

ASDA STORES LIMITED

Report and Financial Statements

31 December 2005

Registered No. 464777



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# ASDA Stores Limited

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Registered No. 464777

## **DIRECTORS**

A Bond

J J Mckenna

D Smith

A Spindler

D Downie (resigned 1<sup>st</sup> July 2005)

J Longworth

T Page (appointed 1<sup>st</sup> January 2005, resigned 30<sup>th</sup> June 2006)

A De Nunzio (resigned 1<sup>st</sup> April 2005)

D Cheesewright (appointed 19<sup>th</sup> September 2005)

A Clarke (appointed 5<sup>th</sup> September 2005)

D Blackhurst (appointed 9<sup>th</sup> January 2006)

## **SECRETARY**

J Longworth

## **AUDITORS**

Ernst & Young LLP

PO Box 61

Cloth Hall Court

14 King Street

Leeds

LS1 2JN

## **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

## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

### PROFIT AND DIVIDENDS

The company's profit, after taxation, for the financial year, amounted to £383,071,000 (31 December 2004 restated: £322,809,000). The directors do not recommend the payment of a dividend (31 December 2004: £nil).

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year, at the year-end and at the date of this report are shown on page 1. The directors' shareholdings and share options are holdings and options in Wal-Mart Stores, Inc. As Wal-Mart Stores, Inc. is incorporated in the USA, disclosure of these interests is not required. None of the directors have any interests in the share capital of the company.

### POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations for the year amounted to £300,000 (31 December 2004: £559,996). There were no political donations made during the year (31 December 2004: £nil).

### RESEARCH AND DEVELOPMENT

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

### TRADING TERMS

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

### DISABLED EMPLOYEES

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

Where existing employees 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 employees wherever appropriate.

### EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued through briefings on the Asda internal website. Employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees benefit directly in the success of the business through participation in the share option schemes which entitle them to purchase shares in the ultimate parent undertaking.

### CHANGES IN ACCOUNTING POLICY

The company has adopted FRS 17, 'Retirement Benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

Following the Court of Appeal ruling in July 2005 in relation to Debenhams merchant charges, the company has adopted revised accounting for the activities of one of its subsidiaries – ASDA CS Limited. This is described in detail in note 1.

### DIRECTORS' LIABILITIES

The company has granted an indemnity to one or more 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' REPORT

**AUDITORS**

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

On behalf of the board,



JJ Mckenna

Director

18<sup>th</sup> October 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

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

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Reconciliation of Movement in Shareholders' Funds 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) as 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Leeds

*19 October 2006*

ASDA Stores Limited

**PROFIT & LOSS ACCOUNT**  
for the year ended 31 December 2005

		<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2004 Restated</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
<b>SALES</b>		16,064,511	15,345,670
Value added tax		(1,278,318)	(1,119,781)
<b>TURNOVER</b>		14,786,193	14,225,889
Operating costs	3	(14,356,307)	(13,751,819)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		429,886	474,070
Other finance income/(charges)	21	3,900	(2,500)
Interest receivable and similar income	6	36,129	39,294
Interest payable and similar charges	7	(81,732)	(66,410)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		388,183	444,454
Taxation	8	(5,112)	(121,645)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		383,071	322,809

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 December 2005

	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2004 Restated</i>
	<i>£000</i>	<i>£000</i>
Profit for the financial year	383,071	322,809
Actuarial loss on pension scheme	(22,100)	(11,500)
Movement on deferred tax relating to pension deficit	6,630	3,450
<b>Total recognised gains and losses relating to the year</b>	367,601	314,759
Prior year adjustment – FRS 17	(163,400)	
Prior year adjustment – Merchant Charges	210,175	
<b>Total gains and losses recognised since last annual report</b>	414,376	

