ASDA Group Limited

Directors' report and financial statements

Registered number 1396513

31 December 2012

DIRECTORS

J J McKenna	resigned 22 March 2013
A Clarke	
R Bendel	resigned 30 April 2012
A J Moore	
C R Redfield	resigned 22 May 2012
E Doohan	resigned 1 June 2013
K Hubbard	
H Tatum	
R Mayfield	appointed 16 November 2012
S Smith	appointed 14 May 2012
M Ibbotson	appointed 28 January 2013
BPI Williams	appointed 18 February 2013

SECRETARY

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

AUDITORS
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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012

Principal activities

The principal activities of ASDA Group Limited and its subsidiaries (together referred to as "ASDA" or "the Group") are the retailing of food, clothing, home and leisure products and services throughout the United Kingdom and online

Group profit and dividends

Group revenues for the year increased by 4 6% to £22 8bn (2011 £21 8bn), while operating profit decreased by 0 6% to £840 9m (2011 £845 9m) Underlying operating profit grew by 7 6% after adjusting for non-recurring benefits in 2011 and an exceptional increase in inter-company charges for share options Non-recurring benefits in 2011 were noted in the 2011 directors' report and included a one-off benefit following closure of the defined benefit pension scheme and a reduction in royalties paid to Wal-Mart Stores Inc partially offset by integration costs following the acquisition of Netto Foodstores Limited

Profit after tax for the year was £609 9m (2011 £573 4m) an increase of 6 4%

No dividends were paid in the year (2011 £nil)

Amounts recharged by Ultimate Parent Company

The group accounts incur recharges from the ultimate parent company, Wal-Mart Stores, Inc These recharges relate to the cost of share options, the cost of services provided (mainly relating to IT), and royalties The share options granted to colleagues by ASDA are in the ultimate parent company, Wal-Mart Stores, Inc and are treated as if they are cash settled

Significant events in the year

On 26 April 2012, the Group acquired Turkmen Tedarik Hizmetleri, a company based in Turkey, which manages the sourcing of clothing for George in countries including Turkey and Egypt The transaction will help the Group extend its sourcing capabilities and become even more responsive in delivering style, quality and value as the business expands in the UK and worldwide

Business review, KPIs and future developments

The external environment continued to be challenging, with low wage growth and persistent price inflation exerting downward pressure on disposable incomes The ASDA income tracker for 2012 showed that customers had £144 of weekly discretionary income in December, unchanged from December 2011 but £10 below the figure for December 2010 In this context, ASDA had a successful year, continuing to build trust with customers who are increasingly selective about what they buy and where they shop We delivered against our core purpose of "SAVING YOU [customers] MONEY EVERY DAY" by strengthening our position as price leader We also improved product quality and customer service, supported by innovations such as the further development of our 'Chosen By You' food range with the addition of 1,500 new lines in the year

Financial highlights

- Like-for-Like sales growth of 1 0% (excluding petrol and VAT)
- Total sales growth of 4 6% (excluding VAT)
- Operating profit decreased by 0 6%, with underlying operating profit increasing by 7 6%
- Market share up 0 2%, to 17 5% (source Kantar 52 weeks to 6 January 2013)

Directors' report *(continued)*

Operational highlights

- We have continued to strengthen our price leadership throughout 2012 and into 2013, investing to reduce the prices of products across the store In the summer we deepened our price leadership through a major investment in the prices of everyday essentials such as bread, milk and eggs, and we have held those prices down for over 300 days We reinforced these prices through the ASDA Price Guarantee which continued to run throughout 2012, assuring customers that ASDA will be 10% cheaper than its competitors In addition, in June 2012, ASDA won The Grocer Magazine's lowest priced supermarket award for a fifteenth successive year

- Quality remained a key area of focus We invested in our fresh food ranges and were successful in winning three major awards (In-store Bakery, Meat and Fresh Produce Retailer of the Year) We strengthened our own brand credentials, adding 1,500 lines to our 'Chosen By You' range and strengthened 'Extra Special' through our partnership with Leith's School of Food and Wine Finally, our George clothing business captured the Which? Number 1 for Overall Value on Schoolwear award

- The ASDA on-line business delivered strong growth and gained market share in grocery, general merchandise and clothing This was achieved mainly through expansion of our service As at 31 December 2012, 196 stores have home shopping facilities and we have two standalone home shopping centres During the autumn we also launched our grocery "Click & Collect" service, which by the end of the year was available in 74 stores Finally we saw our fastest growth in mobile services, with our mobile apps rated highest in the market and with the roll out of free Wi-Fi across our stores

- We continue to develop talent and diversity across the whole organisation and in 2012 over 80% of our retail colleagues were promoted from within ASDA We also believe we have the friendliest and most helpful colleagues in the industry and it is thanks to their continued commitment, that in June, ASDA was voted by customers as 'Britain's Favourite Supermarket', as awarded by The Grocer Magazine for the second year in a row

- In March 2012 we launched our Community Life programme which is focused on making the communities around our stores and depots better places to live, work and grow up for our colleagues and customers The Community Life programme is underpinned by 4 key pillars (Working Life, Local Life, Healthier Life and Greener Life) Our ambition is to become the 'Number 1' retailer for community perception to support ASDA becoming Britain's most trusted retailer

- Finally despite significant cost pressures, the ASDA "We Operate for Less" programme continued to deliver substantial, incremental productivity savings across stores, home shopping, distribution centres and home offices, helping to offset inflationary pressures in utilities and commodities This programme is a fundamental part of our drive to reduce costs in our business so that we can reduce prices for our customers

Delivering foundations for future growth

- Twenty three new stores were opened during the year, 13 supermarkets 5 superstores and 5 ASDA livings This added 640,000 sq ft of new space

- ASDA's multichannel and supermarkets continue to be the two fastest growing areas of the business with multichannel seeing double digit growth in 2012 Within our supermarkets we have improved and adapted our ranges to tailor towards smaller baskets and top up shoppers 2012 has also seen the growth of Grocery "Click & Collect" into 86 stores across the business

- In 2012, our first George franchise stores were opened taking our George clothing business to the Middle East and the Channel Islands

In the context of the uncertain economic outlook, the ASDA purpose to save customers money every day remains highly relevant to customers Our strong performance in 2012 reflects our commitment to deliver against this core purpose, at the same time as strengthening the trust customers place in us for the quality of our products and the warm and friendly service delivered by our colleagues

Directors' report *(continued)*

Risks and uncertainties

Risk is an inevitable part of business One of the ongoing activities undertaken by ASDA is the identification of principal risks, assessment of their likelihood and consequence, and development and monitoring of appropriate controls The Board has overall responsibility for risk management and ensuring that this is aligned with business strategy and objectives The Board is supported by a Risk and Audit Committee that meets quarterly

Key risks and mitigating actions are set out below

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

- **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 offering a broad range of products at the lowest prices, and failure to uphold this reputation could lead to a loss of market share

  ASDA regularly monitors relevant data on aspects such as price position in the market, product availability and other measures of quality and service that are important to our customers We constantly monitor market information to understand our position relative to competitors and enable appropriate action to be taken on a timely basis The ASDA Price Guarantee continued to operate during 2012 The guarantee commits ASDA to delivering prices 10% cheaper than our core competitors or to offering a voucher for the difference

- **Strategic risk**
  We continue to invest in new opportunities and areas of growth in order to diversify our offering to customers The board invests significant time in formulating, reviewing and communicating strategy effectively to those delivering it

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

- **Resourcing and capability risk**
  Retention of key individuals and succession planning is important for long term stability and success We have a robust appraisal process and Talent Review System to ensure that the right individuals are in the right roles, with a clear career path to long term development The goodwill of colleagues is maintained through open communication, both to allow management to share information about the business and to give colleagues the opportunity to provide feedback about working at ASDA

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

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

Directors' report *(continued)*

Risks and uncertainties *(continued)*

ASDA operates a number of pension arrangements for our employees including a defined benefit pension scheme This is subject to risk in relation to its pension deficit which is shown as a liability on the balance sheet This risk has been reduced when the defined benefit pension scheme was closed to future accrual in 2011 The risk has been further mitigated through consultation with the pension scheme trustees to identify appropriate long term funding solutions for the scheme To further minimise this risk, the trustees appointed a new fund manager in 2009 with delegated responsibility for managing 30% of the scheme's assets using a liability driven investment approach ASDA's ultimate parent has also guaranteed the scheme liabilities

- **Reputational risk**
  The key to ASDA's success is the loyalty and goodwill shown by our customers, suppliers and colleagues

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

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

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

- **Fraud risk**
  We have a control framework in place to help prevent and detect potential fraud and dishonest activity The ASDA-Wal-Mart Statement of Ethics also provides clear guidance to colleagues on appropriate behaviour, including guidance on how to raise any business conduct concerns they may have through the Open Door Communication Process or through the local Ethics Committee In addition, procedures are in place in respect of compliance with the UK Bribery Act and the Foreign Corrupt Practices Act

- **Systems risk**
  Detailed disaster recovery plans are in place in the event of an incident which could severely affect ASDA's ability to trade A comprehensive Incident Response Plan exists to ensure business continuity in the event of a major incident

- **Environmental risk**
  As a retailer, we recognise that we have a responsibility to minimise the adverse impact that our business activities have on the environment Failure to do this may result not only in adverse environmental impacts, but also financial penalties and long term damage to our reputation

  In recent years, we have implemented a number of initiatives and processes in recognition of our environmental responsibilities We have reduced our absolute carbon footprint by 15 8% since 2007, and our existing stores emit 30 1% fewer carbon emissions than in 2005 The major focus of our strategy is now on our supply chain, including running a unique collaboration tool to help our suppliers become more efficient

Directors' report *(continued)*

International Financial Reporting Standards (IFRS)

Until 17 September 2007, an element of the Group's debt securities were listed on the London Stock Exchange, which meant that the Group prepared its consolidated financial statements under IFRS as required by EU regulation After this date these debt securities were migrated from the Main Market to the Professional Securities Market of the London Stock Exchange This migration enables the Group to follow the wholesale regime introduced by the Prospectus Directive which states that preparing financial statements under IFRS is not a requirement and local accounting standards are acceptable However the Group has elected to maintain IFRS as its applicable GAAP

The Group's individual company financial statements, and those of its subsidiaries, continue to be prepared under UK GAAP This is with the exception of the International Procurement and Logistics Limited financial statements which are prepared under IFRS

Events since the balance sheet date

Change in rate of taxation

The Finance Act 2012 received Royal Assent on 17 July 2012 and enacted a reduction in the main rate of corporation tax to 24% with effect from 1 April 2012 and to 23% from 1 April 2013 Deferred tax has therefore been provided at 23%

On 20 March 2013, it was announced in the 2013 Budget that the main rate of corporation tax effective from 1 April 2014 will be 21% and that a further reduction of 1% will be applied to bring the main rate of corporation tax down to 20% from 1 April 2015

Financial instruments

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

Capital management

As a wholly owned subsidiary, the capital of the Group is monitored in accordance with the overall capital management policy of the ultimate parent company Wal-Mart Stores, Inc and the primary objective of ASDA's capital management policy is to be consistent with the requirements of the ultimate parent

A key element of funding is through intercompany loans which can change from time to time The consolidated financial statements of the ultimate parent company disclose how the Wal-Mart group define and manage capital and meet the group capital objectives

