

ASDA STORES LIMITED

Report and Financial Statements

31 December 2007

Registered No 464777



ASDA Stores Limited

Registered No 464777

DIRECTORS

A Bond
J J Mckenna
D Smith
A Spindler (resigned 3 August 2007)
J Longworth (resigned 25 January 2008)
D Cheesewright (resigned 1 January 2008)
A Clarke
D Blackhurst
P Pritchard (resigned 30 July 2008)
R Bendel
A Thompson (appointed 17 September 2007)

SECRETARY

J Longworth (resigned 25 January 2008)
E Doohan (appointed 25 January 2008)

AUDITORS

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

REGISTERED OFFICE

Asda House
Southbank
Great Wilson Street
Leeds
LS11 5AD

BANKERS

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

ASDA Stores Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2007

PRINCIPAL ACTIVITIES

The principal activities of the company are the operation of food, clothing, home and leisure superstores throughout Great Britain

PROFIT AND DIVIDENDS

Profit after taxation for the year at £305.3 million increased by £47.7 million on the previous year. The result was, however, significantly affected by one-off retail property disposal gains in 2006 and an allowance for legal matters in connection with the OFT investigations on Milk and Tobacco. Underlying operating profits grew year on year and were ahead of internal targets.

No dividends were paid during the year (2006: £nil)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

2007 was a year in which the Company capitalised upon its customer-focused, everyday low price strategy to grow market share, enhance customer confidence in the ASDA brand and further upgrade the ASDA shopping experience. The result of this was that growth significantly out-performed the market, with the Company achieving above market growth in every single month of the year, according to market share information published by TNS.

ASDA's stated purpose is "to make goods and services more affordable", and key to achieving this is an operating model built on a principle of everyday low price requiring everyday low cost. The Company cemented its reputation for low price and value when it was recognised as the lowest price supermarket by The Grocer magazine for the tenth consecutive year.

ASDA successfully attracted around 1 million more customers during the year. The customer offer has been enhanced to provide more choice and improved quality, with particular developments in chilled food, organics, ethnic, locally sourced and premium Extra Special ranges. In-store cafes, customer toilets and baby changing rooms have been upgraded to improve the customer shopping experience.

Growth has also been achieved by a steady programme of new store openings, bringing Every Day Low Prices to more communities, and contributing positively to local economies. 18 new stores were opened during the year, with 2 re-sites, 13 extensions and 17 renovations.

The Company has continued to develop new channels and new formats – including ASDA Living, Grocery Home Shopping and trialling a General Merchandise 'Click and Collect' offer, called ASDA Direct, on the Internet.

ASDA Living stores are located on retail parks, and offer a wide selection of clothing and home products. The format aims to provide customers with inspiration and style by offering fashionable, quality merchandise at affordable prices. Of the new store openings during the year, six were ASDA Living, bringing the total to 13.

Risks and uncertainties

Risk is an inevitable part of business. One of the ongoing challenges facing the Company is the identification of principal risks, assessment of their likelihood and consequence, and development and monitoring of appropriate controls. The Company's Board has overall responsibility for risk management and ensuring that this is aligned to business strategy and objectives. The Board is supported by a Risk Committee that meets bi-annually to review the corporate risk map.

DIRECTORS' REPORT

Key risks and mitigating actions are set out below

- **Competitive risks**

In the highly competitive retail industry, success depends on satisfying changing customer needs better than the competition. ASDA has a brand for delivering a broad range of products at the lowest prices, and failure to deliver on this could lead to a loss of trust.

This understanding is achieved through regular monitoring of relevant data on aspects such as price position in the market, product availability and other measures of quality and service that are important to ASDA's customers. The Company constantly monitors market information to understand its position relative to competitors and enable appropriate action to be taken on a timely basis.

- **Financial risks**

The Company's principal financial risk is ensuring that funds are available at the right time to meet business needs. This risk is managed by the Treasury function, which forecasts cashflows and ensures that adequate short term borrowing facilities are in place to meet liabilities to suppliers, colleagues and investors.

Certain transactions with suppliers and with the Company's ultimate parent undertaking are denominated in foreign currency. 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 the policy of the Company not to buy or hold foreign currency speculatively.

- **Reputational risks**

The key to success as a business is the loyalty and goodwill shown by customers, suppliers and colleagues. Failure to protect the business's reputation could lead to a loss of trust in the ASDA brand and consequently erode this loyalty. The Company regularly engages with customers, both directly and through monitoring of available external data, in order to ensure that the business does not damage customer perception.

The Company operates on terms with suppliers that are mutually agreed and updated as appropriate to reflect changes in the two parties' respective needs. To preserve the goodwill of colleagues, all colleagues are involved in shaping the Company's People strategy through initiatives such as the annual 'We're Listening Survey' which provide them with the opportunity to give feedback on all aspects of working at ASDA.

