

464777

ASDA STORES LIMITED

Report and Accounts

31 December 2002

 ERNST & YOUNG



A24
COMPANIES HOUSE

AFJEEPHG

0431
25/10/03

ASDA Stores Limited

Registered No. 464777

DIRECTORS

R Baker
M Blundell
A Bond
H G Bowles
A De Nunzio
D N Jagger
J J McKenna
D Smith
A Spindler
S Clarke (appointed 14 January 2002)
D Downie (appointed 1 July 2002)
D Cheesewright (appointed 5 August 2002)
A Clarke (resigned 5 June 2002)
P Dutton (resigned 30 August 2002)

SECRETARY

D N Jagger

AUDITORS

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

BANKERS

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

REGISTERED OFFICE

Asda House
Southbank
Great Wilson Street
Leeds
LS11 5AD

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 December 2002.

RESULTS AND DIVIDENDS

The company's profit, after taxation, for the financial year, as set out on page 7, amounted to £424,354,000 (period ended 31 December 2001: £251,395,000). The directors recommend that no final dividend be paid (period ended 31 December 2001: £900,000,000).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

RESEARCH DEVELOPMENT

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

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, at the year-end and at the date of this report are shown on page 1. The directors' shareholdings and share options are holdings and options in Wal-Mart Stores, Inc. As Wal-Mart Stores, Inc. is incorporated in the USA, disclosure of these interests is not required.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations for the year amounted to £675,000 (period ended 31 December 2001: £615,000). There were no political donations made during the year (period ended 31 December 2001: £nil)

EMPLOYEE INVOLVEMENT

During the year the policy of providing information about the company has been continued through daily huddles and listening groups in which employees have also been encouraged to present their suggestions and views on the company's performance. Colleagues participate directly in the success of the business through the company's discretionary bonus scheme and various share option plans.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirement of the job can be adequately fulfilled by a handicapped or disabled person. Where existing colleagues become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled colleagues wherever appropriate.

TRADING TERMS

The company deals with over fourteen thousand separate suppliers and has established trading terms which are appropriate to the particular relationship and product supplied. Since March 2002 the group has been in compliance with the supplier code of practice introduced following the competition commission inquiry which helps to ensure fairness and clarity in our trading terms. Whenever an order is placed the parties will be aware of the payment terms and it is the company's policy to abide by those terms. There is a procedure in place for ensuring that the trading terms of regular suppliers are reviewed at least annually. The average number of days credit taken for trade purposes at 31 December 2002 was 35.7 days (31 December 2001: 35 days).

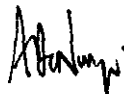
ASDA Stores Limited

DIRECTORS' REPORT

AUDITORS

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

On behalf of the board,



A De Nunzio
Director

27 June 2003

ASDA Stores Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Reconciliation of Movement in Shareholders' Funds and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Leeds

27 June 2003

ASDA Stores Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

		Year ended 31 December 2002 £000	Period ended 31 December 2001 £000
	Notes		
SALES		12,945,752	11,500,783
Value added tax		(1,018,766)	(859,358)
TURNOVER	2	11,926,986	10,641,425
Operating costs	3	(11,575,147)	(10,273,943)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		351,839	367,482
Interest receivable and similar income	6	248	800
Interest payable and similar charges	7	(38,424)	(1,342)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		313,663	366,940
Tax on profit on ordinary activities	8	110,691	(115,545)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		424,354	251,395
Dividends payable	9	-	(900,000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR/PERIOD		424,354	(648,605)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2002

There are no other recognised gains and losses arising in the year other than the profit for the year ended 31 December 2002 of £424,354,000 (period ended 31 December 2001: £251,395,000).

