ASDA STORES LIMITED

Reports and Financial Statements
31 December 2014

Registered Number: 464777

DIRECTORS

A Clarke	
A J Moore	
K Hubbard	Resigned 31 March 2014
H Tatum	
R Mayfield	Resigned 2 February 2014
A Russo	Appointed 2 February 2014
S Smith	Resigned 29 April 2015
M Ibbotson	Resigned 27 February 2015
BPI Williams	

SECRETARY
A Simpson

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 2014.

Principal activities

The principal activity of ASDA Stores Limited (referred to as "the Company") is the retail of food, clothing, general merchandise, fuel 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 decreased by 0.6% to £23.2bn (2013: £23.3bn). Profit before tax for the year increased to £609.9m (2013: £605.1m) and operating profit increased by 1.8% to £529.0m (2013: £519.4m). Underlying operating profit increased by 5.5%. Underlying operating profit is defined as operating profit after removing share options expenses (note 5) of £46.8m (2013: £62.9m) and technical assistance, services and royalties paid to Wal-Mart Stores, Inc of £178.4m (2013: £132.3m).

Profit after tax is £477.4m (2013:£ 481.5m).

A final dividend of £200.0m (2013: £155.0m) was paid during the year.

Amounts recharged by Ultimate Parent Company

The Company incurs 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 notes 1 and 21.

KPIs

- Like-for-Like sales decreased by 1.0% (excluding petrol and VAT)
- Total sales excluding petrol and VAT increased by 0.5% (total sales including petrol and excluding VAT decreased by 0.6%)
- Underlying operating profit increased by 5.5%, with headline operating profit increasing by 1.8%
- Market share down 0.1%, to 17.1% (source: Kantar 52 weeks to 4 January 2015)
- Net cash inflow for the year of £324.0m

STRATEGIC REPORT (CONTINUED)

Operational headlines

- The external environment continued to be challenging, however customers had more money in their pockets as a result of improved employment levels and deflation in food and fuel prices. The ASDA income tracker for 2014 showed that customers had £180 of weekly discretionary income, up by £15 a week on 2013.

- We continued to focus on price for our customers, maintaining our price leadership over our supermarket peers and entering the third year of our "Price Lock" initiative by investing a further £300m in the price of everyday essentials such as bread, milk and butter. Furthermore in June 2014, ASDA won The Grocers Magazine's lowest priced supermarket award for a seventeenth successive year.

- Maintaining a low operating cost model is a fundamental part of our drive to reduce costs in our business and invest this in prices for our customers. Despite significant cost pressures, the ASDA "We Operate for Less" programme has continued to improve operating efficiency and delivered substantial, incremental productivity savings across stores, home shopping, distribution centres and home offices. International Procurement & Logistics Limited ("IPL"), a wholly owned subsidiary of ASDA which sources fresh produce directly from growers and manufacturers has delivered increased savings during 2014. Energy usage reductions have been achieved across selected ASDA stores by rolling out LED lighting during 2014.

- Quality has remained a key area of our focus and through continued investment in our fresh food ranges we were successful in winning Fresh Produce Retailer of the Year 2014. During March 2014, we launched George Home with a fantastic range over 4,500 products stretching across home accessories, soft furnishings and everyday essentials. George Home has maintained double digit growth throughout the year.

- Our online business continued to deliver strong growth in 2014, increasing capacity through Click & Collect, and by the end of 2014 Click & Collect had been rolled out in 590 stores, an increase of 97% of stores offering this service year on year.

- We continue to develop talent and diversity across the whole organisation and believe we have the friendliest and most helpful colleagues in the industry. 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 fourth year in a row.

- We opened one of only three Global Network Operations Centres during 2014. This centre is a leading edge technology operation running twenty-four-seven, allowing Walmart to support e-commerce irrespective of geography and time zone.

- We opened seventeen new stores during the year; eleven superstores, five supermarkets and one standalone fuel station. This added 510,000 sq ft of new space.

Delivering Foundations for future growth

In 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. Over a five year time horizon, this focuses on continuing the journey of investing in price and quality, whilst also improving access and reach across the UK, through online growth and physical expansion in London and the South East and further expanding into new markets.

During 2014, we delivered against this strategy by continuing to invest in price and product innovation as well as growing online and building stores for the future. Two stores trialled a new proposition pilot which created scalable destination stores that reflect today's changing shopper habits. These stores feature innovations alongside ideas from Wal-Mart, designed to improve the overall shopping experience and bring together online and offline offers seamlessly.

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. On an ongoing basis, ASDA identify principal risks, assess their likelihood and impacts and develop and monitor 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.

Key risks and mitigating actions are set out below:

- **Economic risk**
  Whilst customer discretionary income is once again rising, the consumer environment continues to be challenging, as customers remain cautious in their spending habits. While the overall economy is showing signs of recovery, we expect conditions to remain tough for our customers, with price being a key consideration.

  The ASDA "We Operate for Less" programme focuses on achieving productivity savings across our business in order to invest in price and pass this onto our customers.

- ***Competitive risk***
  In the highly competitive retail industry, success depends on satisfying changing customer needs more effectively 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 reviews relevant data on aspects such as price position, 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.

