

ASDA STORES LIMITED

Report and Financial Statements

31 December 2008

Registered No. 464777

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COMPANIES HOUSE

ASDA Stores Limited

Registered No. 464777

DIRECTORS

A J Bond
J J Mckenna
D Smith (resigned 31 January 2009)
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
D J Gurr

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 2008.

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 £438.2m increased by £132.9m on the previous year.

A dividend of £300.0m was paid during the year (2007: £nil).

Business review and future developments

ASDA delivered a strong performance in 2008, with both sales and profit exceeding expectations. This has been achieved by giving customers great quality products at outstanding value at a time when they needed it most.

2008 was a very difficult year for consumers, faced with rising energy prices, reduced availability of bank credit, and rising unemployment as the economic downturn took hold.

ASDA's strategy of being the lowest cost to operate supermarket is effective in any economic cycle, but provides an even greater competitive advantage when disposable incomes are under pressure. This strategy allowed ASDA to respond to falling disposable incomes by continuing to lower prices across the weekly shop, maintaining its position as price leader in the UK supermarket sector.

Financial Highlights

- Like-for-like sales growth of 6.2% (excluding petrol)
- Growth ahead of the market in every month in 2008 (source: TNS)
- Market share up 0.2% on prior year, to 17.0% (source: TNS, total till roll 52 weeks to 28th December 2008)

Operational Highlights

- Winner of The Grocer Magazine's lowest price supermarket for an incredible 11th consecutive year
- Winner of The Grocer Magazine's Best for Service award and Best for Availability award, the first time that a single supermarket has won all three awards for price, availability and service
- Broadening customer appeal with strong growth in South East England, and among AB shopper group
- Strong growth at both ends of the value spectrum with both Smart Price and Extra Special up significantly on prior year
- Growth of own-label organics at over 40% on prior year, and extension of the Ethnic and Local product ranges
- Gains in George market share, with launch of new Moda and Boston Crew ranges, and a refreshed marketing campaign and brand

Delivering Foundations for Future Growth

- 21 new stores opened during the year, of which 8 were ASDA Living
- ASDA's grocery home shopping service has delivered very impressive growth, now covering over 90% of the UK population

ASDA Stores Limited

DIRECTORS' REPORT

- ASDA Direct launched successfully in October 2008, offering non-food products to online shoppers across the UK
- ASDA Mobile network grew rapidly as the Group launched the UK's lowest pay-as-you-go mobile tariff

The ASDA purpose is to save customers money every day. The strong performance in 2008 was the result of lowering prices, improving store standards and developing ranges to attract a broad mix of customers.

In the context of an uncertain economic outlook, the ASDA purpose remains highly relevant to customers, and with strong sales momentum, ASDA ended the year well placed to continue to gain share in 2009.

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 quarterly to review the corporate risk map.

Key risks and mitigating actions are set out below:

- **Competitive risk**

In the highly competitive retail industry, success depends on satisfying changing customer needs better than the competition. ASDA has a brand reputation 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 risk**

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.

The company operates a number of pension arrangements for its employees including a defined benefit pension scheme. This is subject to risk in relation to its pension deficit which is shown as a liability on the balance sheet. The company mitigates this risk through consultation with the pension scheme trustees to identify appropriate long term funding solutions for the scheme.

- **Supplier risk**

The economic climate is becoming more challenging for our suppliers and customers. This puts increased importance on the strength of our control processes and our ability to recognize and respond to supplier issues. We have set up a periodic review process of supplier risk to identify issues, develop appropriate action plans and improve our controls in relation to supplier monitoring.

- **Reputational risk**

The key to success as a business is the loyalty and goodwill shown by customers, suppliers and colleagues.

ASDA Stores Limited

DIRECTORS' REPORT

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 risk is 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.

