ASDA STORES LIMITED

Report and Financial Statements
31 December 2013

Registered Number: 464777

DIRECTORS

A Clarke	
J J McKenna	resigned 22 March 2013
A J Moore	
K Hubbard	resigned 31 March 2014
H Tatum	
S Smith	
R Mayfield	resigned 2 February 2014
M Ibbotson	appointed 28 January 2013
BPI Williams	appointed 18 February 2013
A Russo	appointed 2 February 2014
E Doohan	resigned 1 June 2013

SECRETARY

A Simpson	appointed 1 June 2013
E Doohan	resigned 1 June 2013

AUDITORS
Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

REGISTERED OFFICE
ASDA House
Southbank
Great Wilson Street
Leeds
LS11 5AD
United Kingdom

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

STRATEGIC REPORT

The directors present their strategic report and financial statements for the year ended 31 December 2013.

Principal activities

The principal activity of ASDA Stores Limited (referred to as "the Company") is the retail of food, clothing, general merchandise and services throughout the United Kingdom and online. The next smallest group at which consolidated financial statements are prepared is ASDA Group Limited (referred to as "the Group" and / or "ASDA").

Results and dividends

Turnover grew by 2.1% to £23.3bn (2012: £22.8bn). Profit before tax for the year increased to £605.1m (2012: £483.5m) and operating profit increased by 19.7% to £519.4m (2012: £433.9m). Underlying operating profit decreased by 1.4%. Underlying profit is defined as operating profit after removing share options expenses (note 5) of £62.9m (2012: £105.9m) and technical assistance, services and royalties paid to Wal-Mart Stores, Inc of £132.3m (2012: £185.3m).

Profit after tax is £481.5m (2012:£379.5m).

A final dividend of £155.0m (2012: nil) was paid during the year.

Amounts recharged by Ultimate Parent Company

The Company accounts incur recharges from the ultimate parent company, Wal-Mart Stores, Inc. These recharges relate to the cost of share options, the cost of services received (mainly relating to IT), and royalties. The share options granted to colleagues by ASDA are in the ultimate parent company. The accounting treatment of these share options is outlined in note 21.

KPIs

- Like-for-Like sales growth of 0.6% (excluding petrol and VAT)
- Total sales growth of 2.1% (excluding VAT)
- Operating profit increased by 19.7%, with underlying operating profit decreasing by 1.4%
- Market share down 0.3%, to 17.2% (source: Kantar 52 weeks to 5 January 2014)

STRATEGIC REPORT (CONTINUED)

Operational headlines

- The external environment continued to be challenging, with low wage growth and increases in costs such as utilities and essential item price inflation exerting pressure on disposable incomes. The ASDA income tracker for 2013 showed that customers had £158 of weekly discretionary income, up by just £1 a week on 2012, suggesting the improving macro economic picture is masking a slower recovery from a customer perspective. Income disparity across the regions in the UK continued to impact many of our customers. Against this backdrop ASDA traded well through the year.
- We have strengthened our price leadership throughout 2013 and into 2014, investing consistently to reduce prices across the store. In 2013 we maintained our price leadership against our supermarket peers, entering the second year of our "Price Lock" initiative which saw investment in the price of everyday essentials such as bread, butter, milk and eggs. In addition, during 2013 ASDA expanded "Price Lock" into new categories such as Produce and developed a new online tool allowing customers to calculate the savings they are making on price locked products. We reinforced prices through the ASDA Price Guarantee which continued to run throughout 2013, reassuring customers that ASDA will be 10% cheaper than its core competitors. In June 2013, ASDA won The Grocer Magazine's lowest priced supermarket award for a sixteenth successive year.
- Despite significant cost pressures, the ASDA "We Operate for Less" programme continued to deliver substantial, incremental productivity savings across stores, home shopping, distribution centres and home offices, helping to offset inflationary pressures in utilities and commodities. This programme is a fundamental part of our drive to reduce costs in our business so that we can reduce prices for our customers.
- Quality remained a key area of focus. We invested in our fresh food ranges and were successful in winning three major awards (Best Product of the Year for our BBQ Pulled Pork as well as Meat and Turkey Retailer of the Year 2013). We relaunched our Smart Price brand and strengthened our 'Extra Special' range through our continued partnership with Leith's School of Food and Wine.
- The ASDA online business continued to deliver strong growth in 2013 by increasing capacity through Click & Collect, market leading innovation such as same day collection and investment in online capability. ASDA opened 1 new home shopping centre during 2013 supplying the London area, whilst over 300 of our stores were offering Click & Collect services by 31 December 2013. Mobile services continued to show strong growth following the relaunch of our mobile app which was well received by customers and won the IGD industry award for digital innovation. The proportion of online shopping being completed through the mobile app has increased throughout 2013 and has been reinforced by completing the roll out of free Wi-Fi across all our stores.
- We continue to develop talent and diversity across the whole organisation. We believe we have the friendliest and most helpful colleagues in the industry and it is thanks to their continued commitment, that in June, ASDA was voted by customers as 'Britain's Favourite Supermarket', as awarded by The Grocer Magazine for the third year in a row.
- In 2013, we became the first mainstream U.K. retailer to introduce a Black Friday event, which brought new offers to our customers and leveraged the reputation of our parent company, Wal-Mart. This included special prices across toys and electronics and drove 450,000 additional transactions on the first day of the event.
- Fifteen new stores were opened during the year; one standalone fuel station, one home shopping centre, six supermarkets, five superstores and two ASDA Livings. This added 468,000 sq ft of new space.

STRATEGIC REPORT (CONTINUED)

Delivering foundations for future growth

In the context of the uncertain economic outlook, the ASDA purpose to save customers money every day remains highly relevant to customers. Our strong performance in 2013 reflects our commitment to deliver against this core purpose, at the same time as strengthening the trust customers place in us for the quality of our products and the warm and friendly service delivered by our colleagues.

In November 2013, we announced our new strategy to redefine value retailing in the UK in response to the structural changes facing the UK grocery market including growing online and discounter sectors. This focuses on continuing the journey of investing in price and quality, pledging £1.25 billion of investment over five years, whilst focusing on improving access and reach across the UK, through online growth and physical expansion in London and the South East. Over a five year time horizon, this strategy aims to improve our core business; increase our access and reach and expand into new markets through a focus on six key areas:

Improve our core business

- Market leading value proposition
- Low cost operating model
- Stores for the future

Increase our access and reach

- Leading online
- Expand our physical reach

Expand into new markets

- Extend our brand

Innovation

Essential to our success is the delivery of innovative, good value products, which are unique to ASDA. Buying teams, food technologists and marketeers, working closely with suppliers, are continuously searching to improve the quality of our products and to develop new ideas, many of which are sold under the ASDA brand, Smartprice, Extra Special and George labels as well as the Chosen By You brand. We also benefit from synergies in research and development from being part of the Wal-Mart group.

Capital management

As a wholly owned subsidiary, the capital of the Company is monitored in accordance with the overall capital management policy of the ultimate parent company Wal-Mart Stores, Inc. and the primary objective of ASDA's capital management policy is to be consistent with the requirements of the ultimate parent.

A key element of funding is through intercompany loans which can change from time to time. The consolidated financial statements of the ultimate parent company disclose how the Wal-Mart group define and manage capital and meet the group capital objectives.

Risks and uncertainties

Risk is an inevitable part of business. One of the ongoing activities undertaken by ASDA is the identification of principal risks, assessment of their likelihood and consequence, and development and monitoring of appropriate controls. The Board has overall responsibility for risk management and ensuring that this is aligned with business strategy and objectives. The Board is supported by a Risk and Audit Committee that meets quarterly.

Risks and uncertainties *(continued)*

Key risks and mitigating actions are set out below:

- **Economic risk**
  The consumer environment continues to be challenging with price inflation growing significantly faster than wage inflation putting downward pressure on customer discretionary income. While the overall economy is showing early signs of recovery, we expect conditions to remain tough for our customers.

  Inflationary cost pressures also continue to impact the cost of commodities and utilities. ASDA operates a "We Operate for Less" programme which focuses on achieving productivity savings across our business in order to mitigate these costs challenges.