Innovation

Essential to our success is the delivery of innovative, good value products, which are unique to ASDA Buying teams, food technologists and marketeers, working closely with suppliers, are continuously searching to improve the quality of our products and to develop new ideas, many of which are sold under the ASDA brand, Smartprice, Extra Special and George labels as well as the Chosen By You brand which was launched in 2010 We also benefit from synergies in research and development from being part of the Wal-Mart group

Directors' report *(continued)*

Policy and practice on payment of creditors

ASDA deals with over ten thousand separate suppliers, and has established trading terms which are appropriate to the particular relationship and product supplied Whenever an order is placed the parties will be aware of the payment terms and it is our 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 £16 9m (2011 £11 9m) ASDA's colleagues, customers and suppliers have collectively raised monies through events including BBC Children In Need, Tickled Pink (supporting Breast Cancer Care & Breast Cancer Campaign), Everyman, Sporting Chance and Tommy's, the baby charity The ASDA Foundation, ASDA's charitable company, also supported a range of local charities and sustainable local projects These projects are local cause-related activities, contributing to local charities or causes that our colleagues wish to support During the year, we also made charitable donations of surplus clothing stocks

ASDA did not make any political donations during the year (2011 £nil)

Disabled colleagues

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

We are committed to providing equal employment opportunities for all sections of society and give full and equal consideration to disabled job applicants who have the suitable skills, abilities and potential to fulfil a role

If an existing colleague becomes disabled, it is our policy, wherever possible, to work with the individual to provide suitable and continuing employment under normal terms and conditions We are committed to providing equal access to training, career development and promotion to our disabled colleagues

Colleague involvement

Regular meetings are held between local management and colleagues to allow a free flow of information and ideas All colleagues are also involved in shaping our People strategy through the Your Voice Survey which provides them with the opportunity to give feedback on all aspects of working at ASDA During the year, the policy of providing colleagues with information about the business was continued through briefings on the ASDA internal website As part of our ongoing commitment to training and development we have continued to develop the ASDA Academy to provide all colleagues with a structured training programme

Directors' liabilities

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

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

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

Directors' report *(continued)*

Directors' statement as to disclosure of information to auditors

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

Re-appointment of auditors

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

On behalf of the board

RA Mayfield

R Mayfield
Director
25 June 2013

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Southbank
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Leeds
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Directors' responsibilities statement

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

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

In preparing those financial statements, the directors are required to

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

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

Independent auditor's report to the members of ASDA Group Limited

We have audited the Group financial statements of ASDA Group Limited for the year ended 31 December 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 27 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the group financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter
We have reported separately on the parent company financial statements of ASDA Group Limited for the year ended 31 December 2012

Ernst & Young LLP
Christabel Cowling *(Senior Statutory Auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
25 June 2013

Consolidated income statement
for the year ended 31 December 2012

	Note	31 December 2012 £m	31 December 2011 £m
Continuing operations			
Revenue	2	22,843 4	21,847 7
Operating costs	3	(22,002 5)	(21,001 8)
Operating profit		840 9	845 9
Financial income	7	11 7	4 4
Financial costs	8	(78 3)	(82 5)
Profit on ordinary activities before tax		774 3	767 8
Income tax expense	9	(164 4)	(194 4)
Profit for the year		609 9	573 4
Profit for the year attributable to:			
Owners of the parent		598 4	568 6
Non-controlling interests		11 5	4 8

Consolidated statement of comprehensive income
for the year ended 31 December 2012

	Note	31 December 2012 £m	31 December 2011 £m
Profit for the year		609 9	573 4
Cash flow hedges - (losses)/gains arising in the year		(21 7)	8 8
Actuarial (loss)/gain on defined benefit pension scheme	19	(70 1)	4 4
Effect of minimum funding requirement	19	13 6	(190 0)
Tax on items recognised directly in equity	9	13 8	41 9
Other comprehensive income for the year		(64 4)	(134 9)
Total comprehensive income for the year		545 5	438 5
Total comprehensive income for the year attributable to:			
Owners of the parent		534 0	433 7
Non-controlling interests		11 5	4 8

Consolidated balance sheet
as at 31 December 2012

	Note	2012 £m	2011 £m
Assets			
Non-current assets			
Property, plant and equipment	*10*	8,504 1	8,227 5
Intangible assets	*11*	519 8	504 4
Operating lease prepayments	*12*	122 4	125 2
		9,146 3	8,857 1
Current assets			
Inventories	*14*	1,159 7	1,015 8
Trade and other receivables	*15*	300 2	282 2
Intercompany receivables	*15*	1,797 0	1,392 0
Cash and short term deposits	*16*	418 5	434 1
Income tax receivable		-	0 2
Operating lease prepayments	*12*	1 9	1 7
		3,677 3	3,126 0
Total assets		12,823 6	11,983 1
Equity and liabilities			
Equity attributable to the shareholders			
Called up share capital	*22*	783 9	783 9
Share premium account	*22*	568 4	568 4
Other reserves	*23*	437 1	437 1
Cash flow hedge reserve	*23*	(10 7)	5 1
Retained earnings	*23*	4,389 2	3,839 2
Total equity attributable to the shareholders		6,167 9	5,633 7
Non-controlling interests		27 4	17 3
Total equity		6,195 3	5,651 0
Liabilities			
Non-current liabilities			
Borrowings	*18*	184 4	185 8
Employee benefits	*19*	398 5	431 9
Provisions	*20*	28 3	22 3
Deferred tax liabilities	*21*	102 2	128 9
		713 4	768 9
Current liabilities			
Trade and other payables	*17*	2,908 4	2,871 6
Intercompany payables	*17*	2,862 6	2,651 0
Income tax liability		95 8	-
Borrowings	*18*	1 4	1 3
Employee benefits	*19*	46 7	39 3
		5,914 9	5,563 2
Total liabilities		6,628 3	6,332 1
Total equity and liabilities		12,823 6	11,983 1

These financial statements were approved by the board of directors on 25 June 2013 and were signed on its behalf by

R Mayfield
Director

Consolidated statement of changes in equity

for the year ended 31 December 2012

	Share capital £m	Share premium £m	Other reserves £m	Cash flow hedge reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2011	783 9	568 4	437 1	(1 6)	3 412 2	-	5 200 0
Comprehensive income							
Profit for the year	-	-	-		568 6	4 8	573 4
Other comprehensive income							
Cash flow hedges - gains arising in the year	-	-	-	8 8	-	-	8 8
Tax on cash flow hedges recognised directly in equity	-	-	-	(2 1)	-	-	(2 1)
Actuarial gains on defined benefit pension scheme	-	-	-	-	4 4	-	4 4
Effect of minimum funding requirement	-	-	-		(190 0)	-	(190 0)
Tax on actuarial losses recognised directly in equity	-	-	-		44 0	-	44 0
Total	-	-	-	6 7	(141 6)	-	(134 9)
Total comprehensive income	-	-	-	6 7	427 0	4 8	438 5
Net assets recognised on business combination	-	-	-	-	-	12 5	12 5
Balance at 1 January 2012	783 9	568 4	437 1	5 1	3 839 2	17 3	5 651 0
Comprehensive income							
Profit for the year	-	-	-	-	598 4	11 5	609 9
Other comprehensive income							
Cash flow hedges - losses arising in the year	-	-	-	(21 7)	-	-	(21 7)
Tax on cash flow hedges recognised directly in equity	-	-	-	5 9	-	-	5 9
Actuarial losses on defined benefit pension scheme	-	-	-	-	(70 1)	-	(70 1)
Effect of minimum funding requirement	-	-	-	-	13 6	-	13 6
Tax on actuarial losses recognised directly in equity	-	-	-	-	7 9	-	7 9
Total	-	-	-	(15 8)	(48 6)	-	(64 4)
Total comprehensive income	-	-	-	(15 8)	549 8	11 5	545 5
Tax on items credited to equity	-	-	-	-	0 2	-	0 2
Transaction with non-controlling interest							
Dividends	-	-	-	-	-	(1 4)	(1 4)
Balance at 31 December 2012	783 9	568 4	437 1	(10 7)	4 389 2	27 4	6 195 3

Consolidated statement of cash flows
for the year ended 31 December 2012

	Note	31 December 2012 £m	31 December 2011 £m
Cash flows from operating activities			
Profit after tax from continuing operations		609 9	573 4
Adjustments to reconcile profit after tax to net cash flows			
Depreciation	*10*	397 1	379 7
Amortisation of intangible assets	*11*	1 6	3 2
Amortisation of lease prepayments		2 6	1 4
Financial income	*7*	(11 7)	(4 4)
Financial costs	*8*	78 3	82 5
Loss on sale of property plant and equipment	*3*	21 3	17 5
Tax on continuing operations	*9*	164 4	194 4
Excess contributions over pension service cost	*19*	(90 1)	(56 1)
Curtailment gain recognised	*19*	-	(57 0)
Changes in working capital and provisions			
Increase in trade and other receivables		(18 0)	(11 3)
(Increase)/decrease in inventories		(143 9)	18 1
Increase/(decrease) in trade and other payables		20 2	(62 9)
Increase in provisions		6 0	7 5
Increase in share based payment liability	*19*	17 7	8 2
Other non cash charges		10 1	12 5
Tax paid		(78 8)	(123 9)
Net cash flows from operating activities		986 7	982 8
Cash flows from investing activities			
Proceeds from sale of property plant and equipment		9 3	-
(Increase)/decrease in intercompany receivables		(405 0)	402 8
Purchase of property, plant and equipment		(717 2)	(658 3)
Acquisition of subsidiary net of cash acquired		(16 6)	(741 6)
Interest received	*7*	1 6	1 4
Net cash flows from investing activities		(1,127 9)	(995 7)
Cash flows from financing activities			
Interest paid		(84 7)	(92 8)
Increase in intercompany payables		211 6	109 2
(Decrease)/increase in finance lease obligations	*18*	(1 3)	3 4
Net cash flow from financing acitivities		125 6	19 8
Net (decrease)/increase in cash and cash equivalents		(15 6)	6 9
Cash and cash equivalents at start of year		434 1	427 2
Cash and cash equivalents at end of year	*16*	418 5	434 1

Notes to the consolidated financial statements
(formıng part of the financıal statements)

1 Accounting polıcıes

General ınformatıon

ASDA Group Lımıted (the "Company") ıs a company ıncorporated and domıcıled ın the UK under the Companıes Act 2006 (regıstratıon number 1396513) The address of the regıstered office ıs ASDA House, Southbank, Great Wılson Street, Leeds, LS11 5AD, UK

The Group financıal statements consolıdate those of the Company and ıts subsıdıarıes (together referred to as "the Group")

As descrıbed ın the dırectors' report, the maın actıvıtıes of the Group are the retaılıng of food, clothıng, home and leısure products and servıces throughout the Unıted Kıngdom and onlıne

Authorısatıon of financıal statements and statement of complıance wıth IFRSs

The financıal statements of the Group for the year ended 31 December 2012 were authorısed for ıssue by the dırectors on 25 June 2013 and the balance sheet was sıgned on behalf of the dırectors by R Mayfield

The Group financıal statements have been prepared and approved by the dırectors ın accordance wıth Internatıonal Fınancıal Reportıng Standards as adopted by the EU ("adopted IFRSs") The Company contınues to prepare ıts company financıal statements ın accordance wıth UK GAAP, these are presented on pages 60-67