STRATEGIC REPORT (CONTINUED)

Risks and uncertainties *(continued)*

- **Reputational risk**
  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.

  Our colleagues are critical to maintaining our customer and supplier relationships and ultimately protecting our reputation as a business.

- **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.

- **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 Company'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 was 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.

STRATEGIC REPORT (CONTINUED)

Risks and uncertainties *(continued)*

- **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 Expolink whistleblowing initiative, or through the local Ethics Committee. In addition, procedures are in place in respect of compliance with the UK Bribery Act and the US 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.

- **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 since 2010; and our existing stores now emit 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, a unique collaboration tool to help our suppliers become more efficient.

On behalf of the board

A Russo
Director
31 July 2015

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 2014.

Future Developments

ASDA's future developments are detailed in the Strategic Report on pages 2-6.

Going Concern

The directors have assessed the Company's ability to continue as a going concern including the review of the forecast cash flows, future trading performance and existing borrowings in place. The financial statements are prepared on the going concern basis as 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, through the ASDA Foundation and ASDA Tickled Pink charities, totalled £21.0m (2013: £20.8m). ASDA's colleagues, customers and suppliers have collectively raised monies through events for charities 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 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 (2013: £nil).

Dividends

Details of dividends paid are detailed in the Strategic Report on pages 2-6.

Disabled colleagues

ASDA is a member of the Business Disability Forum and also proud to work in partnership with Remploy and Mencap. 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 inclusive of all. We will always seek to make reasonable adjustments during any selection process to ensure all candidates have the same opportunity to succeed.

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.

DIRECTORS' REPORT (CONTINUED)

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 continue to work closely with our elected bodies to form a consultative group on business changes and future initiatives. 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 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' 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, however a proportion of this indemnity is paid by the Group.

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
31 July 2015

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 2014 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 Shareholder's 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 9, 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 group's and the parent 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 Reports 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 2014 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
31 July 2015

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2014

	Notes	Year Ended 31 December 2014 £m	Year Ended 31 December 2013 £m
Turnover	2	23,156.7	23,299.4
Operating costs	3	(22,627.7)	(22,780.0)
Operating profit		529.0	519.4
Interest receivable and similar income	6	98.7	97.4
Interest payable and similar charges	7	(17.5)	(28.3)
Other finance (expense)/income	25	(0.3)	16.6
Profit on ordinary activities before taxation		609.9	605.1
Taxation	8	(132.5)	(123.6)
Profit for the financial year		477.4	481.5

The results above are all attributable to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2014

	Notes	Year Ended 31 December 2014 £m	Year Ended 31 December 2013 £m
Profit for the year		477.4	481.5
Actuarial (loss)/gain on pension scheme	25	(39.1)	63.7
Movement on tax relating to pension deficit	8	8.9	(15.6)
Total recognised gains relating to the year		447.2	529.6

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2014

	Year Ended 31 December 2014 £m	Year Ended 31 December 2013 £m
Profit on ordinary activities before taxation	609.9	605.1
Adjustment of depreciation to historical cost basis	(1.5)	(0.6)
Historical cost profit on ordinary activities before taxation	608.4	604.5
Hisorical cost profit after taxation	475.9	480.9

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

for the year ended 31 December 2014

	Notes	Year Ended 31 December 2014 £m	Year Ended 31 December 2013 £m
Profit for the year		477.4	481.5
Actuarial (loss)/gain on pension scheme	25	(39.1)	63.7
Movement on tax relating to pension deficit	8	8.9	(15.6)
Dividends paid	23	(200.0)	(155.0)
Net increase in shareholder's funds		247.2	374.6
Opening shareholder's funds		5,485.6	5,111.0
Closing shareholder's funds		5,732.8	5,485.6

BALANCE SHEET
as at 31 December 2014

	Notes	31 December 2014 £m	31 December 2013 £m
FIXED ASSETS			
Intangible assets	9	136.0	136.6
Tangible fixed assets	10	4,651.2	4,605.5
Investments	12	769.7	769.7
		5,556.9	5,511.8
CURRENT ASSETS			
Stocks	13	1,112.3	1,069.8
Debtors	14	2,318.7	2,351.8
Cash at bank and in hand		214.3	-
Operating lease prepayments: amounts due within one year	11	1.2	1.2
Operating lease prepayments: amounts due after more than one year	11	48.1	49.2
		3,694.6	3,472.0
CREDITORS: amounts falling due within one year			
Trade and other creditors	15	(3,137.1)	(3,133.2)
Borrowings	19	(8.1)	(5.7)
NET CURRENT ASSETS		549.4	333.1
TOTAL ASSETS LESS CURRENT LIABILITIES		6,106.3	5,844.9
CREDITORS: amounts falling due after more than one year			
Borrowings	19	(128.8)	(105.7)
Provisions for liabilities and charges	16	(237.7)	(226.0)
NET ASSETS EXCLUDING PENSION OBLIGATION		5,739.8	5,513.2
Defined benefit pension obligation	25	(7.0)	(27.6)
NET ASSETS		5,732.8	5,485.6
CAPITAL AND RESERVES			
Called up share capital	22	757.6	757.6
Share premium account	23	950.3	950.3
Revaluation reserve	23	118.0	119.5
Profit and loss reserve	23	3,906.9	3,658.2
TOTAL SHAREHOLDER'S FUNDS		5,732.8	5,485.6

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

Alejandro Russo

A Russo
Director
31 July 2015

NOTES TO THE ACCOUNTS
as at 31 December 2014

1. **ACCOUNTING POLICIES**

BASIS OF PREPARATION
The financial statements are prepared on the going concern basis as 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 UK GAAP.