Reputational risks are also monitored via the corporate risk mapping process. If issues arise the Company reviews existing plans to ensure that the right mitigation is in place. When crises do occur they are managed by tried and tested methods, allowing the rest of the business to focus on the job of delivering for its customers.

- **Regulatory risks**

The Company recognises that it operates in an environment where it can be greatly impacted by changes in Government policy. In response to this, during 2007 ASDA risk assessed all compliance issues and developed mitigating actions in relation to the highest risk issues. Current processes and procedures were reviewed and recommendations for improvement were made. All recommendations are followed up through a robust process to drive lasting improvement.

- **Environmental risks**

As a retailer, the Company recognises that it has a responsibility to minimise the adverse impact that its 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 reputation.

ASDA Stores Limited

DIRECTORS' REPORT

The Company develops and regularly reviews its environmental policy by engaging key stakeholders such as colleagues and suppliers to ensure that growth is sustainable – both commercially and environmentally

A comprehensive target-based strategy for managing and reducing the Company's environmental impact is currently being developed. The Company's approach to environmental management is to focus on areas that both reduce the cost of doing business and benefit the environment

Events since the balance sheet date

A dividend of £300m was paid on 28 January 2008 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2008

Since the end of the year the Company has also decided to close its standalone George High Street stores, to focus on continued expansion of ASDA Living, as this provides a better return on investment for shareholders. The closure of these stores will also be accounted for in the year ending 31 December 2008

Financial instruments

The Company's financial risk management objectives and policies are further discussed in notes 1 and 20

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value

No adjustments have been made to the capital structure of the Company in recent years and no changes have been made to the Company's objectives, policies or processes during 2007 or 2006

As a wholly owned subsidiary, the capital of the Company is monitored in accordance with the overall capital management policy of the ultimate parent company

Research and development

Essential to the Company's success is the delivery of fresh, innovative, good value products, which are unique to ASDA. Buying teams, food technologists and marketers are continuously searching to improve the quality of the company's products and to develop new ideas, many of which are sold under the ASDA brand, Smartprice, Extra Special and George labels

Policy and practice on payment of creditors

The Company deals with over sixteen thousand separate suppliers, and has established trading terms which are appropriate to the particular relationship and product supplied. Whenever an order is placed the parties will be aware of the payment terms and it is the Company's policy to abide by these terms when satisfactory invoices have been received. The parent company has no trade creditors in its Balance Sheet

Political and charitable contributions

During the year, cash donations to charitable organisations and other community projects totalled £7.6 million (2006: £7.0 million). 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), and Tommy's, the baby charity. The ASDA Foundation, ASDA's charitable company also supported a range of sustainable local projects. These projects are local "cause-related activities", contributing to local charities/causes that our colleagues wish to support. The Company did not make any political donations during the year

ASDA Stores Limited

DIRECTORS' REPORT

Disabled colleagues

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

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

Colleague involvement

During the year, the policy of providing colleagues with information about the Company was continued through briefings on the ASDA internal website. Regular meetings are held between local management and colleagues to allow a free flow of information and ideas

Directors' interests

None of the directors has any interests in the share capital of the company. The directors' shareholdings and share options are holdings and options in Wal-Mart Stores, Inc. As Wal-Mart Stores, Inc. is incorporated in the USA, disclosure of these interests is not required

Directors' liabilities

The Company 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 1985. 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

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the Directors' Report are listed at the front of the Directors' Report and financial statements. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Re-appointment of auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

On behalf of the board



J J Mckenna

Director

24 October 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

ASDA Stores Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASDA STORES LIMITED

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account the Statement of Total Recognised Gains and Losses the Balance Sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Leeds

24 October 2008

ASDA Stores Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

		<i>Year Ended 31 December 2007</i>	<i>Year Ended 31 December 2006</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
TURNOVER		16,738,670	15,657,093
Operating costs	3	(16,372,809)	(15,237,457)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		365,861	419,636
Other finance income		21,100	15,700
Net interest payable and similar charges	6	(45,284)	(47,254)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		341,677	388,082
Taxation	7	(36,418)	(130,501)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		305,259	257,581

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2007

	<i>Year Ended 31 December 2007</i>	<i>Year Ended 31 December 2006</i>
	<i>£000</i>	<i>£000</i>
Profit for the financial year	305,259	257,581
Actuarial gain/(loss) on pension scheme	40,300	(8,800)
Movement on deferred tax relating to pension deficit	(11,284)	2,640
Total recognised gains and losses relating to the year	334,275	251,421
Prior year adjustment – FRS 20	-	(1,890)
Total gains and losses recognised since last annual report	334,275	249,531

ASDA Stores Limited

RECONCILIATION OF SHAREHOLDERS' FUNDS

for the year ended 31 December 2007

	<i>Year Ended 31 December 2007 £000</i>	<i>Year Ended 31 December 2006 £000</i>
Profit for the financial year	305,259	257,581
Actuarial gain/(loss) on pension scheme	40,300	(8,800)
Movement on deferred tax relating to pension deficit	(11,284)	2,640
Net increase in shareholders' funds	<u>334,275</u>	<u>251,421</u>
Opening shareholders' funds	<u>2,305,475</u>	<u>2,054,054</u>
Closing shareholders' funds	<u><u>2,639,750</u></u>	<u><u>2,305,475</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2007