Basıs of preparatıon

The Group financıal statements are prepared on a goıng concern basıs as the ultımate holdıng company has agreed that ıt wıll contınue to provıde financıal support to the Group to enable ıt to meet ıts lıabılıtıes as they fall due

The Group financıal statements are presented ın Sterlıng and all values are rounded to the nearest hundred thousand pounds except where otherwıse stated

The accountıng polıcıes set out below have, unless otherwıse stated, been applıed consıstently to all perıods presented ın these Group financıal statements

Changes ın accountıng polıcıes

The accountıng polıcıes adopted are consıstent wıth those of the prevıous financıal year, except for the followıng amendments to IFRS effectıve as of 1 January 2012

IAS 12 Income Taxes (Amendment) – Deferred Taxes Recovery of Underlyıng Assets
IFRS 1 Fırst-Tıme Adoptıon of Internatıonal Fınancıal Reportıng Standards (Amendment) – Severe Hyperınflatıon and Removal of Fıxed Dates for Fırst-Tıme Adopters IFRS 7 Fınancıal Instruments Dısclosures (Amendments)
IFRS 7 Fınancıal Instruments Dısclosures – Enhanced Derecognıtıon Dısclosure Requırements

The adoptıon of the standards or ınterpretatıons ıs descrıbed below

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlyıng Assets

Thıs amendment ıntroduces an exceptıon to the exıstıng prıncıple for the measurement of deferred tax assets or lıabılıtıes arısıng on ınvestment propertıes for those held at faır value The amendment ıs effectıve for annual perıods begınnıng on or after 1 January 2012 and there has been no effect on the Group's financıal posıtıon, performance or ıts dısclosures

IFRS 1 Fırst-Tıme Adoptıon of Internatıonal Fınancıal Reportıng Standards (Amendment) – Severe Hyperınflatıon and Removal of Fıxed Dates for Fırst-Tıme Adopters

Thıs amendment provıdes guıdance on how an entıty should resume presentıng financıal statements ın accordance wıth IFRS's after a perıod when ıt was unable to comply as ıts functıonal currency was subject to hyperınflatıon The amendment ıs effectıve for annual perıods begınnıng on or after 1 July 2011 The amendment had no ımpact to the Group

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

These amendments are as part of the IASB's comprehensive review of off balance sheet activities The amendment requires additional disclosure to enable the user of the Group's financial statements to understand the relationship of those assets that have not been derecognised and their associated liabilities The amendment is effective for annual periods beginning on or after 1 July 2011 The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements

Standards issued but not yet effective

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

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently Items that could be reclassified to profit or loss subsequently would be presented separately from items that will never be reclassified The amendment affects presentation only and has no impact on the Group's financial position or performance The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective

IAS 19 Employee Benefits (Revised)

These amendments range from removal of the corridor mechanism as well as the concept of expected returns on plan assets to simple clarifications and re-wording These amendments do not have a material impact to the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013

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

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

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e g collateral agreements) The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments Presentation The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32 These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013

IFRS 9 Financial Instruments· Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39 In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture " The standard is effective for annual periods beginning on or after 1 January 2015

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

IFRS 10 Consolidated Financial Statements

The objective of IFRS 10 is to establish procedures in determining whether inclusion of entities is required in consolidated financial statements IFRS 10 establishes a single control model that applies to all entities and changes require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group This standard becomes effective for annual periods beginning on or after 1 January 2014

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities This standard becomes effective for annual periods beginning on or after 1 January 2014

IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected This standard becomes effective for annual periods beginning on or after 1 January 2013

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1 If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information Generally, the minimum required comparative information is the previous period

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements This clarification also ensures that interim disclosures are aligned with annual disclosures

These improvements are effective for annual periods beginning on or after 1 January 2013

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Judgements, estimates and assumptions

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

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed further below

Judgements

Impairment of non-financial assets

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

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

Additional judgements are made with regard to provisions for onerous leases (note 20) Judgement is applied in determining when a provision should be booked and its value, based on changing circumstances around the trading or sub-letting of a site Additional judgements are also made with regard to doubtful debt (note 15) and litigation Judgement is applied in determining whether control exists over entities and the fair value of the assets and liabilities determined at the point control is achieved with their subsequent results consolidated into the financial statements (note 13)

Estimates and assumptions

Pension benefits

The carrying value of the liabilities relating to the defined benefit pension scheme is valued using an actuarial valuation This valuation is based on assumptions All the assumptions used are estimates of future events Further details about the key assumptions used are given in note 19

Share-based payment transactions

The Group estimates fair value for share-based payment transactions depending on the terms and conditions of the grants This estimate also requires determining the most appropriate inputs to the valuation model including assumptions of the expected life of the share option, share price, volatility and dividend yield and making assumptions about them The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 19

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

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Basis of consolidation

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

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

Business combinations and goodwill

Business combinations from 1 July 2009 are accounted for under IFRS 3 (revised) *'Business Combinations'* using the acquisition method The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis Acquisition costs incurred are expensed and included in operating costs When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date

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

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

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

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

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Foreign currency

The presentational currency of the Group is Sterling The primary functional currency of the parent and subsidiary companies is also Sterling

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date Foreign exchange differences are taken to the income statement, except when hedge accounting is applied and differences are taken to other comprehensive income

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction

The assets and liabilities of foreign operations are translated at the spot rate ruling at the balance sheet date The income and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions

Exchange differences arising from this translation of foreign operations are recognised in other comprehensive income They are released into the income statement upon disposal

Intangible assets

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

Brands	up to 20 years
Design licences	licence period (5 years)

Property, plant and equipment

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

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

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

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

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

Freehold buildings	30 - 50 years
Properties held under finance leases and leasehold improvements	Shorter of 30 - 50 years and the lease period
Fixtures and equipment	3 - 20 years

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment *(continued)*

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

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

Impairment of non-financial assets

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

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

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

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

Provisions

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset

Group as a lessee

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases Other leases are classified as operating leases

Where land and buildings are held under leases the determination of the land is considered separately from that of the buildings

Finance leases

Assets acquired by way of a finance lease are recognised at an amount equal to the lower of the fair value and the present value, calculated using the interest rate implicit in the lease, of the minimum lease payments at inception of the lease with a corresponding liability as an obligation to pay future rentals Lease payments are apportioned between the finance charge and the outstanding obligation so as to produce a constant rate of interest on the remaining balance of the liability

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Leases (continued)

Operating leases

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

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

Group as a lessor

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

Financial instruments

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

Financial assets and liabilities

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

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

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

Financial assets and liabilities at fair value through profit and loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortised cost They are included in current assets except for those with maturities greater than 12 months after the balance sheet date Loans and receivables comprise cash and short-term deposits and trade and other receivables

Interest bearing loans and borrowings

Interest bearing bank loans and overdrafts are recorded initially at fair value plus directly attributable transaction costs Subsequently, these liabilities are carried at amortised cost using the effective interest method Gains or losses arising on repurchase, settlement or cancellation of liabilities are recognised respectively in finance income or finance cost

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Financial instruments (continued)

Fair values

Fair value is determined using appropriate valuation techniques Such techniques may include using recent arm's length transactions, reference to the current value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models

Derivative financial instruments and hedging

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

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

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

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

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

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

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

Inventories

Inventories comprise goods for resale and are stated at the lower of cost and net realisable value

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

Trade and other receivables

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

Cash and short term deposits

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

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Trade and other payables

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

Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

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

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

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

Borrowing costs

Borrowing costs are recognised in the Group's income statement except for costs that are directly attributable to the construction of buildings which are capitalised and included within the initial cost of a building Capitalisation of borrowing costs ceases when the property is ready for use The interest rate applied is based on the average rate of general borrowings outstanding during a period

Pensions and other post employment benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

Revenue recognition

Revenue represents sales to customers through retail outlets and online, excluding value added tax Revenue is recognised net of intragroup transactions, staff discounts, coupons and the free element of multi-save transactions

Income from concessions and commissions

Income from concessions and commissions is based on the terms of the contract and is included within rental income

Interest and dividend income

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

Supplier income

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

Share-based payments

For all liabilities arising from share-based payment arrangements the Group has applied IFRS 2 *'Share-Based Payments'* to liabilities that were settled on or after 7 November 2002

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

Dividend distribution

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

2 Segment reporting

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

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

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

Notes to the consolidated financial statements *(contınued)*

2 Segment reporting *(contınued)*

Revenue for the year ıs as follows

	Year Ended 31 December 2012 £m	Year Ended 31 December 2011 £m
Sale of goods	20,247 6	19,418 3
Fuel	2,595 8	2,429 4
Total revenue	22,843 4	21,847 7

After excludıng revenue on fuel, lıke-for-lıke sales growth ıs 1 0% ın 2012 (excludıng VAT)

3 Operatıng costs

The operatıng profit from contınuıng operatıons ıs stated after (chargıng)/credıtıng the followıng

	Year Ended 31 December 2012 £m	Year Ended 31 December 2011 £m
Cost of ınventorıes recognısed as an expense	(16,980 2)	(16,428 0)
Cost of ınventorıes wrıtten off ın the year	(397 8)	(395 2)
Employment costs *(note 5)*	(2,464 7)	(2,362 0)
Amortısatıon of ıntangıble assets *(note 11)*	(1 6)	(3 2)
Depreciatıon *(note 10)*		
- Owned assets	(395 2)	(378 2)
- Assets held under finance leases	(1 9)	(1 5)
Operatıng lease expense		
- Plant and equıpment	(49 1)	(47 5)
- Property	(89 8)	(84 3)
Rental ıncome	44 1	89 9
Loss on sale of property, plant and equıpment	(21 3)	(17 5)
Lıcense fees paıd to fellow subsıdıary of ultımate parent company *(note 26)*	(11 8)	(11 9)

Rental ıncome declıne ıs the result of a reclassıficatıon of home shoppıng delıvery ıncome of £40 2m (2011 £35 7m) to revenue ın the year

4 Audıtors' remuneratıon

	Year Ended 31 December 2012 £m	Year Ended 31 December 2011 £m
Withın operatıng costs		
Fees payable to company's audıtor for the audıt of parent company and consolıdated financıal statements	0 3	0 3

Notes to the consolidated financial statements *(contınued)*

5 Employee numbers and costs

The average number of people employed by the Group (ıncludıng dırectors) durıng the year was as follows

	Number of employees	
	Year Ended 31 December 2012	Year Ended 31 December 2011
Total		
ASDA - Retaıl & Dıstrıbutıon	175,015	173,713
- Home offices	3,777	3,431
	178,792	177,144
Full tıme equıvalents		
ASDA - Retaıl & Dıstrıbutıon	111,517	110,127
- Home offices	3,664	3,333
	115,181	113,460

The aggregate payroll costs of these people were as follows

	Year Ended 31 December 2012 £m	Year Ended 31 December 2011 £m
Wages and salarıes	2,176 1	2,103 2
Share-based payments charge	105 9	34 6
Socıal securıty costs	124 5	123 9
Other pensıon costs	58 2	100 3
	2,464 7	2,362 0

Other pensıon costs comprıse the cost of the defined contrıbutıon schemes All pensıon related costs and ıncome are dısclosed ın note 19

