's auditor will be put to the Annual General Meeting. Ernst & Young has stated that it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP, on 28 June 2001. The Directors have consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

  
By Order of the Board  
Denise N Jagger  
Company Secretary

25 June 2001

## 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.

**REPORT OF THE AUDITORS**  
**to the members of ASDA Group Limited**

We have audited the accounts on pages 6 to 25, 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 9 and 10.

**Respective responsibilities of directors and auditors**

As described on page 4 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.

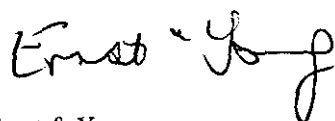
**Basis of opinion**

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 6 January 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  
Registered Auditor  
London

27/6/01

# ASDA Group Limited

## GROUP PROFIT AND LOSS ACCOUNT

for the period ended 6 January 2001

		52 weeks ended 6 January 2001	36 weeks ended 7 January 2000 as restated
	Note	£m	£m
<b>SALES</b>		10,564.8	6,948.5
Value added tax		(820.2)	(538.1)
<b>TURNOVER</b>	1	9,744.6	6,410.4
Operating costs	2	(9,232.4)	(6,065.5)
Exceptional integration costs	4	(9.5)	(332.8)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND EXCEPTIONAL ITEMS</b>		502.7	12.1
Loss on disposal of tangible fixed assets		-	(72.4)
Profit on disposal of fixed asset investments		8.5	-
Net interest payable	3	511.2 (10.9)	(60.3) (9.6)
<b>PROFIT /(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		500.3	(69.9)
Taxation	5	(157.8)	(69.2)
<b>RETAINED PROFIT /(LOSS) FOR THE FINANCIAL PERIOD</b>		342.5	(139.1)

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the period ended 6 January 2001

	52 weeks ended 6 January 2001	36 weeks ended 7 January 2000 as restated
	£m	£m
Profit/(loss) for the financial period	342.5	(139.1)
Revaluation reserve arising during the period	-	251.3
Write down of previously revalued items	-	(26.4)
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO PERIOD</b>	342.5	85.8
Prior year adjustment	(23.2)	
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT</b>	(319.3)	

# ASDA Group Limited

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the period ended 6 January 2001

	<i>52 weeks ended 6 January 2001 £m</i>	<i>36 weeks ended 7 January 2000 as restated £m</i>
Total recognised gains and losses for the period	342.5	85.8
Shares issued	-	126.8
Total movements during the period	342.5	212.6
Shareholders' funds at beginning of the period	2,730.7	2,518.1
Shareholders' funds at end of the period	3,073.2	2,730.7

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the period ended 6 January 2001

	<i>6 January 2001 £m</i>	<i>7 January 2000 as restated £m</i>
Reported profit/(loss) on ordinary activities before taxation	500.3	(69.9)
Adjustment of depreciation to historical cost basis	(3.3)	(2.0)
Historical cost profit/(loss) on ordinary activities before taxation	497.0	(71.9)
Historical cost retained profit/(loss)	339.2	(175.2)



