

ASDA Group Limited

Report and financial statements

Registered number 1396513

31 December 2013

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COMPANIES HOUSE

DIRECTORS

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

SECRETARY

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

AUDITORS

Ernst & Young LLP
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Leeds
LS11 5QR

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ASDA House
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Great Wilson Street
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Strategic report

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

Principal activities

The principal activities of ASDA Group Limited and its subsidiaries (together referred to as “ASDA” or “the Group”) are the retailing of food, clothing, general merchandise products and services throughout the United Kingdom and online.

Group profit and dividends

Group revenues for the year increased by 2.1% to £23.3bn (2012: £22.8bn), while operating profit increased by 18.2% to £993.9m (2012: £840.9m). Underlying operating profit grew by 5.0% after removing share options expenses (note 5) of £62.9m (2012: £105.9m), technical assistance, services and royalties paid to Wal-Mart Stores, Inc (note 27) of £132.3m (2012: £185.3m) and one-off items of £nil (2012: £nil).

Profit after tax for the year was £762.9m (2012: £587.7m – restated) an increase of 29.8%.

No dividends were paid in the year (2012: £nil).

Amounts recharged by Ultimate Parent Company

The Group incur recharges from the ultimate parent company, Wal-Mart Stores, Inc. These recharges relate to the cost of share options, the cost of services received (mainly relating to IT), and royalties. The share options granted to colleagues by ASDA are in the ultimate parent company, Wal-Mart Stores, Inc. The accounting treatment of these share options is outlined in note 19.

Accounting policies changes

The Group has adopted the amendments to IAS 19: Employee Benefits (IAS 19 Revised). Details of how these changes impact the financial statements are included in note 29.

KPIs

- Like-for-Like sales growth of 0.6% (excluding petrol and VAT)
- Total sales growth of 2.1% (excluding VAT)
- Underlying operating profit increased by 5.0%
- Market share down 0.3%, to 17.2% (source: Kantar 52 weeks to 5 January 2014)

Strategic report (*continued*)

Operational headlines

- The external environment continued to be challenging, with low wage growth and increases in costs such as utilities and essential item price inflation exerting pressure on disposable incomes. The ASDA income tracker for 2013 showed that customers had £158 of weekly discretionary income, up by just £1 a week on 2012, suggesting the improving macro economic picture is masking a slower recovery from a customer perspective. Income disparity across the regions in the UK continued to impact many of our customers. Against this backdrop ASDA traded well through the year.
- We have strengthened our price leadership throughout 2013 and into 2014, investing consistently to reduce prices across the store. In 2013 we maintained our price leadership against our supermarket peers, entering the second year of our “Price Lock” initiative which saw investment in the price of everyday essentials such as bread, butter, milk and eggs. In addition, during 2013 ASDA expanded “Price Lock” into new categories such as Produce and developed a new online tool allowing customers to calculate the savings they are making on price locked products. We reinforced prices through the ASDA Price Guarantee which continued to run throughout 2013, reassuring customers that ASDA will be 10% cheaper than its core competitors. In June 2013, ASDA won The Grocer Magazine’s lowest priced supermarket award for a sixteenth successive year.
- Despite significant cost pressures, the ASDA “We Operate for Less” programme continued to deliver substantial, incremental productivity savings across stores, home shopping, distribution centres and home offices, helping to offset inflationary pressures in utilities and commodities. This programme is a fundamental part of our drive to reduce costs in our business so that we can reduce prices for our customers.
- Quality remained a key area of focus. We invested in our fresh food ranges and were successful in winning three major awards (Best Product of the Year for our BBQ Pulled Pork as well as Meat and Turkey Retailer of the Year 2013). We relaunched our Smart Price brand and strengthened our ‘Extra Special’ range through our continued partnership with Leith’s School of Food and Wine.
- The ASDA online business continued to deliver strong growth in 2013 by increasing capacity through Click & Collect, market leading innovation such as same day collection and investment in online capability. ASDA opened 1 new home shopping centre during 2013 supplying the London area, whilst over 300 of our stores were offering Click & Collect services by 31 December 2013. Mobile services continued to show strong growth following the relaunch of our mobile app which was well received by customers and won the IGD industry award for digital innovation. The proportion of online shopping being completed through the mobile app has increased throughout 2013 and has been reinforced by completing the roll out of free Wi-Fi across all our stores.
- We continue to develop talent and diversity across the whole organisation. We believe we have the friendliest and most helpful colleagues in the industry and it is thanks to their continued commitment, that in June, ASDA was voted by customers as ‘Britain’s Favourite Supermarket’, as awarded by The Grocer Magazine for the third year in a row.
- In 2013, we became the first mainstream U.K. retailer to introduce a Black Friday event, which brought new offers to our customers and leveraged the reputation of our parent company, Wal-Mart. This included special prices across toys and electronics and drove 450,000 additional transactions on the first day of the event.
- Fifteen new stores were opened during the year; 1 standalone fuel station, 1 home shopping centre, 6 supermarkets, 5 superstores and 2 ASDA livings. This added 468,000 sq ft of new space.

Strategic report *(continued)*

Delivering Foundations for future growth

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

In November 2013, we announced our new strategy to redefine value retailing in the UK in response to the structural changes facing the UK grocery market including growing online and discounter sectors. This focuses on continuing the journey of investing in price and quality, pledging £1.25 billion of investment over 5 years, whilst focusing on improving access and reach across the UK, through online growth and physical expansion in London and the South East. Over a five year time horizon, this strategy aims to improve our core business; increase our access and reach and expand into new markets through a focus on six key areas:

Improve our core business

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

Increase our access and reach

- Leading online
- Expand our physical reach

Expand into new markets

- Extend our brand

Innovation

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

Capital management

As a wholly owned subsidiary, the capital of the Group 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.

Strategic report *(continued)*

Key risks and mitigating actions are set out below:

- **Economic risk**

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

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

- **Competitive risk**

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

- **Reputational risk**

The key to ASDA’s success is the loyalty and goodwill shown by our customers, suppliers and colleagues.

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

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

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.

Strategic report *(continued)*

Risks and uncertainties *(continued)*

- **Financial risk**

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

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

ASDA operates a number of pension arrangements for our employees including a defined benefit pension scheme. This is subject to risk in relation to its pension deficit which is shown as a liability on the balance sheet. This risk 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. To further minimise this risk, the trustees appointed a new fund manager in 2009 with delegated responsibility for managing 30% of the scheme's assets using a liability driven investment approach. ASDA's ultimate parent has also guaranteed the scheme liabilities.

- **Regulatory and compliance risk**

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

- **Fraud risk**

We have a control framework in place to help prevent and detect potential fraud and dishonest activity. The ASDA-Wal-Mart Statement of Ethics also provides clear guidance to colleagues on appropriate behaviour, including guidance on how to raise any business conduct concerns they may have through the Open Door Communication Process or through the local Ethics Committee. In addition, procedures are in place in respect of compliance with the UK Bribery Act and the 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 by 16.9% since 2007; and our existing stores emit 36.5% fewer carbon emissions than in 2005. The major focus of our strategy is now on our supply chain, including running the Sustain and Save Exchange (SSE), a unique collaboration tool to help our suppliers become more efficient. Through the SSE, our suppliers have saved over £1m in 2013, helping them become less reliant on limited resources.

On behalf of the board

A Russo
Director
1 June 2014



ASDA House
Southbank
Great Wilson Street
Leeds
LS11 5AD

Directors' report

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

Future Developments

ASDA's future developments are detailed in the Strategic Report on pages 1-5.

Going Concern

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

Financial instruments

ASDA's financial risk management objectives and policies are further discussed in notes 1 and 18.

Political and charitable contributions

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

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

Dividends

Details of dividends paid are detailed in the Strategic Report on pages 1-5.

Disabled colleagues

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

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

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

Colleague involvement

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

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

Directors' report *(continued)*

Directors' liabilities

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

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

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

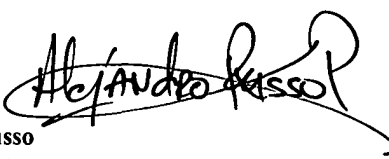
Directors' statement as to disclosure of information to auditors

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

Re-appointment of auditors

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

On behalf of the board


A Russo
Director
19 June 2014

ASDA House
Southbank
Great Wilson Street
Leeds
LS11 5AD

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under Company Law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period.

In preparing those financial statements the directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and article 4 of IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASDA GROUP LIMITED

We have audited the Group financial statements of ASDA Group Limited for the year ended 31 December 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 8, the directors are responsible for the preparation of the group 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 group 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 group financial statements are prepared is consistent with the group 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:

- 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.

Other matter

We have reported separately on the parent company financial statements of ASDA Group Limited for the year ended 31 December 2013.


Christabel Cowling (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

24 June 2014

Consolidated income statement
for the year ended 31 December 2013

		31 December 2013 £m	31 December 2012 £m <i>restated</i>
	<i>Note</i>		
Continuing operations			
Revenue	2	23,325.2	22,843.4
Operating costs	3	(22,331.3)	(22,002.5)
		<hr/>	<hr/>
Operating profit		993.9	840.9
Financial income	7	1.5	1.6
Financial costs	8	(81.6)	(97.3)
		<hr/>	<hr/>
Profit on ordinary activities before tax		913.8	745.2
Income tax expense	9	(150.9)	(157.5)
		<hr/>	<hr/>
Profit for the year		762.9	587.7
		<hr/>	<hr/>
Profit for the year attributable to:			
Owners of the parent		748.2	576.2
Non-controlling interests		14.7	11.5
		<hr/>	<hr/>

Consolidated statement of comprehensive income
for the year ended 31 December 2013

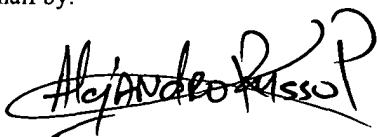
		31 December 2013 £m	31 December 2012 £m <i>restated</i>
	<i>Note</i>		
Profit for the year		762.9	587.7
Items that will not be reclassified to profit or loss			
Cash flow hedges - losses arising in the year		(17.5)	(21.7)
Total remeasurements on Defined benefit obligation	19	(24.2)	(60.8)
Return on plan assets excluding interest income	19	112.9	10.9
Changes in onerous liability (excluding interest income)	19	(86.5)	22.5
Tax on items recognised directly in equity	9	(4.8)	6.9
		<hr/>	<hr/>
Other comprehensive income for the year		(20.1)	(42.2)
		<hr/>	<hr/>
Total comprehensive income for the year		742.8	545.5
		<hr/>	<hr/>
Total comprehensive income for the year attributable to:			
Owners of the parent		728.1	534.0
Non-controlling interests		14.7	11.5
		<hr/>	<hr/>