- **Business continuity risk**
Detailed disaster recovery plans are in place in the event of an incident which could severely affect our ability to trade. These plans are regularly tested and updated.
- **Regulatory risk**
The company recognises that it operates in an environment where it can be greatly impacted by changes in Government policy. In response to this, ASDA continues to risk assess all regulatory developments and test compliance with internal processes designed to mitigate risks. Current processes and procedures continue to be reviewed and where required improvements are made.
- **Environmental risk**
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.

In line with Wal-Mart's global strategy, ASDA's sustainability work plan falls under three aspirational targets; to be supplied 100% by renewable energy, to create zero waste and to sell products that sustain our natural environment and resources. To protect our lowest cost to operate model and to act in a responsible way we have set measurable targets and objectives in each of these areas.

- **Fraud risk**
The company has a control framework in place to help detect potential fraud and dishonest activity. The Asda-Wal-Mart Statement of Ethics also provides clear guidance to colleagues on appropriate behaviour, including guidance on how to raise any business conduct concerns they may have through the Open Door Communication Process or through the local Ethics Committee.

Events since the balance sheet date

On 6 August 2009, as part of a group reconstruction, the company sold its investment in Corinth Services Limited to Wal-Mart Stores (UK) Limited.

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.

ASDA Stores Limited

DIRECTORS' REPORT

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 2008 or 2007.

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 marketeers 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 eleven 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.

Political and charitable contributions

During the year, cash donations to charitable organisations and other community projects totalled £8.3million (2007: £7.6million). 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. ASDA Foundation, ASDA's charitable company also supported a range of local charities and sustainable local projects. These projects are local "cause-related activities", contributing to local charities or causes that our colleagues wish to support. The company did not make any political donations during the year.

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.

ASDA Stores Limited

DIRECTORS' REPORT

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
26 October 2009

ASDA Stores Limited

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 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24. 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 2008 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

26 October 2009

ASDA Stores Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2008

		<i>Year Ended 31 December 2008 £000</i>	<i>Year Ended 31 December 2007 £000</i>
TURNOVER	1,2	18,569,839	16,738,670
Operating costs	3	(18,320,792)	(16,372,809)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		249,047	365,861
Other finance income		20,500	21,100
Net interest receivable / (payable) and similar income / (charges)	6	227,629	(45,284)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		497,176	341,677
Taxation	7	(58,978)	(36,418)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		438,198	305,259

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2008

		<i>Year Ended 31 December 2008 £000</i>	<i>Year Ended 31 December 2007 £000</i>
Profit for the financial year		438,198	305,259
Actuarial (loss)/gain on pension scheme		(25,500)	40,300
Movement on deferred tax relating to pension deficit		7,140	(11,284)
Total recognised gains and losses relating to the year		419,838	334,275

ASDA Stores Limited

RECONCILIATION OF SHAREHOLDERS' FUNDS

for the year ended 31 December 2008

	<i>Year Ended 31 December 2008 £000</i>	<i>Year Ended 31 December 2007 £000</i>
Profit for the financial year	438,198	305,259
Dividends	(300,000)	-
Actuarial (loss)/gain on pension scheme	(25,500)	40,300
Movement on deferred tax relating to pension deficit	7,140	(11,284)
	<hr/>	<hr/>
Net increase in shareholders' funds	119,838	334,275
Opening shareholders' funds	2,639,750	2,305,475
	<hr/>	<hr/>
Closing shareholders' funds	<u>2,759,588</u>	<u>2,639,750</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES


for the year ended 31 December 2008

	<i>Year Ended 31 December 2008 £000</i>	<i>Year Ended 31 December 2007 £000</i>
Profit on ordinary activities before taxation	497,176	341,677
Adjustment of depreciation to historical cost basis	(2,089)	(1,993)
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Historical cost profit on ordinary activities before taxation	495,087	339,684
	<hr/>	<hr/>
Historical cost profit after taxation	<u>436,109</u>	<u>303,266</u>