# ASDA Stores Limited

## RECONCILIATION OF SHAREHOLDERS' FUNDS

for the year ended 31 December 2005

	<i>Year ended 31 December 2005 £000</i>	<i>Year ended 31 December 2004 Restated £000</i>
Profit for the financial year	383,071	322,809
Actuarial loss on pension scheme	(22,100)	(11,500)
Movement on deferred tax relating to pension deficit	6,630	3,450
	<hr/>	<hr/>
Net increase in shareholders' funds	367,601	314,759
Opening Shareholders' funds as previously reported	-	1,324,883
Prior year adjustment – FRS 17	-	(163,400)
Prior year adjustment – Merchant Charges	-	210,175
	<hr/>	<hr/>
Opening Shareholders' funds restated	1,686,417	1,371,658
	<hr/>	<hr/>
Closing Shareholders' funds restated	2,054,018	1,686,417
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## NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2005

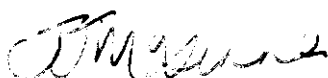
	<i>Year ended 31 December 2005 £000</i>	<i>Year ended 31 December 2004 Restated £000</i>
Reported profit on ordinary activities before taxation	388,183	444,454
Adjustment of depreciation to historical cost basis	(1,993)	(2,337)
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	386,190	442,117
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Historical cost retained profit after taxation and dividends	381,078	320,472
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# ASDA Stores Limited

## BALANCE SHEET as at 31 December 2005

		<i>31 December</i> 2005	<i>31 December</i> 2004 <i>Restated</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
<b>FIXED ASSETS</b>			
Tangible assets	9	3,700,914	3,293,046
Investments	10	500,100	500,100
		<u>4,201,014</u>	<u>3,793,146</u>
<b>CURRENT ASSETS</b>			
Stocks	11	709,200	681,120
Debtors	12	1,392,137	1,155,967
Cash at bank and in hand		202,946	134,630
		<u>2,304,283</u>	<u>1,971,717</u>
<b>CREDITORS: amounts falling due within one year</b>	13	(4,149,641)	(3,735,196)
<b>NET CURRENT LIABILITIES</b>		<u>(1,845,358)</u>	<u>(1,763,479)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,355,656</u>	<u>2,029,667</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	(208,638)	(199,750)
<b>NET ASSETS EXCLUDING PENSION OBLIGATION</b>		<u>2,147,018</u>	<u>1,829,917</u>
Pension obligation	21	(93,000)	(143,500)
<b>NET ASSETS INCLUDING PENSION OBLIGATION</b>		<u>2,054,018</u>	<u>1,686,417</u>
<b>CAPITAL AND RESERVES</b>			
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	1,357,410	989,809
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		<u>2,054,018</u>	<u>1,686,417</u>

  
 J J Mckenna  
 Director  
 18<sup>th</sup> October 2006

# ASDA Stores Limited

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## NOTES TO THE ACCOUNTS as at 31 December 2005

### 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.

#### CHANGE IN ACCOUNTING POLICY

The company has adopted FRS 17, 'Retirement Benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy to adopt FRS 17 was to increase staff costs by £11.4m (2004: £4.9m), to reduce other finance income by £2.4m (2004: increase in charge of £2.5m) and to reduce the deferred tax charge by £4.2m (2004: increase of £0.2m). Profit after tax is lower by £9.6m (2004: £7.6m) and total losses recognised through the Statement of Total Recognised Gains and losses are higher by £15.4m (2004: £8.1m). Net assets have been reduced by £204.2m (2004: £179.1m) due to the adoption of FRS 17 in the year.

#### PRIOR YEAR ADJUSTMENT – MERCHANT CHARGES

The Court of Appeal ruling in July 2005 in relation to the Debenhams merchant charges case clarified the contract law position of companies involved in arrangements which are substantially the same as those entered into by a subsidiary of the company – ASDA CS Limited. Prior to the ruling, a percentage of card sales in ASDA Stores Limited was accounted for as turnover of ASDA CS Limited, with certain operating costs absorbed by the company being recharged to ASDA CS Limited. As a result of the ruling, all retail sales are accounted for in the company and costs previously recharged to ASDA CS Limited are also accounted for in the company.

This change in accounts presentation has been accounted for as a prior period adjustment, the impact of which is to increase the net assets of the company at 31 December 2004 by £334.7m and its profit after tax for the year then ended by £124.6m. The prior year comparatives have been restated accordingly.

#### TURNOVER

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

## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 1. ACCOUNTING POLICIES (CONTINUED)

#### TANGIBLE FIXED ASSETS

The company's tangible fixed assets are included in the balance sheet at cost less depreciation, with exception of its food retailing properties 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

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.