ASDA Stores Limited

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2002

	<i>Year ended 31 December 2002 £000</i>	<i>Period ended 31 December 2001 £000</i>
Reported profit on ordinary activities before taxation	313,663	366,940
Adjustment of depreciation to historical cost basis	(2,448)	(2,547)
Historical cost profit on ordinary activities before taxation	<u>311,215</u>	<u>364,393</u>
Historical cost retained profit/(loss) after taxation and dividends	<u>421,906</u>	<u>(651,152)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2002

	<i>Year ended 31 December 2002 £000</i>	<i>Period ended 31 December 2001 £000</i>
Profit for the financial year/period	424,354	251,395
Dividends payable	-	(900,000)
Total recognised gains and losses	<u>424,354</u>	<u>(648,605)</u>
Shareholders' funds at beginning of year/period	<u>1,320,711</u>	<u>1,969,316</u>
Shareholders' funds at end of year/period	<u>1,745,065</u>	<u>1,320,711</u>

ASDA Stores Limited

BALANCE SHEET

as at 31 December 2002

		31 December 2002 £000	31 December 2001 £000
	Notes		
FIXED ASSETS			
Tangible assets	10	2,217,289	1,957,921
Investments	11	500,100	500,100
		<u>2,717,389</u>	<u>2,458,021</u>
CURRENT ASSETS			
Stocks	12	594,508	528,722
Debtors	13	861,293	585,129
Cash at bank and in hand		13,805	13,452
		<u>1,469,606</u>	<u>1,127,303</u>
CREDITORS: amounts falling due within one year	14	(2,270,205)	(2,072,979)
NET CURRENT LIABILITIES		<u>(800,599)</u>	<u>(945,676)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,916,790</u>	<u>1,512,345</u>
CREDITORS: amounts falling due after more than one year			
Other creditors	15	(535)	(820)
Provisions for liabilities and charges	17	(171,190)	(190,814)
NET ASSETS		<u>1,745,065</u>	<u>1,320,711</u>
CAPITAL AND RESERVES			
Called up share capital	20	584,865	584,865
Share premium account	21	260	260
Revaluation reserve	21	111,483	111,483
Profit and loss account	21	1,048,457	624,103
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>1,745,065</u>	<u>1,320,711</u>

J McKenna

J McKenna
Director

27 June 2003

NOTES TO THE ACCOUNTS

as at 31 December 2002

1. ACCOUNTING POLICIES

Accounting convention

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

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

In accordance with FRS 1 no cash flow statement has been prepared as the company is a wholly owned subsidiary undertaking of Wal-Mart Stores Inc., which produces a consolidated cash flow statement.

Group Accounts

In accordance with FRS 2 consolidated accounts have not been prepared because the company is a wholly owned subsidiary undertaking of Asda Group Limited which is established under the law of a member state of the European Community.

Tangible fixed assets

The company's tangible fixed assets are included in the balance sheet at cost less depreciation, with the exception of its food retailing properties, which have been included at valuation less depreciation and amounts written off. In accordance with the transitional provisions of FRS 15 the directors have elected to freeze all future revaluations and the revalued assets have not been restated to their historical cost.

Depreciation

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

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

There is no depreciation charged on land.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

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

Deferred taxation

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

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2002

1. ACCOUNTING POLICIES (CONTINUED)

Deferred Taxation (continued)

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

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

Research and development

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

Investments

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

Pensions

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

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

Leased assets

Assets held under finance leases are capitalised as tangible fixed assets and are included in borrowings at the cost of outright purchase. Rentals are apportioned between reductions in the capital obligations included in borrowings and those relating to finance charges which are charged to the profit and loss account at a constant periodic rate of charge.

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

The costs of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Capitalisation of interest

Interest costs relating to the financing of properties in the course of construction for trading occupation by the company or its subsidiary undertakings are capitalised gross (previously net of tax relief).

Interest costs incurred in funding land and construction work in progress in respect of property development projects are capitalised during development.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2002

2. ANALYSIS OF TURNOVER

Turnover comprises the value of sales excluding value added tax.

Turnover is attributable to one continuing activity, the retail of food, clothing, home and leisure products, and arises wholly within the United Kingdom.