ASDA Stores Limited

BALANCE SHEET as at 31 December 2008

		<i>31 December</i> 2008	<i>31 December</i> 2007
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
FIXED ASSETS			
Intangible assets	8	29,525	32,390
Tangible assets	9	4,362,580	4,244,780
Investments	10	500,100	500,100
		<u>4,892,205</u>	<u>4,777,270</u>
CURRENT ASSETS			
Stock	11	918,760	803,705
Debtors	12	1,733,681	1,689,847
		<u>2,652,441</u>	<u>2,493,552</u>
CREDITORS: amounts falling due within one year	13	<u>(4,492,335)</u>	<u>(4,395,696)</u>
NET CURRENT LIABILITIES		<u>(1,839,894)</u>	<u>(1,902,144)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,052,311	2,875,126
PROVISIONS FOR LIABILITIES AND CHARGES	14	(271,492)	(224,637)
NET ASSETS EXCLUDING PENSION OBLIGATION		<u>2,780,819</u>	<u>2,650,489</u>
Pension obligation	21	(21,231)	(10,739)
NET ASSETS INCLUDING PENSION OBLIGATION		<u>2,759,588</u>	<u>2,639,750</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	2,062,980	1,943,142
TOTAL SHAREHOLDERS' FUNDS		<u>2,759,588</u>	<u>2,639,750</u>


 J. J. McKenna
 Director
 26 October 2009

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

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 Asda Group Ltd, which produces a consolidated cash flow statement.

In accordance with the exemptions allowed by section 228 of the Companies Act 1985, the company has prepared accounts on a stand alone basis. As disclosed in note 23 group accounts have been prepared by ASDA Group Limited.

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.

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.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

1. ACCOUNTING POLICIES (CONTINUED)

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.

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;

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

1. ACCOUNTING POLICIES (CONTINUED)

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

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

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 company's net obligation in respect of its defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. The operating and financing costs of the scheme are recognised in the period in which they arise.

In respect of actuarial gains and losses, the company 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 re-measured at each balance sheet date and at settlement date and any changes in fair value recognised in profit or loss spread equally over the vesting period.

These share based payment transactions are considered as cash settled and accounted for in accordance with UITF abstract 44 – Group and Treasury Share Transactions.

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.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

1. ACCOUNTING POLICIES (CONTINUED)

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.
- 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.

2. ANALYSIS OF TURNOVER

Turnover 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:

	<i>Year Ended 31 December 2008 £000</i>	<i>Year Ended 31 December 2007 £000</i>
Cost of inventories recognised as an expense	14,191,881	12,691,664
Employment costs (<i>note 5</i>)	2,109,530	1,902,817
Amortisation of intangible assets	2,865	2,865
Depreciation of tangible fixed assets	291,105	275,667
Loss on sale of tangible fixed assets	30,823	12,282
	<hr/> <hr/>	<hr/> <hr/>
OPERATING LEASE CHARGES		
- Land and buildings	75,211	70,201
- Plant and machinery	41,879	39,250
	<hr/>	<hr/>
	117,090	109,451
	<hr/> <hr/>	<hr/> <hr/>
AMOUNTS PAID TO AUDITORS		
- Audit fees	280	281
- Non-audit fees	-	-
	<hr/>	<hr/>
	280	281
	<hr/> <hr/>	<hr/> <hr/>

In arriving at operating profit for 2007 an allowance was 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 Company's best estimate of the amounts required to settle the asserted claims.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

4. DIRECTORS' EMOLUMENTS

	<i>Year Ended 31 December 2008 £000</i>	<i>Year Ended 31 December 2007 £000</i>
Total directors' remuneration excluding pension costs	7,167	7,358
	<u>No.</u>	<u>No.</u>
Number of directors who are members of the defined benefit scheme	11	12
Number of directors who exercised share options	8	9
Number of directors entitled to receive shares under long term incentive schemes	11	3
	<u>11</u>	<u>3</u>
Amounts in respect of the highest paid director are as follows:		
Total remuneration excluding pensions	1,268	1,070
	<u>1,268</u>	<u>1,070</u>
Accumulated total accrued pension entitlement	83	73
	<u>83</u>	<u>73</u>

The highest paid director exercised share options during the year and received shares from qualifying services under a long term incentive scheme.

