

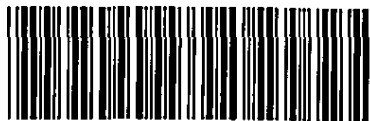
ASDA STORES LIMITED

Report and Financial Statements

31 December 2006

Registered No 464777

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COMPANIES HOUSE

ASDA Stores Limited

Registered No. 464777

DIRECTORS

A Bond
J J Mckenna
D Smith
A Spindler (resigned 3 August 2007)
J Longworth
D Cheesewright
A Clarke
D Blackhurst (appointed 9 January 2006)
P Pritchard (appointed 30 October 2006)
R Bendel (appointed 20 November 2006)
T Page (resigned 30 June 2006)

SECRETARY

J Longworth

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 2006

PRINCIPAL ACTIVITIES

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

PROFIT AND DIVIDENDS

The company's profit, after taxation, for the financial year, amounted to £257,581,000 (31 December 2005 restated £384,997,000) No dividends were paid during the year (2005 £nil)

BUSINESS REVIEW

2006 was a year of recovery for the company and saw an increase in market share from 10.6% to 10.8%, thereby maintaining the number two position in the UK market

The improvement in sales performance during the year was a result of executing a customer-focused strategy, key elements of which were as follows

- Fixing the basics in order to restore customer confidence in the ASDA brand. This comprised improvements in price, availability and service, as a result of which the company increased its count of regular shoppers by one million compared with 2005. The company's continued commitment to being a value retailer resulted in ASDA being awarded the Best for Price Supermarket by The Grocer magazine for the ninth year running
- Differentiation from the competition by upgrading areas of the ASDA shopping experience that drive customer loyalty. This included extending the organic food offer, re-launch of the premium Extra Special range and remodelling the pet and baby departments
- Driving growth through expansion. The directors are encouraged by the results of the 2006 new store openings, of which there were twenty-two, including further roll-out of the new non-food format, ASDA Living

The result of this strategy was an improved sales performance. Comparative stores sales growth (excluding positive impact from fuel sales) was in the low positive single digits for the full year despite having started the year in negative growth. This sales performance resulted in an increase in colleague bonus of £22.8m

During the year the company developed its environmental initiative agenda and made the following commitments

- Canford Heath is to be the UK's first zero waste to landfill supermarket,
- Zero waste to landfill by 2010,
- Build the new store in Shaw from sustainable timber,
- Reduce carbon emissions by 80,000 metric tonnes by the end of 2008 through sustainable distribution measures

RISKS AND UNCERTAINTIES

One of the ongoing challenges facing the business 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 objectives. Key risks and controls are set out below

DIRECTORS' REPORT

COMPETITIVE RISKS

If the company is not seen by customers to be adopting the right strategy for them, then the business may suffer as a result

ASDA has a reputation for delivering a broad range of products at market-leading prices. The business needs to understand the needs of the market and ensure that it consistently meets these needs. 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

FINANCIAL RISKS

If funds are not available at the right time to meet business needs, this may impact on the company's ability to do business effectively

The company has a Treasury function which ensures that there are funds available to meet liabilities to suppliers, colleagues and investors. This is achieved by forecasting the cashflows of the company and ensuring that adequate short term borrowing facilities are in place as required

Certain transactions with suppliers and the company's ultimate parent undertaking are denominated in foreign currency. The Treasury function uses information from around the business to forecast the timing and level of foreign currency requirements and buys forward accordingly. It is the policy of the company not to buy or hold foreign currency speculatively

REPUTATIONAL RISKS

The key to success as a business is the loyalty and goodwill shown to the company by customers, suppliers and colleagues. Failure to protect the business's reputation could lead to a loss of trust in the ASDA brand and consequently erode this loyalty

The company regularly engages with customers, both directly and through monitoring of available external data, in order to ensure that the business does not engage in activities that 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 timely and honest feedback

ENVIRONMENTAL RISKS

As a retailer, the company recognises that it has a responsibility to minimise the adverse impact that its business activities have on the environment. Failure to do this may result not only in adverse environmental impacts, but also financial penalties and long-term damage to reputation

The company develops and regularly reviews its environmental policy by engaging key stakeholders such as colleagues and suppliers to ensure that it makes continuous improvements in this area so that growth is sustainable

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 2005 £300,000). There were no political donations made during the year (31 December 2005 £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 brand, Smartprice, Extra Special and George labels

ASDA Stores Limited

DIRECTORS' REPORT

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 company'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.