3. OPERATING COSTS

This is stated after charging/(crediting):

	<i>Year ended 31 December 2002 £000</i>	<i>Period ended 31 December 2001 £000</i>
Change in stocks	(65,786)	(45,648)
Other operating income	(46,510)	(27,791)
Raw materials and consumables	9,280,771	8,278,236
Staff costs	1,153,580	976,535
Depreciation of tangible fixed assets	159,215	133,989
Other operating charges	1,093,877	958,622
	<u>11,575,147</u>	<u>10,273,943</u>

WITHIN OTHER OPERATING CHARGES

OPERATING LEASE CHARGES

- land and buildings	50,649	9,053
- plant and machinery	9,000	9,104
	<u>59,649</u>	<u>18,157</u>

AMOUNTS PAID TO AUDITORS

- Audit fees	174	160
- Non-audit fees	5	4
	<u>179</u>	<u>164</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2002

4. DIRECTORS' EMOLUMENTS

	<i>Year ended 31 December 2002 £000</i>	<i>Period ended 31 December 2001 £000</i>
Total directors' remuneration excluding pension costs	4,593	5,422
	<i>No.</i>	<i>No.</i>
Number of directors who are members of the defined benefit scheme	12	11
Number of directors who exercised share options	9	2
Number of directors entitled to receive shares under long term incentive schemes	8	10
Amounts in respect of the highest paid director are as follows:		
Total remuneration excluding pensions	741	666
Accumulated total accrued pension entitlement	36	32

The highest paid director exercised share options and options were granted under long term incentive plans during the year.

During the year ended 31 December 2002 compensation for loss of office of £118,603 was paid (31 December 2001: £nil)

5. STAFF COSTS

	<i>Year ended 31 December 2002 £000</i>	<i>Period ended 31 December 2001 £000</i>
Wages and salaries	1,060,127	900,478
Social security costs	58,547	50,393
Other pension costs	34,906	25,664
	1,153,580	976,535

The average number of employees during the year was 116,101 (31 December 2001 : 100,266).

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2002

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year ended 31 December 2002 £000</i>	<i>Period ended 31 December 2001 £000</i>
Bank interest receivable	248	800

7. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended 31 December 2002 £000</i>	<i>Period ended 31 December 2001 £000</i>
Interest payable from group undertakings	38,260	1,208
Bank interest payable	164	134
	<u>38,424</u>	<u>1,342</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2002

8. TAXATION

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

	<i>Year ended 31 December 2002 £000</i>	<i>Period ended 31 December 2001 £000</i>
CURRENT TAX		
UK corporation tax on profit for the year/period	(2,610)	88,678
Adjustments in respect of prior periods	(135,864)	6,784
TOTAL CURRENT TAX	<u>(138,474)</u>	<u>95,462</u>
DEFERRED TAX		
Short term timing differences	25,278	26,867
Adjustments in respect of prior periods	2,505	(6,784)
TOTAL DEFERRED TAX (NOTE 18)	<u>27,783</u>	<u>20,083</u>
TAX (CREDIT)/CHARGE ON PROFITS ON ORDINARY ACTIVITIES	<u>(110,691)</u>	<u>115,545</u>
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.		
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	<u>313,663</u>	<u>366,940</u>
PROFIT ON ORDINARY ACTIVITIES MULTIPLIED BY THE STANDARD RATE OF UK CORPORATION TAX (30%)	<u>94,099</u>	<u>110,082</u>
Effects of:		
Accelerated capital allowances and other timing differences	(25,150)	(26,909)
Non-qualifying depreciation	1,113	4,270
Permanent differences	1,866	581
Stock option provision release	(12,698)	-
Losses surrendered from parent company for no payment	(61,923)	-
Other	83	654
Prior period adjustments	(135,864)	6,784
CURRENT TAX CHARGE FOR YEAR/PERIOD	<u>(138,474)</u>	<u>95,642</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2002

9. DIVIDENDS PAYABLE

	<i>Year ended 31 December 2002 £000</i>	<i>Period ended 31 December 2001 £000</i>
Dividends payable (£0.31 per ordinary share)	-	900,000