6 Dırectors' remuneration

The total remuneratıon durıng the year ıs as follows

	Year Ended 31 December 2012 £'000	Year Ended 31 December 2011 £'000
Dırectors' remuneratıon	6,099	6,705
Share-based payments	3,118	2,054
Post employment benefits	0	56

Notes to the consolidated financial statements *(continued)*

6 Directors' remuneration *(continued)*

	Year Ended 31 December 2012 number	Year Ended 31 December 2011 number
Number of directors who were active members of the defined benefit scheme during the year	0	6
Number of directors who exercised share options	6	6
Number of directors entitled to receive shares under long term incentive schemes	10	10

Amounts in respect of the highest paid director are as follows

	£'000	£'000
Total remuneration excluding pensions	1,802	1,415
Total share-based payments	1,910	706
Total accrued pension at the year end	44	44

Included within the remuneration totals above are emoluments and short term benefits in respect of the following directors, which were in respect of their services to the Broadstreet Great Wilson Europe Group (the ultimate parent company for the UK) as a whole R Mayfield, J J McKenna, A Clarke, R Bendel, A J Moore, C R Redfield, K Hubbard, H Tatum, E Doohan and S Smith It is not possible to allocate their remuneration to individual companies within the Group

None of the directors were members of the defined contribution schemes during the year (2011 three)

7 Financial income

	Year Ended 31 December 2012 £m	Year Ended 31 December 2011 £m
Bank interest receivable	1 6	1 4
Net return on pension scheme *(note 19)*	10 1	3 0
Financial income	11 7	4 4

Notes to the consolidated financial statements *(continued)*

8 Financial costs

	Year Ended 31 December 2012 £m	Year Ended 31 December 2011 £m
Interest payable on bonds - paid to fellow group undertakings	(9 9)	(9 9)
External interest payable	(0 3)	(0 2)
Net interest payable on amounts owed to group undertakings	(70 3)	(78 4)
Finance lease interest	(4 2)	(4 3)
Interest capitalised	6 4	10 3
Financial costs	(78 3)	(82 5)

9 Income tax expense

Recognised in the income statement

	Year Ended 31 December 2012 £m	Year Ended 31 December 2011 £m
Current tax		
UK corporation tax on profit for the year	195 7	135 5
Adjustments in respect of prior periods	(1 0)	41 0
Current tax charge for the year	194 7	176 5

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

	2012 £m	2011 £m
Deferred tax		
Origination and reversal of temporary differences	(23 9)	(7 4)
Adjustment in respect of prior periods	1 4	6 5
Adjustment arising from change in tax rate	(15 2)	(11 9)
Reduction in deferred tax asset relating to pension obligation	7 4	30 7
	(30 3)	17 9
Total tax charge for the year	164 4	194 4

Notes to the consolidated financial statements *(continued)*

9 Income tax expense *(continued)*

Reconciliation of effective tax rate

A reconciliation of the total tax charge compared to the standard rate of corporation tax in the UK of 24 5% (2011 26 5%) applied to the profit on ordinary activities before tax is as follows

	Year Ended 31 December 2012 £m	Year Ended 31 December 2011 £m
Profit before tax	774 3	767 8
Tax using the UK corporation tax rate of 24 5% (2011 26 5%)	189 7	203 5
(Income not taxable)/Non-deductible expenses	(1 3)	1 0
Non-qualifying depreciation	25 9	21 1
Loss on non-qualifying fixed assets	1 1	2 1
Group relief not paid for	(44 1)	(68 4)
Share Options costs	8 3	-
Adjustments in respect of prior periods	0 3	47 5
Change in tax rate	(15 2)	(11 9)
Other	(0 3)	(0 5)
Total tax charge for the year	164 4	194 4

The Finance Act 2012 received Royal Assent on 17 July 2012 and enacted a reduction in the main rate of corporation tax to 24% with effect from 1 April 2012 and to 23% from 1 April 2013 Deferred tax has therefore been provided at 23%

On 20 March 2013, it was announced in the 2013 Budget that the main rate of corporation tax effective from 1 April 2014 will be 21% and that a further reduction of 1% will be applied to bring the main rate of corporation tax down to 20% from 1 April 2015

If these above changes had been substantially enacted at the balance sheet date the impact of the proposed reductions from 23% to 20% would reduce the deferred tax liability by approximately £13 3m

In addition, Finance Act 2011 introduced changes to the capital allowances regime, including a reduction in the rate of capital allowances on plant and machinery additions from 20% to 18% with effect from 1 April 2012

Notes to the consolidated financial statements *(continued)*

9 Income tax expense *(continued)*

Tax relating to components of the consolidated statement of comprehensive income

	Year Ended 31 December 2012 £m	Year Ended 31 December 2011 £m
Current tax (credit)/charge on		
Pensions	(17 2)	-
Foreign exchange movements	(1 2)	-
Deferred tax (credit)/charge on		
Pensions	9 3	(44 0)
Fair value movements on cash flow hedges	(4 7)	2 1
Total tax on items credited to consolidated statement of changes in equity	(13 8)	(41 9)

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

	Year Ended 31 December 2012 £m	Year Ended 31 December 2011 £m
Deferred tax credit on		
Share-based payments	(0 2)	-
Total tax on items credited to consolidated statement of changes in equity	(0 2)	-

Notes to the consolidated financial statements *(continued)*

10 Property, plant and equipment

	Freehold properties £m	Finance leases & leasehold improvements £m	Plant, equipment, fixtures & fittings £m	Assets under construction £m	Total £m
Cost					
Balance at 1 January 2011	7,354 5	651 1	2,532 1	233 2	10,770 9
Additions at cost and transfers from assets under construction	348 7	26 4	281 8	30 9	687 8
Acquisition of a subsidiary	293 5	-	32 6	-	326 1
Disposals	(15 1)	(8 7)	(483 5)	-	(507 3)
Transfers	(29 4)	27 0	2 4	-	-
Balance at 31 December 2011	7,952 2	695 8	2,365 4	264 1	11,277 5
Balance at 1 January 2012	7,952 2	695 8	2,365 4	264 1	11,277 5
Additions at cost and transfers from assets under construction	448 0	3 5	234 7	18 1	704 3
Disposals	(39 0)	(10 7)	(103 9)	-	(153 6)
Transfers	(20 6)	20 6	-	-	-
Balance at 31 December 2012	8,340 6	709 2	2,496 2	282 2	11,828 2
Accumulated depreciation and impairment					
Balance at 1 January 2011	1,063 3	283 3	1,807 4	-	3,154 0
Depreciation charge for the year	134 8	28 9	216 0	-	379 7
Disposals	(3 2)	(1 2)	(479 3)	-	(483 7)
Transfers	(1 1)	1 0	0 1	-	-
Balance at 31 December 2011	1,193 8	312 0	1,544 2	-	3,050 0
Balance at 1 January 2012	1,193 8	312 0	1,544 2	-	3,050 0
Depreciation charge for the year	149 2	34 0	213 9	-	397 1
Disposals	(11 8)	(3 4)	(107 8)	-	(123 0)
Transfers	0 3	(0 3)	-	-	-
Balance at 31 December 2012	1,331 5	342 3	1,650 3	-	3,324 1
Net book value					
At 31 December 2011	6,758 4	383 8	821 2	264 1	8,227 5
At 31 December 2012	**7,009.1**	**366.9**	**845.9**	**282.2**	**8,504.1**

Notes to the consolidated financial statements *(continued)*

10 Property, plant and equipment *(continued)*

The cumulative amount of capitalised interest included in the cost of fixed assets is £249 2m (2011 £242 8m) Details of interest capitalised during the year are given in note 8

Properties held under finance leases have the following net book values

	2012 £m	2011 £m
Cost	72 7	72 7
Depreciation	(12 8)	(10 9)
Net book value	59 9	61 8

11 Intangible assets

	Design licences £m	**Brands £m**	**Goodwill £m**	**Total £m**
Cost				
At 1 January 2011	6 4	31 7	-	38 1
Acquisitions of subsidiary	-	1 6	482 3	483 9
At 31 December 2011	6 4	33 3	482 3	522 0
At 1 January 2012	6 4	33 3	482 3	522 0
Acquisitions of subsidiary (note 13)	-	-	17 0	17 0
At 31 December 2012	6 4	33 3	499 3	539 0
Amortisation				
At 1 January 2011	6 4	8 0	-	14 4
Amortisation during the year	-	3 2	-	3 2
At 31 December 2011	6 4	11 2	-	17 6
At 1 January 2012	6 4	11 2	-	17 6
Amortisation during the year	-	1 6	-	1 6
At 31 December 2012	6 4	12 8	-	19 2
Net book value at 31 December 2011	-	22 1	482 3	504 4
Net book value at 31 December 2012	**-**	**20.5**	**499.3**	**519 8**

The design licences asset has been 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 (13 years remaining)

Notes to the consolidated financial statements *(continued)*

11 Intangible assets *(continued)*

Brands include intangible assets acquired in the prior year through business combinations The Netto brand acquired has been fully amortised during the prior year on a straight line basis over its estimated useful life of 6 months

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

Impairment testing of goodwill

Netto Acquisition

Goodwill of £482 3m arose on the acquisition of Netto Foodstores Limited on 13 April 2011 (note 13) This has been tested for impairment as at 31 December 2012 by allocating to the chain of converted Netto stores along with other related assets This represents the lowest level to which management monitors goodwill

The recoverable amount is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period This is the period to which specific reliable forecasts have been made The pre-tax discount rate applied to the cash flow projections is 11% and the growth rate used to extrapolate the cash flows beyond specific forecast period is 3 0%

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

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

Operating costs - some costs are directly attributable to individual stores Other costs derive from central or shared costs for the whole Group and must be allocated to the chain on a reasonable basis Operating cost forecasts for the Netto chain reflects that experienced since acquisition and existing similar stores in 2011 and 2012 extrapolated as a proportion of sales

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

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

Sensitivity to changes in assumptions

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

Turkmen Tedarik Hizmetleri Acquisition

Goodwill of £17 0m arose on the acquisition of Turkmen Tedarik Hizmetleri on 26 April 2012 (note 13) This has been tested for impairment as at 31 December 2012 by assessing the present value of forecasted cash savings arising from the synergies achieved as a result of the acquisition Goodwill is allocated to a single cash generating unit, being the acquired sourcing company

The recoverable amount is determined based on a value in use calculation using cashflow projections from financial budgets approved by senior management covering a five year period The pre-tax discount rate applied to the cashflow projections is 11% and the growth rate used to extrapolate the cashflows beyond specific forecast period is 3 0%

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

Notes to the consolidated financial statements *(contınued)*

11 Intangıble assets *(contınued)*

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

Dıscount rate - the pre tax dıscount rate used ın calculatıng the value ın use represents an assessment of the rate of return a market partıcıpant would expect for an equally rısky ınvestment This has been calculated by estımatıng the weıghted average costs of capıtal of other lıkely acquırers as well as that of the Group

Sensitivıty to changes in assumptions

Wıth regard to the assessment of value ın use, based upon calculatıons performed, management belıeve that no reasonably possıble change ın any of the above key assumptıons would cause the carryıng value of goodwıll to materıally exceed expected future cashflows associated wıth the acquısıtıon