# ASDA Group Limited

## BALANCE SHEET

as at 6 January 2001

		<i>Group</i>		<i>Company</i>	
		<i>6 January</i>	<i>7 January</i>	<i>6 January</i>	<i>7 January</i>
		<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>Note</i>	<i>£m</i>	<i>as restated</i>	<i>£m</i>	<i>£m</i>
<b>FIXED ASSETS</b>					
Tangible assets	7	4,124.1	3,840.7	-	-
Investments	8	40.5	52.0	1,713.4	1,724.9
		<u>4,164.6</u>	<u>3,892.7</u>	<u>1,713.4</u>	<u>1,724.9</u>
<b>CURRENT ASSETS</b>					
Stocks	10	574.3	526.1	-	-
Debtors	11	300.9	49.6	1,927.2	1,660.0
Investments	12	26.5	363.3	26.3	363.2
Cash at bank and in hand		524.3	20.6	-	-
		<u>1,426.0</u>	<u>959.6</u>	<u>1,953.5</u>	<u>2,023.2</u>
<b>CREDITORS: amounts falling due within one year</b>					
Borrowings	16	(525.0)	(155.9)	-	-
Other creditors	13	(1,364.0)	(1,336.8)	(1,251.8)	(1,308.8)
		<u>(1,889.0)</u>	<u>(1,492.7)</u>	<u>(1,251.8)</u>	<u>(1,308.8)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(463.0)</u>	<u>(533.1)</u>	<u>701.7</u>	<u>714.4</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,701.6</u>	<u>3,359.6</u>	<u>2,415.1</u>	<u>2,439.3</u>
<b>CREDITORS: amounts falling due after more than one year</b>					
Borrowings	16	(481.7)	(481.7)	(480.7)	(480.3)
Provisions	14	(146.7)	(147.2)	-	-
		<u>(628.4)</u>	<u>(628.9)</u>	<u>(480.7)</u>	<u>(480.3)</u>
<b>NET ASSETS</b>		<u>3,073.2</u>	<u>2,730.7</u>	<u>1,934.4</u>	<u>1,959.0</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	783.9	783.9	783.9	783.9
Share premium account	20	568.4	568.4	568.4	568.4
Revaluation reserve	20	437.1	437.1	161.5	161.5
Profit and loss account	20	1,283.8	941.3	420.6	445.2
		<u>3,073.2</u>	<u>2,730.7</u>	<u>1,934.4</u>	<u>1,959.0</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>3,073.2</u>	<u>2,730.7</u>	<u>1,934.4</u>	<u>1,959.0</u>

*A De Nunzio*

A De Nunzio  
Finance Director

25 June 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.

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 year ended 6 January 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.

#### **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**

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 6 January 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 operated in two principal areas of activity, categorised as follows:

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

	<i>52 weeks ended 6 January 2001 £m</i>	<i>36 weeks ended 7 January 2000 £m</i>
<b>TURNOVER</b>		
ASDA	9,679.9	6,398.2
Gazeley	64.7	12.2
	<u>9,744.6</u>	<u>6,410.4</u>
<b>PROFIT</b>		
ASDA	486.7	5.5
Gazeley	16.0	6.6
	<u>502.7</u>	<u>12.1</u>
<b>NET ASSETS</b>		
ASDA	3,979.1	2,942.5
Gazeley	74.3	62.8
	<u>4,053.4</u>	<u>3,005.3</u>
Unallocated net liabilities	(980.2)	(274.6)
Total net assets	<u>3,073.2</u>	<u>2,730.7</u>

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

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 6 January 2001

### 2. OPERATING COSTS

	52 weeks ended 6 January 2001 £m	36 weeks ended 7 January 2000 £m
Change in stocks	48.2	99.4
Other operating income	105.8	24.6
Raw materials and consumables	(7,577.8)	(5,040.9)
Employment costs	(931.2)	(602.2)
Depreciation of tangible fixed assets	(160.3)	(95.9)
Other operating charges	(717.1)	(450.5)
	<u>(9,232.4)</u>	<u>(6,065.5)</u>

#### WITHIN OTHER OPERATING CHARGES

##### OPERATING LEASE CHARGES

- land and buildings	44.6	29.3
- plant and machinery	13.9	11.7
	<u>58.5</u>	<u>41.0</u>

##### AMOUNTS PAID TO AUDITORS

Fees charged to profit and loss account in respect of:

- Audit fees	0.2	0.2
- Non-audit fees	0.2	-
	<u>0.4</u>	<u>0.2</u>

##### EMPLOYMENT COSTS

Wages and salaries	858.4	557.5
Social security costs	50.5	32.2
Pension costs	22.3	12.5
	<u>931.2</u>	<u>602.2</u>

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 6 January 2001

### 2. OPERATING COSTS (continued)

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

	6 January 2001 No.	Total 7 January 2000 No.	Full time equivalents 6 January 2001 No.	7 January 2000 No.
ASDA	95,523	88,592	61,202	54,682
Gazeley	24	23	24	22
	<u>95,547</u>	<u>88,615</u>	<u>61,226</u>	<u>54,704</u>