CHANGE IN ACCOUNTING POLICY

The company has adopted FRS 20 'Share-based Payment' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

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.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquires of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each directors' 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 the relevant audit information and to establish that the company's auditors are aware of the information.

RE-APPOINTMENT OF 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,



J.J. McKenna
Director

29 October 2007

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASDA STORES LIMITED

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 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.

Finnska-log LLP

Ernst & Young LLP

Registered auditor

Leeds

29/10/ 2007

ASDA Stores Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

		<i>Year Ended 31 December 2006</i>	<i>Year Ended 31 December 2005 - restated</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
SALES		17,016,179	16,064,511
Value added tax		(1,359,086)	(1,278,318)
TURNOVER		15,657,093	14,786,193
Operating costs	3	(15,237,457)	(14,353,556)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		419,636	432,637
Other finance income		15,700	3,900
Net interest payable and similar charges	6	(47,254)	(45,603)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		388,082	390,934
Taxation	7	(130,501)	(5,937)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		257,581	384,997

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2006

	<i>Year Ended 31 December 2006</i>	<i>Year Ended 31 December 2005 - restated</i>
	<i>£000</i>	<i>£000</i>
Profit for the financial year	257,581	384,997
Actuarial loss on pension scheme	(8,800)	(22,100)
Movement on deferred tax relating to pension deficit	2,640	6,630
Total recognised gains and losses relating to the year	251,421	369,527
Prior year adjustment – FRS 20	(1,890)	-
Prior year adjustment – FRS 17	-	(163,400)
Prior year adjustment – Merchant Charges	-	210,175
Total gains and losses recognised since last annual report	249,531	416,302

ASDA Stores Limited

RECONCILIATION OF SHAREHOLDERS' FUNDS

for the year ended 31 December 2006

	<i>Year Ended 31 December 2006</i>	<i>Year Ended 31 December 2005 - restated</i>
	<i>£000</i>	<i>£000</i>
Profit for the financial year	257,581	384,997
Actuarial loss on pension scheme	(8,800)	(22,100)
Movement on deferred tax relating to pension deficit	2,640	6,630
	<u>251,421</u>	<u>369,527</u>
Opening shareholders' funds as previously reported	2,054,054	1,686,417
Prior year adjustment – FRS 20	-	(1,890)
Opening shareholders' funds restated	<u>2,054,054</u>	<u>1,684,527</u>
Closing shareholders' funds	<u><u>2,305,475</u></u>	<u><u>2,054,054</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES


for the year ended 31 December 2006

	<i>Year Ended 31 December 2006</i>	<i>Year Ended 31 December 2005 - restated</i>
	<i>£000</i>	<i>£000</i>
Reported profit on ordinary activities before taxation	388,082	390,934
Adjustment of depreciation to historical cost basis	(1,993)	(1,993)
	<u>386,089</u>	<u>388,941</u>
Historical cost retained profit after taxation	<u><u>255,588</u></u>	<u><u>383,004</u></u>

ASDA Stores Limited

BALANCE SHEET as at 31 December 2006

		<i>31 December</i> 2006	<i>31 December</i> 2005 <i>- restated</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
FIXED ASSETS			
Intangible assets	8	35,255	-
Tangible assets	9	3,865,529	3,700,914
Investments	10	500,100	500,100
		<u>4,400,884</u>	<u>4,201,014</u>
CURRENT ASSETS			
Stocks	11	774,573	709,200
Debtors	12	1,639,377	1,392,137
Cash at bank and in hand		244,474	202,946
		<u>2,658,424</u>	<u>2,304,283</u>
CREDITORS: amounts falling due within one year	13	(4,448,585)	(4,149,641)
		<u>(1,790,161)</u>	<u>(1,845,358)</u>
NET CURRENT LIABILITIES		(1,790,161)	(1,845,358)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,610,723	2,355,656
PROVISIONS FOR LIABILITIES AND CHARGES	14	(234,028)	(208,602)
NET ASSETS EXCLUDING PENSION OBLIGATION		2,376,695	2,147,054
Pension obligation	21	(71,220)	(93,000)
NET ASSETS INCLUDING PENSION OBLIGATION		2,305,475	2,054,054
		<u><u>2,305,475</u></u>	<u><u>2,054,054</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	584,865	584,865
Share premium account	19	260	260
Revaluation reserve	19	111,483	111,483
Profit and loss account	19	1,608,867	1,357,446
TOTAL EQUITY SHAREHOLDERS' FUNDS		2,305,475	2,054,054
		<u><u>2,305,475</u></u>	<u><u>2,054,054</u></u>