#### 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.

NOTES TO THE ACCOUNTS  
as at 31 December 2005

1. ACCOUNTING POLICIES (CONTINUED)

**DEFERRED TAXATION (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.

**INVESTMENTS**

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

**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.

NOTES TO THE ACCOUNTS

as at 31 December 2005

1. ACCOUNTING POLICIES (CONTINUED)

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 20, 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.

# ASDA Stores Limited

## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 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 2005</i>	<i>Year ended 31 December 2004 Restated</i>
	<i>£000</i>	<i>£000</i>
Change in stocks	(28,020)	(87,108)
Other operating income	(82,502)	(82,243)
Raw materials and consumables	11,301,646	10,912,520
Staff costs	1,598,670	1,560,362
Depreciation of tangible fixed assets	217,427	185,711
Loss on sale of tangible fixed assets	-	10,080
Other operating charges	1,349,086	1,252,497
	<u>14,356,307</u>	<u>13,751,819</u>

### OTHER OPERATING CHARGES

#### OPERATING LEASE CHARGES

- Land and buildings	51,029	50,310
- Plant and machinery	35,905	33,195
	<u>86,934</u>	<u>83,505</u>

#### AMOUNTS PAID TO AUDITORS

- Audit fees	343	179
- Non-audit fees	-	8
	<u>343</u>	<u>187</u>

# ASDA Stores Limited

## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 4. DIRECTORS EMOLUMENTS

	<i>Year ended 31 December 2005 £000</i>	<i>Year ended 31 December 2004 £000</i>
Total directors' remuneration excluding pension costs	2,297	5,213
	<u>          </u>	<u>          </u>
	<i>No.</i>	<i>No.</i>
Number of directors who are members of the defined benefit scheme	11	12
Number of directors who exercised share options	5	7
Number of directors entitled to receive shares under long term incentive schemes	2	5
	<u>          </u>	<u>          </u>
Amounts in respect of the highest paid director are as follows:		
Total remuneration excluding pensions	406	915
	<u>          </u>	<u>          </u>
Accumulated total accrued pension entitlement	54	77
	<u>          </u>	<u>          </u>

The highest paid director exercised share options during the year and 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; A De Nunzio; J J Mckenna; D Smith; A Spindler; D Downie; J Longworth; T Page; D Cheesewright; A Clarke and D Blackhurst. It is not possible to allocate their remuneration to the companies within the group.

### 5. STAFF COSTS

	<i>Year ended 31 December 2005 £000</i>	<i>Year ended 31 December 2004 Restated £000</i>
Wages and salaries	1,431,199	1,421,537
Social security costs	93,971	90,282
Other pension costs	73,500	48,543
	<u>          </u>	<u>          </u>
	1,598,670	1,560,362
	<u>          </u>	<u>          </u>

The average number of employees during the year was 145,235 (31 December 2004: 143,089)

# ASDA Stores Limited

## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year ended 31 December 2005 £000</i>	<i>Year ended 31 December 2004 £000</i>
Bank interest receivable	1,152	718
Interest receivable from Group undertakings	34,977	38,576
	<u>36,129</u>	<u>39,294</u>

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended 31 December 2005 £000</i>	<i>Year ended 31 December 2004 £000</i>
Bank interest payable	2	729
Interest payable to Group undertakings	81,730	65,681
	<u>81,732</u>	<u>66,410</u>



# ASDA Stores Limited

## NOTES TO THE ACCOUNTS as at 31 December 2005

### 8. TAXATION

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

	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2004 Restated</i>
	<i>£000</i>	<i>£000</i>
<b>CURRENT TAX</b>		
UK corporation tax on profit for the year	1,731	94,209
Adjustments in respect of prior periods	(40,088)	(544)
<b>TOTAL CURRENT TAX (CREDIT) / CHARGE</b>	<b>(38,357)</b>	<b>93,665</b>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	42,965	21,767
Reduction in deferred tax asset relating to pension obligation	-	6,850
Adjustments in respect of prior periods	504	(637)
<b>TOTAL DEFERRED TAX (NOTE 16)</b>	<b>43,469</b>	<b>27,980</b>
<b>TAX CHARGE ON PROFITS ON ORDINARY ACTIVITIES</b>	<b>5,112</b>	<b>121,645</b>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) (2004: 30%). The differences are explained below.