12 Operatıng lease prepayments

		2012	2011
		£m	£m
Operatıng lease prepayments	- current	1 9	1 7
	- non-current	122 4	125 2
		124 3	126 9

Notes to the consolidated financial statements *(continued)*

13 Business combinations

Acquisition of Turkmen Tedarık Hizmetleri

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

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

Purchase consideration at 26 April 2012	£m
Total consideration	17 5
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	0 9
Property, plant and equipment	0 2
Trade and other payables	(0 6)
Total identifiable net assets	0 5
Goodwill *(note 11)*	17 0

Analysis of cash flows on acquisition	
Consideration paid (included in cash flows from investing activities)	(17 5)
Net cash acquired with the subsidiary (included in cashflows from investing activities)	0 9
Net cash flow on acquisition	(16 6)

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

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

Acquisition of Netto Foodstores Limited

In the prior year, on 13 April 2011, the Group acquired 100% of the voting shares of Netto Foodstores Limited, a retailer of food and household goods based in the United Kingdom The transaction enabled the Group to convert Netto's UK locations into ASDA stores

The total consideration of £752 million was satisfied in cash which was funded through an intercompany loan from Wal-Mart Stores (UK) Limited, a fellow subsidiary of the Group's ultimate parent company

Notes to the consolidated financial statements *(continued)*

13 Business combinations (continued)

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

Purchase consideration at 13 April 2011	**£m**
Cash	752 0
Total consideration	752 0

Recognised amounts of identifiable assets acquired and liabilities assumed	**£m**
Cash and cash equivalents	8 0
Property, plant and equipment *(note 10)*	326 1
Brand names *(note 11)*	1 6
Inventories	35 4
Trade and other receivables	11 9
Trade and other payables	(63 0)
Provisions *(note 20)*	(1 5)
Deferred tax *(note 21)*	(48 8)
Total identifiable net assets	269 7
Goodwill *(note 11)*	482 3

Analysis of cash flows on acquisition	
Consideration paid (included in cash flows from investing activities)	(752 0)
Transaction costs of the acquisition (included in cash flows from operating activities)	(10 2)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	8 0
Net cash flow on acquisition	(754 2)

Goodwill arising on the acquisition derives from being able to convert the existing Netto sites into ASDA stores The business combination provides the Group access to new local markets and customers across the UK, enables synergies by leveraging the Group's supply chain and logistics network and brings an experienced retail workforce in their local community An intangible for the temporary retail brand was separately recognised No other separate intangibles were identified requiring recognition under IAS38 None of the goodwill recognised is expected to be deductable for income tax purposes

Other acquisitions

From 1 January 2011, the Group consolidated the results of Forza Foods Limited, Kober Limited and Vinpack Limited on the basis of control obtained under the rules of IAS 27 Indicators of control which are present include the ability to influence the composition of the board, the ability to significantly influence the operating and financial activities of each entity and the ability to actively participate in key decision making due to the signing of legal agreements

Forza Foods Limited, Kober Limited and Vinpack Limited are suppliers of goods to ASDA and do not make significant sales to any other third party customers The fair value of the consideration to the Group is £nil The net assets recognised on consolidation were £12 5m, representing property, plant and equipment of £24 8m, cash and cash equivalents of £4 1m, inventories of £10 7m, trade and other payables of (£27 1m) The non controlling interest represents 100% of the net assets measured at fair value, with no goodwill recognised Fair value is determined as being not materially different to the carrying value of the assets and liabilities of these entities These entities contributed profit of £11 5m (2011 £4 5m) for the year included in the Group's income statement

Notes to the consolidated financial statements *(continued)*

14 Inventories

	2012 £m	2011 £m
Goods held for resale	1,157 4	1,013 8
Goods not held for resale	2 3	2 0
	1,159 7	1,015 8

15 Trade and other receivables

	2012 £m	2011 £m
Trade receivables	129 8	134 4
Provision for doubtful debts	(10 5)	(11 3)
Other receivables	78 9	65 5
Prepayments and accrued income	102 0	93 6
	300 2	282 2
Amounts owed by group entities	1,797 0	1,392 0

Trade receivables are non-interest bearing and are generally on 30-90 day terms As at 31 December 2012, trade receivables at nominal value of £10 5m (2011 £11 3m) were impaired and fully provided for on the basis of the age of the debt and estimated ability of the customer to make payment Movements in the provision for doubtful debts in the year were as follows

	2012 £m	2011 £m
At 1 January	11 3	8 0
Net charge for the year	2 4	8 1
Provision utilised	(3 2)	(4 8)
At 31 December	10 5	11 3

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

Notes to the consolidated financial statements *(continued)*

15 Trade and other receivables (continued)

As at 31 December 2012, the analysis of trade receivables that were not impaired was as follows

	2012 £m	2011 £m
Neither past due nor impaired	106 3	97 5
Up to 3 months past due	13 1	25 6
	119 4	123 1

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts As at 31 December 2012, trade receivables that were neither past due nor impaired related to a number of independent customers for whom there is no history of default

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

16 Cash and short term deposits

	2012 £m	2011 £m
Cash and short term deposits	418 5	434 1

17 Trade and other payables

	2012 £m	2011 £m
Trade payables	1,934 5	1,902 2
Other taxes and social security	192 1	206 8
Other payables	149 2	145 5
Accrued expenses	632 6	617 1
	2,908 4	2,871 6
Amounts owed to group entities	2,862 6	2,651 0

The Group deals with over ten thousand separate suppliers and has established trading terms which are appropriate to the particular relationship and product supplied Whenever an order is placed the parties will be aware of the payment terms and it is the Group's policy to abide by these terms when satisfactory invoices have been received

For terms and conditions relating to amounts owed to related parties, refer to note 26

Notes to the consolidated financial statements *(continued)*

18 Financial instruments

Fair values of financial assets and financial liabilities

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

In the valuation of financial instruments during the year ended 31 December 2012 the Group used valuation techniques for which all inputs which have a significant effect on the recorded value are observable, either directly or indirectly

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments

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

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

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

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

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

	2012 £m	2011 £m
Current liabilities		
Current portion of finance lease liabilities	1 4	1 3
Non-current liabilities		
Eurobonds	149 2	149 2
Non-current portion of finance lease liabilities	35 2	36 6
	184 4	185 8

Notes to the consolidated financial statements *(continued)*

18 Financial instruments *(continued)*

As at 31 December 2012 and 31 December 2011, all borrowings were in Sterling at fixed rates of interest The finance lease obligations are carried at amortised cost, which is considered to approximate to fair value The weighted average interest rate of fixed rate debt is 6 7% (2011 6 7%)

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

On 17 July 1998, the Group issued £150 0m of unsecured 6 5/8 % Eurobonds at 99 441% of nominal value redeemable at par on 17 July 2015 unless previously redeemed at the Group's request, at the higher of the principal amount or a price calculated to provide a yield equal to that earned on 8% Treasury Stock 2015

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

The 2015 Eurobond is denominated in Sterling and carried at amortised cost Its fair value as at 31 December 2012 was £182 9m (2011 £190 5m) The Eurobonds bear fixed interest, payable annually in arrears

Financial risk management

The treasury function manages the Group's financial risk, considering its borrowings and exposure to foreign currency fluctuations The Group finances its operations through intercompany borrowings and Eurobonds which were issued a number of years ago and substantially held within the Wal-Mart group The Group utilises its cash balances as well as bank overdrafts to satisfy short-term cash flow requirements Foreign currency exposure is managed through entering into forward currency contracts

Interest rate risk

The Group's long term borrowings are at fixed interest rates, through the issue of Eurobonds which are listed on the Professional Securities Market of the London Stock Exchange, with the majority being held by Wal-Mart group companies As interest rates are fixed on all of the Group's long term debt, interest rate movements would not have an impact on profitability, cash flow or equity

The Group's short term borrowings are all held with entities which are part of the Wal-Mart group and are at variable rates of interest Amounts owed to fellow subsidiaries (note 18) attract interest at an effective rate of 6% (2011 6%)

It is anticipated that a 1% movement in interest rates, which represents management's assessment of a reasonably possible change, would give rise to a decrease/increase in net profitability of £0 2m (2011 £1 1m)

Notes to the consolidated financial statements *(continued)*

18 Financial instruments *(continued)*

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

Terms and debt repayment schedule as at 31 December 2012

	Effective interest rate %	Total £m	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5+ years £m
Eurobonds 2015	6 6	149 2	-	-	149 2	-	-	-
Finance lease obligations		36 6	1 4	1 6	1 9	2 1	2 4	27 2
		185 8	1 4	1 6	151 1	2 1	2 4	27 2

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

Amounts owed to fellow UK group companies

Loans from Corinth Investments Limited	6%	972 8	972 8	-	-	-	-	-
Loans from Broadstreet Great Wilson Europe Limited	6%	366 4	366 4	-	-	-	-	-
Loans from Wal-Mart LN (UK) Limited	6%	1,516 2	1,516 2	-	-	-	-	-
		2,855 4	2,855 4	-	-	-	-	-

Terms and debt repayment schedule as at 31 December 2011

	Effective interest rate %	Total £m	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5+ years £m
Eurobonds 2015	6 6	149 2	-	-	-	149 2	-	-
Finance lease obligations		37 9	1 3	1 4	1 6	1 9	2 1	29 6
		187 1	1 3	1 4	1 6	151 1	2 1	29 6

Amounts owed to fellow UK group companies

Loans from Corinth Investments Limited	6%	941 5	941 5	-	-	-	-	-
Loans from Broadstreet Great Wilson Europe Limited	6%	355 5	355 5	-	-	-	-	-
Loans from Wal-Mart LN (UK) Limited	6%	1,351 3	1,351 3	-	-	-	-	-
		2,648 3	2,648 3	-	-	-	-	-

Notes to the consolidated financial statements *(continued)*

18 Financial instruments *(continued)*

Foreign currency risk

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

The Group implemented hedge accounting during the year ended 31 December 2010 The Group has forward currency hedging contracts outstanding at 31 December 2012, designated as hedges of expected future purchases from suppliers in US dollars The forward currency contracts are being used to hedge the foreign currency risk of the future purchases The terms of the forward currency hedging contracts have been negotiated to match the terms of the commitments and none exceed a period of more than 12 months after the 31 December 2012 Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss

The cash flow hedges of the expected future purchases were assessed to be highly effective and as at 31 December 2012, a net unrealised loss of £10 7m (2011 £5 1 gain) was included in the hedging reserve in respect of hedging contracts The net loss recognised in other comprehensive income during the year in respect of these hedging contracts was £15 8m (2011 6 7m net gain)

As the Group manages its foreign currency exposure through the use of forward currency contracts, changes in exchange rates are not expected to have a significant impact on profitability or cash flow It is anticipated that a 5% movement in the US dollar/Sterling exchange rate, which represents management's assessment of a reasonably possible change, would give rise to a decrease/increase in equity of £31 9m (2011 £14 2m) There would be no impact on profit from this movement

Credit risk

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

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

Liquidity risk

The Group's treasury function ensures that the Group continues to have sufficient funding by monitoring rolling forecasts of the Group's cash flows The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short term borrowings and intercompany balances At 31 December 2012, the Group had no short term borrowings The Group's long term debt comprises the Eurobonds which are redeemable in 2015