In accordance with FRS 1 Cash Flow Statements 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.

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 intra-group transactions, 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, as a deduction from costs, as they accrue in accordance with the terms of each relevant supplier contract. All supplier income is supported by contracts and, in the majority of instances, these contracts begin and end within the Company's financial year. In a small number of instances, contractual periods may extend over the Company's year end. In such cases the amount of any income accrued in relation to these contracts is supported by detailed calculations.

Supplier income is split into three classifications:

- Supplier incentives and discounts – which are usually expressed in the supplier contract as an agreed amount per item sold. This type of supplier income is specifically calculated and therefore no judgement is required in determining the amount of income to record in the financial year;

- Annual supplier rebates – these are earned and billed within the Company's financial year in the majority of cases. The rebates are linked to volumes of sales or purchases of specific products. A small proportion of rebate agreements may extend beyond the year end and in these cases any income accruals are supported by detailed calculations and based on the explicit terms in each contract;

- Fixed amount supplier income – where fixed monetary amounts are agreed with suppliers relating to certain promotional activities including, for example, the exclusive use of premium space in store for a determined period of time. The majority of this income is earned and billed within the Company's financial year however a small proportion of contracts may not be conterminous with the year end and, in these cases, any income accrued is supported by detailed calculations.

Due to the commercially sensitive nature of this income, the Company has not disclosed the amounts involved. Unbilled amounts of income to which the Company is contractually entitled are included in trade and other receivables, however these amounts are not considered to be material. Billed amounts unpaid at year end are included in trade receivables or offset against corresponding trade payables where a contractual right of offset exists.

NOTES TO THE ACCOUNTS
as at 31 December 2014

1. ACCOUNTING POLICIES (CONTINUED)

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 is recognised in the profit and loss account as it accrues, at a constant rate on the carrying amount.

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.

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

TANGIBLE FIXED ASSETS

The Company's tangible fixed assets are included in the balance sheet at cost less depreciation and impairment losses, with the exception of certain food retailing properties acquired prior to July 1999 which have been included at valuation less depreciation and amounts written off. In accordance with the transitional provisions of FRS 15 *'Tangible Fixed Assets'* the directors have elected to freeze all future revaluations. The revalued assets are deemed to be recorded at cost by virtue of the fair value exercise completed at the date of acquisition. Assets under the course of construction are included in the balance sheet at cost.

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 from the derecognition of the asset is included in the profit and loss account.

NOTES TO THE ACCOUNTS
as at 31 December 2014

1. **ACCOUNTING POLICIES (CONTINUED)**

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 fulfillment 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.

Where land and buildings are held under leases the determination of the land is considered separately from that of the buildings.

FINANCE LEASES
Assets acquired by way of a finance lease are recognised at an amount equal to 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 term of the lease.

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 shorter of the lease term and the period to the next rent review.

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 shorter of the lease term and the period to the next rent review.

FINANCIAL INSTRUMENTS
Financial assets and liabilities are recognised when the Company 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.

NOTES TO THE ACCOUNTS
as at 31 December 2014

1. ACCOUNTING POLICIES (CONTINUED)

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 Company'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 and have no fixed repayment date.

Debtors and creditors are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Interest receivable or payable is charged and would be settled on the net balance.

STOCKS
Stocks comprise goods for resale 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.

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 and have no fixed repayment date.

Debtors and creditors are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. 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.

NOTES TO THE ACCOUNTS
as at 31 December 2014

1. **ACCOUNTING POLICIES (CONTINUED)**

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. Where a scheme surplus exists it is restricted to its recoverable amount.

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.

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.

FOREIGN CURRENCY
The accounts of 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.

The assets and liabilities of foreign operations are translated at the spot rate ruling at the balance sheet date. The income and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are recognised in statement of total recognised gains and losses. They are released into the profit and loss account upon disposal.

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. Some purchases in US Dollars are managed through the use of forward contracts, which are entered into up to a maximum of one year in advance. 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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 applied in determining when a provision should be booked and its value, based on changing circumstances around the trading or sub-letting of a site. 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.

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 the 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.

NOTES TO THE ACCOUNTS
as at 31 December 2014

2. TURNOVER AND SEGMENTAL ANALYSIS (CONTINUED)

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 2014 *£m*	*Year Ended 31 December 2013* *£m*
Sale of goods	20,662.6	20,610.7
Fuel	2,494.1	2,688.7
Total revenue	23,156.7	23,299.4

After excluding revenue on fuel, like-for-like sales reduced by 1.0% in 2014 (2013 growth: 0.6%) 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.