Consolidated balance sheet
as at 31 December 2013

	<i>Note</i>	2013 £m	2012 £m
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	10	8,689.1	8,504.1
Intangible assets	11	520.5	519.8
Operating lease prepayments	12	120.5	122.4
		<u>9,330.1</u>	<u>9,146.3</u>
<i>Current assets</i>			
Inventories	14	1,127.4	1,159.7
Trade and other receivables	15	273.1	300.2
Intercompany receivables	15	2,119.2	1,797.0
Cash and short term deposits	16	793.1	418.5
Operating lease prepayments	12	1.9	1.9
		<u>4,314.7</u>	<u>3,677.3</u>
Total assets		<u>13,644.8</u>	<u>12,823.6</u>
Equity and liabilities			
<i>Equity attributable to the shareholders</i>			
Called up share capital	22	783.9	783.9
Share premium account	22	568.4	568.4
Other reserves	23	437.1	437.1
Cash flow hedge reserve	23	(25.0)	(10.7)
Retained earnings	23	5,131.9	4,389.2
		<u>6,896.3</u>	<u>6,167.9</u>
Total equity attributable to the shareholders		<u>6,896.3</u>	<u>6,167.9</u>
Non-controlling interests		36.3	27.4
Total equity		<u>6,932.6</u>	<u>6,195.3</u>
Liabilities			
<i>Non-current liabilities</i>			
Borrowings	18	182.6	184.4
Employee benefits	19	344.2	398.5
Provisions	20	44.6	28.3
Deferred tax liabilities	21	74.1	102.2
		<u>645.5</u>	<u>713.4</u>
<i>Current liabilities</i>			
Trade and other payables	17	2,942.4	2,908.4
Intercompany payables	17	2,969.3	2,862.6
Income tax liability		89.8	95.8
Borrowings	18	1.6	1.4
Employee benefits	19	63.6	46.7
		<u>6,066.7</u>	<u>5,914.9</u>
Total liabilities		<u>6,712.2</u>	<u>6,628.3</u>
Total equity and liabilities		<u>13,644.8</u>	<u>12,823.6</u>

These financial statements were approved by the board of directors on 19 June 2014 and were signed on its behalf by:

A Russo
Director



Consolidated statement of changes in equity
for the year ended 31 December 2013

	Share capital £m	Share premium £m	Other reserves £m	Cash flow hedge reserve £m	Retained earnings £m	Total excluding Non- controlling interest £m	Non- controlling interest £m	Total equity £m
Balance at 1 January 2012 (restated)	783.9	568.4	437.1	5.1	3,839.2	5,633.7	17.3	5,651.0
Comprehensive income								
Profit for the year	-	-	-	-	576.2	576.2	11.5	587.7
Other comprehensive income								
Cash flow hedges - losses arising in the year	-	-	-	(21.7)	-	(21.7)	-	(21.7)
Tax on cash flow hedges recognised directly in equity	-	-	-	5.9	-	5.9	-	5.9
Remeasurements	-	-	-	-	(60.8)	(60.8)	-	(60.8)
Return on plan assets excluding interest income	-	-	-	-	10.9	10.9	-	10.9
Changes in onerous liability (excluding interest income)	-	-	-	-	22.5	22.5	-	22.5
Tax on actuarial losses recognised directly in equity	-	-	-	-	1.0	1.0	-	1.0
Total	-	-	-	(15.8)	(26.4)	(42.2)	-	(42.2)
Total comprehensive income	-	-	-	(15.8)	549.8	534.0	11.5	545.5
Tax on items credited to equity	-	-	-	-	0.2	0.2	-	0.2
Transaction with non-controlling interest								
Dividends	-	-	-	-	-	-	(1.4)	(1.4)
Balance at 1 January 2013	783.9	568.4	437.1	(10.7)	4,389.2	6,167.9	27.4	6,195.3
Comprehensive income								
Profit for the year	-	-	-	-	748.2	748.2	14.7	762.9
Other comprehensive income								
Cash flow hedges - losses arising in the year	-	-	-	(17.5)	-	(17.5)	-	(17.5)
Tax on cash flow hedges recognised directly in equity	-	-	-	3.2	-	3.2	-	3.2
Total remeasurements on Defined benefit obligation	-	-	-	-	(24.2)	(24.2)	-	(24.2)
Return on plan assets excluding interest income	-	-	-	-	112.9	112.9	-	112.9
Changes in asset ceiling/onerous liability (excluding interest income)	-	-	-	-	(86.5)	(86.5)	-	(86.5)
Tax on actuarial losses recognised directly in equity	-	-	-	-	(8.0)	(8.0)	-	(8.0)
Total	-	-	-	(14.3)	(5.8)	(20.1)	-	(20.1)
Total comprehensive income	-	-	-	(14.3)	742.4	728.1	14.7	742.8
Tax on items credited to equity	-	-	-	-	0.5	0.5	-	0.5
Transaction with non-controlling interest								
Acquisition of non-controlling interest	-	-	-	-	(0.2)	(0.2)	0.2	-
Dividends	-	-	-	-	-	-	(6.0)	(6.0)
Balance at 31 December 2013	783.9	568.4	437.1	(25.0)	5,131.9	6,896.3	36.3	6,932.6

Consolidated statement of cash flows
for the year ended 31 December 2013

	<i>Note</i>	31 December 2013 £m	31 December 2012 £m restated
Cash flows from operating activities			
Profit after tax from continuing operations		762.9	587.7
<i>Adjustments to reconcile profit after tax to net cash flows:</i>			
Depreciation	10	403.6	397.1
Amortisation of intangible assets	11	1.7	1.6
Amortisation of lease prepayments		1.9	2.6
Financial income	7	(1.5)	(1.6)
Financial costs	8	81.6	97.3
Loss on sale of property, plant and equipment	3	26.4	21.3
Tax on continuing operations	9	150.9	157.5
Excess contributions over pension service cost	19	(65.2)	(90.1)
<i>Changes in working capital and provisions</i>			
Decrease/(increase) in trade and other receivables		27.1	(18.0)
Decrease/(increase) in inventories		32.3	(143.9)
(Decrease)/increase in trade and other payables		(6.2)	20.2
Increase in provisions		16.3	6.0
Increase in share based payment liability	19	13.6	17.7
Other non cash charges		-	10.1
Tax paid		(189.3)	(78.8)
Net cash flows from operating activities		1,256.1	986.7
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		5.3	9.3
Increase in intercompany receivables		(322.2)	(405.0)
Purchase of property, plant and equipment		(591.1)	(717.2)
Acquisition of subsidiary net of cash acquired		(0.9)	(16.6)
Interest received	7	1.5	1.6
Net cash flows from investing activities		(907.4)	(1,127.9)
Cash flows from financing activities			
Interest paid	8	(73.2)	(84.7)
Increase in intercompany payables		106.7	211.6
Decrease in finance lease obligations	18	(1.6)	(1.3)
Dividend paid to non controlling interest		(6.0)	-
Net cash flow from financing activities		25.9	125.6
Net increase/(decrease) in cash and cash equivalents		374.6	(15.6)
Cash and cash equivalents at start of year		418.5	434.1
Cash and cash equivalents at end of year	16	793.1	418.5

Notes to the consolidated financial statements *(forming part of the financial statements)*

1 Accounting policies

General information

ASDA Group Limited (the "Company") is a company incorporated and domiciled in the UK under the Companies Act 2006 (registration number 1396513). The address of the registered office is ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD, UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as "the Group").

As described in the strategic report, the main activities of the Group are the retailing of food, clothing, home and leisure products and services throughout the United Kingdom and online.

Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of the Group for the year ended 31 December 2013 were authorised for issue by the directors on 19 June 2014 and the balance sheet was signed on behalf of the directors by A Russo.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"). The Company continues to prepare its company financial statements in accordance with UK GAAP; these are presented on pages 60-67.

Basis of preparation

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

The Group financial statements are presented in Sterling and all values are rounded to the nearest hundred thousand pounds except where otherwise stated.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments and new standards issued:

IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently. Items that could be reclassified to profit or loss subsequently are presented separately from items that will never be reclassified. The amendment is effective from 1 July 2012 and affects presentation only, it has no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised)

The amendments are wide and vary from removing the corridor mechanism as well as the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment is effective from 1 January 2013. See note 29 for the impact on the financial statements.

IAS 36 Impairment of Assets

The Group has early adopted the amendment to IAS 36 'Impairment of Assets' concerning recoverable amount disclosures. IAS 36 was amended in May 2013 to clarify certain disclosure requirements following the issue of IFRS 13 'Fair Value Measurement'.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Changes in accounting policies(continued)

IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. This standard became effective from 1 January 2013 and has had no impact on the Group's financial position or performance.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that are relevant to the Group are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 10 Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 has had no impact on the investments of the Group. This standard becomes effective from 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires entities to disclose information that around the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. This standard becomes effective from 1 January 2014 and has had no impact on the Group's financial position or performance.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces existing IFRS revenue recognition requirements in IAS 18 Revenue. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g. disposals of property, plant and equipment). The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Application is required for annual periods beginning on or after 1 January 2017. The group are currently assessing the impact of IFRS 15.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments are to the application guidance in IAS 32 and clarify the requirements for offsetting financial assets and financial liabilities. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the cash flow characteristics of the financial asset.

The first phase of IFRS 9, which addressed classification and measurement of financial assets was published in November 2009, and was subsequently amended in October 2010 and November 2013, to include classification and measurement requirements for financial liabilities and hedge accounting requirements. IFRS 9 does not currently have a mandatory effective date. A mandatory effective date will be set when the IASB completes the impairment phase of the project. However, the IASB has tentatively decided that the mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018. The Group will quantify the impact of IFRS 9 when the final standard, including all phases, is issued.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

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

Impairment of non-financial assets

Goodwill

The Group has significant carrying value of goodwill held within intangible assets on the balance sheet. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

The cash flows are derived from the budget for the next five years. The recoverable amount is most sensitive to the sales growth, operating costs, growth rate for extrapolated cash flows and the discount rate. The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are further explained in note 11.

Other

Additional judgements are made with regard to provisions for onerous leases (note 20). 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. Additional judgements are also made with regard to doubtful debt (note 15) and litigation. Judgement is applied in determining whether control exists over entities and the fair value of the assets and liabilities determined at the point control is achieved with their subsequent results consolidated into the financial statements (note 13).

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 19.

Share-based payment transactions

The Group 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 19.

Additional estimates and assumptions are made with regard to inventory net realisable values (note 14) and the likelihood that tax assets can be realised (note 21). Actual results may differ from these estimates.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

Basis of consolidation

Subsidiaries are all entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company. All intragroup balances and transactions, including unrealised profits arising from them, are eliminated.

Subsidiaries which the Group control but do not own are consolidated at carrying value, the difference between the carrying value and fair value of the assets and liabilities of these subsidiaries is not material. The carrying value of the non-controlling interests is recognised separately in equity and the profit attributable to non-controlling interests is disclosed separately within the consolidated income statement.