The remuneration of the directors was in respect of their services to the Broadstreet Great Wilson Europe Group as a whole. It is not possible to allocate their remuneration to the companies within the Group.

5. EMPLOYMENT COSTS

	<i>Year Ended 31 December 2008 £000</i>	<i>Year Ended 31 December 2007 £000</i>
Wages and salaries	1,821,983	1,710,856
Share-based payments	98,825	9,895
Social security costs	115,134	108,869
Other pension costs	73,588	73,197
	<u>2,109,530</u>	<u>1,902,817</u>

The average number of employees during the year was 162,105 (2007: 158,760). The average number of full-time equivalents was 105,644 (2007: 102,913).

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

6. NET INTEREST RECEIVABLE / (PAYABLE) AND SIMILAR INCOME / (CHARGES)

	Year Ended 31 December 2008 £000	Year Ended 31 December 2007 £000
Bank interest receivable and similar charges	(157)	(5,099)
Other interest payable	60	414
Net interest payable to group undertakings	97,696	53,249
Income from subsidiary undertakings	(322,601)	(3,150)
Income from other group undertakings	(2,627)	(130)
	<u>(227,629)</u>	<u>45,284</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

7. TAXATION

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

	<i>Year Ended 31 December 2008 £000</i>	<i>Year Ended 31 December 2007 £000</i>
CURRENT TAX		
UK corporation tax on profit for the year	85,516	17,428
Adjustments in respect of prior periods	(3,954)	18,233
TOTAL CURRENT TAX CHARGE	<u>81,562</u>	<u>35,661</u>
DEFERRED TAX		
Origination and reversal of timing differences	(20,686)	25,003
Adjustments in respect of prior periods	(4,766)	(39,462)
Reduction in deferred tax asset relating to pension obligation	2,868	15,216
TOTAL DEFERRED TAX (NOTE 15)	<u>(22,584)</u>	<u>757</u>
TAX CHARGE ON PROFITS ON ORDINARY ACTIVITIES	<u>58,978</u>	<u>36,418</u>

A reconciliation of the current tax charge compared to the standard rate of corporation tax in the UK of 28.5% (2007:30%) applied to the profit on ordinary activities before tax is as follows:

	<i>Year Ended 31 December 2008 £000</i>	<i>Year Ended 31 December 2007 £000</i>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	497,176	341,677
PROFIT ON ORDINARY ACTIVITIES MULTIPLIED BY THE STANDARD RATE OF UK CORPORATION TAX (28.5%) (2007:30%)	141,695	102,503
Effects of:		
Accelerated capital allowances and other timing differences	20,681	(25,003)
Non-qualifying depreciation	8,279	5,186
Non-taxable dividend	(85,500)	-
Profit / (loss) on sale of non-qualifying assets	3,612	1,217
Permanent differences	(4,672)	9,845
Losses surrendered from parent company for nil consideration	-	(66,881)
Pension contributions in excess of profit and loss charge	1,054	(7,646)
Prior period adjustments	(3,954)	18,233
Other	-	(1)
Change in tax rate	367	(1,792)
CURRENT TAX CHARGE FOR YEAR	<u>81,562</u>	<u>35,661</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS as at 31 December 2008