3. OPERATING PROFIT

Operating profit is stated after (charging)/crediting:

	Year Ended 31 December 2014 *£m*	*Year Ended 31 December 2013* *£m*
Cost of stock recognised as an expense	(17,189.0)	(17,374.2)
Cost of stock written off in the year	(391.2)	(398.2)
Employment costs (note 5)	(2,513.7)	(2,464.1)
Amortisation of intangible assets (note 9)	(5.2)	(7.3)
Depreciation of tangible fixed assets (note 10)		
- Owned assets	(322.7)	(339.3)
- Assets held under finance leases	(3.1)	(12.0)
Rental income	15.0	15.3
Other income	35.5	29.9
Loss on sale of tangible fixed assets	(5.3)	(13.1)
Impairment of tangible fixed assets	(3.5)	(14.8)
Foreign currency (losses)/gains	(6.5)	6.3
License fees paid to fellow subsidiary of ultimate parent company	(12.6)	(13.3)
OPERATING LEASE CHARGES		
- Land and buildings	(85.7)	(93.4)
- Plant and machinery	(49.9)	(48.1)
	(135.6)	(141.5)
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 2014	*Year Ended 31 December 2013*
	£m	*£m*
Total directors' remuneration excluding pension costs	6.2	6.9
Share-based payments	2.7	2.5

During the year £0.5m was paid to directors of the Company in respect of compensation for loss of office.

	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	8
Number of directors entitled to receive shares under long term incentive schemes	9	10
Amounts in respect of the highest paid director are as follows:	*£m*	*£m*
Total remuneration excluding pensions	1.7	1.8
Total share-based payments	1.0	1.1
Accumulated total accrued pension entitlement	-	-

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.

Three directors were deferred members of the defined benefit scheme (2013: seven). None of the directors were members of the defined contribution schemes during the year (2013: none).

5. EMPLOYMENT COSTS

The average number of people employed by the Company (including directors) during the year was as follows:

	Number of employees	
	Year Ended 31 December 2014	*Year Ended 31 December 2013*
Total		
- Retail & Distribution	168,931	172,640
- Home offices	4,096	3,997
	173,027	176,637
Full time equivalents		
- Retail & Distribution	113,363	113,205
- Home offices	3,999	3,887
	117,362	117,092

The aggregate payroll costs of these people were as follows:

	Year Ended 31 December 2014 £m	*Year Ended 31 December 2013 £m*
Wages and salaries	2,274.3	2,206.1
Share based payments charge (note 21)	46.8	62.9
Social security costs	124.9	124.7
Other pension costs (note 25)	67.7	70.4
	2,513.7	2,464.1

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2014 £m	*Year Ended 31 December 2013 £m*
External interest receivable and similar income	0.2	-
Interest receivable from group undertakings	98.5	97.4
	98.7	97.4

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2014 £m	*Year Ended 31 December 2013 £m*
Other interest payable	-	(0.1)
Interest payable to group undertakings	(10.2)	(6.4)
Finance lease interest	(7.5)	(22.5)
Interest capitalised	0.2	0.7
	(17.5)	(28.3)

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 2014 £m	*Year Ended 31 December 2013 £m*
CURRENT TAX		
UK corporation tax on profit for the year	139.3	149.8
Adjustments in respect of prior periods	(15.4)	(10.5)
TOTAL CURRENT TAX CHARGE	123.9	139.3
DEFERRED TAX		
Origination and reversal of timing differences	(2.9)	(10.1)
Adjustments in respect of prior periods	10.2	(6.2)
Reduction in deferred tax asset relating to pension obligation	-	14.1
Effect of rate change	1.3	(13.5)
TOTAL DEFERRED TAX CHARGE/(CREDIT) (note 17)	8.6	(15.7)
TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES	132.5	123.6

Included in the statement of total recognised gains and losses is a tax credit of £8.9m (2013: £15.6m charge) relating to movements in the pension deficit. This is made up of a current tax credit of £14.0m (2013: £4.9m) and a deferred tax charge of £5.1m (2013: £20.5m).

NOTES TO THE ACCOUNTS
as at 31 December 2014

8. TAXATION (CONTINUED)

A reconciliation of the current tax charge compared to the standard rate of corporation tax in the UK of 21.493% (2013: 23.247%) applied to the profit on ordinary activities before tax is as follows:

	Year Ended 31 December 2014 £m	*Year Ended 31 December 2013 £m*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	609.9	605.1
PROFIT ON ORDINARY ACTIVITIES MULTIPLIED BY THE STANDARD RATE OF UK CORPORATION TAX OF 21.493% (2013: 23.247%)	131.1	140.7
Effects of:		
Accelerated capital allowances and other timing differences	2.9	10.1
Share Options costs	-	0.3
Non-qualifying depreciation	1.7	2.9
(Profit)/loss on sale of non-qualifying assets	(0.2)	3.2
Permanent differences	3.8	6.7
Reduction in deferred tax asset relating to pension obligation	-	(14.1)
Prior period adjustments	(15.4)	(10.5)
CURRENT TAX CHARGE FOR YEAR	123.9	139.3

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%.