 J. McKenna
 Director
 29 October 2007

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

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 20, 'share-based payment' 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 20 was to increase employee costs by £8.8m (2005 reduction of £2.8m). Profit after tax is lower by £6.2m (2005 higher by £2.0m). Net assets have been reduced by £6.2m (2005 £nil) due to the adoption of FRS 20 in the year.

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.

INTANGIBLE ASSETS

Intangible assets acquired are carried initially at cost. Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives, with charges included in operating costs, as follows:

Brands	20 years
Licences	Licence period (5 years)

TANGIBLE FIXED ASSETS

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

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

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

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.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

1. ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

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

NET INTEREST PAYABLE

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

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

OPERATING LEASES

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

DEBTORS

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

STOCKS

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

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

TRADE AND OTHER CREDITORS

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

DEFERRED TAXATION

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

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

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

1. ACCOUNTING POLICIES (CONTINUED)

PROVISIONS

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

PENSIONS

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

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

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

SHARE-BASED PAYMENTS

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

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

FOREIGN CURRENCIES

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

USE OF ASSUMPTIONS AND ESTIMATES

Management are required to make judgements, estimates and assumptions that affect the application of policies and reported assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

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 21 and FRS 26 had no impact on the company.
- FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

2. ANALYSIS OF TURNOVER

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

3. OPERATING COSTS

This is stated after charging / (crediting)

	<i>Year Ended 31 December 2006</i>	<i>Year Ended 31 December 2005 - restated</i>
	<i>£000</i>	<i>£000</i>
Changes in stocks	(67,092)	(28,020)
Other operating income	(103,373)	(82,502)
Raw materials and consumables	11,991,816	11,301,646
Staff costs	1,740,039	1,595,919
Amortisation of intangible assets	2,865	-
Depreciation of tangible fixed assets	229,135	217,427
Profit on sale of tangible fixed assets	(8,488)	-
Other operating charges	1,452,555	1,349,086
	<u>15,237,457</u>	<u>14,353,556</u>

OTHER OPERATING CHARGES

OPERATING LEASE CHARGES

- Land and buildings	62,343	51,029
- Plant and machinery	36,630	35,905
	<u>98,973</u>	<u>86,934</u>

AMOUNTS PAID TO AUDITORS

- Audit fees	262	343
- Non-audit fees	-	-
	<u>262</u>	<u>343</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

4. DIRECTORS' EMOLUMENTS

	<i>Year Ended 31 December 2006 £000</i>	<i>Year Ended 31 December 2005 £000</i>
Total directors' remuneration excluding pension costs	4,453	2,297
	<i>No</i>	<i>No</i>
Number of directors who are members of the defined benefit scheme	11	11
Number of directors who exercised share options	1	5
Number of directors entitled to receive shares under long term incentive schemes	3	2
Amounts in respect of the highest paid director are as follows		
Total remuneration excluding pensions	691	406
Accumulated total accrued pension entitlement	44	54

The highest paid director exercised no 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, J J McKenna, D Smith, A Spindler, J Longworth, T Page, D Cheesewright, A Clarke, P Pritchard, R Bendel 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 2006 £000</i>	<i>Year Ended 31 December 2005 - restated £000</i>
Wages and salaries	1,559,691	1,428,225
Share-based payments	4,576	223
Social security costs	99,912	93,971
Other pension costs	75,900	73,500
	1,740,079	1,595,919

The average number of employees during the year was 153,580 (2005 145,235). Average number of full-time equivalents was 97,867 (2005 91,598).