8. INTANGIBLE ASSETS

	<i>Design licenses £000</i>	<i>Brand £000</i>	<i>Total £000</i>
COST			
At 1 January 2008 and 31 December 2008	6,390	31,730	38,120
	<u>6,390</u>	<u>31,730</u>	<u>38,120</u>
AMORTISATION			
At 1 January 2008	2,556	3,174	5,730
Amortisation during the year	1,278	1,587	2,865
	<u>1,278</u>	<u>1,587</u>	<u>2,865</u>
At 31 December 2008	3,834	4,761	8,595
	<u>3,834</u>	<u>4,761</u>	<u>8,595</u>
NET BOOK VALUE			
At 31 December 2008	2,556	26,969	29,525
	<u>2,556</u>	<u>26,969</u>	<u>29,525</u>
At 31 December 2007	3,834	28,556	32,390
	<u>3,834</u>	<u>28,556</u>	<u>32,390</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 2008

9. TANGIBLE FIXED ASSETS

	<i>Freehold properties £000</i>	<i>Leasehold properties £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
COST				
At 1 January 2008	3,014,438	373,266	1,968,798	5,356,502
Additions	451,569	1,860	306,103	759,532
Disposals	(20,596)	(6,534)	(47,793)	(74,923)
Transfers (to)/from other group undertakings	(208,825)	-	11,747	(197,078)
At 31 December 2008	<u>3,236,586</u>	<u>368,592</u>	<u>2,238,855</u>	<u>5,844,033</u>
DEPRECIATION				
At 1 January 2008	244,394	129,799	1,342,566	1,716,759
Charge for the year	63,979	8,041	219,085	291,105
Disposals	(2,830)	(4,198)	(37,072)	(44,100)
Transfers (to)/from other group undertakings	(946)	-	-	(946)
At 31 December 2008	<u>304,597</u>	<u>133,642</u>	<u>1,524,579</u>	<u>1,962,818</u>
Net book amounts at 31 December 2008	<u>2,931,989</u>	<u>234,950</u>	<u>714,276</u>	<u>3,881,215</u>
Assets under construction 31 December 2008				<u>481,365</u>
NET BOOK VALUE AT 31 DECEMBER 2008				<u>4,362,580</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				<u>605,037</u>
NET BOOK VALUE AT 31 DECEMBER 2007				<u>4,244,780</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

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> 2008 £000	<i>31 December</i> 2007 £000
Freehold properties	248,561	248,561

The net book amount of leasehold property includes:

	<i>31 December</i> 2008 £000	<i>31 December</i> 2007 £000
Leases with 50 years or more unexpired	161,252	107,847
Leases with less than 50 years unexpired	73,698	135,620
	<u>234,950</u>	<u>243,467</u>

10. FIXED ASSET INVESTMENTS

Cost and net book value at 1 January 2008 and 31 December 2008	£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.

On 6 August 2009, as part of a group reconstruction, the company sold its investment in Corinth Services Limited to Wal-Mart Stores (UK) Limited.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

11. STOCKS

	<i>31 December</i>	<i>31 December</i>
	2008	2007
	£000	£000
Goods held for resale	917,994	802,790
Goods not held for resale	766	915
	<u>918,760</u>	<u>803,705</u>

12. DEBTORS: amounts falling due within one year

	<i>31 December</i>	<i>31 December</i>
	2008	2007
	£000	£000
Amounts owed by group undertakings	1,376,575	1,324,426
Trade debtors	129,755	122,982
Bad debt provision	(8,609)	(7,177)
Other debtors	26,751	48,343
Prepayments and accrued income	100,375	61,574
Taxation	108,834	139,699
	<u>1,733,681</u>	<u>1,689,847</u>

13. CREDITORS: amounts falling due within one year

	<i>31 December</i>	<i>31 December</i>
	2008	2007
	£000	£000
Bank overdraft	46,167	8,242
Trade creditors	1,743,245	1,527,306
Amounts owed to group undertakings	1,922,547	2,154,907
Amounts owed to ultimate parent company	70,612	17,532
Other taxes and social security	127,872	140,456
Other creditors	97,334	82,002
Accruals	484,558	465,251
	<u>4,492,335</u>	<u>4,395,696</u>

Included within the Creditors: amounts falling due within one year 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 2008