	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2004 As restated</i>
	<i>£000</i>	<i>£000</i>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>	<b>388,183</b>	<b>444,454</b>
<b>PROFIT ON ORDINARY ACTIVITIES MULTIPLIED BY THE STANDARD RATE OF UK CORPORATION TAX (30%) (2004:30%)</b>	<b>116,455</b>	<b>133,336</b>
Effects of:		
Accelerated capital allowances and other timing differences	(42,965)	(34,867)
Pension contributions in excess of pension charge	-	8,720
Non-qualifying depreciation	3,567	1,873
Profit on sale of non-qualifying assets	(3,397)	-
Permanent differences	1,289	(2,903)
Stock option provision release	-	(1,958)
Losses surrendered from parent company for nil consideration	(71,524)	(10,866)
Prior period adjustments	(40,088)	(544)
Other	(1,694)	874
<b>CURRENT TAX (CREDIT) / CHARGE FOR YEAR</b>	<b>(38,357)</b>	<b>93,665</b>

# ASDA Stores Limited

## NOTES TO THE ACCOUNTS as at 31 December 2005

### 9. TANGIBLE FIXED ASSETS

	<i>Freehold properties £000</i>	<i>Leasehold properties £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
<b>COST OR VALUATION</b>				
At 1 January 2005	2,005,953	370,984	1,527,853	3,904,790
Additions	608,790	18,400	233,784	860,974
Disposals	(24,391)	(4,588)	(47,600)	(76,579)
Transfers to other group undertakings	711	-	-	711
At 31 December 2005	2,591,063	384,796	1,714,037	4,689,896
<b>COST OR VALUATION AT THE END OF THE YEAR IS REPRESENTED BY:</b>				
Valuation	353,887	-	-	353,887
Cost	2,237,176	384,796	1,714,037	4,336,009
	2,591,063	384,796	1,714,037	4,689,896
<b>DEPRECIATION</b>				
At 1 January 2005	115,698	121,260	904,249	1,141,207
Charge for the year	43,093	7,734	166,600	217,427
Disposals	(993)	(3,994)	(37,958)	(42,945)
At 31 December 2005	157,798	125,000	1,032,891	1,315,689
Net book amounts at 31 December 2005	2,433,265	259,796	681,146	3,374,207
Assets under construction				326,707
<b>NET BOOK VALUE AT 31 DECEMBER 2005</b>				<b>3,700,914</b>
Net book amounts at 31 December 2004	1,890,255	249,724	623,604	2,763,583
Assets under construction at 31 December 2004				529,463
<b>NET BOOK VALUE AT 31 DECEMBER 2004</b>				<b>3,293,046</b>

# ASDA Stores Limited

## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 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>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Freehold properties	260,902	260,902
	<u>          </u>	<u>          </u>

The net book amount of leasehold property includes:

	<i>31 December</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Leases with 50 years or more unexpired	156,538	201,030
Leases with less than 50 years unexpired	103,258	48,694
	<u>259,796</u>	<u>249,724</u>

# ASDA Stores Limited

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## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 10. FIXED ASSET INVESTMENTS

£000

Cost and net book value at 1 January 2005 and 31 December 2005

500,100

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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.

### 11. STOCKS

*31 December 31 December*

*2005*

*2004*

*£000*

*£000*

Goods held for resale

708,551

680,631

Goods not held for resale

649

489

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709,200

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681,120

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# ASDA Stores Limited

## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 12. DEBTORS

Amounts falling due within one year:

	<i>31 December</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by group undertakings	1,161,009	1,044,013
Other debtors	69,823	69,714
Prepayments and accrued income	50,008	42,240
Taxation	111,297	-
	<u>1,392,137</u>	<u>1,155,967</u>

### 13. CREDITORS: amounts falling due within one year

	<i>31 December</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Obligations under finance leases (Note 14)	-	227
Trade creditors	1,465,058	1,402,243
Amounts owed to group undertakings	2,272,091	1,900,890
Amounts owed to ultimate parent company	32,557	6,142
Other taxes and social security	27,930	26,805
Other creditors	99,424	97,313
Accruals	252,581	255,454
Taxation	-	46,122
	<u>4,149,641</u>	<u>3,735,196</u>