Business combinations and goodwill

Business combinations are accounted for under IFRS 3 (revised) '*Business Combinations*' using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in operating costs. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest is lower than the fair value of assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is measured in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit, or group of units, to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Foreign currency

The presentational currency of the Group is Sterling. The primary functional currency of the parent and subsidiary companies 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 income statement, except when hedge accounting is applied and differences are taken to other comprehensive income.

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 other comprehensive income. They are released into the income statement upon disposal.

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
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Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that had been revalued to fair value prior to 1 January 2004, the date of transition to adopted IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Items of property, plant and equipment under construction are valued at cost and not depreciated. Depreciation is charged from the date the assets are available for use.

Assets acquired by way of a finance lease are stated at an amount equal to lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	20 - 50 years
Properties held under finance leases and leasehold improvements	Shorter of 20 - 50 years or the lease period
Fixtures and equipment	3 - 20 years

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment (continued)

All property, plant and equipment are reviewed for impairment in accordance with IAS 36 '*Impairment of Assets*'.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent from those of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, 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.

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 and the arrangement conveys a right to use the asset.

Group as a lessee

Leases in which the Group 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 lower of the fair value and the present value, calculated using the interest rate implicit in the lease, of the minimum lease payments at inception of the lease with a corresponding liability as an obligation to pay future rentals. Lease payments are apportioned between the finance charge and the outstanding obligation so as to produce a constant rate of interest on the remaining balance of the liability.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Leases (continued)

Operating leases

Rental payments are taken to the income statement on a straight line basis over the life of the lease. Leases that contain predetermined fixed rental increases are accounted for such that the increases are recognised on a straight line basis over the life of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Prepaid operating leases are recognised on a straight line basis over the life of the lease.

Group as a lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their useful economic lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Financial instruments

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

Financial assets and liabilities

The Group classifies its financial assets and liabilities in the following categories: financial assets at fair value through profit and loss, loans and receivables, interest bearing loans and borrowings, derivatives designated as hedges and trade payables.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

All financial assets and liabilities are recognised initially at fair value. The Group assesses at each balance sheet date whether there is objective evidence that financial assets are impaired.

Financial assets and liabilities at fair value through profit and loss

Derivatives are categorised as held for trading unless they are designated as hedges. Gains or losses arising from changes in the fair value of the financial assets and liabilities at fair value through profit or loss are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables 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 receivables comprise cash and short-term deposits and trade and other receivables.

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 amortised cost using the effective interest method. Gains or losses arising on repurchase, settlement or cancellation of liabilities are recognised respectively in finance income or finance cost.

Offsetting of financial instruments

Financial assets and liabilities 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.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

Financial instruments (continued)

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.

Derivative financial instruments and hedging

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rate fluctuations.

Derivatives are stated at their fair value. The fair value of foreign currency derivative contracts is their market value at the balance sheet date. Market values are calculated using mathematical models and are based on the duration of derivative together with quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the nature of the risk being hedged and how effectiveness will be measured throughout its duration.

All of the Group's hedges are considered to be cash flow hedges, hedging exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised in profit and loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

If a forecast transaction is no longer expected to occur, the amounts previously recognised in equity are transferred to profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and are transferred to the income statement.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments. Refer to note 18 for further details.

Inventories

Inventories 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 inventories and bringing them to their existing location and condition. Inventories at retail outlets are valued at average cost prices.

Trade and other receivables

Trade and other receivables are stated at their original invoiced value (discounted if material) as reduced by appropriate allowances for estimated irrecoverable amounts. Impaired debts are derecognised when they are assessed as uncollectible.

Cash and short term deposits

Cash and short term deposits comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Trade and other payables

Trade and other payables, other than intercompany loans, are non-interest bearing and are stated at their nominal value.

Taxation

Taxation comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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 provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes except:

- the initial recognition of goodwill or of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The amount of deferred tax provided is measured on an undiscounted basis based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Borrowing costs

Borrowing costs are recognised in the Group's income statement 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.

Pensions and other post employment benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

The Group'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.

Actuarial gains and losses are recognised in full in the statement of other comprehensive income in the period in which they occur.

The Group is subject to minimum funding requirements in the UK and does not have an unconditional right to a refund of a surplus. This results in an obligation which is recognised as an additional liability and a reduction to other comprehensive income.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Revenue recognition

Revenue represents sales to customers through retail outlets and online, excluding value added tax. Revenue is recognised net of intragroup 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 rental income.

Interest and dividend income

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Supplier income

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

Share-based payments

For all liabilities arising from share-based payment arrangements the Group has applied IFRS 2 '*Share-Based Payments*'.

The share option programme allows Group employees to acquire shares of the ultimate parent company; these awards are granted by the Group. 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 remeasured at each balance sheet date and at settlement date and any changes in fair value are recognised in the income statement during the vesting period. These share based payment transactions are considered as cash settled.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Contingent liabilities

The Group may, from time to time, be subject to legal proceedings. The Group records a liability with respect to these matters, as appropriate, which are then reflected in the financial statements. Where a liability is not probable or the amount cannot be reasonably estimated a liability is not recognised. However, where a liability is possible and may be material, such matters are disclosed as contingent liabilities.

2 Segment reporting

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

In line with the Group's reporting framework and management structure, key operating decisions are made by the Executive Board which is considered to be the Chief Operating Decision Maker for the Group. All significant revenue is generated by the sale of goods through retail outlets in the UK. The operations of all product areas of the business are subject to similar economic characteristics and are sold in a similar retail environment.

The Group has taken these factors into account together with the core principals of IFRS 8 in determining that it has a single reportable operating segment.

Notes to the consolidated financial statements (*continued*)

2 Segment reporting (*continued*)

Revenue for the year is as follows:

	Year Ended 31 December 2013 £m	Year Ended 31 December 2012 £m
Sale of goods	20,636.5	20,247.6
Fuel	2,688.7	2,595.8
Total revenue	<u>23,325.2</u>	<u>22,843.4</u>

After excluding revenue on fuel, like-for-like sales growth is 0.6% in 2013 (2012: 1.0%) excluding VAT. Like-for-like sales is a measure of year on year sales growth (excluding VAT and fuel) for stores open for more than 1 year.

3 Operating costs

The operating profit from continuing operations is stated after (charging)/crediting the following:

	Year Ended 31 December 2013 £m	Year Ended 31 December 2012 £m
Cost of inventories recognised as an expense	(17,309.8)	(16,980.2)
Cost of inventories written off in the year	(398.2)	(397.8)
Employment costs (<i>note 5</i>)	(2,506.0)	(2,464.7)
Amortisation of intangible assets (<i>note 11</i>)	(1.7)	(1.6)
Depreciation (<i>note 10</i>)		
- Owned assets	(401.7)	(395.2)
- Assets held under finance leases	(1.9)	(1.9)
Operating lease expense		
- Plant and equipment	(48.1)	(49.1)
- Property	(102.1)	(89.8)
Rental income	47.7	44.1
Loss on sale of property, plant and equipment	(11.6)	(18.3)
Impairment of property, plant and equipment	(14.8)	(3.0)
License fees paid to fellow subsidiary of ultimate parent company (<i>note 27</i>)	(13.3)	(11.8)

4 Auditors' remuneration

	Year Ended 31 December 2013 £m	Year Ended 31 December 2012 £m
<i>Within operating costs:</i>		
Fees payable to company's auditor for the audit of parent company and consolidated financial statements	<u>0.3</u>	<u>0.3</u>

Notes to the consolidated financial statements (*continued*)

5 Employee numbers and costs

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

	Number of employees	
	Year Ended 31 December 2013	Year Ended 31 December 2012
<i>Total</i>		
ASDA - Retail & Distribution	173,152	175,015
- Home offices	4,258	3,777
	<u>177,410</u>	<u>178,792</u>
<i>Full time equivalents</i>		
ASDA - Retail & Distribution	113,688	111,517
- Home offices	4,142	3,664
	<u>117,830</u>	<u>115,181</u>

The aggregate payroll costs of these people were as follows:

	Year Ended 31 December 2013 £m	Year Ended 31 December 2012 £m
Wages and salaries	2,244.3	2,176.1
Share-based payments charge	62.9	105.9
Social security costs	127.9	124.5
Other pension costs	70.9	58.2
	<u>2,506.0</u>	<u>2,464.7</u>

Other pension costs comprise the cost of the defined contribution schemes. All pension related costs and income are disclosed in note 19.

6 Directors' remuneration

The total remuneration during the year is as follows:

	Year Ended 31 December 2013 £'000	Year Ended 31 December 2012 £'000
Directors' remuneration	<u>6,898</u>	<u>6,099</u>
Share-based payments	<u>2,525</u>	<u>3,118</u>
Post employment benefits	<u>-</u>	<u>-</u>

Notes to the consolidated financial statements *(continued)*

6 Directors' remuneration *(continued)*

	Year Ended 31 December 2013 number	Year Ended 31 December 2012 number
Number of directors who were active members of the defined benefit scheme during the year	-	-
Number of directors who exercised share options	8	6
Number of directors entitled to receive shares under long term incentive schemes	10	10
Amounts in respect of the highest paid director are as follows:		
	£'000	£'000
Total remuneration excluding pensions	1,765	1,802
Total share-based payments	1,148	1,910
Total accrued pension at the year end	25	44

Included within the remuneration totals above are emoluments and short term benefits in respect of the following directors, which are in respect of their services to the Broadstreet Great Wilson Europe Group (the ultimate parent company for the UK) as a whole: R Mayfield, J J McKenna, A Clarke, A J Moore, K Hubbard, H Tatum, E Doohan, M Ibbotson, BPI Williams and S Smith. It is not possible to allocate their remuneration to individual companies within the Group. Remuneration is impacted by timing of appointment and resignation of directors.

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

7 Financial income

	Year Ended 31 December 2013 £m	Year Ended 31 December 2012 £m <i>restated</i>
Bank interest receivable	1.5	1.6
Financial income	1.5	1.6

Notes to the consolidated financial statements *(continued)*

8 Financial costs

	Year Ended 31 December 2013 £m	Year Ended 31 December 2012 £m <i>restated</i>
Interest payable on bonds - paid to fellow group undertakings	(9.9)	(9.9)
External interest payable	(0.4)	(0.3)
Net interest payable on amounts owed to group undertakings	(58.6)	(70.3)
Finance lease interest	(4.3)	(4.2)
Interest capitalised	8.0	6.4
Net interest cost on pension scheme <i>(note 19)</i>	(16.4)	(19.0)
	<hr/>	<hr/>
Financial costs	(81.6)	(97.3)
	<hr/>	<hr/>

9 Income tax expense

Recognised in the income statement

	Year Ended 31 December 2013 £m	Year Ended 31 December 2012 £m <i>restated</i>
Current tax		
UK corporation tax on profit for the year	191.8	193.4
Adjustments in respect of prior periods	(4.0)	(1.0)
	<hr/>	<hr/>
Current tax charge for the year	187.8	192.4
	<hr/>	<hr/>

The current tax prior period adjustment relates to the finalisation of group relief balances.