14. PROVISION FOR LIABILITIES AND CHARGES

	<i>31 December</i>	<i>31 December</i>
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Deferred taxation (note 15)	168,448	193,900
Provisions (note 16)	103,044	30,737
	<u>271,492</u>	<u>224,637</u>

15. DEFERRED TAXATION

	<i>31 December</i>	<i>31 December</i>
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
AMOUNT PROVIDED		
Accelerated capital allowances	201,356	205,054
Pension costs	(241)	(64)
Origination and reversal of timing differences	(32,667)	(11,090)
	<u>168,448</u>	<u>193,900</u>

Total
£000

MOVEMENT IN DEFERRED TAX PROVISION

At 1 January 2008	193,900
Provision charged through the profit and loss account (note 7)	(22,584)
Less FRS17 charge to deferred tax included in net pension obligation	(2,868)
	<u>168,448</u>
At 31 December 2008	<u>168,448</u>

Deferred tax has been provided at 28% (2007: 28%).

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 £17.7m (2007: £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.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

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 2008	28,509	2,228	30,737
Provided during the year	98,825	10,145	108,970
Utilised during the year	(36,663)	-	(36,663)
	<u>90,671</u>	<u>12,373</u>	<u>103,044</u>
At 31 December 2008	<u>90,671</u>	<u>12,373</u>	<u>103,044</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 is expected to crystallise in the next 5 years.

17. SHARE BASED PAYMENTS

These share-based payment transactions are accounted for as cash settled in accordance with UITF abstract 44 – Group and Treasury Share Transactions.

The company offers five share-based payment schemes to employees to enable them to own shares in the ultimate parent company. Three of these schemes involve the granting of options to employees to acquire shares in the ultimate parent company at predetermined exercise prices and two of the schemes involve the granting of rights to receive shares in the ultimate parent company for nil consideration. With the exception of one of these schemes, no performance conditions exist in relation to the rights to exercise options or receive shares and there are no cash settlement alternatives for any of the current schemes outstanding.

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

	Weighted average exercise price 2008	Number of options (thousands) 2008	Weighted average exercise price £ 2007	Number of options (thousands) 2007
Outstanding at the beginning of the period	23.77	20,530	25.36	25,176
Exercised during the period	25.09	(5,364)	24.96	(491)
Granted during the period	20.60	2,029	21.80	4,052
Lapsed during the period	25.06	(2,149)	23.60	(8,207)
	<u>29.50</u>	<u>15,046</u>	<u>23.77</u>	<u>20,530</u>
Exercisable at the end of the period	<u>23.70</u>	<u>2,410</u>	<u>25.05</u>	<u>1,619</u>

Share options were exercised on a regular basis throughout the year. The average share price during the year to 31 December 2008 was £30.04 (2007: £23.31).

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

17. SHARE BASED PAYMENTS (CONTINUED)

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.

Number of options (thousands)	31 December 2008			Number of options (thousands)	31 December 2007		
	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)
4,586	19.87 to 21.42	20.18	1.5	4,728	19.87 to 25.74	20.63	1.5

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 2008			Number of options (thousands)	31 December 2007		
	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)
5,073	30.48 to 38.30	33.40	2.2	7,236	22.41 to 28.15	24.66	2.7

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 2008			Number of options (thousands)	31 December 2007		
	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)
5,387	28.26 to 40.13	33.77	1.7	8,565	20.77 to 29.25	24.76	2.0

Restricted Stock Rights (RSR) scheme

The scheme was introduced in 2008 as an alternative to the WSIP scheme. Under the RSR scheme, employees are awarded the right to receive a predetermined number of shares in the ultimate parent company three years from the award date. All RSRs are classed as unapproved from an Income Tax and National Insurance perspective. RSR awards are treated as cash-settled.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

17. SHARE BASED PAYMENTS (CONTINUED)

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

	Number of options (thousands) 2008	Number of options (thousands) 2007
Granted during the period	316	-
Lapsed during the period	(8)	-
	<hr/>	<hr/>
Outstanding at the end of the period	308	-
	<hr/>	<hr/>
Vested at the end of the period	-	-
	<hr/>	<hr/>

The company offers a performance share plan (PSP), for which conditions exist in relation to exercise as described below.

