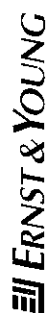


ASDA STORES LIMITED

Report and Financial Statements

31 December 2003

 ERNST & YOUNG

464777



ASDA Stores Limited

Registered No. 464777

DIRECTORS

M Blundell
A Bond
H G Bowles
A De Nunzio
J J McKenna
D Smith
A Spindler
S Clark
D Downie
D Cheesewright
J Longworth (appointed 22nd December 2003)
R Baker (resigned 15th September 2003)
D N Jagger (resigned 22nd December 2003)

SECRETARY

J Longworth

AUDITORS

Ernst & Young LLP
PO Box 61
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

BANKERS

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

REGISTERED OFFICE

Asda House
Southbank
Great Wilson Street
Leeds
LS11 5AD

ASDA Stores Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activities of the company are the operation of food, clothing, home and leisure superstores throughout Great Britain. The directors are optimistic that the business will continue to grow in the foreseeable future.

RESULTS AND DIVIDENDS

The company's profit, after taxation, for the financial year, as set out on page 6, amounted to £259,818,000 December 2002: £424,354,000). The directors paid a dividend of £680,000,000- £24.28 per share (31 December 2002: £nil).

RESEARCH DEVELOPMENT

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

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, at the year-end and at the date of this report 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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations for the year amounted to £560,278 (31 December 2002: £675,000). There were no political donations made during the year (31 December 2002: £nil).

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the group has been continued through briefings on the Asda internal website. Employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through participation in the share option schemes.

DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever possible to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

TRADING TERMS

The company deals with over fifteen thousand separate suppliers and has established trading terms which are appropriate to the particular relationship and product supplied. Since March 2002 the group has been in compliance with the supplier code of practice introduced following the competition commission inquiry which helps to ensure fairness and clarity in our trading terms. 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.

ASDA Stores Limited

DIRECTORS' REPORT

AUDITORS

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

On behalf of the board,



J J McKenna
Director

14th September 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASDA STORES LIMITED

We have audited the company's financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Reconciliation of Movements in Shareholders' Funds, Balance Sheet and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and 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 company 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Leeds

29 September 2004

ASDA Stores Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

		<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
	<i>Notes</i>		
SALES		14,204,590	12,945,752
Value added tax		(1,107,000)	(1,018,766)
TURNOVER	2	13,097,590	11,926,986
Operating costs	3	(12,759,423)	(11,575,147)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		338,167	351,839
Investment income	6	2,114	-
Interest receivable and similar income	7	10,987	308
Interest payable and similar charges	8	(23,158)	(38,484)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		328,110	313,663
Tax on profit on ordinary activities	9	(68,292)	110,691
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		259,818	424,354
Dividends	10	(680,000)	-
RETAINED PROFIT/ (LOSS) FOR THE FINANCIAL YEAR		(420,182)	424,354

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2003

There are no other recognised gains and losses arising in the year other than the loss for the year ended 31 December 2003 of £420,182,000 (31 December 2002: Profit of £424,354,000).

ASDA Stores Limited

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2003

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
Reported profit on ordinary activities before taxation	328,110	313,663
Adjustment of depreciation to historical cost basis	(2,742)	(2,448)
Historical cost profit on ordinary activities before taxation	325,368	311,215
Historical cost retained (loss)/profit after taxation and dividends	(422,924)	421,906

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2003

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
Profit for the financial year	259,818	424,354
Dividends payable	(680,000)	-
Total recognised gains and losses	(420,182)	424,354
Shareholders' funds at beginning of year	1,745,065	1,320,711
Shareholders' funds at end of year	1,324,883	1,745,065