Deferred tax

Origination and reversal of temporary differences	(18.3)	(23.9)
Adjustment in respect of prior periods	(3.6)	1.4
Adjustment arising from change in tax rate	(20.7)	(14.9)
Reduction in deferred tax asset relating to pension obligation	5.7	2.5
	<hr/>	<hr/>
	(36.9)	(34.9)
	<hr/>	<hr/>
Total tax charge for the year	150.9	157.5
	<hr/>	<hr/>

Notes to the consolidated financial statements (*continued*)

9 Income tax expense (*continued*)

Reconciliation of effective tax rate

A reconciliation of the total tax charge compared to the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%) applied to the profit on ordinary activities before tax is as follows:

	Year Ended 31 December 2013 £m	Year Ended 31 December 2012 £m <i>restated</i>
Profit before tax	913.8	745.2
Tax using the UK corporation tax rate of 23.25% (2012: 24.5%)	212.5	182.6
(Income not taxable)/Non-deductible expenses	(12.2)	(1.4)
Non-qualifying depreciation	19.7	25.9
Loss on non-qualifying fixed assets	2.9	1.1
Group relief not paid for	(43.9)	(44.1)
Share Options costs	0.7	8.3
Adjustments in respect of prior periods	(7.6)	0.3
Change in tax rate	(20.7)	(14.9)
Other	(0.5)	(0.3)
Total tax charge for the year	150.9	157.5

The standard rate of corporation tax in the United Kingdom for the year is 23.25% (2012: 24.5%). The Finance Act 2012 received Royal Assent on 17 July 2012 and enacted a reduction in the main rate of corporation tax to 24% with effect from 1 April 2012 and to 23% from 1 April 2013.

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

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

Notes to the consolidated financial statements *(continued)*

9 Income tax expense *(continued)*

Tax relating to components of the consolidated statement of comprehensive income

	Year Ended 31 December 2013 £m	Year Ended 31 December 2012 £m <i>restated</i>
Current tax (credit)/charge on:		
Pensions	(5.6)	(14.9)
Cash flow hedges	1.5	(1.2)
Deferred tax (credit)/charge on:		
Pensions	13.6	13.9
Cash flow hedges	(4.7)	(4.7)
Total tax on items credited to consolidated statement of comprehensive income	4.8	(6.9)

Tax on items credited directly to the consolidated statement of changes in equity

	Year Ended 31 December 2013 £m	Year Ended 31 December 2012 £m
Current tax credit on:		
Share-based payments	(0.4)	-
Deferred tax credit on:		
Share-based payments	(0.1)	(0.2)
Total tax on items credited to consolidated statement of changes in equity	(0.5)	(0.2)

Notes to the consolidated financial statements (continued)

10 Property, plant and equipment

	Freehold properties £m	Finance leases & leasehold improvements £m	Plant, equipment, fixtures & fittings £m	Assets under construction £m	Total £m
Cost					
Balance at 1 January 2012	7,952.2	695.8	2,365.4	264.1	11,277.5
Additions at cost and transfers from assets under construction	448.0	3.5	234.7	18.1	704.3
Disposals	(39.0)	(10.7)	(103.9)	-	(153.6)
Transfers	(20.6)	20.6	-	-	-
Balance at 31 December 2012	8,340.6	709.2	2,496.2	282.2	11,828.2
Balance at 1 January 2013	8,340.6	709.2	2,496.2	282.2	11,828.2
Additions at cost and transfers from assets under construction	289.9	-	259.3	71.0	620.2
Disposals	(31.3)	(0.6)	(91.0)	-	(122.9)
Transfers	(3.9)	3.9	-	-	-
Balance at 31 December 2013	8,595.3	712.5	2,664.5	353.2	12,325.5
Accumulated depreciation and impairment					
Balance at 1 January 2012	1,193.8	312.0	1,544.2	-	3,050.0
Depreciation charge for the year	149.2	34.0	213.9	-	397.1
Disposals	(11.8)	(3.4)	(107.8)	-	(123.0)
Transfers	0.3	(0.3)	-	-	-
Balance at 31 December 2012	1,331.5	342.3	1,650.3	-	3,324.1
Balance at 1 January 2013	1,331.5	342.3	1,650.3	-	3,324.1
Depreciation charge for the year	170.7	26.8	206.1	-	403.6
Disposals	(2.5)	(0.4)	(88.4)	-	(91.3)
Transfers	-	-	-	-	-
Balance at 31 December 2013	1,499.7	368.7	1,768.0	-	3,636.4
Net book value					
At 31 December 2012	7,009.1	366.9	845.9	282.2	8,504.1
At 31 December 2013	7,095.6	343.8	896.5	353.2	8,689.1

Notes to the consolidated financial statements *(continued)*

10 Property, plant and equipment *(continued)*

The cumulative amount of capitalised interest included in the cost of fixed assets is £257.2m (2012: £249.2m). Details of interest capitalised during the year are given in note 8.

Properties held under finance leases have the following net book values:

	2013 £m	2012 £m
Cost	72.7	72.7
Depreciation	(14.7)	(12.8)
Net book value	58.0	59.9

11 Intangible assets

	Brands £m	Goodwill £m	Total £m
Cost			
At 1 January 2012	33.3	482.3	515.6
Acquisitions of subsidiary (note 13)	-	17.0	17.0
At 31 December 2012	33.3	499.3	532.6
At 1 January 2013	33.3	499.3	532.6
Addition of ASDA Direct domain name	0.2	-	0.2
Acquisitions of subsidiary (note 13)	-	2.2	2.2
At 31 December 2013	33.5	501.5	535.0
Amortisation			
At 1 January 2012	11.2	-	11.2
Amortisation during the year	1.6	-	1.6
At 31 December 2012	12.8	-	12.8
At 1 January 2013	12.8	-	12.8
Amortisation during the year	1.7	-	1.7
At 31 December 2013	14.5	-	14.5
Net book value at 31 December 2012	20.5	499.3	519.8
Net book value at 31 December 2013	19.0	501.5	520.5

The George brand is being amortised on a straight line basis over its estimated useful life of 20 years (12 years remaining). The ASDA direct domain name is being amortised on a straight line basis over its estimated useful life of 2 years (1 year remaining).

Notes to the consolidated financial statements (*continued*)

11 Intangible assets (*continued*)

See business combinations (note 13) for detail of goodwill arising on acquisition of subsidiaries during 2013 and 2012. As at 31 December 2013, goodwill has been tested for impairment as follows.

Impairment testing of goodwill

Netto Acquisition

Goodwill of £482.3m arose on the acquisition of Netto Foodstores Limited on 13 April 2011. This has been tested for impairment as at 31 December 2013 by allocating to the chain of converted Netto stores along with other related assets. This represents the lowest level to which management monitors goodwill.

The recoverable amount is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. This is the period to which specific reliable forecasts have been made. The pre-tax discount rate applied to the cash flow projections is 11% and the growth rate used to extrapolate the cash flows beyond specific forecast period is 3.0%.

The calculation of value in use is most sensitive to the assumptions of sales growth, operating costs, growth rate used to extrapolate cash flows beyond the initial forecast period and the discount rate.

Sales growth - sales expectations are initially formed based on sales achieved by the Netto chain since acquisition and sales in existing stores of similar sizes. The forecast then maps the growth profile to that expected based on historic growth levels seen by the Group.

Operating costs - some costs are directly attributable to individual stores. Other costs derive from central or shared costs for the whole Group and must be allocated to the chain on a reasonable basis. Operating cost forecasts for the Netto chain reflects that experienced since acquisition and existing similar stores from 2011 to 2013 extrapolated as a proportion of sales.

Growth rate used to extrapolate cash flows beyond the initial forecast period - long term growth rate forecasts are based on long term economic GDP growth forecasts for the UK.

Discount rate - the pre tax discount rate used in calculating the value in use represents an assessment of the rate of return a market participant would expect for an equally risky investment. This has been calculated by estimating the weighted average costs of capital of other likely acquirers as well as that of the Group.

Sensitivity to changes in assumptions

With regard to the assessment of value in use, based upon calculations performed, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the chain of Netto stores to materially exceed its recoverable amount.

Turkmen Tedarik Hizmetleri Acquisition

Goodwill of £17.0m arose on the acquisition of Turkmen Tedarik Hizmetleri on 26 April 2012 (note 13). This has been tested for impairment as at 31 December 2013 by assessing the present value of forecasted cash savings arising from the synergies achieved as a result of the acquisition. Goodwill is allocated to a single cash generating unit, being the acquired sourcing company.

The recoverable amount is determined based on a value in use calculation using cashflow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to the cashflow projections is 11% and the growth rate used to extrapolate the cashflows beyond specific forecast period is 3.0%.

The calculation of value in use is most sensitive to the assumptions of growth rate used to extrapolate cash flows beyond the initial forecast period and the discount rate.

Notes to the consolidated financial statements *(continued)*

11 Intangible assets *(continued)*

Growth rate used to extrapolate cash flows beyond the initial forecast period - long term growth rate forecasts are based on long term economic GDP growth forecasts for the UK.

Discount rate - the pre tax discount rate used in calculating the value in use represents an assessment of the rate of return a market participant would expect for an equally risky investment. This has been calculated by estimating the weighted average costs of capital of other likely acquirers as well as that of the Group.

Sensitivity to changes in assumptions

With regard to the assessment of value in use, based upon calculations performed and sensitivity analysis undertaken, management believe the carrying value of goodwill associated with the acquisition is not impaired.

12 Operating lease prepayments

	2013 £m	2012 £m
Operating lease prepayments - current	1.9	1.9
- non-current	120.5	122.4
	<hr/>	<hr/>
	122.4	124.3
	<hr/>	<hr/>

Notes to the consolidated financial statements *(continued)*

13 Business combinations

Acquisition of Vinpack

On 8 January 2013, the Group acquired 100% of the ordinary share capital of Vinpack, a contract bottling company based in the UK. This business combination enabled the Group to integrate the operations in order to provide a comprehensive packing and bottling solution.

The following table summarises the consideration paid for Vinpack Limited and the fair value of assets acquired and the liabilities assumed at the acquisition date:

Purchase consideration at 8 January 2013	£m
Total consideration	2.0
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash at bank and in hand	1.1
Tangible fixed assets	3.7
Trade and other creditors	(5.0)
Total identifiable net liabilities	(0.2)
Goodwill	2.2
Analysis of cash flows on acquisition	
Consideration paid (included in cash flows from investing activities)	(2.0)
Net cash acquired with the subsidiary (included in cashflows from investing activities)	1.1
Net cash flow on acquisition	(0.9)

The goodwill derives from buying synergies as a result of the acquisition. No other separate intangibles were identified requiring recognition under IAS 38. None of the goodwill recognised is expected to be deductible for income tax purposes.