- **Competitive risk**
  In the highly competitive retail industry, success depends on satisfying changing customer needs better than the competition. ASDA has a brand reputation for offering a broad range of products at the lowest prices, and failure to uphold this reputation could lead to a loss of market share.

  ASDA regularly monitors relevant data on aspects such as price position in the market, product availability and other measures of quality and service that are important to our customers. We constantly monitor market information to understand our position relative to competitors and enable appropriate action to be taken on a timely basis. The ASDA Price Guarantee continued to operate during 2013. The guarantee commits ASDA to delivering prices 10% cheaper than our core competitors or to offering a voucher for the difference.

- **Reputational risk**
  The key to ASDA's success is the loyalty and goodwill shown by our customers, suppliers and colleagues.

  Failure to protect our reputation could lead to a loss of trust in the ASDA brand and consequent erosion of customer loyalty. ASDA regularly engages with customers, both directly and through the monitoring of available external data, in order to ensure that our positive customer perception is maintained.

  We maintain strong relationships with our suppliers by operating on terms that are mutually agreed and updated as appropriate to reflect changes in both parties' respective needs.

- **Strategic risk**
  We continue to invest in new opportunities and areas of growth in order to diversify our offering to customers. The board invests significant time in formulating, reviewing and communicating strategy effectively to those delivering it.

- **Supplier risk**
  The current economic climate is challenging for our suppliers. This puts increased importance on the strength of our control processes and our ability to recognise and respond to supplier issues. We have set up a periodic review process of supplier risk to identify issues, develop appropriate action plans and improve our controls in relation to supplier monitoring.

- **Resourcing and capability risk**
  Retention of key individuals and succession planning is important for long term stability and success. We have a robust appraisal process and Talent Review System to ensure that the right individuals are in the right roles, with a clear career path to long term development. The goodwill of colleagues is maintained through open communication, both to allow management to share information about the business and to give colleagues the opportunity to provide feedback about working at ASDA.

STRATEGIC REPORT (CONTINUED)

Risks and uncertainties *(continued)*

- **Financial risk**
  ASDA's principal financial risk is having funds available at the right time to meet business needs. This risk is managed by the Treasury function, which forecasts cash flows and ensures that adequate short term funds and borrowing facilities are in place to meet liabilities to suppliers, colleagues and our shareholder.

  Certain transactions with suppliers and with the Group's ultimate parent undertaking are denominated in foreign currencies. The Treasury function uses information from around the business to forecast the timing and level of foreign currency requirements and buys forward accordingly. It is ASDA's policy not to buy or hold foreign currency speculatively. Currency forward contracts are accounted for at fair value.

  ASDA operates a number of pension arrangements for our employees including a defined benefit pension scheme. This is subject to risk in relation to its pension deficit which is shown as a liability on the balance sheet. This risk has been reduced when the defined benefit pension scheme was closed to future accrual in 2011. The risk has been further mitigated through consultation with the pension scheme trustees to identify appropriate long term funding solutions for the scheme. To further minimise this risk, the trustees appointed a new fund manager in 2009 with delegated responsibility for managing 30% of the scheme's assets using a liability driven investment approach. ASDA's ultimate parent has also guaranteed the scheme liabilities.

- **Regulatory and compliance risk**
  We recognise that ASDA operates in an environment where we can be impacted by changes in Government policy. In response to this, we continue to risk assess all regulatory developments and test compliance with internal processes designed to mitigate risks, making improvements where required.

- **Fraud risk**
  We have a control framework in place to help prevent and detect potential fraud and dishonest activity. The ASDA-Wal-Mart Statement of Ethics also provides clear guidance to colleagues on appropriate behaviour, including guidance on how to raise any business conduct concerns they may have through the Open Door Communication Process or through the local Ethics Committee. In addition, procedures are in place in respect of compliance with the UK Bribery Act and the Foreign Corrupt Practices Act.

- **Systems risk**
  Detailed disaster recovery plans are in place in the event of an incident which could severely affect ASDA's ability to trade. A comprehensive Incident Response Plan exists to ensure business continuity in the event of a major incident.

STRATEGIC REPORT (CONTINUED)

Risks and uncertainties *(continued)*

- **Environmental risk**
  As a retailer, we recognise that we have a responsibility to minimise the adverse impact that our business activities have on the environment. Failure to do this may result not only in adverse environmental impacts, but also financial penalties and long term damage to our reputation.

  In recent years, we have implemented a number of initiatives and processes in recognition of our environmental responsibilities. We have reduced our absolute carbon footprint by 16.9% since 2007; and our existing stores emit 36.5% fewer carbon emissions than in 2005. The major focus of our strategy is now on our supply chain, including running the Sustain and Save Exchange (SSE), a unique collaboration tool to help our suppliers become more efficient. Through the SSE, our suppliers have saved over £1m in 2013, helping them become less reliant on limited resources.

On behalf of the Board

A Russo
Director
16 October 2014

ASDA House
Southbank
Great Wilson Street
Leeds
LS11 5AD

DIRECTORS' REPORT

The directors present their directors' report and financial statements for the year ended 31 December 2013.

Future Developments

ASDA's future developments are detailed in the Strategic Report on pages 2-7.

Going Concern

The financial statements are prepared on the going concern basis. The Company has considerable financial resources and good long term prospects. As a consequence, the directors believe that the Company is well placed to manage any financial risks successfully and continue to operate for the foreseeable future

Political and charitable contributions

During the year, cash donations to charitable organisations and other community projects totalled £20.8m (2012: £16.9m). ASDA's colleagues, customers and suppliers have collectively raised monies through events including BBC Children In Need, Tickled Pink (supporting Breast Cancer Care & Breast Cancer Campaign), Orchid, Sporting Chance and Tommy's, the baby charity. The ASDA Foundation, ASDA's charitable company, also supported a range of local charities and sustainable local projects. These projects are local cause-related activities, contributing to local charities or causes that our colleagues wish to support.

ASDA did not make any political donations during the year (2012: £nil).

Dividends

Details of dividends paid are detailed in the Strategic Report on pages 2-7.

Disabled colleagues

ASDA is proud to work in partnership with Remploy and Mencap, two of the UK's leading providers of specialist employment services for disabled people and people facing complex barriers to employment. Working with these partners, we continue to deliver on our commitment to recruit and retain colleagues who reflect the customers and the communities that ASDA serves.

ASDA is an Equal Opportunities Employer, meaning that selection, training, development and promotion is based solely on the applicant's skills, abilities and potential. We will always seek to make reasonable adjustments during any selection process to prevent disabled candidates being at a disadvantage when compared to those who are not disabled.

If an existing colleague becomes disabled, it is our policy wherever possible, to work with the individual and our occupational health provider to identify any reasonable adjustments possible to ensure suitable and continuing employment.

Colleague involvement

Throughout the year we have continued with our regular meetings between local management and colleagues to allow a free flow of information and ideas. To enhance this process we also held elections for a national body of colleague representatives to form a consultative group on business changes or initiatives in the future. In addition our annual engagement survey, Your Voice, serves not only as a temperature check on how our colleagues feel about working at ASDA but also as a way for them to shape our people strategy and activity.

Throughout the year we showed our commitment to keeping colleagues up to date with information about the business through a variety of communication channels including our intranet, face to face briefings and our new colleague magazine ASDA Life. Our ASDA Academy continued to be a focus as part of our ongoing commitment to training and development and our aim to provide all colleagues with a structured programme of training.

DIRECTORS' REPORT (CONTINUED)

Directors' liabilities

ASDA has granted an indemnity to each of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity remains in force as at the date of approving the Directors' Report.

The indemnity is controlled and paid centrally by the ultimate parent company.

For a list of directors who held office during the year please refer to the beginning of these financial statements.

Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the Group is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Alejandro Russo

A Russo
Director
16 October 2014

ASDA House
Southbank
Great Wilson Street
Leeds
LS11 5AD

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 AUDITOR'S REPORT TO THE MEMBERS OF ASDA STORES LIMITED

We have audited the financial statements of ASDA Stores Limited for the year ended 31 December 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds, the balance sheet and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Christabel Cowling (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
17 October 2014

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2013

	Notes	*Year Ended 31 December 2013 £m*	*Year Ended 31 December 2012 £m*
Turnover	*2*	23,299.4	22,813.9
Operating costs	*3*	(22,780.0)	(22,380.0)
Operating profit		519.4	433.9
Interest receivable and similar income	*6*	97.4	175.4
Interest payable and similar charges	*7*	(28.3)	(135.9)
Other finance income	*25*	16.6	10.1
Profit on ordinary activities before taxation		605.1	483.5
Taxation	*8*	(123.6)	(104.0)
Profit for the financial year		481.5	379.5

The results above are all attributable to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2013

	Notes	*Year Ended 31 December 2013 £m*	*Year Ended 31 December 2012 £m*
Profit for the year		481.5	379.5
Actuarial gain/(loss) on pension scheme	*25*	63.7	(70.1)
Movement on tax relating to pension deficit	*8*	(15.6)	14.8
Total recognised gains relating to the year		529.6	324.2

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 December 2013

	Year Ended 31 December 2013 £m	*Year Ended 31 December 2012 £m*
Profit on ordinary activities before taxation	605.1	483.5
Adjustment of depreciation to historical cost basis	(0.6)	9.6
Historical cost profit on ordinary activities before taxation	604.5	493.1
Hisorical cost profit after taxation	480.9	389.1

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 2013

	Notes	*Year Ended 31 December 2013 £m*	*Year Ended 31 December 2012 £m*
Profit for the year		481.5	379.5
Actuarial gain/(loss) on pension scheme	*25*	63.7	(70.1)
Movement on tax relating to pension deficit	*8*	(15.6)	14.8
Share capital issued	*22*	-	162.8
Dividends paid	*23*	(155.0)	-
Net increase in shareholders' funds		374.6	487.0
Opening shareholders' funds		5,111.0	4,624.0
Closing shareholders' funds		5,485.6	5,111.0

BALANCE SHEET

as at 31 December 2013

REGISTERED NUMBER 464777

	Notes	31 December 2013 £m	31 December 2012 £m
FIXED ASSETS			
Intangible assets	9	136.6	20.6
Tangible fixed assets	10	4,605.5	4,638.7
Investments	12	769.7	769.7
		5,511.8	5,429.0
CURRENT ASSETS			
Stocks	13	1,069.8	1,105.8
Debtors	14	2,351.8	1,455.1
Cash at bank and in hand		-	365.4
Operating lease prepayments: amounts due within one year	11	1.2	-
Operating lease prepayments: amounts due after more than one year	11	49.2	-
		3,472.0	2,926.3
CREDITORS: amounts falling due within one year			
Trade and other creditors	15	(3,133.2)	(2,877.5)
Borrowings	19	(5.7)	(0.1)
NET CURRENT ASSETS		333.1	48.7
TOTAL ASSETS LESS CURRENT LIABILITIES		5,844.9	5,477.7
CREDITORS: amounts falling due after more than one year			
Borrowings	19	(105.7)	(4.2)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(226.0)	(223.9)
NET ASSETS EXCLUDING PENSION OBLIGATION		5,513.2	5,249.6
Defined benefit pension obligation	25	(27.6)	(138.6)
NET ASSETS		5,485.6	5,111.0
CAPITAL AND RESERVES			
Called up share capital	22	757.6	757.6
Share premium account	23	950.3	950.3
Revaluation reserve	23	119.5	120.1
Profit and loss reserve	23	3,658.2	3,283.0
TOTAL SHAREHOLDERS' FUNDS		5,485.6	5,111.0

The financial statements were approved by the board of directors and signed on its behalf by:

Alejandro Russo

A Russo
Director
16 October 2014

NOTES TO THE ACCOUNTS
as at 31 December 2013

1. ACCOUNTING POLICIES

BASIS OF PREPARATION
The financial statements are prepared on the going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2. The Company has considerable financial resources and good long term prospects. As a consequence, the directors believe that the Company is well placed to manage any financial risks successfully and continue to operate for the foreseeable future.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

In accordance with FRS1 '*Cash Flow Statements*' no cash flow statement has been prepared as the Company is a wholly owned subsidiary undertaking of ASDA Group Limited which produces a consolidated cash flow statement.

In accordance with the exemptions allowed by section 400 of the Companies Act 2006, the Company has prepared accounts on a stand alone basis. Group accounts have been prepared by ASDA Group Limited, the immediate parent undertaking.

TURNOVER
Turnover represents sales to customers through retail outlets and online, excluding value added tax. Turnover is recognised net of staff discounts, coupons and the free element of multi-save transactions.

INCOME FROM CONCESSIONS AND COMMISSIONS
Income from concessions and commissions is based on the terms of the contract and is included within operating costs.

SUPPLIER INCOME
Supplier incentives, rebates and discounts are recognised at the point that they are earned and agreed with the supplier for each relevant contract. Amounts are recognised as a reduction in operating costs.

INTEREST PAYABLE AND RECEIVABLE
Interest payable and receivable comprises interest payable and interest receivable on funds invested as well as interest payable and interest receivable on amounts owed to group undertakings and amounts owed by group undertakings. Interest income and interest payable are recognised in the profit and loss account as it accrues at a constant rate on the carrying amount.

It is Company policy to show net position on the balance of amounts owed to or from group undertakings to the extent that any individual balance is owed to or from the same entity and to charge interest receivable or payable on this net balance.

INTANGIBLE ASSETS
Intangible assets acquired are carried initially at cost. Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives, with charges included in operating costs, as follows:

Brands	2 - 20 years
Lease buy out costs	over term of lease

BORROWING COSTS
Borrowing costs are recognised in the Company's profit and loss account except for costs that are directly attributable to the construction of buildings which are capitalised and included within the initial cost of a building. Capitalisation of borrowing costs ceases when the property is ready for use. The interest rate applied is based on the average rate of general borrowings outstanding during a period.

1. **ACCOUNTING POLICIES (CONTINUED)**

TANGIBLE FIXED ASSETS
The Company's tangible fixed assets are included in the balance sheet at cost less depreciation, with exception of its food retailing properties acquired prior to July 1999 which have been included at valuation less depreciation and amounts written off. Assets under the course of construction are included in the balance sheet at cost. In accordance with the transitional provisions of FRS 15 *'Tangible Fixed Assets'* the directors have elected to freeze all future revaluations.

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

Freehold buildings	20 - 50 years
Long leasehold property	shorter of 20 - 50 years or over term of lease
Short leasehold property	Over term of lease
Plant, fixtures and fittings	3 - 20 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.

Tangible fixed assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the profit and loss account.

INVESTMENTS
In the Company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off. Provision against the underlying value of the investments in subsidiary undertakings is made where, in the opinion of the directors, there is impairment to the value of the underlying business.

LEASES
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

COMPANY AS A LESSEE
Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Other leases are classified as operating leases.

FINANCE LEASES
Assets acquired by way of a finance lease are recognised at an amount equal to the lower of the fair value and the present value, calculated using the interest rate implicit in the lease, of the minimum lease payments at inception of the lease with a corresponding liability as an obligation to pay future rentals. Lease payments are apportioned between the finance charge and the outstanding obligation so as to produce a constant rate of interest on the remaining balance of the liability. Assets are depreciated over the lease term.

1. ACCOUNTING POLICIES (CONTINUED)

OPERATING LEASES
Rental payments and prepayments are taken to the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised in the profit and loss account over the lease term.

COMPANY AS A LESSOR
Assets leased out under operating leases are included in tangible fixed assets and depreciated over their useful economic lives. Rental income is recognised on a straight line basis over the lease term. Lease incentives are recognised in the profit and loss account over the lease term.

FINANCIAL INSTRUMENTS
Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Loans and debtors

Loans and debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortised cost. They are included in current assets except for those with maturities greater than 12 months after the balance sheet date. Loans and debtors comprise cash and short-term deposits and trade and other debtors.

Interest bearing loans and borrowings

Interest bearing bank loans and overdrafts are recorded initially at fair value plus directly attributable transaction costs. Subsequently, these liabilities are carried at cost and amortised using a constant rate on the carrying amount. Gains or losses arising on repurchase, settlement or cancellation of liabilities are recognised respectively in finance income or finance cost.