ASDA Stores Limited

BALANCE SHEET as at 31 December 2003

		31 December 2003 £000	31 December 2002 £000
	Notes		
FIXED ASSETS			
Tangible assets	11	2,610,635	2,217,289
Investments	12	500,100	500,100
		<u>3,110,735</u>	<u>2,717,389</u>
CURRENT ASSETS			
Stocks	13	594,012	594,508
Debtors	14	1,158,747	861,293
Cash at bank and in hand		131,951	13,805
		<u>1,884,710</u>	<u>1,469,606</u>
CREDITORS: amounts falling due within one year	15	(3,466,983)	(2,270,205)
NET CURRENT LIABILITIES		<u>(1,582,273)</u>	<u>(801,625)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,528,462</u>	<u>1,916,790</u>
CREDITORS: amounts falling due after more than one year			
Other creditors	16	(186)	(535)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(203,393)	(171,190)
TOTAL NET ASSETS		<u>1,324,883</u>	<u>1,745,065</u>
CAPITAL AND RESERVES			
Called up share capital	21	584,865	584,865
Share premium account	22	260	260
Revaluation reserve	22	111,483	111,483
Profit and loss account	22	628,275	1,048,457
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>1,324,883</u>	<u>1,745,065</u>

J J McKenna

J J McKenna
Director
14th September 2004

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared on the going concern basis as the immediate holding company has agreed that it will continue to provide financial support to this company to enable it to meet its liabilities as they fall due.

The financial statements 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.

Cashflow statement

In accordance with FRS 1 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.

Group Financial statements

The company is a wholly owned subsidiary of Asda Group Limited, a company incorporated in England and Wales. Accordingly, consolidated financial statements have been prepared as permitted by section 228 of the Companies Act 1985.

Tangible fixed assets

The company's tangible fixed assets are included in the balance sheet at cost less depreciation, with the exception of its food retailing properties, which have been included at valuation 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 company's tangible fixed assets are depreciated over their estimated useful lives, on a straight line basis as follows:

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

There is no depreciation charged on freehold land. The carrying values of tangible fixed assets are periodically reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

NOTES TO THE ACCOUNTS

as at 31 December 2003

1. ACCOUNTING POLICIES (CONTINUED)

Deferred taxation (continued)

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Research and development

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

Investments

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

Pensions

The group operates a defined benefit pension scheme, which requires contributions to be made to separately administered funds. Contributions to these funds are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

The group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

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 account at a constant periodic rate of charge.

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

The costs of operating leases are charged to the profit and loss account 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 cost (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 the year of development. The interest rate applied is based on the average rate of general borrowings outstanding during a period. This was 8.2% during the year ended 31 December 2003 (31 December 2002 – 8.3%).

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.

NOTES TO THE ACCOUNTS

as at 31 December 2003

1. ACCOUNTING POLICIES (CONTINUED)

Restatement of comparatives

The operating cost note 3 has been restated to include the disclosure on the gain/(loss) on sale of tangible fixed assets. There is no impact on the profit and loss account or balance sheet.

The annual commitments under non-cancellable operating leases note (note 23), has been restated for the year ending 31 December 2002. There is no impact on the profit and loss account or balance sheet.

The pension disclosures for the asset values for the year ended 31 December 2002 have been restated in note 24. This is due to Mercers, the actuaries, restating the amounts based on more accurate information they have received from Legal and General in relation to payments made to the scheme around the year end. This only affects the pension disclosures and has no impact on the profit and loss account or balance sheet.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

2. ANALYSIS OF TURNOVER

Turnover comprises the value of sales excluding value added tax.

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

3. OPERATING COSTS

This is stated after charging/(crediting):

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 Restated £000</i>
Change in stocks	496	(65,786)
Other operating income	(233,134)	(46,510)
Raw materials and consumables	10,287,323	9,280,771
Staff costs	1,420,988	1,153,580
Depreciation of tangible fixed assets	178,349	159,215
(Profit)/loss on sale of tangible fixed assets	(2,853)	2,372
Other operating charges	1,108,254	1,091,505
	<u>12,759,423</u>	<u>11,575,147</u>

OTHER OPERATING CHARGES

OPERATING LEASE CHARGES

- land and buildings	62,000	50,649
- plant and machinery	54,929	9,000
	<u>116,929</u>	<u>59,649</u>

AMOUNTS PAID TO AUDITORS

- Audit fees	157	174
- Non-audit fees	5	5
	<u>162</u>	<u>179</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

4. DIRECTORS' EMOLUMENTS

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
Total directors' remuneration excluding pension costs	4,941	4,593
	<i>No.</i>	<i>No.</i>
Number of directors who are members of the defined benefit scheme	12	12
Number of directors who exercised share options	7	9
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	871	741
Accumulated total accrued pension entitlement	36	36

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. During the year ended 31 December 2003 compensation for loss of office of £nil was paid (31 December 2002: £118,603).