### 3. NET INTEREST PAYABLE

	52 weeks ended 6 January 2001 £m	36 weeks ended 7 January 2000 £m
Bank loans and overdrafts	(1.2)	(5.0)
Finance leases and hire purchase contracts	(0.3)	(0.3)
Bonds	(40.5)	(26.7)
	<u>(42.0)</u>	<u>(32.0)</u>
Interest capitalised	17.9	14.6
	<u>(24.1)</u>	<u>(17.4)</u>
Interest receivable and similar income	13.2	7.8
	<u>(10.9)</u>	<u>(9.6)</u>

### 4. EXCEPTIONAL ITEMS

	52 weeks ended 6 January 2001 £m	36 weeks ended 7 January 2001 £m
IT integration costs	(9.5)	(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>(9.5)</u>	<u>(332.8)</u>

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 6 January 2001

### 5. TAXATION

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

	52 weeks ended 6 January 2001 £m	36 weeks ended 7 January 2000 as restated £m
Current tax:		
UK corporation tax on profits for the period	130.9	101.9
Adjustments in respect of prior periods	7.7	3.7
Total current tax	138.6	105.6
Deferred tax:		
On profits of the period	26.9	(32.7)
Adjustments in respect of prior periods	(7.7)	(3.7)
Total deferred tax	19.2	(36.4)
Tax on profits on ordinary activities	157.8	69.2
The tax charge reconciliation is as follows:		
	52 weeks ended 6 January 2001 £m	36 weeks ended 7 January 2000 £m
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.		
Profits on ordinary activities before tax	500.3	(69.9)
Profits on ordinary activities multiplied by the standard rate of UK corporation tax (30%)	150.1	(21.0)
Effects of:		
Expenses not deductible for tax purposes	1.5	1.5
Non-qualifying depreciation	10.9	6.4
Accelerated capital allowances and other timing differences	(29.7)	(6.9)
Exceptional items	(1.8)	122.4
Other	(0.1)	(0.5)
Prior periods' adjustments	7.7	3.7
Current tax charge for period	138.6	105.6

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 6 January 2001

### 6. DIRECTORS' REMUNERATION

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

	<i>52 weeks ended 6 January 2001 £000</i>	<i>36 weeks ended 7 January 2000 £000</i>
Total directors' remuneration excluding pension costs	2,214	1,375
	<i>No.</i>	<i>No.</i>
Number of directors who are members of the defined benefit scheme	7	7
Number of directors who exercised share options	5	6
Number of directors entitled to receive shares under long term incentive schemes	8	6
Amounts in respect of the highest paid director are as follows:		
Total remuneration excluding pensions and gains on exercise of share options	558	348
Accumulated total accrued pension	29	22

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



# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 6 January 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>
<b>COST OR VALUATION</b>				
At beginning of the period	3,139.2	490.4	794.2	4,423.8
Additions	809.2	48.0	132.0	989.2
Disposals	(540.4)	(8.5)	(23.9)	(572.8)
At end of the period	3,408.0	529.9	902.3	4,840.2
<b>COST OR VALUATION AT END OF THE PERIOD IS REPRESENTED BY:</b>				
Valuation	2,349.6	-	-	2,349.6
Cost	1,058.4	529.9	902.3	2,490.6
	3,408.0	529.9	902.3	4,840.2
<b>DEPRECIATION</b>				
At beginning of the period	334.7	145.4	454.0	934.1
Charge for the period	33.5	25.3	101.5	160.3
Disposals	(2.3)	(0.4)	(21.6)	(24.3)
At end of the period	365.9	170.3	533.9	1,070.1
Net book amounts at end of the period	3,042.1	359.6	368.4	3,770.1
Assets under construction				354.0
<b>NET BOOK AMOUNTS AT END OF THE PERIOD</b>				4,124.1
Net book amounts at beginning of the period	2,804.5	345.0	340.1	3,489.6
Assets under construction at beginning of the period				351.1
<b>NET BOOK AMOUNTS AT BEGINNING OF THE PERIOD</b>				3,840.7

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 6 January 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 £56.1 million (36 weeks ended January 2000: £49.7 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:

	6 January 2001 £m	7 January 2000 £m
Freehold properties	1,912.4	1,912.4

The net book amount of plant, fixtures and fittings for the group includes £0.2 million (2000 - £0.6 million) in respect of leased assets after charging depreciation of £0.4 million (2000 - £0.9 million).