NOTES TO THE ACCOUNTS
as at 31 December 2014

9. INTANGIBLE ASSETS

	Brand £m	*Other* £m	*Lease buy out costs* £m	*Total* £m
COST				
At 1 January 2014	31.9	-	150.4	182.3
Addition	-	2.1	-	2.1
Reclassification	-	-	2.5	2.5
At 31 December 2014	31.9	2.1	152.9	186.9
AMORTISATION				
At 1 January 2014	12.8	-	32.9	45.7
Amortisation during the year	1.7	0.2	3.3	5.2
At 31 December 2014	14.5	0.2	36.2	50.9
NET BOOK VALUE				
At 31 December 2014	17.4	1.9	116.7	136.0
At 31 December 2013	19.1	-	117.5	136.6

The George brand is being amortised on a straight line basis over its estimated useful life of 20 years.

Following a review of fixed assets within the leasehold estate, a number of items were identified for which balance sheet classification has been revised during the year. Lease buy out costs represent amounts paid to third parties to enter a leasehold property. Lease buy out costs with a gross cost of £2.5m and accumulated depreciation of £nil have been reclassified from tangible assets (see note 10). These costs are being amortised over the life of the related lease terms.

Other intangible assets are amortised on a straight line basis over an estimated useful life of 3 years.

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 2014	3,267.9	1,073.3	2,619.8	338.5	7,299.5
Additions	194.4	24.6	279.5	(40.9)	457.6
Disposals	(16.5)	0.4	(147.2)	-	(163.3)
Transfers to and from other group undertakings	(8.4)	1.4	-	(61.5)	(68.5)
Reclassification	13.0	(16.2)	-	-	(3.2)
At 31 December 2014	3,450.4	1,083.5	2,752.1	236.1	7,522.1
DEPRECIATION					
At 1 January 2014	547.3	370.1	1,776.6	-	2,694.0
Charge for the year	66.4	43.9	215.5	-	325.8
Disposals	(3.4)	-	(144.7)	-	(148.1)
Transfers to and from other group undertakings	1.4	(1.5)	-	-	(0.1)
Reclassification	18.3	(19.0)	-	-	(0.7)
At 31 December 2014	630.0	393.5	1,847.4	-	2,870.9
Net book amounts at 31 December 2014	2,820.4	690.0	904.7	236.1	4,651.2
Net book amounts at 31 December 2013	2,720.6	703.2	843.2	338.5	4,605.5

Assets held under finance leases and capitalised in leasehold properties

	31 December 2014 £m	*31 December 2013 £m*
Cost	146.6	121.8
Accumulated depreciation	(15.8)	(12.7)
Net book value	130.8	109.1

Reclassifications during the year

Following a review of fixed assets within the leasehold estate, certain items have been reclassified to other balance sheet categories with a total cost of £3.2m and accumulated depreciation of 0.7m. This includes lease buy out costs with a gross cost of £2.5m and accumulated depreciation of £nil which have been reclassified as intangible assets (see note 9) and operating lease premium assets with a gross cost of £0.7m and accumulated depreciation of £0.7m reclassified as operating lease prepayments (see note 11). In addition, certain amounts have been reclassified in cost between freehold properties and leasehold improvements with no impact on total net book value of tangible fixed assets.

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. The revalued assets are deemed to be recorded at cost by virtue of the fair value exercise completed at the date of acquisition.

The cumulative amount of capitalised interest included in the cost of fixed assets is £74.4m (2013: £74.2m). Details of interest capitalised during the year is included in note 7. Additions in the year include capitalised interest of £0.2m (2013: £0.7m).

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

	31 December 2014 £m	*31 December 2013 £m*
Freehold properties	240.0	240.0

11. OPERATING LEASE PREPAYMENTS

		31 December 2014 £m	*31 December 2013 £m*
Operating lease prepayments	- current	1.2	1.2
	- non current	48.1	49.2
		49.3	50.4

Operating lease prepayments with a gross cost of £0.7m and accumulated depreciation of £0.7m, have been reclassified from tangible fixed assets during the year (see note 10). Prepayments are amortised over the lease term.

12. INVESTMENTS

	£m
Cost and net book value at 1 January 2014 and 31 December 2014	769.7

Following a review of the carrying value of investments held by the Company, no impairment charge (2013: £nil) has been recognised in the year.

Subsidiary undertakings

The company has taken advantage of section 410(2) of the Companies Act 2006 to list only its principal subsidiary undertakings.

	Country of incorporation	*% of equity held*
International Procurement and Logistics Limited	United Kingdom	100
Ever 2010 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 Sourcing Services (UK) Limited	United Kingdom	100
ASDA Guernsey Limited	United Kingdom	100
ASDA Delivery Limited	United Kingdom	100
ASDA Home Shopping Cards Limited	United Kingdom	100
George Tedarik Hizmetleri	Turkey	100

13. STOCKS

	31 December 2014 £m	*31 December 2013 £m*
Goods held for resale	1,110.4	1,067.9
Goods not held for resale	1.9	1.9
	1,112.3	1,069.8

14. DEBTORS

	31 December 2014 £m	*31 December 2013 £m*
Trade debtors	146.3	129.0
Amounts owed by group undertakings	2,102.4	2,095.5
Other debtors	51.3	60.7
Prepayments and accrued income	18.7	66.6
	2,318.7	2,351.8