5. STAFF COSTS

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
Wages and salaries	1,300,648	1,060,127
Social security costs	79,643	58,547
Other pension costs	40,697	34,906
	1,420,988	1,153,580

The average number of employees during the year was 134,068 (31 December 2002: 125,845).

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

6. INVESTMENT INCOME

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
Dividends receivable from Group undertakings	2,114	-

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
Bank interest receivable	9,535	308
Interest receivable from Group undertakings	1,452	-
	<u>10,987</u>	<u>308</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
Interest payable from group undertakings	23,158	38,320
Bank interest payable	-	164
	<u>23,158</u>	<u>38,484</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

9 TAXATION

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

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
CURRENT TAX		
UK corporation tax on profit for the year	45,385	(2,610)
Adjustments in respect of prior periods	(14,083)	(135,864)
TOTAL CURRENT TAX	<u>31,302</u>	<u>(138,474)</u>
DEFERRED TAX		
Origination and reversal of timing differences	29,082	25,278
Adjustments in respect of prior periods	7,908	2,505
TOTAL DEFERRED TAX (NOTE 19)	<u>36,990</u>	<u>27,783</u>
TAX CHARGE / (CREDIT) ON PROFITS ON ORDINARY ACTIVITIES	<u>68,292</u>	<u>(110,691)</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) (2002: 30%). The differences are explained below.

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	<u>328,110</u>	<u>313,663</u>
PROFIT ON ORDINARY ACTIVITIES MULTIPLIED BY THE STANDARD RATE OF UK CORPORATION TAX (30%) (2002:30%)	<u>98,433</u>	<u>94,099</u>
Effects of:		
Accelerated capital allowances and other timing differences	(29,082)	(25,150)
Non-qualifying depreciation	2,745	1,113
Permanent differences	(2,054)	1,866
Stock option provision release	3,018	(12,698)
Non taxable income	(13,800)	-
Tax interest	(1,847)	-
Losses surrendered from parent company for nil consideration	(11,466)	(61,923)
Prior period adjustments	(14,083)	(135,864)
Other	(562)	83
CURRENT TAX CHARGE/ (CREDIT) FOR YEAR	<u>31,302</u>	<u>(138,474)</u>

The prior period adjustments relate mainly to the agreement of certain prior year liabilities with the Inland Revenue.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

10. DIVIDENDS

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
Dividends paid- £24.28 per ordinary share (2002: nil)	(680,000)	-
	<u> </u>	<u> </u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2003

11. TANGIBLE FIXED ASSETS

	<i>Freehold properties £000</i>	<i>Leasehold properties £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
COST OR VALUATION				
At 1 January 2003	1,130,948	325,468	1,106,190	2,562,606
Additions	537,428	44,593	294,556	876,577
Disposals	(43,006)	(2,431)	(37,420)	(82,857)
Transfers to other group undertakings	(80,419)	(6,655)	-	(87,074)
At 31 December 2003	1,544,951	360,975	1,363,326	3,269,252
COST OR VALUATION AT THE END OF THE YEAR IS REPRESENTED BY:				
Valuation	371,947	-	-	371,947
Cost	1,173,004	360,975	1,363,326	2,897,305
	1,544,951	360,975	1,363,326	3,269,252
DEPRECIATION				
At 1 January 2003	69,146	98,075	712,860	880,081
Charge for the year	27,738	12,931	137,680	178,349
Disposals	(1,624)	(1,255)	(29,744)	(32,623)
Transfers to other group undertakings	146	-	-	146
At 31 December 2003	95,406	109,751	820,796	1,025,953
Net book amounts at 31 December 2003	1,449,545	251,224	542,530	2,243,299
Assets under construction				367,336
NET BOOK VALUE AT 31 DECEMBER 2003				2,610,635
Net book amounts at 31 December 2002	1,061,802	227,393	393,330	1,682,525
Assets under construction at 31 December 2002				534,764
NET BOOK VALUE AT 31 DECEMBER 2002				2,217,289