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

6. NET INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year Ended 31 December 2006 £000</i>	<i>Year Ended 31 December 2005 £000</i>
Bank interest receivable	(523)	(1,150)
Net interest payable to group undertakings	47,797	46,753
Income from subsidiary undertakings	(20)	-
	<u>47,254</u>	<u>45,603</u>

7. TAXATION

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

	<i>Year Ended 31 December 2006 £000</i>	<i>Year Ended 31 December 2005 - restated £000</i>
CURRENT TAX		
UK corporation tax on profit for the year	24,438	1,731
Adjustments in respect of prior periods	71,140	(40,088)
TOTAL CURRENT TAX CHARGE / (CREDIT)	<u>95,578</u>	<u>(38,357)</u>
DEFERRED TAX		
Origination and reversal of timing differences	18,515	15,695
Reduction in deferred tax asset relating to pension obligation	11,900	28,095
Adjustments in respect of prior periods	4,508	504
TOTAL DEFERRED TAX (NOTE 15)	<u>34,923</u>	<u>44,294</u>
TAX CHARGE ON PROFITS ON ORDINARY ACTIVITIES	<u>130,501</u>	<u>5,937</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

7. TAXATION (CONTINUED)

The tax assessed for the year is lower (2005 lower) than the standard rate of corporation tax in the UK (30%) (2005 30%). The differences are explained below

	<i>Year Ended 31 December 2006 £000</i>	<i>Year Ended 31 December 2005 - restated £000</i>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	388,082	390,934
PROFIT ON ORDINARY ACTIVITIES MULTIPLIED BY THE STANDARD RATE OF UK CORPORATION TAX (30%) (2005 30%)	116,425	117,280
Effects of		
Accelerated capital allowances and other timing differences	(18,515)	(15,695)
Non-qualifying depreciation	4,862	3,567
Profit on sale of non-qualifying assets	(4,401)	(3,397)
Permanent differences	2,266	1,289
Losses surrendered from parent company for nil consideration	(64,156)	(71,524)
Pension contributions in excess of profit and loss charge	(11,900)	(28,095)
Prior period adjustments	71,140	(40,088)
Other	(143)	(1,694)
CURRENT TAX CHARGE / (CREDIT) FOR YEAR	<u>95,578</u>	<u>(38,357)</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

8. INTANGIBLE ASSETS

	<i>Design licenses £000</i>	<i>Brand £000</i>	<i>Total £000</i>
COST			
At 1 January 2006	-	-	-
Additions	6,390	31,730	38,120
	<hr/>	<hr/>	<hr/>
At 31 December 2006	6,390	31,730	38,120
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
AMORTISATION			
At 1 January 2006	-	-	-
Amortisation during the year	1,278	1,587	2,865
	<hr/>	<hr/>	<hr/>
At 31 December 2006	1,278	1,587	2,865
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
NET BOOK VALUE			
At 31 December 2006	5,112	30,143	35,255
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2005	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year the company acquired the intellectual property rights for the 'George' brand and designs in the UK from Global George Ltd, a fellow subsidiary of its ultimate parent company

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 2006

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 2006	2,591,063	384,796	1,714,037	4,689,896
Additions	383,189	310	116,532	500,031
Disposals	(9,887)	(8,478)	(47,596)	(65,961)
Transfers to other group undertakings	(261,690)	(1,387)	-	(263,077)
At 31 December 2006	<u>2,702,675</u>	<u>375,241</u>	<u>1,782,973</u>	<u>4,860,889</u>
COST OR VALUATION AT THE END OF THE YEAR IS REPRESENTED BY				
Valuation	356,223	-	-	356,223
Cost	2,346,452	375,241	1,782,973	4,504,666
	<u>2,702,675</u>	<u>375,241</u>	<u>1,782,973</u>	<u>4,860,889</u>
DEPRECIATION				
At 1 January 2006	157,798	125,000	1,032,891	1,315,689
Charge for the year	46,272	8,462	174,401	229,135
Disposals	(495)	(7,563)	(40,372)	(48,430)
Transfers to other group undertakings	(7,438)	(476)	-	(7,914)
At 31 December 2006	<u>196,137</u>	<u>125,423</u>	<u>1,166,920</u>	<u>1,488,480</u>
Net book amounts at 31 December 2006	<u>2,506,538</u>	<u>249,818</u>	<u>616,053</u>	<u>3,372,409</u>
Assets under construction 31 December 2006				<u>493,120</u>
NET BOOK VALUE AT 31 DECEMBER 2006				<u>3,865,529</u>
Net book amounts at 31 December 2005	<u>2,433,265</u>	<u>259,796</u>	<u>681,146</u>	<u>3,374,207</u>
Assets under construction 31 December 2005				<u>326,707</u>
NET BOOK VALUE AT 31 DECEMBER 2005				<u>3,700,914</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