15. TRADE AND OTHER CREDITORS

	31 December 2014 £m	*31 December 2013 £m*
Bank overdraft	-	109.7
Trade creditors	2,128.9	2,003.2
Amounts owed to group undertakings	212.5	172.0
Other taxes and social security	191.9	188.8
Other creditors	157.9	152.8
Accruals	423.4	458.6
Taxation	22.5	48.1
	3,137.1	3,133.2

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 2014 £m	*31 December 2013 £m*
Deferred taxation (note 17)	91.7	83.1
Share based payments provision (note 21)	96.5	102.4
Property provision (note 18)	49.5	40.5
	237.7	226.0

17. DEFERRED TAXATION

	31 December 2014 *£m*	*31 December 2013* *£m*
AMOUNT PROVIDED		
Accelerated capital allowances	112.3	103.9
Pension costs	(0.3)	(0.4)
Origination and reversal of timing differences	(20.3)	(20.4)
	91.7	83.1

	Total *£m*
MOVEMENT IN DEFERRED TAX PROVISION	
At 1 January 2014	83.1
Provision charged through the profit and loss account (note 8)	8.6
At 31 December 2014	91.7

Deferred tax has been provided at 20% (2013: 20%/21%).

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 (2013: £12.6m) 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 (2013: £38.7m) as the likelihood of future use cannot be determined with certainty.

18. PROVISIONS

	Property provision *£m*
At 1 January 2014	40.5
Provided during the year	10.9
Utilised during the year	(2.1)
Unused amounts reversed during the year	(1.7)
Discount changes and unwinding	1.9
At 31 December 2014	49.5

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 2014 are:

	31 December 2014	31 December 2013
Finance lease obligation	*£m*	*£m*
Less than one year	8.1	5.7
Total amounts repayable within one year	8.1	5.7
Between one and five years	29.2	20.0
After five years	99.6	85.7
Total amounts repayable after one year	128.8	105.7
Total	136.9	111.4

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 2014 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.

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.

Interest rate risk
The Company 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% (2013: 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.

Finance lease interest is based on the rate implicit in the contract which is fixed at the date of inception.

19. FINANCIAL INSTRUMENTS (CONTINUED)

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 2014 the Company had no short term borrowings other than finance leases.

As at 31 December 2014, the Company held cash of £214.3m (2013: £109.7m overdraft), utilised along with overdrafts where necessary, to secure short term flexibility. At 31 December 2014, the Company has access to the ASDA Group uncommitted overdraft facilities of £30.0m (2013: £30.0m), standby credit facilities (including bonds and guarantees) of £132.8m (2013: £133.4m) and uncommitted line of credit facilities of £250.0m (2013: £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 2014	*Within 1 year £m*	*Between 1 and 5 years £m*	*After 5 years £m*	*Total £m*
Finance lease obligations	8.1	29.2	99.6	136.9
Trade and other creditors	2,902.1	-	-	2,902.1
Amounts owed to fellow subsidiaries of ultimate parent company	212.5	-	-	212.5
	3,122.7	29.2	99.6	3,251.5

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 company	172.0	-	-	172.0
	3,090.8	20.0	85.7	3,196.5

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, which are entered into up to a maximum of one year in advance. 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 2014, determined by reference to prices available from the markets on which the instruments involved are traded, of £680.8m (2013: £609.0m).

Financial assets and liabilities in foreign currency
The profile of the Company's financial assets and liabilities in foreign currency retranslated at the year end spot rate as at 31 December 2014 are included in the table below:

Currency	**Financial Assets** £m	**Financial Liabilities** £m	**Total asset/ (liability)** **£m**	**Floating rate** £m	**Fixed rate** £m	**No interest paid** **£m**
US Dollar	1.4	(92.4)	**(91.0)**	-	-	**(91.0)**
HK	0.2	-	**0.2**	-	-	**0.2**
Euro	0.6	(4.5)	**(3.9)**	-	-	**(3.9)**

20. CONTINGENT LIABILITIES

Equal Value Claims: ASDA Stores Limited is a defendant of "equal value claim" proceedings that have been filed, on behalf of more than five thousand current or former ASDA store employees, who allege that their work in the stores is of equal value in terms of the demands of their jobs to those of male 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. The claimants have requested 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 accounted for as cash settled 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, Wal-Mart Stores, Inc. The Company has the obligation to settle the majority of the obligations for the schemes, including employment taxes for participating employees, and therefore these schemes are accounted for as cash settled liabilities.

The impact is eliminated in the consolidated financial statements of Wal-Mart Stores, Inc. and the share options would not be revalued if the Company were granting options on its own shares in a way consistent with UK public limited companies. Two of these schemes involve the granting of options to employees to acquire shares in the ultimate parent company at pre-determined 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:

	31 December 2014 £m	*31 December 2013 £m*
Cash-settled share based payment charge	46.8	62.9
Total carrying amount of liabilities:		
Current	59.5	63.6
Non-current	37.0	38.8
	96.5	102.4

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

	Weighted average exercise price £ 2014	*Number of options (thousands) 2014*	*Weighted average exercise price £ 2013*	*Number of options (thousands) 2013*
Outstanding at the beginning of the period	31.14	5,461	28.48	5,665
Exercised during the period	26.92	(1,697)	28.79	(1,591)
Granted during the period	35.24	2,208	37.30	1,857
Forfeited during the period	33.36	(874)	31.32	(470)
Outstanding at the end of the period	34.03	5,098	31.14	5,461
Exercisable at the end of the period	30.30	196	29.32	626

Share options were exercised on a regular basis throughout the year. The average share price during the year to 31 December 2014 was £46.41 (2013: £46.85). 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 2014				31 December 2013			
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)
4,889	26.21 to 37.27	34.11	1.3	4,802	26.21 to 37.27	31.32	1.3

The fair value of the options outstanding under the Sharesave scheme at 31 December 2014 is £57.2m (2013: £49.5m).