	<i>Year Ended 31 December 2007 £000</i>	<i>Year Ended 31 December 2006 £000</i>
Profit on ordinary activities before taxation	341,677	388,082
Adjustment of depreciation to historical cost basis	(1,993)	(1,993)
Historical cost profit on ordinary activities before taxation	<u>339,684</u>	<u>386,089</u>
Historical cost profit after taxation	<u><u>303,266</u></u>	<u><u>255,588</u></u>

ASDA Stores Limited

BALANCE SHEET

as at 31 December 2007

		<i>31 December</i>	<i>31 December</i>
		<i>2007</i>	<i>2006</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
FIXED ASSETS			
Intangible assets	8	32,390	35,255
Tangible assets	9	4,244,780	3,865,529
Investments	10	500,100	500,100
		<u>4,777,270</u>	<u>4,400,884</u>
CURRENT ASSETS			
Stock	11	803,705	774,573
Debtors	12	1,689,847	1,635,781
Cash at bank and in hand		-	244,474
		<u>2,493,552</u>	<u>2,654,828</u>
CREDITORS: amounts falling due within one year	13	<u>(4,395,696)</u>	<u>(4,444,989)</u>
NET CURRENT LIABILITIES		<u>(1,902,144)</u>	<u>(1,790,161)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,875,126</u>	<u>2,610,723</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(224,637)</u>	<u>(234,028)</u>
NET ASSETS EXCLUDING PENSION OBLIGATION		<u>2,650,489</u>	<u>2,376,695</u>
Pension obligation	21	<u>(10,739)</u>	<u>(71,220)</u>
NET ASSETS INCLUDING PENSION OBLIGATION		<u>2,639,750</u>	<u>2,305,475</u>
CAPITAL AND RESERVES			
Called up share capital	18	584,865	584,865
Share premium account	19	260	260
Revaluation reserve	19	111,483	111,483
Profit and loss account	19	1,943,142	1,608,867
TOTAL SHAREHOLDERS' FUNDS		<u>2,639,750</u>	<u>2,305,475</u>



J J McKenna
Director
24 October 2008

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

1. ACCOUNTING POLICIES

ACCOUNTING BASIS

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

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

In accordance with FRS1 no cash flow statement has been prepared as the company is a wholly owned subsidiary undertaking of Wal-Mart Stores, Inc which produces a consolidated cash flow statement

TURNOVER

Turnover represents sales to customers through retail outlets, excluding value added tax, and sales of development properties Turnover is recognised net of intra-Group transactions, staff discounts, coupons and the free element of multi-save transactions Turnover from the sale of development property is recognised on completion, unless otherwise stated in the specific terms of the contract, when it is recognised in line with the terms of this contract on a stage completion basis

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 profit or loss 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 on an accruals basis, based on the expected entitlement which has been earned up to the balance sheet date for each relevant contract

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	20 years
Licences	Licence period (5 years)

TANGIBLE FIXED ASSETS

The company's tangible fixed assets are included in the balance sheet at cost less depreciation, with exception of its food retailing properties which have been included at valuation less depreciation and amounts written off Assets under the course of construction are included in the balance sheet at cost In accordance with the transitional provisions of FRS 15 the directors have elected to freeze all future revaluations

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

Freehold and long leasehold property	20 - 50 years
Short leasehold property	Over period of lease
Plant, fixtures and fittings	3 - 20 years

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

1 ACCOUNTING POLICIES (CONTINUED)

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

INVESTMENTS

Investments in subsidiary undertakings are stated at cost less amounts written off.

NET INTEREST PAYABLE

Net interest payable comprises interest payable, interest receivable on funds invested, dividend income and foreign exchange gains and losses.

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

OPERATING LEASES

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

DEBTORS

Debtors are stated at their nominal amount (discounted if material) as reduced by appropriate allowances for estimated irrecoverable amounts.

STOCKS

Stocks comprise goods and are stated at the lower of cost and net realisable value.

Goods at warehouses are valued at weighted average cost. Cost includes expenditure incurred in acquiring the stocks and bringing them to their existing location and condition. Stocks at retail outlets are valued at average cost prices.

TRADE AND OTHER CREDITORS

Trade and other creditors, other than inter-company loans, are not interest bearing and are stated at their nominal value.