### 14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	<i>31 December</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
Within one year (Note 13)	-	227
	<u>-</u>	<u>227</u>

# ASDA Stores Limited

## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 15. PROVISION FOR LIABILITIES AND CHARGES

	<i>31 December</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Deferred taxation (note 16)	185,319	169,945
Provisions (note 17)	23,319	29,805
	<u>208,638</u>	<u>199,750</u>

### 16. DEFERRED TAXATION

	<i>31 December</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
<b>AMOUNT PROVIDED</b>		
Accelerated capital allowances	202,858	186,280
Pension costs	(219)	600
Origination and reversal of timing differences	(17,320)	(16,935)
	<u>185,319</u>	<u>169,945</u>
		<i>Total</i>
		<i>£000</i>
<b>MOVEMENT IN DEFERRED TAX PROVISION</b>		
At January 2005 - restated		169,945
Provision charged through the profit and loss account (note 8)		43,469
Less FRS17 charge to deferred tax included in net pension obligation		(28,095)
		<u>185,319</u>

Deferred tax has been provided at 30% (2004: 30%).

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

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

# ASDA Stores Limited

## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 17. PROVISIONS

	<i>Share contribution provision £000</i>	<i>Provision for onerous lease contracts £000</i>	<i>Total £000</i>
At 1 January 2005	25,824	3,981	29,805
Utilised during the year	(6,175)	(311)	(6,486)
At 31 December 2005	<u>19,649</u>	<u>3,670</u>	<u>23,319</u>

The share contribution provision represents the provision required to fund the economic cost of the ASDA share schemes which were established to allow colleagues to own shares in the ultimate parent company. Options become exercisable on an annual basis, although they can be held indefinitely by the colleagues. Typically, the majority of the liability would be expected to crystallise within 3 years.

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.

### 18. CALLED UP SHARE CAPITAL

#### Authorised

At 31 December 2005 and 31 December 2004

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

#### Allotted, called up and fully paid

At 31 December 2005 and 31 December 2004

	<i>No.</i>	<i>£000</i>
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.

# ASDA Stores Limited

## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 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 2005 as previously reported	584,865	260	111,483	834,161	1,530,769
Prior year adjustment – FRS 17	-	-	-	(179,100)	(179,100)
Prior year adjustment – Merchant Charges	-	-	-	334,748	334,748
<b>At 1 January 2005 as restated</b>	<b>584,865</b>	<b>260</b>	<b>111,483</b>	<b>989,809</b>	<b>1,686,417</b>
Retained profit for the year	-	-	-	383,071	383,071
Actuarial loss on pension scheme	-	-	-	(22,100)	(22,100)
Deferred tax movement relating to pension scheme	-	-	-	6,630	6,630
<b>As at 31 December 2005</b>	<b>584,865</b>	<b>260</b>	<b>111,483</b>	<b>1,357,410</b>	<b>2,054,018</b>

### 20. FINANCIAL COMMITMENTS

	<i>31 December 2005 £m</i>	<i>31 December 2004 £m</i>
a) Company capital commitments		
Contracted for but not provided in the financial statements	36.2	36.0

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

	<i>31 December 2005 £000</i>	<i>31 December 2004 £000</i>
Amounts payable:		
Within one year	909	795
Between two and five years	1,752	2,061
After five years	50,427	48,147
	<b>53,088</b>	<b>51,003</b>

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

	<i>31 December 2005 £000</i>	<i>31 December 2004 £000</i>
Amounts payable:		
Within one year	8,398	5,714
Between two and five years	27,315	22,854
	<b>35,713</b>	<b>28,568</b>



# ASDA Stores Limited

## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 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.