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 options under this scheme are treated as cash-settled.

31 December 2014				31 December 2013			
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)
209	28.45 to 50.13	32.22	0.2	659	26.75 to 47.13	29.81	0.1

The fair value of the options outstanding under the WSIP scheme at 31 December 2014 is £5.3m (2013: £13.1m).

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:

	31 December 2014 Number of options (thousands)	*31 December 2013 Number of options (thousands)*
Outstanding at the beginning of the year	744	966
Exercised during the year	(278)	(196)
Conditionally granted during the year	257	210
Lapsed during the year	(88)	(236)
Outstanding at the end of the year	635	744
Exercisable at the end of the year	-	1

The fair value of the options outstanding under the RSR scheme at 31 December 2014 is £23.2m (2013: £25.4m).

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 are granted the right to receive shares in Wal-Mart Stores Inc., provided certain pre-determined performance goals are met. These pre-determined goals are 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:

	31 December 2014 Number of options (thousands)	*31 December 2013 Number of options (thousands)*
Outstanding at the beginning of the year	488	517
Exercised during the year	(167)	(109)
Conditionally granted during the year	176	145
Lapsed during the year	(150)	(65)
Outstanding at the end of the year	347	488
Exercisable at the end of the year	-	-

21. SHARE BASED PAYMENTS (CONTINUED)

The fair value of the options outstanding under the PSP scheme at 31 December 2014 is £10.8m (2013: £14.5m).

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.

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

	31 December 2014	*31 December 2013*
Expected dividend yield (%)	2.80	2.50
Expected volatility (%)	16.62	14.09
Risk free interest rate (%)	0.25	0.13
Weighted average fair value of options granted (£)	21.11	21.51
Weighted average exercise price (£)	34.03	31.14
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 authorised, alloted, called up and fully paid

	Redeemable ordinary shares of £1 each	*Ordinary shares of £1 each*	*Total*
At 1 January 2014	566,781,240	190,805,129	757,586,369
At 31 December 2014	566,781,240	190,805,129	757,586,369

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

	Redeemable ordinary shares of £1 each	*Ordinary shares of £1 each*	*Total*
At 1 January 2014	566.8	190.8	757.6
At 31 December 2014	566.8	190.8	757.6

22. CALLED UP SHARE CAPITAL (CONTINUED)

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 £m	*Revaluation reserve £m*	*Profit and loss reserve £m*	*Total £m*
At 1 January 2014	950.3	119.5	3,658.2	4,728.0
Profit for the year	-	-	477.4	477.4
Transfer of historical cost	-	(1.5)	1.5	-
Actuarial loss on pension scheme	-	-	(39.1)	(39.1)
Deferred tax movement relating to pension scheme	-	-	8.9	8.9
Dividend paid			(200.0)	(200.0)
At 31 December 2014	950.3	118.0	3,906.9	4,975.2

24. CAPITAL AND FINANCIAL COMMITMENTS

As at 31 December 2014, the Company had entered into contracts to purchase property, plant and equipment for £2.0m (2013: £nil).

As at 31 December 2014, the Company had entered into contracts to purchase US dollars for £647.7m (2013: £644.6m).

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

	31 December 2014 £m	*31 December 2013 £m*
Within one year	0.9	1.2
Within two to five years	3.8	2.9
After five years	99.5	96.4
	104.2	100.5

24. CAPITAL AND FINANCIAL COMMITMENTS (CONTINUED)

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

	31 December 2014 £m	*31 December 2013 £m*
Within one year	11.8	5.5
Within two to years	30.3	20.9
After five years	4.6	2.9
	46.7	29.3

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 Limited 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 the Company's obligations to the pension scheme up to a maximum amount of £900m. This guarantee has no time limit.

A schedule of contributions is in place between the Company and scheme trustees in order to pay down the deficit. During 2014 the Company has signed an updated schedule of contributions following the latest actuarial valuation.

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 2013 and updated the results of this valuation in accordance with FRS 17 Retirement Benefits for the year ended 31 December 2014. Funding levels are monitored on a regular basis in between triennial valuations, with the next triennial due in April 2016.

The expected future benefit payments are based on a number of assumptions including future inflation, retirement ages, benefit options chosen and life expectancy and are therefore inherently uncertain. Actual benefit payments in a given year may be higher or lower, for example if members retire sooner or later than assumed, or take a greater or lesser cash lump sum at retirement. The estimated duration of pension scheme liabilities, which is an indicator of the weighted average term of the liabilities, is 25 years (2013: 23 years) although the benefits payable by the pension scheme are expected to be paid over more than 80 years.