As at 31 December 2012, the Group held cash of £418 5m (2011 £434 1m), utilised along with overdrafts where necessary, to secure short term flexibility At 31 December 2012, the Group had uncommitted overdraft facilities of £30 0m (2011 £30 0m), standby credit facilities (including bonds and guarantees) of £151 3m (2011 £135 0m) and uncommitted line of credit facilities of £250 0m (2011 £250 0m) Cash is placed on short term deposit wherever possible

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

Notes to the consolidated financial statements *(continued)*

18 Financial instruments *(continued)*

Year ended 31 December 2012	Within 1 year £m	Between 1 and 5 years £m	After 5 years £m	Total £m
Eurobonds	9 9	169 8	-	179 7
Finance lease obligations	5 7	22 8	47 9	76 4
Financial derivatives	468 2	-	-	468 2
Trade and other payables	2,908 4	-	-	2,908 4
Amounts owed to fellow UK group companies	2,855 4	-	-	2,855 4
	6,247 6	192 6	47 9	6,488 1

Year ended 31 December 2011	Within 1 year £m	Between 1 and 5 years £m	After 5 years £m	Total £m
Eurobonds	9 9	179 7	-	189 6
Finance lease obligations	5 7	22 8	53 6	82 1
Financial derivatives	353 4	-	-	353 4
Trade and other payables	2,871 6	-	-	2,871 6
Amounts owed to fellow UK group companies	2,648 3	-	-	2,648 3
	5,888 9	202 5	53 6	6,145 0

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business In order to maintain or adjust the capital structure, the Group may adjust the amount of intercompany loans payable or receivable to/from the Wal-Mart group of companies There were no changes to the Group's approach to capital management during the year Full details of the Group's approach to capital management and how the Group define capital is provided on page 5

Full details of the amount of intercompany loans payable or receivable to/from the Wal-Mart group of companies is disclosed in note 26

19 Employee benefits

	2012 £m	2011 £m
Present value of funded defined benefit obligations	(1,710 1)	(1,610 0)
Effect of minimum funding requirement	(176 4)	(190 0)
Fair value of plan assets	1,530 1	1,399 9
Recognised liability for defined benefit obligations	(356 4)	(400 1)
Cash-settled share-based payment transactions liability - non-current	(42 1)	(31 8)
Total non-current employee benefits liability	(398 5)	(431 9)
Cash-settled share-based payment transactions liability - current	(46 7)	(39 3)
Total employee benefits liability	(445 2)	(471 2)

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Pension plans

Total costs charged/(credited) to the income statement in respect of employee benefits

	2012 £m	2011 £m
Wages and salaries	2,176 1	2,103 2
Share-based payments charge	105 9	34 6
Social security costs	124 5	123 9
Total cost before pension costs	2,406 5	2,261 7
Defined benefit pension scheme		
Curtailment gain recognised	-	(57 0)
Current service cost	-	6 6
Transition payment following scheme closure	-	43 0
Net return on pension scheme	(10 1)	(3 0)
Total defined benefit scheme gain	(10 1)	(10 4)
Cost of defined contribution schemes	58 2	58 0
Total pension expense	48 1	47 6
Total employee benefit expense	2,454 6	2,309 3

Pension plans

The Group operates both defined benefit and defined contribution pension plans There are two defined contribution plans one trust based, and one contract based The assets of the contract based defined contribution plan are invested with the Prudential Life Assurance Company The assets of the trust based defined contribution plan are held by both the Legal & General Assurance Society Ltd and the Prudential Life Assurance Company The assets of the defined benefit pension scheme are placed by the trustees under the management of a number of professional fund managers The assets of these schemes are held separately from the Group's assets

The trustee body of the defined benefit scheme is made up of eleven trustees five of these are member nominated trustees including one pensioner, four are company appointed, and there are two professional independent trustees The trustee body of the trust based defined contribution plan is made up of nine trustees four of these are member nominated, four are company appointed, and there is one professional independent trustee There is a governance group in place which monitors the running of the contract based defined contribution plan This has six members two are nominated by colleagues, and four are company appointed

With effect from 12 February 2011, the defined benefit scheme closed to future accrual and the link between past service benefits and future salary increases was removed The defined contribution plans are the only pension arrangements open to current colleagues

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

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Pension plans *(continued)*

A schedule of contributions is in place between the Group and scheme trustees in order to pay down the deficit Under IFRIC 14 this is considered to be a minimum funding requirement (also known as a statutory funding objective) At the current year end the present value of the contributions payable to meet Statutory Funding Objective requirements exceeds the pension scheme net liability which indicates that in future the scheme would go into a surplus As the scheme rules do not provide the Group with an unconditional right to a refund in the event of a surplus, under the requirements of IFRIC 14 the minimum funding requirement creates an obligation which is recognised as an additional liability of £176 4m

The pension cost relating to the defined benefit pension scheme is assessed in accordance with the advice of an independent qualified actuary who conducted a full triennial actuarial valuation as at 5 April 2010 and updated the results of this valuation in accordance with IAS 19 'Employee Benefits' for the year ended 31 December 2012 Funding levels are monitored on a regular basis in between triennial valuations

Movements in present value of defined benefit obligation

	2012 £m	2011 £m
At 1 January	(1,610 0)	(1,597 4)
Current service cost	-	(6 6)
Interest cost	(75 0)	(82 1)
Actuarial losses	(62 5)	(8 9)
Benefits paid	37 4	28 0
Curtailment gain	-	57 0
At 31 December	(1,710 1)	(1,610 0)

A decrease of 0 1% in the discount rate would increase the defined benefit obligation by £39 5m, an increase of 0 1% in the discount rate would reduce the defined benefit obligation by £38 0m

Movements in fair value of plan assets

	2012 £m	2011 £m
At 1 January	1,399 9	1,266 8
Expected return on plan assets	85 1	85 1
Actuarial (losses)/gains	(7 6)	13 3
Contributions by employer	90 1	62 7
Benefits paid	(37 4)	(28 0)
At 31 December	1,530 1	1,399 9

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Pension plans *(continued)*

Gain recognised in the consolidated income statement

	2012 £m	2011 £m
Current service cost	-	(6 6)
Interest on defined benefit pension plan obligation	(75 0)	(82 1)
Expected return on defined benefit pension plan assets	85 1	85 1
Curtailment gain recognised	-	57 0
Transition payment to active members	-	(43 0)
Total gain	10 1	10 4

The defined benefit pension scheme gain is recognised in the following line items in the consolidated income statement

	2012 £m	2011 £m
Operating costs		
Curtailment gain recognised	-	57 0
Current service cost	-	(6 6)
Transition payment following scheme closure	-	(43 0)
Financial income		
Net return on pension scheme	10 1	3 0
Total gain	10 1	10 4

The Group expects to contribute approximately £65 0m to its defined benefit scheme in the next financial year

The Group operates two defined contribution pension plans There were no unpaid contributions outstanding at the current or prior year end for the defined contribution schemes The charge for the year for the defined contribution schemes is £58 2m (2011 £58 0m)

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Pension plans *(continued)*

The amounts recognised in the statement of other comprehensive income in the year were

	2012 £m	2011 £m
Actuarial (losses)/gains	(7 6)	13 3
Experience losses arising on plan obligation	(0 2)	(0 4)
Changes in demographic and financial assumptions underlying the present value of plan obligations	(62 3)	(8 5)
Actuarial (loss)/gain recognised in the statement of comprehensive income	(70 1)	4 4
Effect of minimum funding requirement recognised in statement of comprehensive income	13 6	(190 0)
Total pension cost recognised in the statement of comprehensive income	(56 5)	(185 6)
Taxation on total pension cost recognised in the statement of other comprehensive income	7 9	44 0
Net pension cost recognised in the statement of other comprehensive income	(48 6)	(141 6)

The cumulative net actuarial movement reported recognised in the statement of other comprehensive income since the transition to IFRS are £446 4m (2011 £397 8m)

The fair value of the plan assets and the return on those assets were as follows

	2012 £m	2011 £m
Equity securities	570 7	529 1
Debt securities	814 1	723 8
Property	47 4	43 4
Other	97 9	103 6
	1,530 1	1,399 9
Actual return on plan assets	77 5	98 4

Principal actuarial assumptions (expressed as weighted averages)

	2012 %	2011 %
Discount rate	4 5	4 7
Inflation - RPI	3 0	3 1
Inflation - CPI	2 3	2 4
Future pension increases	3 0	3 1
Expected return on plan assets		
- Equity securities	7 8	7 8
- Debt securities	3 3	3 1
- Property	7 8	7 8
- Other	4 5	4 7

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Pension plans *(continued)*

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

For the year ended 31 December 2012, to develop the expected long-term rate on assets assumptions, the Group considered the current level of expected return on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the asset allocations of the scheme to develop the expected long-term rate of return on assets assumptions for the portfolio This resulted in the selection of the assumptions shown above

The Group will be adopting International Financial Reporting Standard – International Accounting Standard 19 (IAS19 R) on 1 January 2013 Under IAS19 R, the expected return on asset assumption will be replaced with the discount rate under the net interest cost

The following table illustrates the residual life expectancy for an average member on reaching age 65, according to the mortality assumptions used to calculate the pension liabilities

		2012	2011
Retiring at reporting date at age 65	Male	23 2	22 9
	Female	25 7	25 2
Retiring at reporting date in 25 years at age 65	Male	25 5	24 7
	Female	27 7	27 2

History of experience gains and losses

The history of experience gains and losses for the current and prior periods are as follows

	2012 **£m** **%**	2011 £m %	2010 £m %	2009 £m %	2008 £m %
Difference between the expected and actual return on scheme assets					
Amount	**(7.6)**	13 3	58 9	24 0	(328 3)
Percentage of scheme assets	**(0.5%)**	1 0%	4 6%	2 2%	(33 2%)
Experience adjustments on plan liabilities					
Amount	**(0.2)**	(0 4)	(61 7)	(3 1)	-
Percentage of scheme liabilities	**0.0%**	0 0%	(3 9%)	(0 2%)	-
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount	**(62.5)**	(8 9)	(182 7)	(229 9)	305 7
Percentage of scheme assets	**(4.1%)**	(0 6%)	(14 4%)	(20 7%)	30 1%
Total amount recognised in the statement of other comprehensive income					
Amount	**(70.1)**	4 4	(123 8)	(205 9)	(22 6)
Percentage of scheme assets	**(4.6%)**	0 3%	(9 8%)	(18 5%)	(2 2%)
Present value of funded defined benefit obligations	**(1,710.1)**	(1,610 0)	(1,597 4)	(1,322 7)	(1,016 8)
Effect of minimum funding requirement	**(176.4)**	(190 0)	-	-	-
Fair value of plan assets	**1,530.1**	1,399 9	1,266 8	1,112 7	987 4
Recognised liability for defined benefit obligations	**(356.4)**	(400 1)	(330 6)	(210 0)	(29 4)

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Share-based payments

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

The Group offers five share-based payment schemes to employees to enable them to own shares in the ultimate parent company, Wal-Mart Stores, Inc These schemes are treated as if they are cash settled, despite them being equity settled by Wal-Mart Stores, Inc The options are revalued at each balance sheet date and ASDA are recharged by its ultimate parent for its participation in the scheme based on the share price The impact is eliminated in the consolidated financial statements of Wal-Mart Stores, Inc and the share options would not be revalued if the Group were granting options on its own shares in a way consistent with UK public limited companies Three of these schemes involve the granting of options to employees to acquire shares in the ultimate parent company at pre-determined exercise prices and two of the schemes involve the granting of rights to receive shares in the ultimate parent company for nil consideration The executive performance share plan has performance conditions relating to the total payout of options issued, no other scheme has any performance conditions attached to the scheme