Fair values

Fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length transactions, reference to the current value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

CASH AT BANK AND IN HAND
Cash and short term deposits comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash at bank and in hand.

TRADE AND OTHER DEBTORS
Debtors are stated at their nominal amount (discounted if material) as reduced by appropriate allowances for estimated irrecoverable amounts. Intercompany receivables are interest bearing (6%), unsecured, with no fixed repayment date.

The Company shows the net position on the balance of amounts owed to or from group undertakings where there is legal right of offset and to the extent that any individual balance is owed to or from the same entity. Interest receivable or payable is charged and would be settled on the net balance.

STOCKS
Stocks comprise goods for sale and are stated at the lower of cost and net realisable value. Goods at warehouses are valued at weighted average cost. Cost includes expenditure incurred in acquiring the stocks and bringing them to their existing location and condition. Stocks at retail outlets are valued at average cost prices.

1. **ACCOUNTING POLICIES (CONTINUED)**

TRADE AND OTHER CREDITORS
Trade and other creditors, other than intercompany loans, are not interest bearing and are stated at their nominal value. Intercompany payables are interest bearing (6%), unsecured, with no fixed repayment date.

The Company shows the net position on the balance of amounts owed to or from group undertakings where there is legal right of offset and to the extent that any individual balance is owed to or from the same entity. Interest receivable or payable is charged and would be settled on the net balance.

TAXATION
Taxation comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in reserves, in which case it is recognised in reserves.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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; and
- 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.

PROVISIONS
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

DEFINED CONTRIBUTION PENSION PLANS
Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

DEFINED BENEFIT PENSION PLANS
The Company's net obligation in respect of its defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. The operating and financing costs of the scheme are recognised in the period in which they arise.

In respect of actuarial gains and losses that arise, the Company recognises them in full to equity in the period they occur in the statement of total recognised gains and losses.

1. **ACCOUNTING POLICIES (CONTINUED)**

SHARE BASED PAYMENTS

The share option programmes allow Company employees to acquire shares of the ultimate parent Company; these awards are granted by the Company. The fair value of options granted is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The charge is recognised as an employee expense, with a corresponding increase in liabilities. The fair value of the share option is measured based on an option valuation model, taking into account the terms and conditions upon which the instruments were granted. The liability is re-measured at each balance sheet date and at settlement date and any changes in fair value recognised in profit or loss spread equally over the vesting period. These share based payment transactions are considered as cash settled and accounted for in accordance with FRS 20 *'Share-based Payments'*.

FOREIGN CURRENCY

The accounts for the Company are presented in Sterling. The primary functional currency of the Company is also Sterling.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences are taken to the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Management are required to make judgements, estimates and assumptions that affect the application of policies and reported assets and liabilities, income and expenses. Judgements, estimates and assumptions are continually evaluated and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed further below.

JUDGEMENTS

Judgements are made with regard to provisions for property leases (note 18). Judgement is also applied in assessing whether a lease is an operating or finance lease.

ESTIMATES AND ASSUMPTIONS

Pension benefits

The carrying value of the liabilities relating to the defined benefit pension scheme is valued using an actuarial valuation. This valuation is based on assumptions. All the assumptions used are estimates of future events. Further details about the key assumptions used are given in note 25.

Share-based payment transactions

The Company estimates fair value for share-based payment transactions depending on the terms and conditions of the grants. This estimate also requires determining the most appropriate inputs to the valuation model including assumptions of the expected life of the share option, share price, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 21.

Additional estimates and assumptions are made with regard to stock net realisable values (note 13) and the likelihood that tax assets can be realised (note 17). Actual results may differ from these estimates.

Finance versus operating lease classification

In assessing whether a lease is finance or operating in nature, assumptions and estimates need to be made including determination of the implicit interest rate, fair values of properties and split of land and building elements of property lease contracts. Market data is used to determine these assumptions.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover comprises the value of sales excluding value added tax. Turnover is derived from the principal activities in the United Kingdom. Turnover is recognised net of staff discounts, coupons and the free element of multisave transactions.

The Company is engaged in a single reportable operating segment of business, being the retailing of food, clothing, home and leisure products, fuel and services in a single geographical segment, the United Kingdom and online. The Company is not reliant on any individual major customers.

All significant revenue is generated by the sale of goods through retail outlets in the United Kingdom and online. The operations of all product areas of the business are subject to similar economic characteristics and are sold in a similar retail environment.

The Company has taken these factors into account and the core principals of SSAP 25 in determining that it has a single reportable operating segment.

Turnover for the year is as follows:

	Year Ended 31 December 2013	*Year Ended 31 December 2012*
	£m	£m
Sale of goods	20,610.7	20,218.1
Fuel	2,688.7	2,595.8
Total revenue	23,299.4	22,813.9

After excluding revenue on fuel, like-for-like sales growth is 0.6% in 2013 (2012: 1.0%) excluding VAT. Like-for-like sales is a measure of year on year sales growth (excluding VAT and fuel) for stores open for more than one year.

NOTES TO THE ACCOUNTS
as at 31 December 2013

3. OPERATING PROFIT

Operating profit is stated after (charging)/crediting:

	Year Ended 31 December 2013 £m	*Year Ended 31 December 2012 £m*
Cost of stock recognised as an expense	(17,374.2)	(16,980.2)
Cost of inventories written off in the year	(398.2)	(397.8)
Employment costs (note 5)	(2,464.1)	(2,464.7)
Amortisation of intangible assets (note 9)	(7.3)	(1.6)
Depreciation of tangible fixed assets (note 10)		
- Owned assets	(339.3)	(316.9)
- Assets held under finance leases	(12.0)	(0.5)
Rental income	45.2	44.1
Loss on sale of tangible fixed assets	(27.9)	(15.3)
Foreign currency gains/(losses)	6.3	(1.9)
OPERATING LEASE CHARGES		
- Land and buildings	(93.4)	(97.3)
- Plant and machinery	(48.1)	(49.1)
	(141.5)	(146.4)
AMOUNTS PAID TO AUDITORS		
- Fees payable to the company's auditors for the audit of the company financial statements	(0.2)	(0.2)

4. DIRECTORS' REMUNERATION

	Year Ended 31 December 2013 £'000	*Year Ended 31 December 2012 £'000*
Total directors' remuneration excluding pension costs	6,898	6,099
Share-based payments	2,525	3,118
Post employment benefits	-	-
	No.	*No.*
Number of directors who were active members of the defined benefit scheme during the year	-	-
Number of directors who exercised share options	8	6
Number of directors entitled to receive shares under long term incentive schemes	10	10
Amounts in respect of the highest paid director are as follows:	*£'000*	*£'000*
Total remuneration excluding pensions	1,765	1,802
Total share-based payments	1,148	1,910
Post employment benefits	-	-
Accumulated total accrued pension entitlement	25	44

The highest paid director exercised share options during the year and received shares from qualifying services under a long term incentive scheme.

The remuneration of the directors is in respect of their services to the Broadstreet Great Wilson Europe Group (the highest UK holding company in which the company is consolidated) as a whole. It is not possible to allocate their remuneration to the companies within the group.

Seven directors were deferred members of the defined benefit scheme (2012: five). None of the directors were members of the defined contribution schemes during the year (2012: none).