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

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

	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Freehold properties	260,902	260,902

The net book amount of leasehold property includes:

	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Leases with 50 years or more unexpired	201,542	185,659
Leases with less than 50 years unexpired	49,682	41,734
	251,224	227,393

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2003

12. FIXED ASSET INVESTMENTS

	<i>£000</i>
Cost at 1 January 2003 and 31 December 2003	500,140
Amounts provided at 1 January 2003 and 31 December 2003	(40)
Net book value at 1 January 2003 and 31 December 2003	500,100

The principal subsidiary undertaking which is wholly owned is Corinth Services Limited which is registered in England and Wales. Corinth Services Limited is an investment company. In the directors' opinion, the aggregate values of investments in subsidiaries are not less than the balance sheet amount.

13. STOCKS

	<i>31 December 2003</i>	<i>31 December 2002</i>
	<i>£000</i>	<i>£000</i>
Goods held for resale	592,859	593,071
Goods not held for resale	1,153	1,437
	594,012	594,508

14. DEBTORS

Amounts falling due within one year:

	<i>31 December 2003</i>	<i>31 December 2002</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by group undertakings	1,031,119	773,988
Other debtors	54,938	41,351
Prepayments and accrued income	37,499	31,498
Taxation	35,191	14,456
	1,158,747	861,293

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

15. CREDITORS: amounts falling due within one year

	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Bank overdraft	-	76,434
Obligations under finance leases (note 17)	306	285
Trade creditors	1,553,744	1,259,576
Amounts owed to group undertakings	1,527,361	593,874
Amounts owed to ultimate parent company	17,438	22,233
Other taxes and social security	23,943	19,136
Other creditors	73,895	54,807
Accruals	270,296	243,860
	<u>3,466,983</u>	<u>2,270,205</u>

16. OTHER CREDITORS

	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Obligations under finance leases (note 17)	<u>186</u>	<u>535</u>

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
Within one year (note 15)	306	285
Within two to five years (note 16)	186	535
	<u>492</u>	<u>820</u>

18. PROVISION FOR LIABILITIES AND CHARGES

	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Deferred taxation (note 19)	157,415	120,425
Provisions (note 20)	45,978	50,765
	<u>203,393</u>	<u>171,190</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

19. DEFERRED TAXATION

	<i>31 December 2003</i>	<i>31 December 2002</i>
	<i>£000</i>	<i>£000</i>
AMOUNT PROVIDED		
Accelerated capital allowances	160,952	126,174
Origination and reversal of timing differences	(3,537)	(5,749)
	<u>157,415</u>	<u>120,425</u>
		<i>Total</i>
		<i>£000</i>

MOVEMENT IN DEFERRED TAX PROVISION

At January 2003	120,425
Provision charged through the profit and loss account (note 9)	36,990
	<u>157,415</u>
At 31 December 2003	

Deferred tax has been provided at 30% (2002:30%).

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 Company considers it impractical to quantify the amount of tax which would arise if rollover relief was not available.

Corporation tax of £24.3m was deferred as a consequence of rollover relief claims made in respect of the disposal of certain fixed assets in prior periods.