DEFERRED TAXATION

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

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

1. ACCOUNTING POLICIES (CONTINUED)

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

PROVISIONS

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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

PENSIONS

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

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

In respect of actuarial gains and losses, the Group recognises them in full in the period they occur in the statement of total recognised gains and losses

SHARE-BASED PAYMENTS

The share option programme allows company employees to acquire shares of the ultimate parent company, these awards are granted by the company. The fair value of options granted is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The charge is recognised as an employee expense, with a corresponding increase in liabilities. The fair value of the share option is measured based on an option valuation model, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at each balance sheet date and at settlement date and any changes in fair value recognised in profit or loss spread equally over the vesting period

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

FOREIGN CURRENCIES

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

USE OF ASSUMPTIONS AND ESTIMATES

Management are required to make judgements, estimates and assumptions that affect the application of policies and reported assets and liabilities, income and expenses. Estimates and judgements 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. Actual results may differ from these estimates

The estimates and assumptions that have a significant impact on the carrying value of assets and liabilities are

- Pension scheme assumptions. The assumptions used for the defined benefit pension plans are estimates of future events, on the advice of actuaries

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

1. ACCOUNTING POLICIES (CONTINUED)

- Deferred tax assets The likelihood that assets are recovered is based on assumptions as to the extent that it is probable that future tax profits will be available based on forecasted profitability

RECENT ACCOUNTING DEVELOPMENTS

- FRS 25 Financial Instruments Disclosure and Presentation is applicable to financial statements beginning on or after 1 January 2005 and sets out requirements for the presentation of, and disclosures relating to, financial instruments The adoption of this standard has had no material impact on the company's reported results and disclosures
- FRS 21 and FRS 26 had no impact on the company
- FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

2. ANALYSIS OF TURNOVER

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

3. OPERATING COSTS

This is stated after charging / (crediting)

	<i>Year Ended 31 December 2007 £000</i>	<i>Year Ended 31 December 2006 £000</i>
Cost of inventories recognised as an expense	12,691,664	11,888,624
Employment costs (<i>note 5</i>)	1,902,817	1,740,039
Amortisation of intangible assets	2,865	2,865
Depreciation of tangible fixed assets	275,667	229,135
Loss / (profit) on sale of tangible fixed assets	12,282	(8,488)

OTHER OPERATING CHARGES

OPERATING LEASE CHARGES

- Land and buildings	70,201	62,343
- Plant and machinery	39,250	36,630
	<u>109,451</u>	<u>98,973</u>

AMOUNTS PAID TO AUDITORS

- Audit fees	281	262
- Non-audit fees	-	-
	<u>281</u>	<u>262</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

3 OPERATING COSTS (CONTINUED)

In arriving at operating profit an allowance has been made for costs associated with the Office of Fair Trading inquiries into dairy and tobacco pricing activities involving a number of retailers and suppliers. These costs represent the Group's best estimate of the amounts required to settle the asserted claims.

Certain comparative numbers have been reclassified to conform with the current year's disclosure.

4. DIRECTORS' EMOLUMENTS

	<i>Year Ended 31 December 2007 £000</i>	<i>Year Ended 31 December 2006 £000</i>
Total directors' remuneration excluding pension costs	7,358	4,453
	<i>No</i>	<i>No</i>
Number of directors who are members of the defined benefit scheme	12	11
Number of directors who exercised share options	9	2
Number of directors entitled to receive shares under long term incentive schemes	3	3
Amounts in respect of the highest paid director are as follows		
Total remuneration excluding pensions	1,070	691
Accumulated total accrued pension entitlement	73	44

The highest paid director exercised share options during the year but did not receive or become entitled to any shares from qualifying services under a long term incentive scheme. The remuneration of the directors listed below was in respect of their services to the Broadstreet Great Wilson Europe Group as a whole. A Bond, J J Mckenna, D Smith, A Spindler, J Longworth, D Cheesewright, A Clarke, P Pritchard, R Bendel, A Thompson and D Blackhurst. It is not possible to allocate their remuneration to the companies within the Group.

5. EMPLOYMENT COSTS

	<i>Year Ended 31 December 2007 £000</i>	<i>Year Ended 31 December 2006 £000</i>
Wages and salaries	1,710,856	1,559,691
Share-based payments	9,895	4,576
Social security costs	108,869	99,912
Other pension costs	73,197	75,900
	1,902,817	1,740,079

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

5. EMPLOYMENT COSTS (CONTINUED)

The average number of employees during the year was 158,760 (2006 153,580) The average number of full-time equivalents was 106,956 (2006 97,867)

6. NET INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year Ended 31 December 2007 £000</i>	<i>Year Ended 31 December 2006 £000</i>
Bank interest receivable and similar charges	(5,099)	(523)
Other interest payable	414	-
Net interest payable to group undertakings	53,249	47,797
Income from subsidiary undertakings	(3,150)	(20)
Income from other group undertakings	(130)	-
	<u>45,284</u>	<u>47,254</u>