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> 2006 £000	<i>31 December</i> 2005 £000
Freehold properties	248,561	260,902

The net book amount of leasehold property includes:

	<i>31 December</i> 2006 £000	<i>31 December</i> 2005 £000
Leases with 50 years or more unexpired	199,885	156,538
Leases with less than 50 years unexpired	49,933	103,258
	<u>249,818</u>	<u>259,796</u>

10. FIXED ASSET INVESTMENTS

Cost and net book value at 1 January 2006 and 31 December 2006	<u>£000</u> 500,100
----------------------------------------------------------------	------------------------

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

11. STOCKS

	<i>31 December</i> 2006 £000	<i>31 December</i> 2005 £000
Goods held for resale	773,842	708,551
Goods not held for resale	731	649
	<u>774,573</u>	<u>709,200</u>

12. DEBTORS: amounts falling due within one year

	<i>31 December</i> 2006 £000	<i>31 December</i> 2005 £000
Amounts owed by group undertakings	1,456,291	1,161,009
Other debtors	78,476	69,823
Prepayments and accrued income	58,208	50,008
Taxation	46,402	111,297
	<u>1,639,377</u>	<u>1,392,137</u>

13. CREDITORS: amounts falling due within one year

	<i>31 December</i> 2006 £000	<i>31 December</i> 2005 £000
Trade creditors	1,593,750	1,465,058
Amounts owed to group undertakings	2,322,928	2,272,089
Amounts owed to ultimate parent company	16,627	32,557
Other taxes and social security	124,771	116,408
Other creditors	98,365	99,424
Accruals	292,144	164,105
	<u>4,448,585</u>	<u>4,149,641</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

14. PROVISION FOR LIABILITIES AND CHARGES

	<i>31 December</i> 2006	<i>31 December</i> 2005 <i>- restated</i>
	<i>£000</i>	<i>£000</i>
Deferred taxation (note 15)	208,357	185,334
Provisions (note 16)	25,671	23,268
	<u>234,028</u>	<u>208,602</u>

15. DEFERRED TAXATION

	<i>31 December</i> 2006	<i>31 December</i> 2005
	<i>£000</i>	<i>£000</i>
AMOUNT PROVIDED		
Accelerated capital allowances	224,147	202,859
Pension costs	(68)	(219)
Origination and reversal of timing differences	(15,722)	(17,306)
	<u>208,357</u>	<u>185,334</u>

	<i>Total</i> <i>£000</i>
MOVEMENT IN DEFERRED TAX PROVISION	
At January 2006 – restated	185,334
Provision charged through the profit and loss account (note 7)	34,923
Less FRS17 charge to deferred tax included in net pension obligation	(11,900)
	<u>208,357</u>

Deferred tax has been provided at 30% (2005 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 £18.4m has been deferred as a consequence of rollover relief claims made in respect of the disposal of certain fixed assets in prior periods.

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

16. PROVISIONS

	<i>Share option provision - restated £000</i>	<i>Onerous lease provision £000</i>	<i>Total - restated £000</i>
At 1 January 2006 - restated	19,598	3,670	23,268
Provided during the year	4,560	-	4,560
Utilised during the year	(1,639)	(518)	(2,157)
At 31 December 2006	<u>22,519</u>	<u>3,152</u>	<u>25,671</u>

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

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

17. SHARE BASED PAYMENTS

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

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

	Weighted average exercise price £ 2006	Number of options (thousands) 2006	Weighted average exercise price £ 2005	Number of options (thousands) 2005
Outstanding at the beginning of the period	28.35	21,935	29.32	18,628
Exercised during the period	26.14	(119)	24.81	(1,257)
Granted during the period	22.91	6,970	26.77	8,922
Lapsed during the period	27.15	(3,610)	29.23	(4,358)
Outstanding at the end of the period	<u>25.36</u>	<u>25,176</u>	<u>28.35</u>	<u>21,935</u>
Exercisable at the end of the period	<u>28.61</u>	<u>3,175</u>	<u>28.66</u>	<u>3,328</u>

Share options were exercised on a regular basis throughout the year. The average share price during the year to 31 December 2006 was £24.79 (£26.20)

Sharesave scheme

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

17. SHARE BASED PAYMENTS (CONTINUED)

31 December 2006				31 December 2005			
Number of options (thousands)	Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)	Number of options (thousands)	Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)
7,442	20.80 to 35.31	23.09	1.2	5,687	21.42 to 35.31	23.79	3.2

Colleague Share Option Plan (CSOP) scheme

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

31 December 2006				31 December 2005			
Number of options (thousands)	Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)	Number of options (thousands)	Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)
10,093	21.72 to 39.20	28.53	3.2	9,335	27.74 to 39.20	30.53	4.4

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.