No external post acquisition revenue is attributable to the acquired business as all sales are with other Group companies. Similarly, had the acquisition taken place on 1 January 2013, there would be no additional revenue earned by the Group.

Notes to the consolidated financial statements (*continued*)

13 Business combinations (*continued*)

Acquisition of Turkmen Tedarik Hizmetleri

In the prior year, on 26 April 2012, the Group acquired 100% of the voting shares of Turkmen Tedarik Hizmetleri, a clothing sourcing company based in Turkey. The acquisition will help the Group extend its sourcing capabilities and reduce lead times enabling a quicker reaction to changes in the market.

The following table summarises the consideration paid for Turkmen Tedarik Hizmetleri and the fair value of assets acquired and the liabilities assumed at the acquisition date.

Purchase consideration at 26 April 2012	£m
Total consideration	17.5
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	0.9
Property, plant and equipment	0.2
Trade and other payables	(0.6)
Total identifiable net assets	0.5
Goodwill (note 11)	17.0

The goodwill derives from buying synergies as a result of the acquisition. No other separate intangibles were identified requiring recognition under IAS 38 "*Intangible Assets*". None of the goodwill recognised is expected to be deductible for income tax purposes.

No external post acquisition revenue is attributable to the acquired business as the purpose of the acquisition was to transform the supply chain and extend sourcing capabilities. Similarly, had the acquisition taken place on 1 January 2012, there would be no additional revenue earned by the Group.

Notes to the consolidated financial statements *(continued)*

14 Inventories

	2013 £m	2012 £m
Goods held for resale	1,125.5	1,157.4
Goods not held for resale	1.9	2.3
	<u>1,127.4</u>	<u>1,159.7</u>

15 Trade and other receivables

	2013 £m	2012 £m
Trade receivables	136.2	129.8
Provision for doubtful debts	(7.2)	(10.5)
Other receivables	76.5	78.9
Prepayments and accrued income	67.6	102.0
	<u>273.1</u>	<u>300.2</u>
Amounts owed by group entities	<u>2,119.2</u>	<u>1,797.0</u>

Trade receivables are non-interest bearing and are generally on 30-90 day terms. As at 31 December 2013, trade receivables at nominal value of £7.2m (2012: £10.5m) were impaired and fully provided for on the basis of the age of the debt and estimated ability of the customer to make payment. Movements in the provision for doubtful debts in the year were as follows:

	2013 £m	2012 £m
At 1 January	10.5	11.3
Net charge for the year	3.0	2.4
Provision utilised	(6.3)	(3.2)
At 31 December	<u>7.2</u>	<u>10.5</u>

There are no issues regarding the recoverability of amounts owed by Group entities.

Notes to the consolidated financial statements (*continued*)

15 Trade and other receivables (*continued*)

As at 31 December 2013, the analysis of trade receivables that were not impaired was as follows:

	2013 £m	2012 £m
Neither past due nor impaired	112.1	106.3
Up to 3 months past due	16.9	13.1
	<u>129.0</u>	<u>119.4</u>

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. As at 31 December 2013, trade receivables that were neither past due nor impaired related to a number of independent customers for whom there is no history of default.

The allowance for doubtful debt assumes VAT in relation to the impaired balances will be fully recoverable.

16 Cash and short term deposits

	2013 £m	2012 £m
Cash and short term deposits	<u>793.1</u>	<u>418.5</u>

17 Trade and other payables

	2013 £m	2012 £m
Trade payables	2,003.6	1,934.5
Other taxes and social security	188.8	192.1
Other payables	147.5	149.2
Accrued expenses	602.5	632.6
	<u>2,942.4</u>	<u>2,908.4</u>
Amounts owed to group entities	<u>2,969.3</u>	<u>2,862.6</u>

The Group 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 Group's policy to abide by these terms when satisfactory invoices have been received.

For terms and conditions relating to amounts owed to related parties, refer to note 27.

Notes to the consolidated financial statements (*continued*)

18 Financial instruments

As at 31 December 2013 and 31 December 2012, all borrowings were in Sterling at fixed rates of interest. The finance lease obligations are carried at amortised cost, which is considered to approximate to fair value. The weighted average interest rate of fixed rate debt is 6.7% (2012: 6.7%).

Amounts owed to fellow subsidiaries are included in trade and other payables within note 17. Details of obligations under finance leases are included in note 24.

On 17 July 1998, the Group issued £150.0m of unsecured 6 5/8 % Eurobonds at 99.441% of nominal value redeemable at par on 17 July 2015 unless previously redeemed at the Group's request, at the higher of the principal amount or a price calculated to provide a yield equal to that earned on 8% Treasury Stock 2015.

On 17 September 2007, all of the outstanding Eurobonds issued by the Group were officially migrated from the Main Market to the Professional Securities Market of the London Stock Exchange.

The 2015 Eurobond is denominated in Sterling and carried at amortised cost. Its fair value as at 31 December 2013 was £173.1m (2012: £182.9m). The Eurobonds bear fixed interest, payable annually in arrears.

	2013 £m	2012 £m
<i>Current liabilities</i>		
Current portion of finance lease liabilities	1.6	1.4
	<hr/>	<hr/>
<i>Non-current liabilities</i>		
Eurobonds	149.2	149.2
Non-current portion of finance lease liabilities	33.4	35.2
	<hr/>	<hr/>
	182.6	184.4
	<hr/>	<hr/>

Fair values of financial assets and financial liabilities

The Group's principal financial instruments during the year comprised cash, cash equivalents and borrowings. Other financial assets and liabilities, such as trade receivables, trade payables, and accruals arise directly from the Group's operating activities. The difference between the carrying value and the fair value of these financial instruments is not material. Derivatives designated as hedges are included at the fair value of the financial instrument.

In the valuation of financial instruments during the year ended 31 December 2013 the Group 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:

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

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

Notes to the consolidated financial statements (*continued*)

18 Financial instruments (*continued*)

Fair values of financial assets and financial liabilities (continued)

Trade and other receivables, trade and other payables – the fair value of trade and other receivables and trade and other payables is measured as the estimated carrying value of contractual future cash flows.

Derivatives designated as hedges – derivatives designated as hedges are measured at fair value by estimating the future settlement rates of forward contracts entered into.

IFRS 7 requires an analysis of financial instruments carried at fair value, by valuation method. All financial instruments carried at fair value within the Group are categorised as Level 2 instruments.

Financial risk management

The treasury function manages the Group's financial risk, considering its borrowings and exposure to foreign currency fluctuations. The Group finances its operations through intercompany borrowings and Eurobonds which were issued a number of years ago and substantially held within the Wal-Mart group. The Group 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 Group's long term borrowings are at fixed interest rates, through the issue of Eurobonds which are listed on the Professional Securities Market of the London Stock Exchange, with the majority being held by Wal-Mart group companies. As interest rates are fixed on all of the Group's long term debt, interest rate movements would not have an impact on profitability, cash flow or equity.

The Group's short term borrowings are all held with entities which are part of the Wal-Mart group and are at variable rates of interest. Amounts owed to fellow subsidiaries (note 17) attract interest at an effective rate of 5.4% - 6% (2012: 6%).

It is anticipated that a 1% movement in interest rates, which represents management's assessment of a reasonably possible change, would give rise to a decrease/increase in net profitability of £nil (2012: £0.2m). The Group did not undertake any short term borrowings with entities which form part of the Wal-Mart group during the year therefore was not exposed to any variable interest rates on borrowing during the year.

Notes to the consolidated financial statements (continued)

18 Financial instruments (continued)

The disclosures below exclude short term receivables and payables which are primarily of a trading nature and expect to be settled within normal commercial terms.

Terms and debt repayment schedule as at 31 December 2013:

	Effective interest rate %	Total £m	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5+ years £m
Eurobonds 2015	6.6	149.2	-	149.2	-	-	-	-
Finance lease obligations		35.0	1.6	1.8	2.1	2.4	2.8	24.3
		<u>184.2</u>	<u>1.6</u>	<u>151.0</u>	<u>2.1</u>	<u>2.4</u>	<u>2.8</u>	<u>24.3</u>

See note 24 for further information relating to the present value of finance lease obligations.

Amounts owed to fellow UK group companies:

Loans from Corinth Investments Limited	6%	1,034.9	1,034.9	-	-	-	-	-
Loans from Broadstreet Great Wilson Europe Limited	6%	328.6	328.6	-	-	-	-	-
Loans from Wal-Mart LN (UK) Limited	6%	1,478.7	1,478.7	-	-	-	-	-
		<u>2,842.2</u>	<u>2,842.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Terms and debt repayment schedule as at 31 December 2012:

	Effective interest rate %	Total £m	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5+ years £m
Eurobonds 2015	6.6	149.2	-	-	149.2	-	-	-
Finance lease obligations		36.6	1.4	1.6	1.9	2.1	2.4	27.2
		<u>185.8</u>	<u>1.4</u>	<u>1.6</u>	<u>151.1</u>	<u>2.1</u>	<u>2.4</u>	<u>27.2</u>

Amounts owed to fellow UK group companies:

Loans from Corinth Investments Limited	6%	972.8	972.8	-	-	-	-	-
Loans from Broadstreet Great Wilson Europe Limited	6%	366.4	366.4	-	-	-	-	-
Loans from Wal-Mart LN (UK) Limited	6%	1,516.2	1,516.2	-	-	-	-	-
		<u>2,855.4</u>	<u>2,855.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the consolidated financial statements (*continued*)

18 Financial instruments (*continued*)

Foreign currency risk

The Group purchases goods and services denominated in currencies other than Sterling. Cash flows can be affected by movements in exchange rates, primarily US Dollars, Euros, Australian Dollars and HK Dollars. Purchases in US Dollars are managed through the use of forward contracts.

The Group implemented hedge accounting during the year ended 31 December 2010. The Group has forward currency hedging contracts outstanding at 31 December 2013, designated as hedges of expected future purchases from suppliers in US dollars. The forward currency contracts are being used to hedge the foreign currency risk of the future purchases. The terms of the forward currency hedging contracts have been negotiated to match the terms of the commitments and none exceed a period of more than 12 months after the 31 December 2013. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss.

The cash flow hedges of the expected future purchases were assessed to be highly effective and as at 31 December 2013, a net unrealised loss of £25.0m (2012: £10.7m) was included in the hedging reserve in respect of hedging contracts. The net loss recognised in other comprehensive income during the year in respect of these hedging contracts was £14.3m (2012: £15.8m).