NOTES TO THE ACCOUNTS
as at 31 December 2013

5. EMPLOYMENT COSTS

	Year Ended 31 December 2013 £m	*Year Ended 31 December 2012 £m*
Wages and salaries	2,206.1	2,176.1
Share based payments (note 21)	62.9	105.9
Social security costs	124.7	124.5
Other pension costs	70.4	58.2
	2,464.1	2,464.7

	Number of employees	
	Year Ended 31 December 2013	*Year Ended 31 December 2012*
Total		
- Retail & Distribution	172,640	175,015
- Home offices	3,997	3,777
	176,637	178,792
Full time equivalents		
- Retail & Distribution	113,205	111,517
- Home offices	3,887	3,664
	117,092	115,181

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2013 £m	*Year Ended 31 December 2012 £m*
External interest receivable and similar income	-	0.3
Interest receivable from group undertakings	97.4	175.1
	97.4	175.4

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2013 £m	*Year Ended 31 December 2012 £m*
Other interest payable	(0.1)	-
Interest payable to group undertakings	(6.4)	(136.4)
Finance lease interest	(22.5)	(0.5)
Interest capitalised	0.7	1.0
	(28.3)	(135.9)

8. TAXATION

The charge to UK corporation tax for the year included in the profit and loss account arises as follows:

	Year Ended 31 December 2013 £m	*Year Ended 31 December 2012 £m*
CURRENT TAX		
UK corporation tax on profit for the year	149.8	129.3
Adjustments in respect of prior periods	(10.5)	1.1
TOTAL CURRENT TAX CHARGE	139.3	130.4
DEFERRED TAX		
Origination and reversal of timing differences	(10.1)	(26.9)
Adjustments in respect of prior periods	(6.2)	2.1
Reduction in deferred tax asset relating to pension obligation	14.1	7.4
Effect of rate change	(13.5)	(9.0)
TOTAL DEFERRED TAX CREDIT (NOTE 17)	(15.7)	(26.4)
TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES	123.6	104.0

Included in the statement of total recognised gains and losses is a tax charge of £15.6m (2012: £14.8m credit) relating to movements in the pension deficit. This is made up of a current tax credit of £4.9m (2012: £17.2m) and a deferred tax charge of £20.5m (2012: £2.4m).

8. TAXATION (CONTINUED)

A reconciliation of the current tax charge compared to the standard rate of corporation tax in the UK of 23.247% (2012: 24.497%) applied to the profit on ordinary activities before tax is as follows:

	Year Ended 31 December 2013 £m	*Year Ended 31 December 2012 £m*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	605.1	483.5
PROFIT ON ORDINARY ACTIVITIES MULTIPLIED BY THE STANDARD RATE OF UK CORPORATION TAX OF 23.247% (2012: 24.497%)	140.7	118.4
Effects of:		
Accelerated capital allowances and other timing differences	10.1	26.9
Share Options costs	0.3	8.1
Non-qualifying depreciation	2.9	8.1
Loss on sale of non-qualifying assets	3.2	1.4
Permanent differences	6.7	2.7
Reduction in deferred tax asset relating to pension obligation	(14.1)	(7.4)
Prior period adjustments	(10.5)	1.1
Group relief not paid for	-	(28.9)
CURRENT TAX CHARGE FOR YEAR	139.3	130.4

The Finance Act 2012 received Royal Assent on 17 July 2012 and enacted a reduction in the main rate of corporation tax to 24% with effect from 1 April 2012 and to 23% from 1 April 2013.

Following this, the Finance Act 2013 enacted that the main rate of corporation tax effective from 1 April 2014 will be 21% and that a further reduction of 1% will then bring the main rate of corporation tax to 20% from 1 April 2015. This received Royal Assent on 17 July 2013.

Deferred tax has therefore been provided at 20% or 21% depending on the company's estimate of when timing differences are likely to reverse.

9. INTANGIBLE ASSETS

	Brand £m	Lease buy out costs £m	Total £m
COST			
At 1 January 2013	31.7	-	31.7
Addition - ASDA Direct brand name	0.2	-	0.2
Reclassification	-	150.4	150.4
At 31 December 2013	31.9	150.4	182.3
AMORTISATION			
At 1 January 2013	11.1	-	11.1
Amortisation during the year	1.7	5.6	7.3
Reclassification	-	27.3	27.3
At 31 December 2013	12.8	32.9	45.7
NET BOOK VALUE			
At 31 December 2013	19.1	117.5	136.6
At 31 December 2012	20.6	-	20.6

The George brand is being amortised on a straight line basis over its estimated useful life of 20 years. In the current year an intangible for the ASDA Direct brand name was recognised. This is being amortised over its estimated useful life of 2 years.

Lease buy out costs, with a gross cost of £150.4m and accumulated depreciation of £27.3m, were reclassified from tangible fixed assets during the year (see note 10). These costs are being amortised over the term of the lease resulting in a £5.6m charge to profit for the year.

10. TANGIBLE FIXED ASSETS

	Freehold properties £m	Finance Leases & Leasehold improvements £m	Plant, fixtures and fittings £m	Assets under construction £m	Total £m
COST OR VALUATION					
At 1 January 2013	3,880.8	516.8	2,447.9	272.5	7,118.0
Additions	197.1	108.9	262.8	66.0	634.8
Disposals	(29.6)	(0.6)	(90.9)	-	(121.1)
Transfers to and from other group undertakings	(116.8)	3.9	-	-	(112.9)
Reclassification	(663.6)	444.3	-	-	(219.3)
At 31 December 2013	3,267.9	1,073.3	2,619.8	338.5	7,299.5
DEPRECIATION					
At 1 January 2013	586.2	233.6	1,659.5	-	2,479.3
Charge for the year	76.7	69.1	205.5	-	351.3
Disposals	(2.3)	(0.4)	(88.4)	-	(91.1)
Reclassification	(113.3)	67.8	-	-	(45.5)
At 31 December 2013	547.3	370.1	1,776.6	-	2,694.0
Net book amounts at 31 December 2013	2,720.6	703.2	843.2	338.5	4,605.5
Net book amounts at 31 December 2012	3,294.6	283.2	788.4	272.5	4,638.7

Assets held under finance leases and capitalised in leasehold properties

	31 December 2013 £m	31 December 2012 £m
Cost	121.8	13.0
Accumulated depreciation	(12.7)	(0.7)
Net book value	109.1	12.3

Reclassifications during the year

Following a review of fixed assets within the leasehold estate, a number of items were identified for which the balance sheet classification has been revised during the year. Specifically, lease premiums, with a gross cost of £68.9m and accumulated depreciation of £18.2m, have been reclassified as prepayments (see note 11) and certain lease buy out costs made to third parties, with a gross cost of £150.4m and accumulated depreciation of £27.3m, have been reclassified as intangible assets (see note 9). In addition £487.0m has been reclassified from freehold properties to leasehold improvements.

As a result of the above, a reassessment of lease classification has been performed, for which a number of property leases, with cost of £108.8m, which were previously accounted for as operating leases have been capitalised as finance leases during the year (see note 19). This has resulted in a net charge to profit for the year of £9.7m, being a net credit to operating profit of £12.3m and an interest expense of £22.0m.

10. TANGIBLE FIXED ASSETS (CONTINUED)

Food retailing properties acquired before 1 June 1999 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, had a limited future economic life in existing use. In respect of these properties, the directors estimated their lower, alternative use value.

In accordance with the transitional provisions of FRS 15 'Tangible Fixed Assets', 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 cost of fixed assets is £2.3m (2012: £1.6m). Details of interest capitalised during the year is included in note 7.

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

	31 December 2013 £m	*31 December 2012 £m*
Freehold properties	240.0	240.0

11. OPERATING LEASE PREPAYMENTS

		31 December 2013 £m	*31 December 2012 £m*
Operating lease prepayments	- current	1.2	-
	- non current	49.2	-
		50.4	-

Lease premiums, with a gross cost of £68.9m and accumulated depreciation of £18.2m, have been reclassified from tangible fixed assets during the year (see note 10). These prepayments are amortised over the lease term resulting in a charge of £0.3m to profit for the year, aligning the amortisation on these items to the lease term.

12. INVESTMENTS

	£m
Cost and net book value at 1 January 2013	769.7
Additions	-
Cost and net book value at 31 December 2013	769.7

In the directors' opinion, the aggregate values of net assets of these subsidiaries are not less than the carrying value of the investment recorded in the balance sheet.

Subsidiary undertakings

	Country of incorporation	*% of equity held*
International Procurement and Logistics Limited	United Kingdom	100
Netto Foodstores Limited	United Kingdom	100
ASDA Storage Limited	United Kingdom	100
Essencerealm Limited	United Kingdom	100
Ever 1295 Limited	United Kingdom	100
Nordicline Limited	United Kingdom	100
ASDA Supermarkets Limited	United Kingdom	100
George Tedarik Hizmetleri	Turkey	100

The company has taken advantage of section 402(2) of the Companies Act 2006 to list only its principal subsidiary undertakings.