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

		2012 £m	2011 £m
Cash-settled share based payment charge		105 9	34 6
Total carrying amount of liabilities	- current	46 7	39 3
	- non-current	42 1	31 8
		88 8	71 1

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

	Weighted average exercise price £ 2012	**Number of options (thousands) 2012**	Weighted average exercise price £ 2011	Number of options (thousands) 2011
Outstanding at the beginning of the year	28 48	7,313	28 79	10,142
Exercised during the year	28 80	(2,998)	27 08	(3,631)
Granted during the year	29 81	2,043	26 05	1,953
Forfeited during the year	27 77	(693)	28 57	(1,151)
Outstanding at the end of the year	28 48	5,665	28 68	7,313
Exercisable at the end of the year	30 12	908	31 75	1,572

Share options were exercised on a regular basis throughout the year The average share price during the year to 31 December 2012 was £42 41 (2011 £33 89) The related shares are denominated in US dollars being the reporting currency of the ultimate parent company The sterling exercise price of the Sharesave scheme options is fixed at the exchange rate on issue, for all other schemes the exercise price is denominated in US dollars and the sterling equivalent is translated based on the current exchange rate

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Share-based payments *(continued)*

Sharesave scheme

The scheme has been in existence for employees since 1982 and gained HMRC approval in 2000 Employees with six months service are invited to join the scheme annually Options are granted annually to employees who elect to join, and are exercisable in three or five years from date of grant, depending on the year of grant Currently only three year grants are being offered The options under this scheme are treated as cash-settled The exercise price of the options granted is equal to the market price of the shares less 20% on the date of grant

31 December 2012				31 December 2011			
Number of options outstanding (thousands)	**Range of exercise price £**	**Weighted average exercise price £**	**Weighted average remaining contractual life (years)**	Number of options (thousands)	Range of exercise price £	Weighted average exercise price £	Weighted average remaining contractual life (years)
4,687	**19 95 to 29 76**	**28.08**	**1 4**	4,342	19 95 to 29 05	27 53	1 4

The fair value of the options outstanding under the Sharesave scheme at 31 December 2012 is £37 0m (2011 £23 2m)

Colleague Share Option Plan (CSOP) scheme

The scheme has been in existence for employees since 1995 and gained HMRC approval in 1999 Options were granted every year up to and including 2006 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 options under this scheme are treated as cash-settled The final CSOP scheme exercised in 2012 leaving no outstanding options

31 December 2012				31 December 2011			
Number of options outstanding (thousands)	**Exercise price £**	**Weighted average exercise price £**	**Weighted average remaining contractual life (years)**	Number of options (thousands)	Range of exercise price £	Weighted average exercise price £	Weighted average remaining contractual life (years)
0	**0 00**	**0.00**	**0**	1,082	28 64	28 64	0 6

The fair value of the options outstanding under the CSOP scheme at 31 December 2012 is £nil (2011 £9 0m)

Wal-Mart Stock Incentive Plan (WSIP) scheme

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

31 December 2012				31 December 2011			
Number of options outstanding (thousands)	**Range of exercise price £**	**Weighted average exercise price £**	**Weighted average remaining contractual life (years)**	Number of options (thousands)	Range of exercise price £	Weighted average exercise price £	Weighted average remaining contractual life (years)
978	**27.26 to 36 65**	**30.39**	**0.2**	1,889	28 38 to 37 71	31 74	0 2

The fair value of the options outstanding under the WSIP scheme at 31 December 2012 is £12 4m (2011 £13 8m)

Notes to the consolidated financial statements *(continued)*

19 Employee benefits *(continued)*

Share-based payments *(continued)*

Restricted Stock Rights (RSR) scheme

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

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

	Number of options (thousands) 2012	Number of options (thousands) 2011
Outstanding at the beginning of the year	948	792
Exercised during the year	(215)	(236)
Granted during the year	324	469
Lapsed during the year	(91)	(77)
Outstanding at the end of the year	966	948
Exercisable at the end of the year	18	1

The fair value of the options outstanding under the RSR scheme at 31 December 2012 is £26 1m (2011 £14 4m)

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

Performance Share Plan (PSP) scheme

The scheme came into existence on 20 July 2006 Under the scheme, selected executives were granted the right to receive shares in Wal-Mart Stores, Inc provided certain pre-determined performance goals are met In 2012 and 2011, these pre-determined goals were in respect of sales growth and return on investment All share awards under the PSP scheme have been issued for nil consideration and have a contractual life of between 1 and 3 years The share awards under this scheme are treated as cash-settled

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

	Number of options (thousands) 2012	Number of options (thousands) 2011
Outstanding at the beginning of the year	331	534
Exercised during the year	(92)	(123)
Conditionally granted during the year	404	108
Lapsed during the year	(126)	(188)
Outstanding at the end of the year	517	331
Exercisable at the end of the year	1	-

The fair value of the options outstanding under the PSP scheme at 31 December 2012 is £13 2m (2011 £10 7m)

Notes to the consolidated financial statements *(contınued)*

19 Employee benefits *(contınued)*

Share-based payments *(contınued)*

The faır value of share optıons ıs measured usıng a Black-Scholes model takıng ınto account the terms and condıtıons upon whıch the ınstruments were granted

The followıng table gıves the weıghted average assumptıons applıed to the optıons outstandıng ın the respectıve perıods shown

	2012	2011
Expected dıvıdend yıeld (%)	2 83	2 93
Expected volatılıty (%)	18 57	15 25
Rısk-free ınterest rate (%)	0 16	0 28
Weıghted average faır value of optıons granted (£)	13 92	9 66
Weıghted average exercıse prıce (£)	28 48	28 48
Expected lıfe of optıon (years)	3 or 5	3 or 5

Volatılıty ıs a measure of the amount by whıch a prıce ıs expected to fluctuate durıng the year The Group has used hıstorıcal volatılıtıes that correlate wıth the expected term of the optıons

Share optıons are exercısable ın US dollars and the rısk free ınterest rate ıs based on the applıcable US treasury rate

Notes to the consolidated financial statements *(contınued)*

20 Provısions

The provısıons balance ıncludes provısıons for onerous leases and lease guarantees agaınst non tradıng propertıes, the majorıty of whıch are expected to crystallıse ın the next 7 years Also ıncluded are provısıons for asset retırement oblıgatıons across the leasehold property portfolıo These provısıons are expected to crystallıse at the end of the lease term of each property

	2012
	£m
Balance at 1 January	22 3
Provıded durıng the year	11 1
Utılısed durıng the year	(6 6)
Unused amounts reversed durıng the year	(1 2)
Dıscount changes and unwındıng	2 7
Balance at 31 December	28 3

21 Deferred tax assets and lıabılıtıes

Recognısed deferred tax assets and lıabılıtıes

Deferred tax assets and lıabılıtıes are attrıbutable to the followıng

	Assets		**Lıabılıtıes**		**Net**	
	2012	2011	**2012**	2011	**2012**	2011
	£m	£m	**£m**	£m	**£m**	£m
Property, plant and equıpment	-	-	**217 4**	251 3	**217 4**	251 3
Employee benefits	**(100.9)**	(117 8)	-	-	**(100 9)**	(117 8)
Provısıons	**(11 9)**	(6 8)	-	-	**(11 9)**	(6 8)
Other ıtems	-	-	**(2.4)**	2 2	**(2 4)**	2 2
Tax (assets)/lıabılıtıes	**(112 8)**	(124 6)	**215 0**	253 5	**102 2**	128 9
Nettıng of tax (assets)/lıabılıtıes	**112 8**	124 6	**(112.8)**	(124 6)	-	-
Net tax lıabılıtıes	-	-	**102.2**	128 9	**102 2**	128 9

Certaın propertıes have been revalued to theır faır value prıor to 1 January 2004 No provısıon has been made for deferred tax on the temporary dıfferences arısıng on revalued land and buıldıngs Hıstorıcally upward revaluatıons have been made ın respect of land and not ın respect of buıldıngs The tax base of land and buıldıngs was adjusted to ınclude wıthın ıt any rolled-over gaıns whıch mıght subsequently become chargeable on a future sale of relevant propertıes It has been calculated that suffıcıent ındexatıon exısts to produce a temporary dıfference of £nıl on the whole portfolıo of assets such that no deferred tax recognıtıon ıs requıred

The Group has brought forward capıtal losses of £354 5m (2011 £350 0m) avaılable to reduce future capıtal gaıns No deferred tax asset has been recognısed on the accumulated capıtal losses due to uncertaınty of when they may be utılısed

Notes to the consolidated financial statements *(continued)*

21 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the year

	1 January 2012	Recognised in income	Recognised in other comprehensive income	Recognised on business combination	Recognised in equity	31 December 2012
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	251 3	(33 1)	(0 8)	-	-	217 4
Employee benefits	(117 8)	7 8	9 3	-	(0 2)	(100 9)
Provisions	(6 8)	(5 1)	-	-	-	(11 9)
Other items	2 2	0 1	(4 7)	-	-	(2 4)
	128 9	(30 3)	3 8	-	(0 2)	102 2

Movement in deferred tax during the prior year

	1 January 2011	Recognised in income	Recognised in other comprehensive income	Recognised on business combination	Recognised in equity	31 December 2011
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	220 0	(17 5)	-	48 8	-	251 3
Employee benefits	(109 5)	35 7	(44 0)	-	-	(117 8)
Provisions	(7 9)	1 1	-	-	-	(6 8)
Other items	1 5	(1 4)	2 1	-	-	2 2
	104 1	17 9	(41 9)	48 8	-	128 9

22 Share capital and premium

At 31 December 2012, 31 December 2011 and 31 December 2010

	Number of shares thousands	Share capital £m	Share premium £m	Total £m
Allotted, called up and fully paid				
Ordinary shares of 25p each	3,135,705	783 9	568 4	1,352 3

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

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

Notes to the consolidated financial statements *(continued)*

23 Reserves

Reconciliation of movement in reserves is as follows

Reserves	Other reserves £m	Cash flow hedge £m	Retained Earnings £m	Total £m
Balance at 1 January 2011	437 1	(1 6)	3,412 2	3,847 7
Profit for the year	-	-	568 6	568 6
Cash flow hedges - gains arising in the year	-	8 8	-	8 8
Tax on cash flow hedges recognised directly in equity	-	(2 1)	-	(2 1)
Actuarial gains on defined benefit pension scheme	-	-	4 4	4 4
Effect of minimum funding requirement	-	-	(190 0)	(190 0)
Tax on actuarial gains recognised directly in equity	-	-	44 0	44 0
Balance at 31 December 2011	**437.1**	**5 1**	**3,839 2**	**4,281.4**
Balance at 1 January 2012	437 1	5 1	3,839 2	4,281 4
Profit for the year	-	-	598 4	598 4
Cash flow hedges - losses arising in the year	-	(21 7)	-	(21 7)
Tax on cash flow hedges recognised directly in equity	-	5 9	-	5 9
Actuarial losses on defined benefit pension scheme	-	-	(70 1)	(70 1)
Effect of minimum funding requirement	-	-	13 6	13 6
Tax on actuarial losses recognised directly in equity	-	-	7 9	7 9
Tax on items credited to equity	-	-	0 2	0 2
Balance at 31 December 2012	**437.1**	**(10.7)**	**4,389 2**	**4,815 6**