As the Group manages its foreign currency exposure through the use of forward currency contracts, changes in exchange rates are not expected to have a significant impact on profitability or cash flow. It is anticipated that a 5% movement in the US dollar/Sterling exchange rate, which represents management's assessment of a reasonably possible change, would give rise to a decrease/increase in equity of £45.9m (2012: £31.9m). There would be no impact on profit from this movement.

Credit risk

There are no significant concentrations of the credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date. See note 15 for further information on trade receivables.

The Group has established procedures to minimise the risk of default by trade debtors including detailed credit checks undertaken before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

Liquidity risk

The Group's treasury function ensures that the Group continues to have sufficient funding by monitoring rolling forecasts of the Group's cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short term borrowings and intercompany balances. At 31 December 2013, the Group had no short term borrowings. The Group's long term debt comprises the Eurobonds which are redeemable in 2015.

As at 31 December 2013, the Group held cash of £793.1m (2012: £418.5m), utilised along with overdrafts where necessary, to secure short term flexibility. At 31 December 2013, the Group had uncommitted overdraft facilities of £30.0m (2012: £30.0m), standby credit facilities (including bonds and guarantees) of £133.4m (2012: £151.3m) and uncommitted line of credit facilities of £250.0m (2012: £250.0m). Cash is placed on short term deposit wherever possible.

The following table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. The disclosed financial derivative instruments are the gross undiscounted cash flows. However, these amounts may be settled gross or net.

Notes to the consolidated financial statements *(continued)*

18 Financial instruments *(continued)*

	Within 1 year £m	Between 1 and 5 years £m	After 5 years £m	Total £m
Year ended 31 December 2013				
Eurobonds	9.9	159.9	-	169.8
Finance lease obligations	5.7	22.8	42.0	70.5
Financial derivatives	631.0	-	-	631.0
Trade and other payables	2,942.4	-	-	2,942.4
Amounts owed to fellow UK group companies	2,842.2	-	-	2,842.2
Amounts owed to fellow subsidiaries of ultimate parent company	127.1	-	-	127.1
	<u>6,558.3</u>	<u>182.7</u>	<u>42.0</u>	<u>6,783.0</u>
Year ended 31 December 2012				
Eurobonds	9.9	169.8	-	179.7
Finance lease obligations	5.7	22.8	47.9	76.4
Financial derivatives	468.2	-	-	468.2
Trade and other payables	2,908.4	-	-	2,908.4
Amounts owed to fellow UK group companies	2,855.4	-	-	2,855.4
Amounts owed to fellow subsidiaries of ultimate parent company	7.2	-	-	7.2
	<u>6,254.8</u>	<u>192.6</u>	<u>47.9</u>	<u>6,495.3</u>

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. In order to maintain or adjust the capital structure, the Group may adjust the amount of intercompany loans payable or receivable to/from the Wal-Mart group of companies. There were no changes to the Group's approach to capital management during the year. Full details of the Group's approach to capital management and how the Group define capital is provided on page 3.

Full details of the amount of intercompany loans payable or receivable to/from the Wal-Mart group of companies is disclosed in note 27.

19 Employee benefits

	2013 £m	2012 £m
Present value of funded defined benefit obligations	(1,769.1)	(1,710.1)
Effect of minimum funding requirement	(270.9)	(176.4)
Fair value of plan assets	1,734.6	1,530.1
	<hr/>	<hr/>
Recognised liability for defined benefit obligations	(305.4)	(356.4)
Cash-settled share-based payment transactions liability - non-current	(38.8)	(42.1)
	<hr/>	<hr/>
Total non-current employee benefits liability	(344.2)	(398.5)
Cash-settled share-based payment transactions liability - current	(63.6)	(46.7)
	<hr/>	<hr/>
Total employee benefits liability	(407.8)	(445.2)
	<hr/> <hr/>	<hr/> <hr/>

Pension plans

Total costs charged to the income statement in respect of employee benefits:

	2013 £m	2012 £m restated
Wages and salaries	2,244.3	2,176.1
Share-based payments charge	62.9	105.9
Social security costs	127.9	124.5
	<hr/>	<hr/>
Total cost before pension costs	2,435.1	2,406.5
	<hr/> <hr/>	<hr/> <hr/>
Defined benefit pension scheme		
Net interest on pension scheme	16.4	19.0
	<hr/>	<hr/>
Total defined benefit scheme loss	16.4	19.0
Cost of defined contribution schemes	70.9	58.2
	<hr/>	<hr/>
Total pension expense	87.3	77.2
	<hr/> <hr/>	<hr/> <hr/>
Total employee benefit expense	2,522.4	2,483.7
	<hr/> <hr/>	<hr/> <hr/>

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Pension plans *(continued)*

The Group operates two defined contribution pension plans: one trust based, and one contract based. The assets of the contract based defined contribution plan are invested with the Prudential Life Assurance Company. The assets of the trust based defined contribution plan are held by both the Legal & General Assurance Society Ltd and the Prudential Life Assurance Company. The defined contribution plans are the only pension arrangements open to current colleagues.

The Group also operates two defined benefit plans in the UK (one funded and one unfunded) which are closed to future accrual. With effect from 12 February 2011, the link between past service benefits and future salary increases was removed. The level of benefits provided depends on members' length of service and their salary at the point of leaving the scheme. The assets of the defined benefit pension schemes 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 Group's assets. In the case of the funded scheme, the Trustees invest in a range of assets that aim to hedge movements in a proportion of the liabilities, including bonds and derivatives. The Trustees and Company agreed a de-risking plan in 2011 whereby the proportion of scheme assets invested in liability hedging assets will increase over the period to 2021.

Responsibility for governance of the plans – including investment decisions and contribution schedules – lies with the board of trustees. 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.

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

A schedule of contributions is in place between the Group and scheme trustees in order to pay down the deficit. Under IFRIC 14 this is considered to be a minimum funding requirement (also known as a statutory funding objective). At the current year end the present value of the contributions payable to meet Statutory Funding Objective requirements exceeds the pension scheme net liability which indicates that in future the scheme would go into a surplus. As the scheme rules do not provide the Group with an unconditional right to a refund in the event of a surplus, under the requirements of IFRIC 14 the minimum funding requirement creates an obligation which is recognised as an additional liability of £270.9m.

The pension cost relating to the defined benefit pension scheme is assessed in accordance with the advice of an independent qualified actuary who conducted a full triennial actuarial valuation as at 5 April 2010 and updated the results of this valuation in accordance with IAS 19 'Employee Benefits' for the year ended 31 December 2013, the results of which are yet to be finalised. Funding levels are monitored on a regular basis in between triennial valuations.

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 23 years (2012: 23 years) although the benefits payable by the pension scheme are expected to be paid over more than 80 years.

The Group has adopted International Financial Reporting Standard – International Accounting Standard 19 (IAS 19 R) on 1 January 2013. Refer to note 29 for details of the impact of IAS 19 R.

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Pension plans *(continued)*

Movements in present value of defined benefit obligation:

	2013 £m	2012 £m restated
At 1 January	(1,710.1)	(1,610.0)
Interest expense	(76.1)	(75.0)
Remeasurements:		
Effect of changes in demographic assumptions	11.5	(20.7)
Effect of changes in financial assumptions	(43.8)	(40.3)
Effect of experience adjustments	8.1	0.2
Benefits paid	41.3	35.7
	<hr/>	<hr/>
At 31 December	(1,769.1)	(1,710.1)
	<hr/>	<hr/>

Movements in fair value of plan assets:

	2013 £m	2012 £m restated
At 1 January	1,530.1	1,399.9
Interest income	69.5	66.6
Contributions by employer	65.2	90.1
Benefits paid	(41.3)	(35.7)
Administrative expenses paid	(1.8)	(1.7)
Remeasurements:		
Return on plan assets excluding interest income	112.9	10.9
	<hr/>	<hr/>
At 31 December	1,734.6	1,530.1
	<hr/>	<hr/>

Amounts recognised in the consolidated income statement:

	2013 £m	2012 £m restated
Interest expense on defined benefit pension plan obligation	(76.1)	(75.0)
Interest income on plan assets	69.5	66.7
Interest expense on effect of asset onerous liability	(8.0)	(9.0)
Administrative expenses and taxes	(1.8)	(1.7)
	<hr/>	<hr/>
Total income statement charge	(16.4)	(19.0)
	<hr/>	<hr/>

The defined benefit pension scheme gain is recognised in financial costs in the consolidated income statement.

Notes to the consolidated financial statements (*continued*)

19 Employee benefits (*continued*)

Pension plans (*continued*)

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

The Group operates two defined contribution pension plans. There were no unpaid contributions outstanding at the current or prior year end for the defined contribution schemes. The charge for the year for the defined contribution schemes is £70.9m (2012: £58.2m).

The amounts charged/(credited) in the statement of other comprehensive income in the year were:

	2013 £m	2012 £m restated
Remeasurements recognised to other comprehensive income		
Effect of changes in demographic assumptions	11.5	(20.7)
Effect of changes in financial assumptions	(43.8)	(40.3)
Effect of experience adjustments	8.1	0.2
Return on plan assets excluding interest income	112.9	10.9
Changes in onerous liability excluding interest income	(86.5)	22.5
	<hr/>	<hr/>
Total remeasurements recognised in the statement of comprehensive income	2.2	(27.4)
	<hr/>	<hr/>

The fair value of the plan assets were as follows:

	2013 £m			2012 £m		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Cash and cash equivalents	-	50.9	50.9	-	78.5	78.5
Equity securities	416.3	283.5	699.8	438.1	197.0	635.1
Debt securities	480.8	139.0	619.8	375.0	117.5	492.5
Property	-	138.4	138.4	-	113.4	113.4
Investment funds	-	200.8	200.8	28.8	175.2	204.0
Other	-	24.8	24.8	-	6.6	6.6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	897.1	837.5	1,734.6	841.9	688.2	1,530.1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Principal actuarial assumptions (expressed as weighted averages):

	2013 %	2012 %
Discount rate	4.7	4.5
Inflation - RPI	3.4	3.0
Inflation - CPI	2.6	2.3
Future pension increases	3.3	3.0

As the defined benefit scheme is closed to future accrual, future salary increases is no longer an actuarial assumption.

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Pension plans *(continued)*

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:

		2013	2012
Retiring at reporting date at age 65:	Male	23.1	23.2
	Female	25.5	25.7
Retiring at reporting date in 25 years at age 65:	Male	25.3	25.5
	Female	27.9	27.7

Sensitivity analysis of principal assumptions:

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 IAS 19 R pension liability at 31 December 2013, and of the income statement charge for 2014, to changes in these assumptions.

Sensitivity analysis

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

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

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

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Share-based payments

These share-based payment transactions are accounted for as cash settled in accordance with IFRS 2 'Share-Based Payments'.