	6 January 2001 £m	7 January 2000 £m
Leases with 50 years or more unexpired	291.5	280.7
Leases with less than 50 years unexpired	68.1	64.3
	359.6	345.0

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 6 January 2001

### 8. FIXED ASSET INVESTMENTS

	<i>Group</i>		<i>Company</i>	
	<i>6 January</i>	<i>7 January</i>	<i>6 January</i>	<i>7 January</i>
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</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	40.5	52.0	40.5	52.0
	<u>40.5</u>	<u>52.0</u>	<u>1,713.4</u>	<u>1,724.9</u>

In August 2000 ASDA took a 22.5% stake in ShopSmart Limited in consideration for the business of Valuemad, the provision of in store marketing by ASDA and Wal-Mart Germany and the procurement of marketing by AOL. As part of its arrangements with AOL, ASDA transferred 8.5% of its interest in ShopSmart Limited to AOL. The remaining 14% is held in the balance sheet at nil value.

### 9. SUBSIDIARY UNDERTAKINGS

As at 6 January 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 complete list of subsidiary undertakings will be annexed to the next annual return to the Registrar of Companies.

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>6 January</i>	<i>7 January</i>
	<i>2001</i>	<i>2000</i>
	<i>£m</i>	<i>£m</i>
Goods held for resale	483.0	476.2
Development properties	91.3	49.9
	<u>574.3</u>	<u>526.1</u>

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 6 January 2001

### 11. DEBTORS

	Group		Company	
	6 January 2001 £m	7 January 2000 £m	6 January 2001 £m	7 January 2000 £m
Amounts owed by subsidiary undertakings	-	-	1,924.4	1,658.6
Amounts owed by parent undertakings	249.9	-	-	-
Other debtors	23.7	24.3	2.8	0.9
Prepayments and accrued income	27.3	25.3	-	0.5
	<u>300.9</u>	<u>49.6</u>	<u>1,927.2</u>	<u>1,660.0</u>

Amounts owed by subsidiary undertakings includes £425.7m (2000 £405.7m) due after more than one year.

### 12. INVESTMENTS

Investments are in short term instruments with approved counter parties.

### 13. CREDITORS

	Group		Company	
	6 January 2001 £m	7 January 2000 £m	6 January 2001 £m	7 January 2000 £m
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
Bank overdraft	-	-	0.8	1.7
Trade creditors	789.5	725.1	-	-
Amounts owed to subsidiaries	-	-	1,212.5	1,259.4
Amounts owed to parent undertaking	-	2.1	-	-
Taxation	195.5	230.9	-	8.9
Social security	12.9	25.5	-	-
Other creditors	126.5	105.4	12.1	12.1
Accruals	239.6	247.8	26.4	26.7
	<u>1,364.0</u>	<u>1,336.8</u>	<u>1,251.8</u>	<u>1,308.8</u>

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 6 January 2001

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

	6 January 2001 £m	Group 7 January 2000 as restated £m
Provisions (note 15)	69.5	89.2
Deferred taxation (note 17)	77.2	58.0
	<u>146.7</u>	<u>147.2</u>

### 15. PROVISIONS

	Share contribution provision £m	Onerous lease provision £m	Total £m
At beginning of the period	79.0	10.2	89.2
Utilised/released during the period	(17.7)	(2.0)	(19.7)
At end of the period	<u>61.3</u>	<u>8.2</u>	<u>69.5</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.

# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 6 January 2001

### 16. BORROWINGS

	Group		Company	
	6 January 2001 £m	7 January 2000 £m	6 January 2001 £m	7 January 2000 £m
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
Bank finance (a)	524.1	153.2		
Obligations under finance leases	0.9	2.7		
	<u>525.0</u>	<u>155.9</u>		
	<u><u>525.0</u></u>	<u><u>155.9</u></u>		
	Group		Company	
	6 January 2001 £m	7 January 2000 £m	6 January 2001 £m	7 January 2000 £m
<b>AMOUNTS REPAYABLE BETWEEN ONE AND TWO YEARS</b>				
Obligations under finance leases	0.4	1.4	-	-
Bonds due 2002 (a)	58.3	-	58.3	-
<b>AMOUNTS REPAYABLE BETWEEN TWO AND FIVE YEARS</b>				
Obligations under finance leases	0.6	-	-	-
Bonds due 2002 (a)	-	58.3	-	58.3
<b>AMOUNTS REPAYABLE IN FIVE YEARS OR MORE</b>				
Bonds due 2007 (b)	198.1	197.7	198.1	197.7
Bonds due 2010 (c)	75.8	75.9	75.8	75.9
Bonds due 2015 (d)	148.5	148.4	148.5	148.4
	<u>481.7</u>	<u>481.7</u>	<u>480.7</u>	<u>480.3</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 6 January 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 8 years.

NOTES TO THE ACCOUNTS

at 6 January 2001

17. DEFERRED TAXATION

Group

	6 January 2001 £m	7 January 2000 £m
<b>AMOUNT PROVIDED</b>		
Accelerated capital allowances	89.9	71.4
Short term timing differences	(12.7)	(13.4)
	<u>77.2</u>	<u>58.0</u>
		<i>Total</i> £m
<b>MOVEMENT IN DEFERRED TAX PROVISION</b>		
At beginning of the period as previously stated		34.8
Prior year adjustment		23.2
		<u>58.0</u>
At beginning of the period restated		58.0
Provision charged through the profit and loss account attributable to operating profit		22.0
Provision charged through the profit and loss account attributable to exceptional items		(2.8)
		<u>77.2</u>

The prior year adjustment of £23.2 million was made to bring the deferred tax balance in line with the requirements of FRS 19.

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 £77.7m 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 6 January 2001

### 18. CALLED UP SHARE CAPITAL

	<i>Ordinary shares of 25p each</i>	
	<i>6 January</i>	<i>7 January</i>
	<i>2001</i>	<i>2000</i>
	<i>£m</i>	<i>£m</i>
<b>Authorised</b>	1,250.0	1,250.0
<b>Allotted and fully paid:</b>		
At beginning of the year	783.9	763.2
Issued in relation to share option schemes	-	20.7
	783.9	783.9

At 6 January 2001 there were 3,135,704,692 ordinary shares in issue (2000: 3,135,704,692).

### 19. FINANCIAL COMMITMENTS

	<i>Group</i>	
	<i>6 January</i>	<i>7 January</i>
	<i>2001</i>	<i>2000</i>
	<i>£m</i>	<i>£m</i>
<b>Contracted</b>	41.5	67.6

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

	<i>6 January</i>	<i>7 January</i>
	<i>2001</i>	<i>2000</i>
	<i>£m</i>	<i>£m</i>
<b>Leases expiring:</b>		
After five years	45.7	39.5



# ASDA Group Limited

## NOTES TO THE ACCOUNTS

at 6 January 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	964.5
Prior year adjustment	-	-	(23.2)
At beginning of the period restated	568.4	437.1	941.3
Retained profit for the period	-	-	342.5
	<u>568.4</u>	<u>437.1</u>	<u>1,283.8</u>
<b>COMPANY</b>			
At beginning of the year	568.4	161.5	445.2
Loss for the period	-	-	(24.6)
At end of the period	<u>568.4</u>	<u>161.5</u>	<u>420.6</u>

The prior year adjustment of £23.2 million was made to bring the deferred tax balance in line with the requirements of FRS 19.

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 £24.6 million (2000: £16.4 million).

The cumulative amount of goodwill written off to reserves pre 1 January 1989 is £114.5 million (2000: £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 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 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.

**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.