13. STOCKS

	31 December 2013 £m	*31 December 2012 £m*
Goods held for resale	1,067.9	1,103.5
Goods not held for resale	1.9	2.3
	1,069.8	1,105.8

14. DEBTORS

	31 December 2013 £m	*31 December 2012 £m*
Trade debtors	129.0	119.2
Amounts owed by group undertakings	2,095.5	1,175.2
Other debtors	60.7	59.6
Prepayments and accrued income	66.6	101.1
	2,351.8	1,455.1

NOTES TO THE ACCOUNTS
as at 31 December 2013

15. CREDITORS: amounts falling due within one year

	31 December 2013 £m	*31 December 2012 £m*
Bank overdraft	109.7	-
Trade creditors	2,003.2	1,935.2
Amounts owed to group undertakings	172.0	83.3
Other taxes and social security	188.8	192.0
Other creditors	152.8	152.7
Accruals	458.6	484.2
Taxation	48.1	30.1
	3,133.2	2,877.5

The Company deals with over ten 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 these terms when satisfactory invoices have been received.

16. PROVISION FOR LIABILITIES AND CHARGES

	31 December 2013 £m	*31 December 2012 £m*
Deferred taxation (note 17)	83.1	112.8
Provisions (note 18)	142.9	111.1
	226.0	223.9

17. DEFERRED TAXATION

	31 December 2013 £m	*31 December 2012 £m*
AMOUNT PROVIDED		
Accelerated capital allowances	103.9	149.1
Pension costs	(0.4)	(0.4)
Origination and reversal of timing differences	(20.4)	(35.9)
	83.1	112.8

	Total £m
MOVEMENT IN DEFERRED TAX PROVISION	
At 1 January 2013	112.8
Provision credited through the profit and loss account (note 8)	(15.7)
Less FRS17 charge to deferred tax included in net pension obligations	(14.0)
At 31 December 2013	83.1

Deferred tax has been provided at 20% or 21% depending on the company's estimate of when timing differences are likely to reverse (2012: 23%).

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 become payable if rollover relief was not available.

Corporation Tax of £12.6m (2012: £14.5m) has been deferred as a consequence of rollover relief claims made in respect the disposal of certain fixed assets in prior periods.

No provision has been made for deferred tax on accumulated capital losses in the company of £38.7m (2012: £39.0m) as the likelihood of future use cannot be determined with certainty.

18. PROVISIONS

	Share option provision £m	*Property provision £m*	*Total £m*
At 1 January 2013	88.8	22.3	111.1
Provided during the year	62.9	24.0	86.9
Utilised during the year	(49.3)	(2.1)	(51.4)
Unused amounts reversed during the year	-	(3.7)	(3.7)
At 31 December 2013	102.4	40.5	142.9

Detailed disclosures relating to the share option provision are shown in note 21.

The property provision represents onerous lease provisions for lease obligations arising from discontinued activities. The majority of this liability is expected to crystallise in the next 30 years. Also included are provisions for asset retirement obligations. These provisions are expected to crystallise at the end of the lease term of each property.

19. FINANCIAL INSTRUMENTS

Company borrowings as at 31 December 2013 are:

Finance lease obligation	*31 December 2013 £m*	*31 December 2012 £m*
Less than one year	5.7	0.1
Total amounts repayable within one year	**5.7**	**0.1**
Between one and five years	20.0	0.3
After five years	85.7	3.9
Total amounts repayable after one year	**105.7**	**4.2**
Total	**111.4**	**4.3**

Finance lease creditors of £107.1m relating to property leases, which were previously accounted for as operating leases, have been recognised during the year (see note 10).

Fair values of financial assets and financial liabilities

The Company's principal financial instruments during the year comprised cash, cash equivalents and borrowings. Other financial assets and liabilities, such as trade debtors, trade creditors, and accruals arise directly from the Company's operating activities. The difference between the carrying value and the fair value of these financial instruments is not material.

In the valuation of financial instruments during the year ended 31 December 2013 the Company used valuation techniques for which all inputs which have a significant effect on the recorded value are observable, either directly or indirectly.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Fixed rate borrowings – the fair value of fixed rate borrowings is estimated by discounting the future contracted cash flow using market interest rates to net present value.

Floating rate borrowings – the fair value of floating rate borrowings approximates to carrying value because interest rates are reset to market rates at intervals of less than one year.

Financial risk management

The treasury function manages the Company's financial risk, considering its borrowings and exposure to foreign currency fluctuations. The Company finances its operations through intercompany borrowings. The Company utilises its cash balances as well as bank overdrafts to satisfy short-term cash flow requirements. Foreign currency exposure is managed through entering into forward currency contracts.

19. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk
The Company's has no long term borrowings therefore interest rate movements would not have an impact on profitability, cash flow or equity.

Amounts owed to fellow subsidiaries (note 15) attract interest at an effective rate of 6% (2012: 6%).

Any short term borrowing requirements are managed by a fellow ASDA Group company. No short term borrowings were undertaken during the year therefore the Company was not exposed to any variable interest rates on borrowing during the year.

Liquidity risk
The Company's treasury function ensures that the Company continues to have sufficient funding by monitoring rolling forecasts of the Company's cash flows including the cash position of other fellow group companies within the ASDA Group. The objective is to maintain a balance between continuity of funding and flexibility through the use of short term borrowings and intercompany balances. At 31 December 2013, the Company had no short term borrowings other than finance leases.

At 31 December 2013, the Company has access to the ASDA Group uncommitted overdraft facilities of £30.0m (2012: £30.0m), standby credit facilities (including bonds and guarantees) of £133.4m (2012: £151.3m) and uncommitted line of credit facilities of £250.0m (2012: £250.0m). Surplus cash is placed on short term deposit by a fellow Group Company.

Financial liabilities
The following table summarises the maturity profile of the Company's financial liabilities based on carrying values.

Year ended 31 December 2013	Within 1 year £m	Between 1 and 5 years £m	After 5 years £m	Total £m
Finance lease obligations	5.7	20.0	85.7	111.4
Trade and other creditors	2,913.1	-	-	2,913.1
Amounts owed to fellow subsidiaries of ultimate parent	172.0	-	-	172.0
	3,090.8	20.0	85.7	3,196.5

Year ended 31 December 2012	Within 1 year £m	Between 1 and 5 years £m	After 5 years £m	Total £m
Finance lease obligations	0.1	0.3	3.9	4.3
Trade and other creditors	2,764.1	-	-	2,764.1
Amounts owed to fellow subsidiaries of ultimate parent	83.3	-		83.3
	2,847.5	0.3	3.9	2,851.7

19. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk
The Company purchases goods and services denominated in currencies other than Sterling. Cash flows can be affected by movements in exchange rates, primarily US Dollars, Euros and HK Dollars. Purchases in US Dollars are managed through the use of forward contracts. These are accounted for at the point that the forward contract settles at the agreed rate of the forward contract with the associated profit or loss being accounted for in operating costs. These forward contracts have a fair value at 31 December 2013, determined by reference to prices available from the markets on which the instruments involved are traded, of £609.0m (2012: £468.2m). These forward contracts have a carrying value at 31 December 2013 of £641.5m (2012: £477.5m). All other currencies are purchased on the spot market at prevailing rates.

Financial assets and liabilities in foreign currency
The profile of the Company's financial assets and liabilities in foreign currency as at 31 December 2013 are included in the table below:

Currency	Financial Assets	Financial Liabilities	Total asset/ (liability)	Floating rate	Fixed rate	No interest paid
	£m	£m	£m	£m	£m	£m
US Dollar	1.6	(172.6)	(171.0)	-	-	(171.0)
Euro	2.3	(3.2)	(0.9)	-	-	(0.9)

20. CONTINGENT LIABILITIES

Equal Value Claims: ASDA Stores Limited is a defendant of "equal value claim" proceedings that have been filed, on behalf of one thousand one hundred and seventy nine, current or former ASDA store employees, who allege that their work in the stores is of equal value to that of employees working at ASDA's warehouse and distribution facilities, and that the disparity in pay between these different job positions is not objectively justified. At present, the Directors cannot predict whether further claims may be filed, and cannot reasonably estimate any loss or range of loss that may arise from these proceedings. A significant majority of the claims have been filed and served on ASDA within the last ninety days, with the claimants requesting differential back pay based on higher wage rates in the warehouse and distribution facilities and those higher wage rates on a prospective basis as part of these equal value proceedings. The Directors believe that there are substantial factual and legal defences to these claims, and intend to defend the claims vigorously.