31 December 2006				31 December 2005			
Number of options (thousands)	Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)	Number of options (thousands)	Range of exercise price £	Weighted average exercise price £	Weighted average contractual life (years)
7,642	23.49 to 33.27	28.17	2.3	6,913	23.62 to 33.27	29.14	2.4

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

Performance share plan (PSP)

The plan came into existence on 20 July 2006. Under the plan, selected executives were granted the right to receive shares in Wal-Mart Stores Inc. or the value of shares in Wal-Mart Stores Inc., provided certain pre-determined performance goals are met. In 2006, these pre-determined goals were in respect of sales growth and return on investment. All share options under the PSP scheme have an exercise price of £23.60 and a contractual life of 1 year.

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

17. SHARE BASED PAYMENTS (CONTINUED)

The number of share options under the PSP is as follows

	<i>Number of options (thousands) 2006</i>	<i>Number of options (thousands) 2005</i>
Outstanding at the beginning of the period	-	-
Exercised during the period	-	-
Conditionally granted during the period	132	-
Lapsed during the period	(8)	-
	<u> </u>	<u> </u>
Outstanding at the end of the period	124	-
	<u> </u>	<u> </u>
Exercisable at the end of the period	-	-
	<u> </u>	<u> </u>

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

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

	<i>2006</i>	<i>2005</i>
Expected dividend yield (%)	2.31	1.9
Expected volatility (%)	16.92	24.9
Risk-free interest rate (%)	4.74	4.2
Weighted average fair value of options granted (£)	4.98	6.43
Weighted average share price (£)	23.86	27.6
Expected life of option (years)	3.0	3.0

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

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

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

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>- restated £000</i>
Cash-settled share based payments	4,576	223
	<u> </u>	<u> </u>
Total carrying amount of liabilities	22,519	19,598
	<u> </u>	<u> </u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

18. CALLED UP SHARE CAPITAL

Authorised	<i>No</i>	<i>£000</i>
At 31 December 2006 and 31 December 2005		
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 2006 and 31 December 2005		
Ordinary shares of £1 each	28,008,978	28,009
Redeemable ordinary shares of £1 each	556,856,118	556,856
	<u>584,865,096</u>	<u>584,865</u>

Ordinary redeemable shares

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

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

19. RESERVES

	<i>Share Capital £000</i>	<i>Share Premium £000</i>	<i>Revaluation Reserve £000</i>	<i>Profit and Loss Account £000</i>	<i>Total £000</i>
At 1 January 2006 - restated	584,865	260	111,483	1,357,446	2,054,054
Retained profit for the year	-	-	-	257,581	257,581
Actuarial loss on pension scheme	-	-	-	(8,800)	(8,800)
Deferred tax movement relating to pension scheme	-	-	-	2,640	2,640
	<u>584,865</u>	<u>260</u>	<u>111,483</u>	<u>1,608,867</u>	<u>2,305,475</u>

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

20 FINANCIAL COMMITMENTS

a) Company capital commitments

	<i>31 December</i> <i>2006</i> <i>£m</i>	<i>31 December</i> <i>2005</i> <i>£m</i>
Contracted for but not provided in the financial statements	135.9	36.2

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

	<i>31 December</i> <i>2006</i> <i>£000</i>	<i>31 December</i> <i>2005</i> <i>£000</i>
Amounts payable	<i>£000</i>	<i>£000</i>
Within one year	214	909
Between two and five years	1,767	1,752
After five years	58,656	50,427
	<u>60,637</u>	<u>53,088</u>

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

	<i>31 December</i> <i>2006</i> <i>£000</i>	<i>31 December</i> <i>2005</i> <i>£000</i>
Amounts payable	<i>£000</i>	<i>£000</i>
Within one year	6,055	8,398
Between two and five years	18,211	27,315
	<u>24,266</u>	<u>35,713</u>

21. PENSIONS

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

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

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

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

21. PENSIONS (CONTINUED)

The pension cost relating to the defined benefit pension scheme is assessed in accordance with the advice of an independent qualified actuary who conducted a triennial valuation as at 5 April 2005 using the projected unit method. The company has no significant exposure to any other post-retirement benefit obligations.