7. TAXATION

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

	<i>Year Ended 31 December 2007 £000</i>	<i>Year Ended 31 December 2006 £000</i>
CURRENT TAX		
UK corporation tax on profit for the year	17,428	24,438
Adjustments in respect of prior periods	18,233	71,140
TOTAL CURRENT TAX CHARGE / (CREDIT)	<u>35,661</u>	<u>95,578</u>
DEFERRED TAX		
Origination and reversal of timing differences	25,003	18,515
Reduction in deferred tax asset relating to pension obligation	15,216	11,900
Adjustments in respect of prior periods	(39,462)	4,508
TOTAL DEFERRED TAX (NOTE 15)	<u>757</u>	<u>34,923</u>
TAX CHARGE ON PROFITS ON ORDINARY ACTIVITIES	<u>36,418</u>	<u>130,501</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

7. TAXATION (CONTINUED)

The tax assessed for the year is lower (2006 lower) than the standard rate of corporation tax in the UK (30%) (2006 30%) The differences are explained below

	<i>Year Ended 31 December 2007 £000</i>	<i>Year Ended 31 December 2006 £000</i>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	341,677	388,082
PROFIT ON ORDINARY ACTIVITIES MULTIPLIED BY THE STANDARD RATE OF UK CORPORATION TAX (30%) (2006 30%)	102,503	116,425
Effects of		
Accelerated capital allowances and other timing differences	(25,003)	(18,515)
Non-qualifying depreciation	5,186	4,862
Profit / (loss) on sale of non-qualifying assets	1,217	(4,401)
Permanent differences	9,845	2,266
Losses surrendered from parent company for nil consideration	(66,881)	(64,156)
Pension contributions in excess of profit and loss charge	(7,646)	(11,900)
Prior period adjustments	18,233	71,140
Other	(1)	(143)
Change in tax rate	(1,792)	-
CURRENT TAX CHARGE / (CREDIT) FOR YEAR	<u>35,661</u>	<u>95,578</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

8. INTANGIBLE ASSETS

	<i>Design licenses £000</i>	<i>Brand £000</i>	<i>Total £000</i>
COST			
At 1 January 2007 and 31 December 2007	6,390	31,730	38,120
	<u> </u>	<u> </u>	<u> </u>
AMORTISATION			
At 1 January 2007	1,278	1,587	2,865
Amortisation during the year	1,278	1,587	2,865
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2007	2,556	3,174	5,730
	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUE			
At 31 December 2007	3,834	28,556	32,390
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2006	5,112	30,143	35,255
	<u> </u>	<u> </u>	<u> </u>

The design licences asset is being amortised on a straight line basis over the licence period of 5 years

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

9. TANGIBLE FIXED ASSETS

	<i>Freehold properties</i> £000	<i>Leasehold properties</i> £000	<i>Plant and machinery</i> £000	<i>Total</i> £000
COST				
At 1 January 2007	2,702,675	375,241	1,782,973	4,860,889
Additions	415,873	2,444	229,813	648,130
Disposals	(7,004)	(4,678)	(43,988)	(55,670)
Transfers to other group undertakings	(97,106)	259	-	(96,847)
	<u>3,014,438</u>	<u>373,266</u>	<u>1,968,798</u>	<u>5,356,502</u>
COST OR VALUATION AT THE END OF THE YEAR IS REPRESENTED BY				
Valuation	356,223	-	-	356,223
Cost	2,658,215	373,266	1,968,798	5,000,279
	<u>3,014,438</u>	<u>373,266</u>	<u>1,968,798</u>	<u>5,356,502</u>
DEPRECIATION				
At 1 January 2007	196,137	125,423	1,166,920	1,488,480
Charge for the year	54,020	7,759	213,888	275,667
Disposals	(1,509)	(3,396)	(38,228)	(43,133)
Transfers to other group undertakings	(4,254)	13	(14)	(4,255)
	<u>244,394</u>	<u>129,799</u>	<u>1,342,566</u>	<u>1,716,759</u>
Net book amounts at 31 December 2007	<u>2,770,044</u>	<u>243,467</u>	<u>626,232</u>	<u>3,639,743</u>
Assets under construction 31 December 2007				605,037
NET BOOK VALUE AT 31 DECEMBER 2007				<u>4,244,780</u>
Net book amounts at 31 December 2006	<u>2,506,538</u>	<u>249,818</u>	<u>616,053</u>	<u>3,372,409</u>
Assets under construction 31 December 2006				493,120
NET BOOK VALUE AT 31 DECEMBER 2006				<u>3,865,529</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

9. TANGIBLE FIXED ASSETS (CONTINUED)

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

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

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

	<i>31 December</i> 2007 £000	<i>31 December</i> 2006 £000
Freehold properties	248,561	248,561

The net book amount of leasehold property includes

	<i>31 December</i> 2007 £000	<i>31 December</i> 2006 £000
Leases with 50 years or more unexpired	107,847	199,885
Leases with less than 50 years unexpired	135,620	49,933
	<u>243,467</u>	<u>249,818</u>

10. FIXED ASSET INVESTMENTS

Cost and net book value at 1 January 2007 and 31 December 2007	£000 500,100
--	-----------------

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

11 STOCKS

	<i>31 December</i>	<i>31 December</i>
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Goods held for resale	802,790	773,842
Goods not held for resale	915	731
	<u>803,705</u>	<u>774,573</u>