21. SHARE BASED PAYMENTS

These share based payment transactions are considered as cash settled and accounted for in accordance with FRS 20 *'Share-based payments'*.

The Company offers four share based payment schemes to employees to enable them to own shares in the ultimate parent company. Two of these schemes involve the granting of options to employees to acquire shares in the ultimate parent company at predetermined exercise prices and two of the schemes involve the granting of rights to receive shares in the ultimate parent company for nil consideration. The executive performance share plan has performance conditions relating to the total payout of options issued, no other scheme has any performance conditions attached to the scheme.

The total expenses recognised for the year arising from share based payments and the associated amounts recognised in the balance sheet are as follows:

	2013 £m	2012 £m
Cash-settled share based payment charge	62.9	105.9
Total carrying amount of liabilities:		
Current	63.6	46.7
Non-current	38.8	42.1
	102.4	88.8

The number and weighted average exercise prices of all share options are as follows:

	Weighted average exercise price £ 2013	Number of options (thousands) 2013	Weighted average exercise price £ 2012	Number of options (thousands) 2012
Outstanding at the beginning of the period	28.48	5,665	28.48	7,313
Exercised during the period	28.79	(1,591)	28.80	(2,998)
Granted during the period	37.30	1,857	29.81	2,043
Forfeited during the period	31.32	(470)	27.77	(693)
Outstanding at the end of the period	31.14	5,461	28.48	5,665
Exercisable at the end of the period	29.32	626	30.12	908

Share options were exercised on a regular basis throughout the year. The average share price during the year to 31 December 2013 was £46.85 (2012: £42.41). The related shares are denominated in US dollars being the reporting currency of the ultimate parent company. The sterling exercise price of the Sharesave scheme options is fixed at the exchange rate on issue, for all other schemes the exercise price is denominated in US dollars and the sterling equivalent is translated based on the current exchange rate.

21. SHARE BASED PAYMENTS (CONTINUED)

Sharesave scheme

The scheme has been in existence for employees since 1982 and gained HMRC approval in 2000. Employees with six months service are invited to join the scheme annually. Options are granted annually to employees who elect to join, and are exercisable in three or five years from date of grant, depending on the year of grant. Currently only three year grants are being offered. The exercise of options under this scheme are treated as cash-settled.

31 December 2013				31 December 2012			
Number of options (thousands)	**Range of exercise price £**	**Weighted average exercise price £**	**Weighted average remaining contractual life (years)**	Number of options (thousands)	Range of exercise price £	Weighted average exercise price £	Weighted average remaining contractual life (years)
4,802	**26.21 to 37.27**	**31.32**	**1.3**	4,687	19.95 to 29.76	28.08	1.4

The fair value of the options outstanding under the Sharesave scheme at 31 December 2013 is £49.5m (2012: £37.0m).

Wal-Mart Stock Incentive Plan (WSIP) scheme

The scheme has been in existence since 1999. Options are granted to employees annually and are exercisable in five or seven years from date of grant, depending on the grant agreement. The exercise of options under this scheme are treated as cash-settled.

31 December 2013				31 December 2012			
Number of options (thousands)	**Range of exercise price £**	**Weighted average exercise price £**	**Weighted average remaining contractual life (years)**	Number of options (thousands)	Range of exercise price £	Weighted average exercise price £	Weighted average remaining contractual life (years)
659	**26.75 to 47.13**	**29.81**	**0.1**	978	27.26 to 36.65	30.39	0.2

The fair value of the options outstanding under the WSIP scheme at 31 December 2013 is £13.1m (2012: £12.4m).

21. SHARE BASED PAYMENTS (CONTINUED)

Restricted Stock Rights (RSR) scheme

The scheme was introduced in 2008 as an alternative to the WSIP scheme. Under the RSR scheme, employees are awarded the right to receive a pre-determined number of shares in the ultimate parent company three years from the award date. All RSRs are classed as unapproved from an Income Tax and National Insurance perspective. RSR awards are treated as cash-settled.

The number of share awards under the RSR scheme is as follows:

	Number of options (thousands) 2013	Number of options (thousands) 2012
Outstanding at the beginning of the year	966	948
Exercised during the year	(196)	(215)
Conditionally granted during the year	210	324
Lapsed during the year	(236)	(91)
Outstanding at the end of the year	744	966
Exercisable at the end of the year	1	18

The fair value of the options outstanding under the RSR scheme at 31 December 2013 is £25.4m (2012: £26.1m).

Performance share plan (PSP) scheme

The Company offers a performance share plan (PSP) scheme, for which conditions exist in relation to exercise as described below.

The scheme came into existence on 20 July 2006. Under the scheme, selected executives were granted the right to receive shares in Wal-Mart Stores Inc. provided certain pre-determined performance goals are met.

In 2013 and 2012, these pre-determined goals were in respect of sales growth and return on investment. All share awards under the PSP scheme have been issued for nil consideration and have a contractual life of between 1 and 3 years. The share awards under this scheme are treated as cash-settled.

The number of share options under the PSP scheme is as follows:

	Number of options (thousands) 2013	Number of options (thousands) 2012
Outstanding at the beginning of the year	517	331
Exercised during the year	(109)	(92)
Conditionally granted during the year	145	404
Lapsed during the year	(65)	(126)
Outstanding at the end of the year	488	517
Exercisable at the end of the year	-	1

The fair value of the options outstanding under the PSP scheme at 31 December 2013 is £14.5m (2012: £13.2m).

The fair value of share options is measured using a Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

21. SHARE BASED PAYMENTS (CONTINUED)

The following table gives the weighted average assumptions applied to the options granted during the year and are outstanding in the respective periods shown:

	2013	2012
Expected dividend yield (%)	2.50	2.83
Expected volatility (%)	14.09	18.57
Risk free interest rate (%)	0.13	0.16
Weighted average fair value of options granted (£)	21.51	13.92
Weighted average exercise price (£)	31.14	28.48
Expected life of option (years)	3 or 5	3 or 5

Volatility is a measure of the amount by which a price is expected to fluctuate during the year. The Company has used historical volatilities that correlate with the expected term of the options.

Share options are exercisable in US dollars and the risk free interest rate is based on the applicable US Treasury rate.

22. CALLED UP SHARE CAPITAL

Number alloted, called up and fully paid

	Redeemable ordinary shares of £1 each	Ordinary shares of £1 each	Total
At 1 January 2013	566,781,240	190,805,129	757,586,369
Issued during the year	-	-	-
At 31 December 2013	566,781,240	190,805,129	757,586,369

Value (£m) alloted, called up and fully paid

	Redeemable ordinary shares of £1 each	Ordinary shares of £1 each	Total
At 1 January 2013	566.8	190.8	757.6
Issued during the year	-	-	-
At 31 December 2013	566.8	190.8	757.6

In the prior year, on 18 December 2012, 162,796,151 ordinary shares with aggregate nominal value of £162,796,151 were allotted for cash at par value as part of a restructuring of intercompany balances within the group.

Redeemable ordinary shares

The redeemable ordinary 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.

23. RESERVES

	Share premium	*Revaluation reserve*	*Profit and loss reserve*	*Total*
	£m	*£m*	*£m*	*£m*
At 1 January 2013	950.3	120.1	3,283.0	4,353.4
Profit for the year	-	-	481.5	481.5
Transfer of historical cost	-	(0.6)	0.6	-
Actuarial gain on pension scheme	-	-	63.7	63.7
Deferred tax movement relating to pension scheme	-	-	(15.6)	(15.6)
Dividend declared			(155.0)	(155.0)
At 31 December 2013	950.3	119.5	3,658.2	4,728.0

24. CAPITAL AND FINANCIAL COMMITMENTS

As at 31 December 2013, the Company had entered into contracts to purchase property, plant and equipment for £nil (2012: £44.0m).