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2002

10. TANGIBLE FIXED ASSETS

	<i>Freehold properties £000</i>	<i>Leasehold properties £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
COST OR VALUATION				
At 1 January 2002	1,064,103	340,319	1,038,952	2,443,374
Additions	168,782	6,629	99,261	274,672
Transfer from other group undertakings	-	905	-	905
Disposals	(5,995)	(15,381)	(32,023)	(53,399)
Transfers to other group undertakings	(95,942)	(7,004)	-	(102,946)
At 31 December 2002	1,130,948	325,468	1,106,190	2,562,606
COST OR VALUATION AT THE END OF THE YEAR IS REPRESENTED BY:				
Valuation	371,947	-	-	371,947
Cost	759,001	325,468	1,106,190	2,190,659
	1,130,948	325,468	1,106,190	2,562,606
DEPRECIATION				
At 1 January 2002	55,873	102,311	613,973	772,157
Charge for the year	17,302	13,667	128,246	159,215
Transfers from other group undertakings	324	-	-	324
Disposals	(3,192)	(14,481)	(29,359)	(47,032)
Transfers to other group undertakings	(1,161)	(3,422)	-	(4,583)
At 31 December 2002	69,146	98,075	712,860	880,081
Net book amounts at 31 December 2002	1,061,802	227,393	393,330	1,682,525
Assets under construction				534,764
NET BOOK VALUE AT 31 DECEMBER 2002				2,217,289
Net book amounts at 31 December 2001	1,008,230	238,007	424,979	1,671,217
Assets under construction at 31 December 2001				286,704
NET BOOK VALUE AT 31 DECEMBER 2001				1,957,921

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2002

10. TANGIBLE FIXED ASSETS (continued)

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

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

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

	31 December 2002 £000	31 December 2001 £000
Freehold properties	260,902	260,902

The net book amount of plant, machinery, equipment and vehicles includes £nil (31 December 2001 : £33,000) in respect of leased assets after charging depreciation of £33,000 (31 December 2001 : £91,000).

The net book amount of leasehold property includes:

	31 December 2002 £000	31 December 2001 £000
Leases with 50 years or more unexpired	185,659	194,072
Leases with less than 50 years unexpired	41,734	43,935
	227,393	238,007

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2002

11. FIXED ASSET INVESTMENTS

	£000
Cost at 1 January 2002 and 31 December 2002	500,140
Amounts provided at 1 January 2002 and 31 December 2002	(40)
Net book value at 1 January 2002 and 31 December 2002	500,100

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

12. STOCKS

	31 December 2002 £000	31 December 2001 £000
Goods held for resale	593,071	527,214
Goods not held for resale	1,437	1,508
	594,508	528,722

13. DEBTORS

Amounts falling due within one year:

	31 December 2002 £000	31 December 2001 £000
Amounts owed by group undertakings	773,988	548,139
Other debtors	41,351	27,733
Prepayments and accrued income	31,498	9,257
Taxation	14,456	-
	861,293	585,129

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2002

14. CREDITORS: amounts falling due within one year

	<i>31 December</i>	<i>31 December</i>
	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Bank overdraft	76,434	57,851
Obligations under finance leases (note 16)	285	247
Trade creditors	1,259,576	1,049,745
Amounts owed to group undertakings	593,874	529,190
Amounts owed to ultimate parent company	22,233	1,940
Taxation	-	175,944
Social security	19,136	14,360
Other creditors	54,807	90,696
Accruals	243,860	153,006
	<u>2,270,205</u>	<u>2,072,979</u>

15. OTHER CREDITORS

	<i>31 December</i>	<i>31 December</i>
	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Obligations under finance leases (note 16)	<u>535</u>	<u>820</u>

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	<i>31 December</i>	<i>31 December</i>
	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
Within one year	285	247
Within two to five years	535	820
	<u>820</u>	<u>1,067</u>

17. PROVISION FOR LIABILITIES AND CHARGES

	<i>31 December</i>	<i>31 December</i>
	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Deferred taxation (note 18)	120,425	92,642
Provisions (note 19)	50,765	98,172
	<u>171,190</u>	<u>190,814</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2002