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

	<i>31 December</i> 2006	<i>31 December</i> 2005	<i>31 December</i> 2004
Rate of increase in salaries	4.50%	4.30%	4.30%
Rate of increase of pensions in payment	3.00%	2.80%	2.80%
Rate of increase of pensions in deferment	3.00%	2.80%	2.80%
Discount rate	5.10%	4.90%	5.30%
Inflation assumption	3.00%	2.80%	2.80%

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

	<i>31 December</i> 2006 £m	<i>31 December</i> 2005 £m	<i>31 December</i> 2004 £m
Equities	7.60% 928.2	7.50% 757.0	7.50% 521.5
Gilts/Bonds	4.50% 106.8	87.3	67.3
Property	7.60% 33.1	7.50% 9.8	7.50% 9.8
Total Market Value of Assets	1,068.1	854.1	598.6
Actuarial Value of Liability	(1,170.0)	(987.0)	(803.6)
Total deficit in the scheme	(101.9)	(132.9)	(205.0)
Related deferred tax asset	30.7	39.9	61.5
Net pension liability	(71.2)	(93.0)	(143.5)

Analysis of the amount charged to operating profit

	<i>31 December</i> 2006 £m	<i>31 December</i> 2005 £m
Service Cost	63.4	62.7
Total Operating Charge	63.4	62.7

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

21. PENSIONS (CONTINUED)

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

	<i>31 December</i> 2006 £m	<i>31 December</i> 2005 £m
Expected return on pension scheme assets	63.8	46.1
Interest on pension liabilities	(48.1)	(42.2)
Net return / (charge)	<u>15.7</u>	<u>3.9</u>

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

	<i>31 December</i> 2006 £m	<i>31 December</i> 2005 £m
Actual return less expected return on assets	80.8	68.2
Experience gains and losses on liabilities	-	(6.6)
Changes in assumptions	(89.6)	(83.7)
Actuarial loss recognised in STRGL	<u>(8.8)</u>	<u>(22.1)</u>

Movement in deficit during the year

	<i>31 December</i> 2006 £m	<i>31 December</i> 2005 £m
Deficit in scheme at beginning of year	(132.9)	(205.0)
Movement in year		
Current service cost	(63.4)	(62.7)
Contributions	87.5	153.0
Other finance income	15.7	3.9
Actuarial loss	(8.8)	(22.1)
Deficit in scheme at end of year	<u>(101.9)</u>	<u>(132.9)</u>

The actuarial valuation at 31 December 2006 showed a decrease in the deficit from £132.9 million to £101.9 million

The company will continue in 2007 to make contributions into the scheme that exceed the service cost

ASDA Stores Limited

NOTES TO THE ACCOUNTS

as at 31 December 2006

21 PENSIONS (CONTINUED)

History of experience gains and losses

	<i>31</i> <i>December</i> <i>2006</i> <i>£m</i>	<i>31</i> <i>December</i> <i>2005</i> <i>£m</i>	<i>31</i> <i>December</i> <i>2004</i> <i>£m</i>	<i>31</i> <i>December</i> <i>2003</i> <i>£m</i>
<i>Difference between expected and actual return on scheme assets.</i>				
Amount (£m)	81	68	21	53
Percentage of scheme assets	8%	8%	4%	11%
<i>Experience gains and losses on scheme liabilities:</i>				
Amount (£m)	-	(7)	(2)	-
Percentage of scheme assets	0%	(1%)	0%	0%
<i>Total amount recognised in statement of total recognised gains and losses:</i>				
Amount (£m)	(9)	(22)	(11)	(39)
Percentage of scheme assets	(1%)	(2%)	(1%)	(6%)

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. The unpaid contributions outstanding at the year end, included in other creditors are £0.2m (2005 £0.9m) for the defined contribution schemes. The charge for the year for the defined contribution schemes is £12.5m (2005 £10.8m).

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.