Performance share plan (PSP) scheme

The scheme came into existence on 20 July 2006. Under the scheme, selected executives were granted the right to receive shares in Wal-Mart Stores Inc. provided certain pre-determined performance goals are met. In 2008 and 2007, these pre-determined goals were in respect of sales growth and return on investment. All share awards under the PSP scheme have been issued for nil consideration and have a contractual life of between 1 and 3 years. The share awards under this scheme are treated as cash settled.

The number of share options under the PSP is as follows:

	<i>Number of options (thousands) 2008</i>	<i>Number of options (thousands) 2007</i>
Outstanding at the beginning of the period	154	124
Exercised during the period	(127)	(103)
Conditionally granted during the period	714	159
Lapsed during the period	(98)	(26)
	<hr/>	<hr/>
Outstanding at the end of the period	643	154
	<hr/>	<hr/>
Exercisable at the end of the period	-	-
	<hr/>	<hr/>

The fair value of share options is measured using a Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

17. SHARE BASED PAYMENTS (CONTINUED)

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

	2008	2007
Expected dividend yield (%)	1.86	1.92
Expected volatility (%)	16.68	17.54
Risk-free interest rate (%)	1.99	4.51
Weighted average fair value of options granted (£)	5.47	5.90
Weighted average share price (£)	29.55	23.81
Expected life of option (years)	3.24	4.87

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 US Treasury rate.

The total expenses recognised for the period arising from share based payments and the associated amounts recognised in the balance sheet are as follows:

	2008	2007
	£000	£000
Cash-settled share based payments	98,825	9,895
Total carrying amount of liabilities	<u>90,671</u>	<u>28,509</u>

18. CALLED UP SHARE CAPITAL

Authorised	<i>No.</i>	<i>£000</i>
At 31 December 2008 and 31 December 2007:		
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 2008 and 31 December 2007:		
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 2008

19. RESERVES

	<i>Share Capital</i> £000	<i>Share Premium</i> £000	<i>Revaluation Reserve</i> £000	<i>Profit and Loss Account</i> £000	<i>Total</i> £000
At 1 January 2008	584,865	260	111,483	1,943,142	2,639,750
Profit for the year	-	-	-	438,198	438,198
Dividends	-	-	-	(300,000)	(300,000)
Actuarial loss on pension scheme	-	-	-	(25,500)	(25,500)
Deferred tax movement relating to pension scheme	-	-	-	7,140	7,140
At 31 December 2008	<u>584,865</u>	<u>260</u>	<u>111,483</u>	<u>2,062,980</u>	<u>2,759,588</u>

20. FINANCIAL COMMITMENTS

a) Company capital commitments

	<i>31 December 2008</i> £m	<i>31 December 2007</i> £m
Contracted for but not provided in the financial statements	19.9	196.2

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

	<i>31 December 2008</i> £000	<i>31 December 2007</i> £000
Amounts payable:		
Within one year	-	663
Between two and five years	1,390	905
After five years	67,785	62,978
	<u>69,175</u>	<u>64,546</u>

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

	<i>31 December 2008</i> £000	<i>31 December 2007</i> £000
Amounts payable:		
Within one year	6,728	6,117
Between two and five years	19,446	17,868
	<u>26,174</u>	<u>23,985</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

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 the Defined Benefit Pension scheme have been selected to represent the wide range of members and consist of eight colleagues 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 2007 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 2007 and updated to 31 December 2008 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	<i>31 December 2008</i>	<i>31 December 2007</i>	<i>31 December 2006</i>
Rate of increase in salaries	4.30%	5.20%	4.50%
Rate of increase of pensions in payment	2.80%	3.20%	3.00%
Rate of increase of pensions in deferment	2.80%	3.20%	3.00%
Discount rate	6.35%	5.65%	5.10%
Inflation assumption	2.80%	3.20%	3.00%