The Group offers four share-based payment schemes to employees to enable them to own shares in the ultimate parent company, Wal-Mart Stores, Inc. These schemes are treated as if they are cash settled, despite them being equity settled by Wal-Mart Stores, Inc. The options are revalued at each balance sheet date and ASDA are recharged by its ultimate parent for its participation in the scheme based on the share price. The impact is eliminated in the consolidated financial statements of Wal-Mart Stores, Inc. and the share options would not be revalued if the Group 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:

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

The number and weighted average exercise prices for the two schemes which involve the granting of options to employees to acquire shares in the ultimate parent company at predetermined exercise prices are as follows:

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

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

Notes to the consolidated financial statements (*continued*)

19 Employee benefits (*continued*)

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 options under this scheme are treated as cash-settled. The exercise price of the options granted is equal to the market price of the shares less 20% on the date of grant.

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

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

Wal-Mart Stock Incentive Plan (WSIP) scheme

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

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

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

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

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 predetermined number of shares in the ultimate parent company three years from the award date. All RSRs are classed as unapproved from an Income Tax and National Insurance perspective. RSR awards are treated as cash-settled.

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

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

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

The Group offers a PSP scheme, for which conditions exist in relation to exercise as described below.

Performance Share Plan (PSP) scheme

The scheme came into existence on 20 July 2006. Under the scheme, selected executives were granted the right to receive shares in Wal-Mart Stores, Inc. provided certain pre-determined performance goals are met. In 2013 and 2012, these pre-determined goals were in respect of sales growth and return on investment. All share awards under the PSP scheme have been issued for nil consideration and have a contractual life of between 1 and 3 years. The share awards under this scheme are treated as cash-settled.

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

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

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

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Share-based payments *(continued)*

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.

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

Volatility is a measure of the amount by which a price is expected to fluctuate during the year. The Group 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.

Notes to the consolidated financial statements *(continued)*

20 Provisions

The provisions balance includes provisions for onerous leases and lease guarantees against non trading properties, the majority of which are expected to crystallise in the next 30 years. Also included are provisions for asset retirement obligations across the leasehold property portfolio. These provisions are expected to crystallise at the end of the lease term of each property.

	2013 £m
Balance at 1 January	28.3
Provided during the year	12.4
Utilised during the year	(3.0)
Unused amounts reversed during the year	(5.6)
Discount changes and unwinding	12.5
Balance at 31 December	44.6

21 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Property, plant and equipment	-	-	163.3	217.4	163.3	217.4
Employee benefits	(80.5)	(100.9)	-	-	(80.5)	(100.9)
Provisions	(1.8)	(11.9)	-	-	(1.8)	(11.9)
Other items	-	-	(6.9)	(2.4)	(6.9)	(2.4)
Tax (assets)/liabilities	(82.3)	(112.8)	156.4	215.0	74.1	102.2
Netting of tax (assets)/liabilities	82.3	112.8	(82.3)	(112.8)	-	-
Net tax liabilities	-	-	74.1	102.2	74.1	102.2

Certain properties have been revalued to their fair value prior to 1 January 2004. No provision has been made for deferred tax on the temporary differences arising on revalued land and buildings. Historically upward revaluations have been made in respect of land and not in respect of buildings. The tax base of land and buildings was adjusted to include within it any rolled-over gains which might subsequently become chargeable on a future sale of relevant properties. It has been calculated that sufficient indexation exists to produce a temporary difference of £nil on the whole portfolio of assets such that no deferred tax recognition is required.

The Group has brought forward capital losses of £361.0m (2012: £354.5m) available to reduce future capital gains. No deferred tax asset has been recognised on the accumulated capital losses due to uncertainty of when they may be utilised.

Notes to the consolidated financial statements (continued)

21 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

	1 January 2013	Recognised in income	Recognised in other comprehensive income	Recognised on business combination	Recognised in equity	31 December 2013
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	217.4	(54.1)	-	-	-	163.3
Employee benefits	(100.9)	6.9	13.6	-	(0.1)	(80.5)
Provisions	(11.9)	10.1	-	-	-	(1.8)
Other items	(2.4)	0.2	(4.7)	-	-	(6.9)
	<u>102.2</u>	<u>(36.9)</u>	<u>8.9</u>	<u>-</u>	<u>(0.1)</u>	<u>74.1</u>

Movement in deferred tax during the prior year

	1 January 2012	Recognised in income	Recognised in other comprehensive income	Recognised on business combination	Recognised in equity	31 December 2012
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	251.3	(33.1)	(0.8)	-	-	217.4
Employee benefits	(117.8)	7.8	9.3	-	(0.2)	(100.9)
Provisions	(6.8)	(5.1)	-	-	-	(11.9)
Other items	2.2	0.1	(4.7)	-	-	(2.4)
	<u>128.9</u>	<u>(30.3)</u>	<u>3.8</u>	<u>-</u>	<u>(0.2)</u>	<u>102.2</u>

22 Share capital and premium

At 31 December 2013 and 31 December 2012:

	Number of shares thousands	Share capital £m	Share premium £m	Total £m
Allotted, called up and fully paid				
Ordinary shares of 25p each	3,135,705	783.9	568.4	1,352.3

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The share premium account is used to record amounts received in excess of the nominal value of shares on issue of new shares.

Notes to the consolidated financial statements (continued)

23 Reserves

Reconciliation of movement in reserves is as follows:

Reserves	Other reserves £m	Cash flow hedge £m	Retained Earnings £m <i>restated</i>	Total £m
Balance at 1 January 2012	437.1	5.1	3,839.2	4,281.4
Profit for the year	-	-	576.2	576.2
Cash flow hedges - losses arising in the year	-	(21.7)	-	(21.7)
Tax on cash flow hedges recognised directly in equity	-	5.9	-	5.9
Total remeasurements on Defined benefit obligation	-	-	(60.8)	(60.8)
Return on plan assets excluding interest income	-	-	10.9	10.9
Changes in onerous liability (excluding interest income)	-	-	22.5	22.5
Tax on actuarial losses recognised directly in equity	-	-	1.0	1.0
Tax on items credited to equity	-	-	0.2	0.2
Balance at 31 December 2012 (restated)	437.1	(10.7)	4,389.2	4,815.6
Balance at 1 January 2013	437.1	(10.7)	4,389.2	4,815.6
Profit for the year	-	-	748.2	748.2
Cash flow hedges - losses arising in the year	-	(17.5)	-	(17.5)
Tax on cash flow hedges recognised directly in equity	-	3.2	-	3.2
Total remeasurements on Defined benefit obligation	-	-	(24.2)	(24.2)
Return on plan assets excluding interest income	-	-	112.9	112.9
Changes in asset ceiling/onerous liability (excluding interest income)	-	-	(86.5)	(86.5)
Tax on actuarial losses recognised directly in equity	-	-	(8.0)	(8.0)
Tax on items credited to equity	-	-	0.5	0.5
Acquisition of non-controlling interest	-	-	(0.2)	(0.2)
Balance at 31 December 2013	437.1	(25.0)	5,131.9	5,544.0

The other reserves relates to a revaluation reserve previously disclosed separately from retained earnings for information purposes.

The cash flow hedge reserve represents the gains and losses arising on revaluation of derivatives, being forward currency contracts.

Notes to the consolidated financial statements *(continued)*

24 Obligations under leases

Operating lease agreements where Group is lessee

Future minimum lease payments under non-cancellable agreements is payable as follows:

	Land and buildings		Other	
	2013	2012	2013	2012
	£m	£m	£m	£m
No later than one year	104.5	97.7	32.1	26.6
Later than one year and no later than five years	332.5	290.1	51.5	43.1
Later than five years	652.4	592.2	1.5	4.8
	<u>1,089.4</u>	<u>980.0</u>	<u>85.1</u>	<u>74.5</u>

The Group leases various offices, stores, warehouses, vehicles and equipment under non-cancellable operating lease agreements. The leases have various terms and renewal rights. They have no purchase options or escalation clauses.

Operating lease agreements where Group is lessor

Future minimum lease income under non-cancellable agreements is receivable as follows:

	2013	2012
	£m	£m
No later than one year	14.0	13.9
Later than one year and no later than five years	31.5	32.2
Later than five years	22.0	21.8
	<u>67.5</u>	<u>67.9</u>

The Group sub-lets buildings of various natures under non-cancellable agreements. The leases have various terms and renewal rights.

Notes to the consolidated financial statements (*continued*)

24 Obligations under leases (*continued*)

The Group also leases buildings under finance leases. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments under finance leases are as follows:

	2013 £m	2012 £m
<i>Future minimum payments due:</i>		
No later than one year	5.7	5.7
Later than one year and no later than five years	22.8	22.8
Later than five years	42.0	47.9
	<hr/>	<hr/>
	70.5	76.4
Lease finance charges allocated to future periods	(35.5)	(39.8)
	<hr/>	<hr/>
Present value of minimum lease payments	35.0	36.6
	<hr/>	<hr/>

The present value of minimum lease payments is analysed as follows;

No later than one year	1.6	1.4
Later than one year and no later than five years	9.1	8.0
Later than five years	24.3	27.2
	<hr/>	<hr/>
	35.0	36.6
	<hr/>	<hr/>

25 Commitments

As at 31 December 2013, the Group had entered into contracts to purchase property, plant and equipment for £48.9m (2012: £44.0m).

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

26 Contingent liabilities

Equal Value Claims: ASDA Stores Limited, a wholly-owned subsidiary undertaking of the Group, is a defendant of "equal value claim" proceedings that have been filed, on behalf of twenty-three individual, female, current or former ASDA store employees, who allege that their work in the stores is of equal value 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 Directors believe that there are substantial factual and legal defences to these claims, and intend to defend the claims vigorously.

Notes to the consolidated financial statements (continued)

27 Related parties

Identity of related parties

The following transactions were carried out with group companies:

	2013 £m	2012 £m
Technical assistance, services and royalties paid to Wal-Mart Stores, Inc. *	132.3	185.3
License fees paid to fellow subsidiary of ultimate parent company *	13.3	11.8
Interest payable on loans from Broadstreet Great Wilson Europe Limited	21.2	22.8
Interest payable on loans from Corinth Investments Limited	60.2	57.8
Interest payable on loans from Wal-Mart LN (UK) Limited	88.6	80.6
Interest payable on loans from Munsbach Norco S.a r.l.	4.3	-
Interest receivable on loans to Wal-Mart Stores (UK) Limited	115.7	91.0
Loans from Broadstreet Great Wilson Europe Limited	328.6	366.4
Loans from Corinth Investments Limited	1,034.9	972.8
Loans from Wal-Mart LN (UK) Limited	1,478.7	1,516.2
Loans from Munsbach Norco S.a r.l.	126.6	-
Loans from WMGS Co. Limited	0.4	3.6
Loans from Wal-Mart Stores, Inc.	-	3.4
Loans from Global George Limited	0.1	0.2
Loans from WMGS Co. Limited		
Loans to Wal-Mart Chile Comercial Ltda	1.0	-
Loans to Seiyu Procurement Limited	0.1	-
Loans to Masstores Pty Limited	0.4	-
Loans to Global George Limited	-	-
Loans to Wal-Mart Stores (UK) Limited	2,102.5	1,797.0
Loans to Wal-Mart Stores, Inc. *	15.2	-

* identifies balances/transactions with the ultimate parent company, Wal-Mart Stores, Inc. All other balances/transactions are with fellow subsidiary companies of Wal-Mart Stores, Inc.