20. PROVISIONS

	<i>Share contribution provision</i>	<i>Provision for onerous lease contracts</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2003	45,335	5,430	50,765
Utilised during the year	(14,694)	(152)	(14,846)
Provided during the year	10,059	-	10,059
	<u>40,700</u>	<u>5,278</u>	<u>45,978</u>
At 31 December 2003			

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2003

21. CALLED UP SHARE CAPITAL

Authorised

At 31 December 2003 and 31 December 2002

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

Allotted, called up and fully paid

At 31 December 2003 and 31 December 2002

	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	28,008,978	28,009
Redeemable ordinary shares of £1 each	556,856,118	556,856
	<u>584,865,096</u>	<u>584,865</u>

Ordinary redeemable shares

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

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

22. RESERVES

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Revaluation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2003	584,865	260	111,483	1,048,457	1,745,065
Loss for the year	-	-	-	(420,182)	(420,182)
At 31 December 2003	<u>584,865</u>	<u>260</u>	<u>111,483</u>	<u>628,275</u>	<u>1,324,883</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

23. FINANCIAL COMMITMENTS

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

	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
		<i>Restated</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
Within one year	1,735	6,001
Between two and five years	2,178	2,583
After five years	42,958	52,021
	<u>46,871</u>	<u>60,605</u>

24. PENSIONS

Asda Group Limited, the parent undertaking, 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. The assets of these schemes are held separate from the Group's assets.

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 group operates a defined contribution and a defined benefit pension scheme. The assets of the schemes are held separately from those of the group in an independently administered fund. The unpaid contributions outstanding at the year end, included in other creditors are £0.2m (2002: £1.2m) for the defined contribution scheme. The charge for the year for the defined contribution scheme is £9m (2002: £5.8m). The charge for the defined benefit scheme is £31.7m (2002: £29.2m). The FRS17 valuation and underlying assumptions at 31 December 2003 and 31 December loss is summarised below. Full disclosure details are provided in the consolidated financial statements of the ultimate parent company.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

24. PENSIONS (continued)

FRS17 Retirement Benefits

In calculating the liabilities of the defined benefit pension scheme the following assumptions have been used:

31 DECEMBER 2003

UK SCHEME % PER ANNUM

Discount rates for liabilities	5.40
Future salary growth	4.30
Future price inflation	2.80
Future pension growth	2.80

The assets and liabilities in the scheme as at 31 December 2003 were:

	<i>Rate of Return %</i>	<i>Value £m</i>
Equities	7.30	414.7
Bonds	5.10	51.0
Gilts and other	7.30	8.1
Market value of assets		473.8
Present value of scheme liabilities		(690.0)
Pension liability before deferred tax		(216.2)
Deferred tax asset		64.9
Net pension liability		(151.3)

31 DECEMBER 2002

UK SCHEME % PER ANNUM

Discount rates for liabilities	5.50
Future salary growth	3.85
Future price inflation	2.35
Future pension growth	2.35

The assets and liabilities in the scheme as at 31 December 2002 were:

	<i>Rate of Return %</i>	<i>(Restated) Value £m</i>
Equities	7.0	304.8
Bonds	5.0	47.0
Gilts and others	7.0	8.1
Market value of assets		359.9
Present value of scheme liabilities		(534.0)
Pension liability before deferred tax		(174.1)
Deferred tax asset		52.2
Net pension liability		(121.9)

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

24. PENSIONS (continued)

31 DECEMBER 2001

UK SCHEME % PER ANNUM

Discount rates for liabilities	5.80
Future salary growth	3.90
Future price inflation	2.40
Future pension growth	2.40

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

	<i>Rate of Return %</i>	<i>Value £m</i>
Equities	7.25	336.2
Bonds	5.00	39.9
Gilts and other	7.25	9.3
Market value of assets		385.4
Present value of scheme liabilities		(454.7)
Pension liability before deferred tax		(69.3)
Deferred tax asset		20.8
Net pension liability		48.5

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss account at 31 December 2003 and 31 December 2002 would have been as follows:

	<i>(Restated)</i>	
	<i>31 December 2003</i>	<i>31 December 2002</i>
	<i>£m</i>	<i>£m</i>
Net assets excluding pension liability	3,309.4	4,058.4
Reversal of SSAP24 prepayment	(28.5)	(24.1)
Pension liability	(151.3)	(121.9)
Net assets including pension liability	3,129.6	3,912.4
Profit and loss account excluding pension liability	1,520.0	2,269.0
Reversal of SSAP 24 prepayment	(28.5)	(24.1)
Pension liability	(151.3)	(121.9)
Profit and loss account including pension liability	1,340.2	2,123.0