The Company is committed to purchase electricity under contracts with a number of providers. As at 31 December 2013, the commitment for the purchase of electricity under these contracts totalled £41.9m (2012: £47.5m).

As at 31 December 2013, the Company had entered into contracts to purchase US dollars for £644.6m (2012: £478.1m).

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

	31 December 2013	*31 December 2012*
	£m	*£m*
Within one year	1.2	0.2
Within two to five years	2.9	3.3
After five years	96.4	92.9
	100.5	96.4

The annual commitment under non-cancellable operating leases in respect of plant and machinery are as follows:

	31 December 2013	*31 December 2012*
	£m	*£m*
Within one year	5.5	0.9
Within two to years	20.9	23.5
After five years	2.9	2.7
	29.3	27.1

25. PENSIONS

The Company operates both defined benefit and defined contribution pension plans. There are two defined contribution plans: one trust based, and one contract based. The assets of the contract based defined contribution plan are invested with the Prudential Life Assurance Company. The assets of the trust based defined contribution plan are held by both the Legal & General Assurance Society Ltd and the Prudential Life Assurance Company. The assets of the defined benefit pension scheme are placed by the trustees under the management of a number of professional fund managers. The assets of these schemes are held separately from the Company's assets.

The trustee body of the defined benefit scheme is made up of eleven trustees: five of these are member nominated trustees including one pensioner, four are Company appointed, and there are two professional independent trustees. The trustee body of the trust based defined contribution plan is made up of nine trustees: four of these are member nominated, four are Company appointed, and there is one professional independent trustee. There is a governance group in place which monitors the running of the contract based defined contribution plan. This has six members: two are nominated by colleagues, and four are Company appointed.

With effect from 12 February 2011, the defined benefit scheme closed to future accrual and the link between past service benefits and future salary increases was removed. The defined contribution plans are the only pension arrangements open to current colleagues.

The Company's ultimate parent company Wal-Mart Stores, Inc., guarantees ASDA Stores' obligations to the pension scheme up to a maximum amount of £900m. This guarantee has no time limit.

The pension cost relating to the defined benefit pension scheme is assessed in accordance with the advice of an independent qualified actuary who conducted a full triennial actuarial valuation as at 5 April 2010 and updated the results of this valuation in accordance with FRS 17 'Retirement Benefits' for the year ended 31 December 2013. Results of the triennial valuation as at 5 April 2013 are yet to be finalised. Funding levels are monitored on a regular basis in between triennial valuations.

25. PENSIONS (CONTINUED)

Principal actuarial assumptions (expressed as weighted averages):

	31 December 2013	*31 December 2012*
Discount rate	4.7%	4.5%
Inflation assumption		
- RPI	3.4%	3.0%
- CPI	2.6%	2.3%

To develop the expected long-term rate on assets assumptions, the Company considered the current level of expected return on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the asset allocations of the scheme to develop the expected long-term rate of return on assets assumptions for the portfolio. This resulted in the selection of the assumptions shown above.

The assets in the scheme and the expected rate of return were:

		31 December 2013 £m		*31 December 2012 £m*
Equity securities	7.1%	745.0	7.8%	570.7
Gilts/Bonds	3.9%	554.4	3.3%	814.1
Property	7.1%	138.6	7.8%	47.4
Other	6.4%	296.6	4.5%	97.9
Total market value of assets		1,734.6		1,530.1
Actuarial value of liability		(1,769.1)		(1,710.1)
Total deficit in the scheme		(34.5)		(180.0)
Related deferred tax asset		6.9		41.4
Net pension liability		(27.6)		(138.6)

25. PENSIONS (CONTINUED)

Movements in present value of defined benefit obligation

	2013 *£m*	*2012* *£m*
At 1 January	(1,710.1)	(1,610.0)
Interest cost	(76.1)	(75.0)
Actuarial losses	(24.2)	(62.5)
Benefits paid	41.3	37.4
At 31 December	(1,769.1)	(1,710.1)

Movements in fair value of plan assets

	2013 *£m*	*2012* *£m*
At 1 January	1,530.1	1,399.9
Expected return on plan assets	92.7	85.1
Actuarial gains/(losses)	87.9	(7.6)
Contributions by employer	65.2	90.1
Benefits paid	(41.3)	(37.4)
At 31 December	1,734.6	1,530.1

The actual return on scheme assets was £180.6m (2012: £77.5m).

Analysis of the amount credited to other finance income

	Year Ended 31 December 2013 £m	*Year Ended 31 December 2012* £m
Expected return on pension scheme assets	92.7	85.1
Interest on pension liabilities	(76.1)	(75.0)
Net return	16.6	10.1

25. PENSIONS (CONTINUED)

Analysis of amount recognised in statement of total recognised gains and losses

	Year Ended 31 December 2013 £m	*Year Ended 31 December 2012* £m
Actual return less expected return on assets	87.9	(7.6)
Experience gains and losses on liabilities	(8.1)	(0.2)
Changes in assumptions	(16.1)	(62.3)
	63.7	(70.1)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £528.6m (2012: £592.3m).

Movement in deficit during the year

	2013 £m	*2012* £m
At 1 January	(180.0)	(210.1)
Contributions by employer	65.2	90.1
Other finance income	16.6	10.1
Actuarial gains/(losses)	63.7	(70.1)
At 31 December	(34.5)	(180.0)
Deferred taxation in relation to pension deficit	6.9	41.4
Pension obligation	(27.6)	(138.6)

The actuarial valuation at 31 December 2013 showed a decrease in the deficit from £180.0m to £34.5m.

The Company expects to contribute approximately £65.0m to its defined benefit scheme in the next financial year.

25. PENSIONS (CONTINUED)

Sensitivity analysis

The assumptions on the discount rate, inflation, and life expectancy all have a significant effect on the measurement of scheme liabilities. The following table provides an indication of the sensitivity of the FRS 17 pension liability at 31 December 2013, and of the income statement charge for 2014, to changes in these assumptions.

	Decrease / (increase) in liability	*Decrease / (increase) in net pension cost*
	£m	*£m*
An increase of 0.1% to the following assumptions		
Discount rate	40.8	0.2
Inflation rate (assuming RPI and CPI both move by 0.1 percent)	(40.7)	(1.9)
One year increase in life expectancy	(33.6)	(1.6)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to changes in actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and changes in assumptions used in preparing the sensitivity analysis are the same as those used in the previous period.

History of experience gains and losses

	31 December 2013	*31 December 2012*	*31 December 2011*	*31 December 2010*	*31 December 2009*
	£m	*£m*	*£m*	*£m*	*£m*
Difference between actual and expected return on scheme assets					
Amount	87.9	(7.6)	13.3	58.9	24.0
Percentage of scheme assets	5.1%	(0.5%)	1.0%	4.6%	2.2%
Experience gains and losses on scheme liabilities					
Amount	(8.1)	(0.2)	(0.4)	(61.7)	(3.1)
Percentage of scheme liabilities	0.5%	0.0%	0.0%	3.9%	0.2%
Total amount recognised in statement of total recognised gains and losses					
Amount	63.7	(70.1)	4.4	(123.8)	(205.9)
Percentage of scheme assets	3.7%	(4.6%)	0.3%	(9.8%)	(18.5%)
Present value of funded defined benefit obligations	(1,769.1)	(1,710.1)	(1,610.0)	(1,597.4)	(1,322.7)
Fair value of plan assets	1,734.6	1,530.1	1,399.9	1,266.8	1,112.7
Recognised liability for defined benefit obligations	(34.5)	(180.0)	(210.1)	(330.6)	(210.0)

The Company operates two defined contribution pension plans. There were no unpaid contributions outstanding at the current or prior year end for the defined contribution schemes. The charge for the year for the defined contribution schemes is £70.4m (2012: £58.2m).

26. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary, the Company has taken advantage of the exemption in FRS 8 *'Related Party Disclosures'* from disclosing transactions with other wholly owned subsidiaries of the Broadstreet Great Wilson Europe Limited group.

27. 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 the 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 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.