12 DEBTORS: amounts falling due within one year

	<i>31 December</i>	<i>31 December</i>
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by group undertakings	1,324,426	1,456,291
Trade debtors	122,982	73,970
Bad debt provision	(7,177)	(4,170)
Other debtors	48,343	5,080
Prepayments and accrued income	61,574	58,208
Taxation	139,699	46,402
	<u>1,689,847</u>	<u>1,635,781</u>

13 CREDITORS: amounts falling due within one year

	<i>31 December</i>	<i>31 December</i>
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Bank overdraft	8,242	-
Trade creditors	1,527,306	1,590,154
Amounts owed to group undertakings	2,154,907	2,322,928
Amounts owed to ultimate parent company	17,532	16,627
Other taxes and social security	140,456	124,771
Other creditors	82,002	98,365
Accruals	465,251	292,144
	<u>4,395,696</u>	<u>4,444,989</u>

Included within the Trade and other payables balance is an allowance for costs associated with the Office of Fair Trading ("OFT") inquiries into dairy and tobacco pricing activities. These inquiries are still in progress and involve a number of retailers and suppliers. Until such time as the inquiries have been completed and amounts have been agreed with the OFT by all parties concerned, we have not disclosed the amounts we have included in these financial statements on the basis that it could be prejudicial.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

14. PROVISION FOR LIABILITIES AND CHARGES

	<i>31 December</i>	<i>31 December</i>
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Deferred taxation (note 15)	193,900	208,357
Provisions (note 16)	30,737	25,671
	<u>224,637</u>	<u>234,028</u>

15. DEFERRED TAXATION

	<i>31 December</i>	<i>31 December</i>
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
AMOUNT PROVIDED		
Accelerated capital allowances	205,054	224,147
Pension costs	(64)	(68)
Origination and reversal of timing differences	(11,090)	(15,722)
	<u>193,900</u>	<u>208,357</u>

Total
£000

MOVEMENT IN DEFERRED TAX PROVISION

At 1 January 2007	208,357
Provision charged through the profit and loss account (note 7)	757
Less FRS17 charge to deferred tax included in net pension obligation	(15,214)
At 31 December 2007	<u>193,900</u>

Deferred tax has been provided at 28% (2006 30%)

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

Corporation tax of £17.2m has been deferred as a consequence of rollover relief claims made in respect of the disposal of certain fixed assets in prior periods.

In 2007, the UK government announced its intention to propose that Parliament reduce the UK corporate income tax rate from 30% to 28% with effect from 1 April 2008. As of 31 December 2006, the tax rate change was not substantively enacted. If this change had been substantively enacted, the deferred tax liability as at 31 December 2006 would have decreased by approximately £14m and the deferred tax expense by approximately £14m.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

16. PROVISIONS

	<i>Share option provision</i>	<i>Onerous lease provision</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2007	22,519	3,152	25,671
Provided during the year	9,895	-	9,895
Utilised during the year	(3,905)	(924)	(4,829)
At 31 December 2007	<u>28,509</u>	<u>2,228</u>	<u>30,737</u>

Detailed disclosures relating to the share option provision are shown in note 17

The onerous lease provision represents provisions for lease obligations arising from discontinued activities. The majority of this liability will crystallise in the next 5 years.

17. SHARE BASED PAYMENTS

The company offers four share-based payments schemes to employees to enable them to own shares in the ultimate parent company. For three of these schemes, no performance conditions exist in relation to exercise and there are no cash settlement alternatives.

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

	Weighted average exercise price £ 2007	Number of options (thousands) 2007	Weighted average exercise price £ 2006	Number of options (thousands) 2006
Outstanding at the beginning of the period	25.36	25,176	28.35	21,935
Exercised during the period	24.96	(491)	26.14	(119)
Granted during the period	21.80	4,052	22.91	6,970
Lapsed during the period	23.60	(8,207)	27.15	(3,610)
Outstanding at the end of the period	<u>23.77</u>	<u>20,530</u>	<u>25.36</u>	<u>25,176</u>
Exercisable at the end of the period	<u>25.05</u>	<u>1,619</u>	<u>28.61</u>	<u>3,175</u>

Share options were exercised on a regular basis throughout the year. The average share price during the year to 31 December 2007 was £23.31 (2006: £24.79).

Sharesave scheme

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

17. SHARE BASED PAYMENTS (CONTINUED)

Number of options (thousands)	31 December 2007			Number of options (thousands)	31 December 2006		
	Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)		Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)
4,728	19.87 to 25.74	20.63	1.5	7,442	20.80 to 35.31	23.09	1.2

Colleague Share Option Plan (CSOP) scheme

The scheme has been in existence for employees since 1995 and gained Inland Revenue approval in 1999. Options are granted every three years to employees who are not eligible for share options under the Wal-Mart Stock Incentive Plan, and are exercisable in three or six years from date of grant, depending on the year of grant. The exercise of options under this scheme are treated as cash-settled.