NOTES TO THE ACCOUNTS
as at 31 December 2014

25. PENSIONS (CONTINUED)

Principal actuarial assumptions (expressed as weighted averages):

	31 December 2014	*31 December 2013*
Discount rate	3.7%	4.7%
Inflation assumption		
- RPI	3.0%	3.4%
- CPI	2.0%	2.6%

The following table illustrates the residual life expectancy for an average member on reaching age 65, according to the mortality assumptions used to calculate the pension liabilities:

		31 December 2014	*31 December 2013*
Retiring at reporting date at age 65:	Male	23.1	23.1
	Female	25.6	25.5
Retiring at reporting date in 25 years at age 65:	Male	25.4	25.3
	Female	28.0	27.9

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

		31 December 2014 £m		*31 December 2013 £m*
Equity securities	5.5%	688.0	7.1%	745.0
Gilts/Bonds	2.6%	643.6	3.9%	554.4
Property	5.7%	164.0	7.1%	138.6
Investment Funds	6.6%	478.2	7.6%	207.9
Other	2.4%	80.4	3.6%	88.7
Total market value of assets		2,054.2		1,734.6
Actuarial value of liability		(2,057.4)		(1,769.1)
Effect of asset limit		(5.7)		-
Total deficit in the scheme		(8.9)		(34.5)
Related deferred tax asset		1.9		6.9
Net pension liability		(7.0)		(27.6)

As the scheme rules do not provide the Company with an unconditional right to refund in the event of a surplus, under the requirements of FRS 17 the assets of the scheme have been capped such that they were reduced by £5.7m to make the surplus £nil for the impacted scheme.

25. PENSIONS (CONTINUED)

Movements in present value of defined benefit obligation

	2014 *£m*	*2013* *£m*
At 1 January	(1,769.1)	(1,710.1)
Interest cost	(82.2)	(76.1)
Actuarial losses	(246.6)	(24.2)
Benefits paid	40.5	41.3
At 31 December	(2,057.4)	(1,769.1)

Movements in fair value of plan assets

	2014 *£m*	*2013* *£m*
At 1 January	1,734.6	1,530.1
Expected return on plan assets	81.9	92.7
Actuarial gains	213.2	87.9
Contributions by employer	65.0	65.2
Benefits paid	(40.5)	(41.3)
At 31 December	2,054.2	1,734.6

Analysis of the amount (charged)/credited to other finance income

	Year Ended 31 December 2014 *£m*	*Year Ended 31 December 2013* *£m*
Expected return on pension scheme assets	81.9	92.7
Interest on pension liabilities	(82.2)	(76.1)
Net (loss)/return	(0.3)	16.6

25. PENSIONS (CONTINUED)

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

	Year Ended 31 December 2014 *£m*	*Year Ended 31 December 2013* *£m*
Actual return less expected return on assets	213.2	87.9
Experience losses on liabilities	(0.5)	(8.1)
Changes in assumptions	(246.1)	(16.1)
Effect of asset limit	(5.7)	-
	(39.1)	63.7

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £567.7m (2013: £528.6m).

Movement in deficit during the year

	2014 *£m*	*2013* *£m*
At 1 January	(34.5)	(180.0)
Contributions by employer	65.0	65.2
Other finance (expense)/income	(0.3)	16.6
Actuarial (losses)/gains	(39.1)	63.7
At 31 December	(8.9)	(34.5)
Deferred taxation in relation to pension deficit	1.9	6.9
Pension obligation	(7.0)	(27.6)

The actuarial valuation at 31 December 2014 showed a decrease in the deficit from £34.5m to £8.9m.

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 2014, and of the income statement charge for 2015, to changes in these assumptions.

	Decrease / (increase) in liability	*Decrease / (increase) in net finance costs*
	£m	*£m*
An increase of 0.1% to the following assumptions		
Discount rate	49.6	1.9
Inflation rate (assuming RPI and CPI both move by 0.1 percent)	(49.7)	(1.8)
One year increase in life expectancy	(43.3)	(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.

25. PENSIONS (CONTINUED)

History of experience gains and losses

	31 December 2014 *£m*	*31 December 2013* *£m*	*31 December 2012* *£m*	*31 December 2011* *£m*	*31 December 2010* *£m*
Difference between actual and expected return on scheme assets					
Amount	213.2	87.9	(7.6)	13.3	58.9
Percentage of scheme assets	10.4%	5.1%	(0.5%)	1.0%	4.6%
Experience gains and losses on scheme liabilities					
Amount	(0.5)	(8.1)	(0.2)	(0.4)	(61.7)
Percentage of scheme liabilities	0.0%	0.5%	0.0%	0.0%	3.9%
Total amount recognised in statement of total recognised gains and losses					
Amount	(39.1)	63.7	(70.1)	4.4	(123.8)
Percentage of scheme assets	(1.9%)	3.7%	(4.6%)	0.3%	(9.8%)
Present value of funded defined benefit obligations	(2,057.4)	(1,769.1)	(1,710.1)	(1,610.0)	(1,597.4)
Fair value of plan assets	2,054.2	1,734.6	1,530.1	1,399.9	1,266.8
Recognised liability for defined benefit obligations	(8.9)	(34.5)	(180.0)	(210.1)	(330.6)

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 £67.7m (2013: £70.4m).

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.