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

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

Notes to the consolidated financial statements *(continued)*

24 Obligations under leases

Operating lease agreements where Group is lessee

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

Operating lease agreements where Group is lessee

	Land and buildings		Other	
	2012	2011	2012	2011
	£m	£m	£m	£m
No later than one year	97 7	86 2	26 6	29 9
Later than one year and no later than five years	290 1	268 9	43 1	49 8
Later than five years	592 2	532 7	4 8	3 4
	980 0	887 8	74 5	83 1

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

Operating lease agreements where Group is lessor

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

	2012	2011
	£m	£m
No later than one year	13 9	15 1
Later than one year and no later than five years	32 2	35 8
Later than five years	21 8	27 8
	67 9	78 7

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

Notes to the consolidated financial statements *(contınued)*

24 Oblıgatıons under leases *(contınued)*

The Group also leases buıldıngs under finance leases These leases have terms of renewal but no purchase optıons and escalatıon clauses Renewals are at the optıon of the lessee Future mınımum lease payments under finance leases are as follows

	2012 £m	2011 £m
Future mınımum payments due		
No later than one year	5 7	5 7
Later than one year and no later than five years	22 8	22 8
Later than five years	47 9	53 6
	76 4	82 1
Lease finance charges allocated to future perıods	(39 8)	(44 2)
Present value of mınımum lease payments	36 6	37 9
The present value of mınımum lease payments ıs analysed as follows,		
No later than one year	1 4	1 3
Later than one year and no later than five years	8 0	7 0
Later than five years	27 2	29 6
	36 6	37 9

25 Commitments

As at 31 December 2012, the Group had entered ınto contracts to purchase property, plant and equıpment for £44 0m (2011 £11 4m)

The Group ıs commıtted to purchase electrıcıty under contracts wıth a number of provıders As at 31 December 2012, the commıtment for the purchase of electrıcıty under these contracts totalled £47 5m (2011 £55 4m)

Notes to the consolidated financial statements *(continued)*

26 Related parties

Identity of related parties

The following transactions were carried out with group companies

	2012 £m	2011 £m
Technical assistance, services and royalties paid to Wal-Mart Stores, Inc	185 3	144 5
License fees paid to fellow subsidiary of ultimate parent company	11 8	11 9
Interest payable on loans from Broadstreet Great Wilson Europe Limited	22 8	22 5
Interest payable on loans from Corinth Investments Limited	57 8	54 8
Interest payable on loans from Wal-Mart LN (UK) Limited	80 6	78 8
Interest receivable on loans to Wal-Mart Stores (UK) Limited	91 0	77 7
Loans from Broadstreet Great Wilson Europe Limited	366 4	355 5
Loans from Corinth Investments Limited	972 8	941 5
Loans from Wal-Mart LN (UK) Limited	1,516 2	1,351 3
Loans from WMGS Co Limited	3 6	2 7
Loans from Wal-Mart Stores, Inc	3 4	-
Loans from Global George Limited	0 2	-
Loans to Global George Limited	-	3 5
Loans to Wal-Mart Stores (UK) Limited	1,797 0	1,272 4
Loans to Wal-Mart Stores, Inc	-	116 1

Interest on intercompany loans within the Group is charged on an arm's length basis at a rate of 6% (2011 6%)

£9 9m was paid to Broadstreet of Munsbach S a r l , a fellow subsidiary of the Group's ultimate parent company, during the year for interest due on Eurobonds (note 8) At 31 December 2012, the Group's liability in respect of Eurobonds held by fellow subsidiaries of the ultimate parent company was £149 2m During the year, license fees of £11 8m have been charged by Global George Limited, a fellow subsidiary of the Group's ultimate parent company, which are included in intercompany payables at the year end

Amounts owed by fellow group entities totalled £1,797 0m at 31 December 2012, as disclosed in note 15

Amounts owed to fellow group entities totalled £2,862 6m at 31 December 2012, as disclosed in note 17

Other related party transactions

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

Notes to the consolidated financial statements *(contınued)*

27 Ultimate parent company and parent company of larger group

The Group's ımmedıate parent company ıs Corınth Investments Lımıted, a company ıncorporated ın England and Wales

The next smallest group at whıch consolıdated financıal statements are prepared ıs Wal-Mart Stores (UK) Lımıted Copıes of these financıal statements are avaılable for ınspectıon at ıts regıstered office ASDA House, Southbank, Great Wılson Street, Leeds, LS11 5AD

In the dırectors' opınıon, the ultımate parent company and controllıng party ıs Wal-Mart Stores, Inc whıch ıs ıncorporated ın the USA Copıes of ıts consolıdated financıal statements, whıch ınclude thıs Group, can be obtaıned from the Company Secretary, Wal-Mart Stores, Inc , Corporate Offices, 702 SW 8th Street, Bentonvılle, AR72716, USA

ASDA Group Limited – Parent Company

Directors' responsibilities statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Independent auditor's report to the members of ASDA Group Limited

We have audited the parent company financial statements of ASDA Group Limited for the year ended 31 December 2012 which comprise the balance sheet and the related notes 1 to 13 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the directors' responsibilities statement set out on page 60, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the parent company financial statements

- Give a true and fair view of the state of the parent company's affairs as at 31 December 2012,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- The parent company financial statements are not in agreement with the accounting records and returns, or
- Certain disclosures of directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit

Other matter
We have reported separately on the Group financial statements of ASDA Group Limited for the year ended 31 December 2012

Ernst & Young LLP

Christabel Cowling *(Senior Statutory Auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
25 June 2013

Company balance sheet
as at 31 December 2012

	Note	2012 £m	2011 £m
Fıxed assets			
Investments	5	3,021 5	2,806 9
Current assets			
Debtors	6	2,100 6	2,195 8
Cash	7	33 5	354 4
		2,134 1	2,550 2
Credıtors amounts fallıng due wıthın one year			
Other credıtors	8	(2,943 3)	(2,989 0)
Net current lıabılıtıes		(809 2)	(438 8)
Total assets less current lıabılıtıes		2,212 3	2,368 1
Credıtors amounts fallıng due after more than one year			
Borrowıngs	9	(149 2)	(149 2)
Net assets		2,063 1	2,218 9
Capıtal and reserves			
Share capıtal	10	783 9	783 9
Share premıum	11	568 4	568 4
Revaluatıon reserve	11	156 2	156 2
Profit and loss reserve	11	554 6	710 4
Total shareholders' funds		2,063 1	2,218 9

These financıal statements were approved by the board of dırectors on 25 June 2013 and were sıgned on ıts behalf by

R Mayfield
Dırector

Notes to the parent company statements

(forming part of the financial statements)

1 Accounting policies

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

Accounting basis

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

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

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

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

Basis of preparation

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

Investments

Investments in subsidiaries are stated at cost less provision for impairment

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

Foreign currencies

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

2 Auditors' remuneration

The Company's audit fee for the year ended 31 December 2012 was £2,800 (2011 £2,800) The Company's audit costs are paid by another group company

3 Employee numbers and costs

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

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

Notes to the parent company statements *(contınued)*

4 Dıvidends

	Year Ended 31 December 2012 £m	Year Ended 31 December 2011 £m
Declared and paıd durıng the year		
No dıvıdend declared ın 2012 (2011 nıl)	-	-

5 Fıxed asset ınvestments

	Investment ın subsıdıarıes £m
Cost at 1 January 2012	2,820 2
Addıtıons	214 7
Dısposals	(0 1)
Cost at 31 December 2012	3,034 8
Impaırment at 1 January 2012 and 31 December 2012	(13 3)
Net book value at 31 December 2012	3,021 5
Net book value at 31 December 2011	2,806 9

Followıng a revıew of the carryıng value of ınvestments held by the Company, no ımpaırment charge (2011 £nıl) has been recognısed

Subsıdıary undertakıngs

As at 31 December 2012, the followıng companıes, beıng those whose results prıncıpally affect the financıal posıtıon of the Group, were subsıdıary undertakıngs whose ordınary share capıtal was wholly owned, and whıch were regıstered ın England and Wales and operatıng ın the UK

	Prıncıpal actıvıtıes	*Holdıng company*
ASDA Stores Lımıted	Retaılıng	ASDA Group Lımıted
McLagan Investments Lımıted	Property Investment	ASDA Group Lımıted
The Burwood House Group Lımıted	Property Investment	McLagan Investments Lımıted

Notes to the parent company statements *(contınued)*

6 Debtors

	2012 £m	2011 £m
Amounts owed by group undertakıngs	2,100 6	2,195 8

Amounts owed by group undertakıngs attract ınterest at an effectıve rate of 6% (2011 6%)

7 Cash

	2012 £m	2011 £m
Cash	33 5	354 4

Cash held by the company ıs ın short term ınstruments wıth approved counterpartıes

8 Credıtors: amounts fallıng due wıthin one year

	2012 £m	2011 £m
Amounts owed to group undertakıngs	2,938 2	2,984 0
Accruals	5 1	5 0
	2,943 3	2,989 0

Amounts owed to group undertakıngs attract ınterest at an effectıve rate of 6% (2011 6%)

Notes to the parent company statements *(contınued)*

9 Borrowings

	2012 £m	2011 £m
Amounts repayable between one and five years		
Bonds due 2015	149 2	149 2

On 17 July 1998, the Company ıssued £150 0m of unsecured 6 5/8% bonds at 99 441% of nomınal value redeemable at par on 17 July 2015 unless prevıously redeemed at the Company's request, at the hıgher of the prıncıpal amount or a prıce calculated to provıde a yıeld equal to that earned on 8% Treasury Stock 2015

On 17 September 2007, all of the outstandıng Eurobonds ıssued by the Company were offıcıally mıgrated from the Maın Market to the Professıonal Securıtıes Market of the London Stock Exchange

As at 31 December 2012, all borrowıngs were ın Sterlıng at fixed rates of ınterest

The weıghted average ınterest rate of fixed rate debt ıs 6 7% (2011 6 7%)

10 Share capital

	Number	£m
Authorısed at 31 December 2012 and 31 December 2011		
Ordınary shares of 25p each	5,000,000,000	1,250 0
Allotted, called up and fully paıd at 31 December 2012 and 31 December 2011		
Ordınary shares of 25p each	3,135,704,690	783 9

11 Share premium and other reserves

	Share premıum account £m	Revaluatıon reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2012	568 4	156 2	710 4	1,435 0
Loss for the year	-	-	(155 8)	(155 8)
At 31 December 2012	568 4	156 2	554 6	1,279 2

In accordance wıth the exemptıons gıven by Sectıon 408 of the Companıes Act 2006, the Company has not presented ıts own profit and loss account

The loss for the financıal year ın the financıal statements of the Company was £155 8m (2011 profit of £117 4m)

Notes to the parent company statements *(continued)*

12 Commitments

The Company has no financial commitments (2011 none)

13 Ultimate parent company and parent company of larger group

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

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

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