Number of options (thousands)	31 December 2007			Number of options (thousands)	31 December 2006		
	Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)		Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)
7,236	22.41 to 28.15	24.66	2.7	10,093	21.72 to 39.20	28.53	3.2

Wal-Mart Stock Incentive Plan (WSIP) scheme

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

Number of options (thousands)	31 December 2007			Number of options (thousands)	31 December 2006		
	Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)		Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)
8,565	20.77 to 29.25	24.76	2.0	7,642	23.49 to 33.27	28.17	2.3

The company offers one share-based payments scheme, the Performance Share Plan (PSP), for which conditions exist in relation to exercise.

Performance share plan (PSP)

The plan came into existence on 20 July 2006. Under the plan, selected executives were granted the right to receive shares in Wal-Mart Stores Inc. or the value of shares in Wal-Mart Stores Inc., provided certain pre-determined performance goals are met. In 2007 and 2006, 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 1 year. The share awards under this scheme are treated as cash-settled.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

17 SHARE BASED PAYMENTS (CONTINUED)

The number of share options under the PSP is as follows

	<i>Number of options (thousands) 2007</i>	<i>Number of options (thousands) 2006</i>
Outstanding at the beginning of the period	124	-
Exercised during the period	(103)	-
Conditionally granted during the period	159	132
Lapsed during the period	(26)	(8)
	<u> </u>	<u> </u>
Outstanding at the end of the period	154	124
	<u> </u>	<u> </u>
Exercisable at the end of the period	-	-
	<u> </u>	<u> </u>

The fair value of services received is measured by reference to the fair value of share options granted, which is based on a Black-Scholes model taking into account the terms and conditions upon which the instruments were granted

The following table gives the assumptions applied to the options granted in the respective periods shown

	<i>2007</i>	<i>2006</i>
Expected dividend yield (%)	1.92	2.31
Expected volatility (%)	17.54	16.92
Risk-free interest rate (%)	4.51	4.74
Weighted average fair value of options granted (£)	5.90	4.98
Weighted average share price (£)	23.81	23.86
Expected life of option (years)	4.87	3.0

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

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

The total expenses recognised for the period arising from share based payments are as follows

	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Cash-settled share based payments	9,895	4,576
	<u> </u>	<u> </u>
Total carrying amount of liabilities	28,509	22,519
	<u> </u>	<u> </u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

18. CALLED UP SHARE CAPITAL

Authorised	<i>No</i>	<i>£000</i>
At 31 December 2007 and 31 December 2006		
Ordinary shares of £1 each	29,000,000	29,000
Redeemable ordinary shares of £1 each	721,000,000	721,000
	<u>750,000,000</u>	<u>750,000</u>
Allotted, called up and fully paid		
At 31 December 2007 and 31 December 2006		
Ordinary shares of £1 each	28,008,978	28,009
Redeemable ordinary shares of £1 each	556,856,118	556,856
	<u>584,865,096</u>	<u>584,865</u>

Ordinary redeemable shares

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

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

19. RESERVES

	<i>Share Capital £000</i>	<i>Share Premium £000</i>	<i>Revaluation Reserve £000</i>	<i>Profit and Loss Account £000</i>	<i>Total £000</i>
At 1 January 2007	584,865	260	111,483	1,608,867	2,305,475
Profit for the year	-	-	-	305,259	305,259
Actuarial gain on pension scheme	-	-	-	40,300	40,300
Deferred tax movement relating to pension scheme	-	-	-	(11,284)	(11,284)
	<u>584,865</u>	<u>260</u>	<u>111,483</u>	<u>1,943,142</u>	<u>2,639,750</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2007

20. FINANCIAL COMMITMENTS

a) Company capital commitments

	<i>31 December</i> 2007 £m	<i>31 December</i> 2006 £m
Contracted for but not provided in the financial statements	196 2	135 9

b) The annual commitments under non-cancellable operating leases in respect of land and buildings are as follows

	<i>31 December</i> 2007 £000	<i>31 December</i> 2006 £000
Amounts payable		
Within one year	663	214
Between two and five years	905	1,767
After five years	62,978	58,656
	<u>64,546</u>	<u>60,637</u>

c) The annual commitments under non-cancellable operating leases in respect of plant & machinery are as follows

	<i>31 December</i> 2007 £000	<i>31 December</i> 2006 £000
Amounts payable		
Within one year	6,117	6,055
Between two and five years	17,868	18,211
	<u>23,985</u>	<u>24,266</u>

21. PENSIONS

The company operates a defined benefit pension scheme open to all full time and part time salaried colleagues who commenced their employment with the company prior to 1 January 2005, a defined contribution scheme open to full-time and part-time colleagues who commenced their employment with the company after 1 January 2005, and a defined contribution plan open to all hourly paid colleagues. These schemes provide a pension in addition to the basic state pension together with other benefits such as life assurance. There is also an unfunded final salary arrangement for salaried colleagues whose salary is in excess of the earnings cap.