Interest on intercompany loans within the Group is charged on an arm's length basis at a rate of 6% (2012: 6%).

£9.9m was paid to Broadstreet of Munsbach S.a.r.l., a fellow subsidiary of the Group's ultimate parent company, during the year for interest due on Eurobonds (note 8). At 31 December 2012, the Group's liability in respect of Eurobonds held by fellow subsidiaries of the ultimate parent company was £149.2m. During the year, license fees of £13.3m have been charged by Global George Limited, a fellow subsidiary of the Group's ultimate parent company, which are included in intercompany payables at the year end.

Amounts owed by fellow group entities totalled £2,119.2m at 31 December 2013, as disclosed in note 15.

Amounts owed to fellow group entities totalled £2,969.3m at 31 December 2013, as disclosed in note 17.

Other related party transactions

Key management are the statutory directors and transactions with them are disclosed in note 6.

Notes to the consolidated financial statements (*continued*)

28 Ultimate parent company and parent company of larger group

The Group's immediate parent company is Corinth Investments Limited, a company incorporated in England and Wales.

The next smallest group at which consolidated financial statements are prepared is Wal-Mart Stores (UK) Limited. Copies of these financial statements are available for inspection at its registered office: ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD.

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

29 Changes in accounting policy

The Group has adopted IAS 19R effective 1 January 2013. The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard requires net interest expense to be calculated as the product of the net defined benefit liability and the discount rate as determined at the beginning of the year. Ultimately, this removes the concept of recognising an expected return on plan assets. The effect of this change in the current year is to increase financial costs by £31m and increase administration costs by £2m with a corresponding increase of £33m to gains recognised within other comprehensive income. There is no effect on the net pension liability in the balance sheet.

The effects of the changes to this policy in the prior year are shown in the following table:

Impact on consolidated income statement:

	Year Ended 31 December 2012 £m	Adopt IAS 19R £m	Year Ended 31 December 2012 £m <i>restated</i>
Continuing operations			
Revenue	22,843.4	-	22,843.4
Operating costs	(22,002.5)	-	(22,002.5)
Operating profit	840.9	-	840.9
Financial income	11.7	(10.1)	1.6
Financial costs	(78.3)	(19.0)	(97.3)
Profit on ordinary activities before tax	774.3	(29.1)	745.2
Income tax expense	(164.4)	6.9	(157.5)
Profit for the year	609.9	(22.2)	587.7
Profit for the year attributable to:			
Owners of the parent	598.4	(22.2)	576.2
Non-controlling interests	11.5	-	11.5

Notes to the consolidated financial statements (continued)

29 Changes in accounting policy (continued)

Impact on consolidated statement of comprehensive income:

	Year Ended 31 December 2012 £m	Adopt IAS 19R £m	Year Ended 31 December 2012 £m <i>restated</i>
Profit for the year	609.9	(22.2)	587.7
Cash flow hedges - losses arising in the year	(21.7)	-	(21.7)
Actuarial loss on defined benefit pension scheme	(70.1)	70.1	-
Total remeasurements on defined benefit pension scheme	-	(60.8)	(60.8)
Effect of minimum funding requirement	13.6	(13.6)	-
Return on plan assets excluding interest income	-	10.9	10.9
Changes in onerous liability (excluding interest income)	-	22.5	22.5
Tax on items recognised directly in equity	13.8	(6.9)	6.9
Other comprehensive income for the year	<u>(64.4)</u>	<u>22.2</u>	<u>(42.2)</u>
Total comprehensive income for the year	<u>545.5</u>	<u>-</u>	<u>545.5</u>
Total comprehensive income for the year attributable to:			
Owners of the parent	534.0	-	534.0
Non-controlling interests	<u>11.5</u>	<u>-</u>	<u>11.5</u>

There is no impact on either the net retirement benefit liability or related deferred tax balance within the balance sheet, and no impact on the Group's net cash flow for 2012 as a result of adopting IAS 19R.

ASDA Group Limited – Parent Company

Directors' responsibilities statement

The directors are responsible for preparing 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 of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 GROUP LIMITED

We have audited the parent company financial statements of ASDA Group Limited for the year ended 31 December 2013 which comprise the balance sheet and the related notes 1 to 13. 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 61, the directors are responsible for the preparation of the parent company 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 parent company 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 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 Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013;
- 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 parent company 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Other matter

We have reported separately on the group financial statements of ASDA Group Limited for the year ended 31 December 2013.

Ernst & Young LLP
Christabel Cowling (Senior Statutory Auditor)


for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

24 June 2014

Company balance sheet
as at 31 December 2013

	<i>Note</i>	2013 £m	2012 £m
Fixed assets			
Investments	5	3,021.5	3,021.5
Current assets			
Debtors	6	2,417.7	2,100.6
Cash	7	861.6	33.5
		3,279.3	2,134.1
Creditors: amounts falling due within one year			
Other creditors	8	(3,945.0)	(2,943.3)
Net current liabilities		(665.7)	(809.2)
Total assets less current liabilities		2,355.8	2,212.3
Creditors: amounts falling due after more than one year			
Borrowings	9	(149.2)	(149.2)
Net assets		2,206.6	2,063.1
Capital and reserves			
Share capital	10	783.9	783.9
Share premium	11	568.4	568.4
Revaluation reserve	11	156.2	156.2
Profit and loss reserve	11	698.1	554.6
Total shareholders' funds		2,206.6	2,063.1

These financial statements were approved by the board of directors on 19 June 2014 and were signed on its behalf by:


A Russo
Director

Notes to the parent company statements (forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Accounting basis

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

No profit and loss account is presented by the Company, as permitted by Section 408 of the Companies Act 2006. The Company has taken the exemption under FRS 1 '*Cash Flow Statements*' not to present a cash flow statement.

Under the provisions of FRS 8 '*Related Parties*' the Company is not required to disclose details of intragroup transactions between group entities as the parent's financial statements are presented with consolidated accounts.

The Company has taken advantage of the exemption in paragraph 2D of FRS 29 '*Financial Instruments: Disclosures*' and has not disclosed information required by that standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 '*Financial Instruments: Disclosures*'.

Basis of preparation

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

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

Short term investments are stated at the lower of cost and net realisable value. All income from these investments is included in profit and loss as interest receivable and similar income.

Foreign currencies

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

2 Auditors' remuneration

The Company's audit fee for the year ended 31 December 2013 was £2,800 (2012: £2,800). The Company's audit costs are paid by another group company.

3 Employee numbers and costs

The Company is an intermediate holding company and has no employees other than directors.

Directors' remuneration is paid by another group company. Directors' time is spent predominantly in relation to ASDA Stores Limited, with limited time spent in relation to ASDA Group Limited as a company. It is therefore not deemed practical to allocate a portion of these costs to ASDA Group Limited as a company.

Notes to the parent company statements (*continued*)

4 Dividends

	Year Ended 31 December 2013 £m	Year Ended 31 December 2012 £m
<i>Declared and paid during the year</i>		
No dividend declared in 2013 (2012: nil)	-	-

5 Fixed asset investments

	Investment in subsidiaries £m
Cost at 1 January 2013 and 31 December 2013	3,034.8
Impairment at 1 January 2013 and 31 December 2013	(13.3)
Net book value at 31 December 2013	3,021.5
Net book value at 31 December 2012	3,021.5

Following a review of the carrying value of investments held by the Company, no impairment charge (2012: £nil) has been recognised.

Subsidiary undertakings

As at 31 December 2013, the following companies, being those whose results principally affect the financial position of the Group, were subsidiary undertakings whose ordinary share capital was wholly owned, and which were registered in England and Wales and operating in the UK.

	<i>Principal activities</i>	<i>Holding company</i>
ASDA Stores Limited	Retailing	ASDA Group Limited
McLagan Investments Limited	Property Investment	ASDA Group Limited

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

Notes to the parent company statements *(continued)*

6 Debtors

	2013 £m	2012 £m
Amounts owed by group undertakings	2,417.7	2,100.6

Amounts owed by group undertakings attract interest at an effective rate of 6% (2012: 6%).

7 Cash

	2013 £m	2012 £m
Cash	861.6	33.5

Cash held by the company is in short term instruments with approved counterparties.

8 Creditors: amounts falling due within one year

	2013 £m	2012 £m
Amounts owed to group undertakings	3,939.8	2,938.2
Accruals	5.2	5.1
	3,945.0	2,943.3

Amounts owed to group undertakings attract interest at an effective rate of 6% (2012: 6%).

Notes to the parent company statements (continued)

9 Borrowings

	2013 £m	2012 £m
<i>Amounts repayable between one and five years</i>		
Bonds due 2015	149.2	149.2

On 17 July 1998, the Company issued £150.0m of unsecured 6 5/8% bonds at 99.441% of nominal value redeemable at par on 17 July 2015 unless previously redeemed at the Company's request, at the higher of the principal amount or a price calculated to provide a yield equal to that earned on 8% Treasury Stock 2015.

On 17 September 2007, all of the outstanding Eurobonds issued by the Company were officially migrated from the Main Market to the Professional Securities Market of the London Stock Exchange.

As at 31 December 2013, all borrowings were in Sterling at fixed rates of interest.

The weighted average interest rate of fixed rate debt is 6.7% (2012: 6.7%).

10 Share capital

	Number	£m
<i>Authorised at 31 December 2013 and 31 December 2012</i>		
Ordinary shares of 25p each	5,000,000,000	1,250.0
<i>Allotted, called up and fully paid at 31 December 2013 and 31 December 2012</i>		
Ordinary shares of 25p each	3,135,704,690	783.9

11 Share premium and other reserves

	Share premium account £m	Revaluation reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2013	568.4	156.2	554.6	1,279.2
Profit for the year	-	-	143.5	143.5
At 31 December 2013	568.4	156.2	698.1	1,422.7

In accordance with the exemptions given by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

The profit for the financial year in the financial statements of the Company was £143.5m (2012: £155.8m loss).

Notes to the parent company statements *(continued)*

12 Commitments

The Company has no financial commitments (2012: none).

13 Ultimate parent company and parent company of larger group

The Company's immediate parent company is Corinth Investments Limited, a company incorporated in England and Wales.

The next smallest group at which consolidated financial statements are prepared is Wal-Mart Stores (UK) Limited. Copies of these financial statements are available for inspection at its registered office: ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD.

In the directors' opinion, the ultimate parent company 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.