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 2004 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 2004 and updated to 31 December 2005 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	At year end 31/12/2005	At year end 31/12/2004	At year end 31/12/2003
Rate of increase in salaries	4.30%	4.30%	4.30%
Rate of increase of pensions in payment	2.80%	2.80%	2.80%
Rate of increase of pensions in deferment	2.80%	2.80%	2.80%
Discount rate	4.90%	5.30%	5.40%
Inflation assumption	2.80%	2.80%	2.80%

# ASDA Stores Limited

## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 21. PENSIONS (CONTINUED)

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

		<i>At year end</i>		<i>At year end</i>		<i>At year end</i>
		<i>31/12/2005</i>		<i>31/12/2004</i>		<i>31/12/2003</i>
		£m		£m		£m
Equities	7.50%	757.0	7.50%	521.5	7.30%	414.7
Gilts/Bonds	4.40%	87.3	4.90%	67.3	5.10%	51.0
Property	7.50%	9.8	7.50%	9.8	7.30%	8.1
		<u>854.1</u>		<u>598.6</u>		<u>473.8</u>
Total Market Value of Assets						
Actuarial Value of Liability		(987.0)		(803.6)		(690.0)
		<u>(132.9)</u>		<u>(205.0)</u>		<u>(216.2)</u>
Total deficit in the scheme						
Related deferred tax asset		39.9		61.5		64.9
		<u>(93.0)</u>		<u>(143.5)</u>		<u>(151.3)</u>
Net pension liability						

#### Analysis of the amount charged to operating profit

	<i>Year to 31/12/2005</i>	<i>Year to 31/12/2004</i>
	£m	£m
Service Cost	62.7	39.6
	<u>62.7</u>	<u>39.6</u>
Total Operating Charge		

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

	<i>Year to 31/12/2005</i>	<i>Year to 31/12/2004</i>
	£m	£m
Expected return on pension scheme assets	46.1	35.9
Interest on pension liabilities	(42.2)	(38.4)
	<u>3.9</u>	<u>(2.5)</u>
Net return / (charge)		

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

	<i>Year to 31/12/2005</i>	<i>Year to 31/12/2004</i>
	£m	£m
Actual return less expected return on assets	68.2	21.2
Experience gains and losses on liabilities	(6.6)	(2.3)
Changes in assumptions	(83.7)	(30.4)
	<u>(22.1)</u>	<u>(11.5)</u>
Actuarial loss recognised in STRGL		

# ASDA Stores Limited

## NOTES TO THE ACCOUNTS as at 31 December 2005

### 21. PENSIONS (CONTINUED)

#### Movement in deficit during the year

	<i>Year to 31/12/2005</i>	<i>Year to 31/12/2004</i>
	<i>£m</i>	<i>£m</i>
Deficit in scheme at beginning of year	(205.0)	(216.2)
Movement in year:		
Current service cost	(62.7)	(39.6)
Contributions	153.0	64.8
Other finance income / (costs)	3.9	(2.5)
Actuarial loss	(22.1)	(11.5)
Deficit in scheme at end of year	<u>(132.9)</u>	<u>(205.0)</u>

The actuarial valuation at 31 December 2005 showed a decrease in the deficit from £205.0 million to £132.9 million.

The company will continue in 2006 to make contributions into the scheme that exceed the service cost.

#### History of experience gains and losses

	<i>2005</i>	<i>Financial year ending in</i>		
		<i>2004</i>	<i>2003</i>	<i>2002</i>
<b>Difference between expected and actual return on scheme assets:</b>				
Amount (£m)	68	21	53	(108)
Percentage of scheme assets	8%	4%	11%	(30%)
<b>Experience gains and losses on scheme liabilities:</b>				
Amount (£m)	(7)	(2)	-	-
Percentage of scheme liabilities	(1%)	(0%)	0%	0%
<b>Total amount recognised in statement of total recognised gains and losses:</b>				
Amount (£m)	(22)	(11)	(39)	(133)
Percentage of scheme liabilities	(2%)	(1%)	(6%)	(25%)

The company operates 2 defined contribution schemes and a defined benefit pension scheme. The assets of the schemes are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the year end, included in other creditors are £0.9m (2004: £0.5m) for the defined contribution scheme. The charge for the year for the defined contribution schemes is £10.8m (2004: £10.5m).

# ASDA Stores Limited

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## NOTES TO THE ACCOUNTS

as at 31 December 2005

### 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 Wal-Mart Store 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, CF4 3UZ.

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