The assets of the defined contribution plan are invested with the Prudential Life Assurance Company whilst the assets of the defined benefit pension scheme are placed by the trustees under the management of professional fund managers. The assets of these schemes are held separate from the company's assets.

The trustees of these schemes have been selected to represent the wide range of members and consist of eight colleagues (nine for the defined contribution plan) performing a range of roles in stores, depots and ASDA House. In addition there is one pensioner trustee and a professional independent trustee.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

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21. PENSIONS (CONTINUED)

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 triennial valuation as at 5 April 2005 using the projected unit method. The company has no significant exposure to any other post-retirement benefit obligations.

A full actuarial valuation of the company's defined benefit scheme was carried out at 5 April 2005 and updated to 31 December 2006 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms)

	<i>31 December 2007</i>	<i>31 December 2006</i>	<i>31 December 2005</i>
Rate of increase in salaries	5.20%	4.50%	4.30%
Rate of increase of pensions in payment	3.20%	3.00%	2.80%
Rate of increase of pensions in deferment	3.20%	3.00%	2.80%
Discount rate	5.65%	5.10%	4.90%
Inflation assumption	3.20%	3.00%	2.80%

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

	<i>31 December 2007</i>	<i>31 December 2006</i>	<i>31 December 2005</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Equities	7.60% 1,038.7	7.60% 928.2	7.50% 757.0
Gilts/Bonds	4.50% 124.2	4.50% 106.8	4.40% 87.3
Property	7.60% 40.0	7.60% 33.1	7.50% 9.8
Total Market Value of Assets	1,202.9	1,068.1	854.1
Actuarial Value of Liability	(1,217.6)	(1,170.0)	(987.0)
Total deficit in the scheme	(14.7)	(101.9)	(132.9)
Related deferred tax asset	4.0	30.7	39.9
Net pension liability	(10.7)	(71.2)	(93.0)

Analysis of the amount charged to operating profit

	<i>31 December 2007</i>	<i>31 December 2006</i>
	<i>£m</i>	<i>£m</i>
Service Cost	59.4	63.4
Total Operating Charge	59.4	63.4

ASDA Stores Limited

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as at 31 December 2007

21 PENSIONS (CONTINUED)

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

	<i>31 December 2007 £m</i>	<i>31 December 2006 £m</i>
Expected return on pension scheme assets	80.2	63.8
Interest on pension liabilities	(59.1)	(48.1)
Net return	<u>21.1</u>	<u>15.7</u>

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

	<i>31 December 2007 £m</i>	<i>31 December 2006 £m</i>
Actual return less expected return on assets	(10.1)	80.8
Experience gains and losses on liabilities	2.4	-
Changes in assumptions	48.0	(89.6)
Actuarial gain/(loss) recognised in STRGL	<u>40.3</u>	<u>(8.8)</u>

Movement in deficit during the year

	<i>31 December 2007 £m</i>	<i>31 December 2006 £m</i>
Deficit in scheme at beginning of year	(101.9)	(132.9)
Movement in year		
Current service cost	(59.4)	(63.4)
Contributions	85.2	87.5
Other finance income	21.1	15.7
Actuarial loss	40.3	(8.8)
Deficit in scheme at end of year	<u>(14.7)</u>	<u>(101.9)</u>

The actuarial valuation at 31 December 2007 showed a decrease in the deficit from £101.9 million to £14.7 million

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as at 31 December 2007

21. PENSIONS (CONTINUED)

History of experience gains and losses

	31 December 2007 £m	31 December 2006 £m	31 December 2005 £m	31 December 2004 £m
<i>Difference between expected and actual return on scheme assets.</i>				
Amount (£m)	(10)	81	68	21
Percentage of scheme assets	(1%)	8%	8%	4%
<i>Experience gains and losses on scheme liabilities.</i>				
Amount (£m)	2	-	(7)	(2)
Percentage of scheme assets	0%	0%	(1%)	0%
<i>Total amount recognised in statement of total recognised gains and losses</i>				
Amount (£m)	40	(9)	(22)	(11)
Percentage of scheme assets	3%	(1%)	(2%)	(1%)

The company operates two defined contribution schemes and a defined benefit pension scheme. The assets of the schemes are held separately from those of the Group in an independently administered fund. There were no unpaid contributions outstanding at the year end for the defined contribution scheme (2006 £0.2m outstanding at the year end, included in other creditors). The charge for the year for the defined contribution schemes is £13.8m (2006 £12.5m).

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with entities where 90% or more of their voting rights are controlled within the Broadstreet Great Wilson Europe Limited group of companies or with investees of the Group.

23. PARENT UNDERTAKING AND CONTROLLING PARTY

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

The smallest group at which consolidated financial statements are prepared is ASDA Group Limited. Copies of these financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

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

24. POST BALANCE SHEET EVENTS

A dividend of £160m was paid on 28 January 2008 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2008.