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

24. PENSIONS (continued)

	<i>£m</i>
Movement in deficit during the year:	
Deficit in scheme at 1 January 2003	(174.1)
Movement in year:	
Current service costs	(29.4)
Contribution	31.7
Net return on assets	(4.9)
Actuarial loss	(39.5)
Deficit in scheme at 31 December 2003	(216.2)

	<i>(restated)</i> <i>£m</i>
Movement in deficit during the year:	
Deficit in scheme at 1 January 2002	(69.3)
Movement in year:	
Current service costs	(26.5)
Contributions	52.7
Net return on assets	1.7
Actuarial loss	(132.7)
Deficit in scheme at 31 December 2002	(174.1)

The following amounts would have been recognised in the financial statements in the year ended 31 December 2003 under the requirements of FRS17:

	<i>31 December</i> <i>2003</i> <i>£m</i>
PROFIT AND LOSS ACCOUNT	
Amounts charged to operating profit:	
Service cost	29.4
Amounts charged/(credited) to other finance income:	
Expected return on pension plan assets	25.4
Interest on pension plan liabilities	(30.3)
Net return	(4.9)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES:	
Actual return less expected return on assets	53.4
Changes in assumptions	(92.9)
Actuarial loss recognised in Statement of total recognised gains and losses	(39.5)

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

24. PENSIONS (continued)

Details of experience gains and losses for the year ended 31 December 2003:

Difference between actual and expected return on scheme assets	
Amount (£m)	53.4
Percentage of scheme assets	11%
Total amount recognised in statement of total recognised gains and losses	
Amount (£m)	(39.5)
Percentage of scheme liabilities	(6%)

The following amounts would have been recognised in the financial statements in the year ended 31 December 2002 under the requirements of FRS17:

	<i>31 December</i>
	<i>2002</i>
	<i>£m</i>
PROFIT AND LOSS ACCOUNT	
Amounts charged to operating profit:	
Service cost	26.5
	<u> </u>
Amounts charged/(credited) to other finance income:	
Expected return on pension plan assets	28.9
Interest on pension plan liabilities	(27.2)
	<u> </u>
Net return	1.7
	<u> </u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES:

Actual return less expected return on assets	(107.8)
Changes in assumptions	(24.9)
	<u> </u>
Actuarial loss recognised in Statement of total recognised gains and losses	(132.7)
	<u> </u>

Details of experience gains and losses for the year ended 31 December 2002 (as restated):

Difference between actual and expected return on scheme assets	
Amount (£m)	(107.8)
Percentage of scheme assets	(30%)
Total amount recognised in statement of total recognised gains and losses	
Amount (£m)	(133.0)
Percentage of scheme liabilities	(25%)

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2003

24. PENSIONS (continued)

Asda Stores is unable to identify its share of the underlying assets and liabilities of the defined benefit scheme. Additional disclosures required by FRS17 in respect of the group scheme, including the major assumptions, are set out in the accounts of Asda Group Limited, together with disclosures of the market values of the assets and the FRS17 value of liabilities of the defined benefit scheme at 31 December 2003.

25. RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemption in FRS 8 from disclosing transactions with entities where 90% or more of their voting rights are controlled within the Wal-Mart Store group of companies or with investees of the group.

26. PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Asda Group Limited, a company incorporated in England and Wales.

The smallest group at which consolidated financial statements are prepared is Asda Group Limited. Copies of these financial statements are available from Companies House, Crown Way, Cardiff, CF4 3UZ.

In the directors' opinion, the ultimate parent undertaking and controlling party is Wal-Mart Stores, Inc. which is incorporated in the USA. Copies of its consolidated financial statements, which include this company, can be obtained from the Company Secretary, Wal-Mart Stores, Inc., Corporate Offices, 702 SW 8th Street, Bentonville, AR72716, USA.