18. DEFERRED TAXATION

	31 December 2002 £000	31 December 2001 £000
AMOUNT PROVIDED		
Accelerated capital allowances	126,174	109,234
Short term timing differences	(5,749)	(16,592)
	<u>120,425</u>	<u>92,642</u>
		<i>Total</i> £000

MOVEMENT IN DEFERRED TAX PROVISION

At beginning of the year	92,642
Provision charged through the profit and loss account (note 8)	27,783
At end of the year	<u>120,425</u>

Deferred tax has been provided at 30%.

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

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

19. PROVISIONS

	Share contribution provision £000	Provision for onerous lease contracts £000	Total £000
At the beginning of the year	91,284	6,888	98,172
Utilised during the year	(3,623)	(1,458)	(5,081)
Released during the year	(42,326)	-	(42,326)
At end of the year	<u>45,335</u>	<u>5,430</u>	<u>50,765</u>

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2002

20. CALLED UP SHARE CAPITAL

Authorised

At 31 December 2002 and 31 December 2001

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

Allotted, called up and fully paid

At 31 December 2002 and 31 December 2001

	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	28,008,978	28,009
Redeemable ordinary shares of £1 each	556,856,000	556,856
	<u>584,864,978</u>	<u>584,865</u>

Ordinary redeemable shares

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

The redeemable shares are redeemable at the option of the company on or before 31 December 2009.

21. RESERVES

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Revaluation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2002	584,865	260	111,483	624,103	1,320,711
Profit for the year	-	-	-	424,354	424,354
At 31 December 2002	<u>584,865</u>	<u>260</u>	<u>111,483</u>	<u>1,048,457</u>	<u>1,745,065</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2002

22. FINANCIAL COMMITMENTS

The directors have contracted future capital expenditure which amounts to:

	<i>31 December</i>	<i>31 December</i>
	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Contracted for	-	8,064

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

	<i>31 December</i>	<i>31 December</i>
	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Amounts payable: After more than five years	60,605	49,183

23. PENSIONS

Asda Group Limited, the parent undertaking, operates a final salary scheme open to all full time and part time salaried colleagues and a money purchase plan open to all hourly paid colleagues. The assets of these schemes are held separate from the Group's assets.

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

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

The group operates a defined contribution and a defined benefit pension scheme. The assets of the schemes are held separately from those of the group in an independently administered fund. The unpaid contributions outstanding at the year end, included in other creditors are £1.2m (2001: £0.2m) for the defined contribution scheme. The charge for the year for the defined contribution scheme is £5.8m (2001: £5.1m). The charge for the defined benefit scheme is £29.2m (2001: £26.2m).

FRS17 Retirement Benefits

The FRS17 valuation and underlying assumptions at 31 December 2002 is summarised below. Full disclosure details are provided in the consolidated accounts of the ultimate parent company.

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2002

23. PENSIONS (CONTINUED)

Main assumptions:

	UK scheme % per annum	
	At 31 December 2002	At 31 December 2001
Discount rates for liabilities	5.50	5.80
Future salary growth	3.85	3.90
Future price inflation	2.35	2.40
Future pension growth	2.35	2.40

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

	31 December 2002	
	Rate of Return %	Value £m
Equities	7.0	304.8
Gilts	5.0	66.7
Property	7.0	8.1
		<hr/>
Market value of assets		379.6
Present value of scheme liabilities		(534.0)
		<hr/>
Scheme Deficit		(154.4)
Deferred tax asset		46.3
		<hr/>
Net pension liability		(108.1)
		<hr/>

The company is unable to identify its share of the underlying assets and liabilities of the scheme.

24. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Asda Group Limited and is therefore exempt from disclosing transactions with other group companies. There were no other related party transactions in the year.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2002

25. 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 accounts are prepared is Asda Group Limited. Copies of these accounts are available from Companies House, Crown Way, Cardiff, CF4 3UZ.

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