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

	<i>31 December 2008</i>		<i>31 December 2007</i>		<i>31 December 2006</i>	
	<i>7.85%</i>	<i>£m</i>	<i>7.6%</i>	<i>£m</i>	<i>7.6%</i>	<i>£m</i>
Equities	7.85%	779.5	7.6%	1,038.7	7.6%	928.2
Gilts/Bonds	4.2%	119.5	4.5%	124.2	4.5%	106.8
Property	7.85%	44.7	7.6%	40.0	7.6%	33.1
Cash	4.2%	43.7	-	-	-	-
		<hr/>		<hr/>		<hr/>
Total Market Value of Assets		987.4		1,202.9		1,068.1
Actuarial Value of Liability		(1,016.8)		(1,217.6)		(1,170.0)
		<hr/>		<hr/>		<hr/>
Total deficit in the scheme		(29.4)		(14.7)		(101.9)
Related deferred tax asset		8.2		4.0		30.7
		<hr/>		<hr/>		<hr/>
Net pension liability		(21.2)		(10.7)		(71.2)
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

21. PENSIONS (CONTINUED)

Analysis of the amount charged to operating profit

	<i>31 December 2008 £m</i>	<i>31 December 2007 £m</i>
Service Cost	59.7	59.4
Total Operating Charge	<u>59.7</u>	<u>59.4</u>

Analysis of the amount credited to other finance income

	<i>31 December 2008 £m</i>	<i>31 December 2007 £m</i>
Expected return on pension scheme assets	88.6	80.2
Interest on pension liabilities	(68.1)	(59.1)
Net return	<u>20.5</u>	<u>21.1</u>

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

	<i>31 December 2008 £m</i>	<i>31 December 2007 £m</i>
Actual return less expected return on assets	(331.2)	(10.1)
Experience gains and losses on liabilities	-	2.4
Changes in assumptions	305.7	48.0
Actuarial (loss)/gain recognised in STRGL	<u>(25.5)</u>	<u>40.3</u>

Movement in deficit during the year

	<i>31 December 2008 £m</i>	<i>31 December 2007 £m</i>
Deficit in scheme at beginning of year	(14.7)	(101.9)
Movement in year:		
Current service cost	(59.7)	(59.4)
Contributions	50.1	85.2
Other finance income	20.4	21.1
Actuarial (loss)/gain	(25.5)	40.3
Deficit in scheme at end of year	<u>(29.4)</u>	<u>(14.7)</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2008

The actuarial valuation at 31 December 2008 showed an increase in the deficit from £14.7 million to £29.4 million.

History of experience gains and losses

	31 December 2008 £m	31 December 2007 £m	31 December 2006 £m	31 December 2005 £m
Difference between expected and actual return on scheme assets:				
Amount (£m)	(331.2)	(10.1)	80.8	68.2
Percentage of scheme assets	(34%)	(1%)	8%	8%
Experience gains and losses on scheme liabilities:				
Amount (£m)	-	2.4	-	(6.6)
Percentage of scheme assets	-	-	-	(1%)
Total amount recognised in statement of total recognised gains and losses:				
Amount (£m)	25.5	40.3	(8.8)	(22.1)
Percentage of scheme assets	3%	3%	(1%)	(2%)

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 company in an independently administered fund. There were no unpaid contributions outstanding at the current or prior year end for the defined contribution scheme. The charge for the year for the defined contribution schemes is £13.9m (2007: £13.8m).

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

On 6 August 2009, as part of a group reconstruction, Asda Stores Limited issued new shares to its immediate parent, Asda Group Limited, in exchange for debt.

On the same date, Asda Stores Limited sold its investment in Corinth Services Limited to Wal-Mart Stores (UK) Limited, an intermediate holding company.