


ASDA GROUP LIMITED

Report and Financial Statements

31 December 2003

31/12/03

 ERNST & YOUNG



ASDA GROUP LIMITED

REGISTERED NUMBER : 1396513

DIRECTORS

A De Nunzio
D Dible
J B Menzer
H L Scott
D Smith
A Spindler
A Bond
D Cheesewright
D Downie
J J McKenna
J Longworth (appointed 22nd December 2003)
R Baker (resigned 15th September 2003)

SECRETARY

J Longworth

AUDITORS

Ernst & Young LLP
PO Box 61
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

REGISTERED OFFICE

Asda House
Southbank
Great Wilson Street
Leeds
LS11 5AD

REGISTRARS

Lloyds TSB Registrars
54 Pershore Road
South Birmingham
B30 3EP

BANKERS

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

ASDA GROUP LIMITED

DIRECTORS' REPORT

The directors present their report, together with the financial statements of the group, for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

GROUP PROFIT AND DIVIDENDS

Group profit on ordinary activities before taxation for the year amounted to £670.8 million (31 December 2002 - £607.8 million). The directors recommend a dividend of £1,360.0 million be paid - £0.43 per share (31 December 2002 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, at the year end and at the date of this report are shown on page 1. None of the directors have any interests in the share capital of the company.

The directors' shareholdings and share options are holdings and options in Wal-Mart Stores, Inc. As Wal-Mart Stores, Inc. is incorporated in the USA, disclosure of these interests is not required.

CHARITABLE DONATIONS

During the year, fundraising from colleagues and customers around the business, together with donations from Asda Foundation, was approximately £4.6 million (31 December 2002 - approximately £4.2 million). The company did not make any political donations in the year.

RESEARCH AND DEVELOPMENT

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

TRADING TERMS

The group deals with over fifteen thousand separate suppliers and has established trading terms which are appropriate to the particular relationship and product supplied. Since March 2002 the group has been in compliance with supplier code of practice introduced following the competition commission inquiry which helps to ensure fairness and clarity in our trading terms. Whenever an order is placed the parties will be aware of the payment terms and it is the company's policy to abide by those terms. There is a procedure in place for ensuring that the trading terms of regular suppliers are reviewed at least annually.

DISABLED EMPLOYEES

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

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

ASDA GROUP LIMITED

DIRECTORS' REPORT

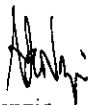
EMPLOYEE INVOLVEMENT

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

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the board,



A DeNunzio
Chief Executive Officer
28th June 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ASDA GROUP LIMITED**

We have audited the group's financial statements for the year ended 31 December 2003 which comprise the Group Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Consolidated Shareholders' Funds, Note of Historical Cost Profits and Losses, Group and Company Balance Sheets and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

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

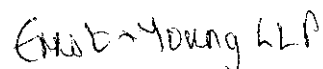
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Leeds

28 June 2004

ASDA Group Limited

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

		<i>Year ended 31 December 2003</i>	<i>Year ended 31 December 2002</i>
	<i>Notes</i>	<i>£m</i>	<i>£m</i>
SALES		14,432.7	13,206.7
Value added tax		(1,107.0)	(1,018.7)
TURNOVER	2	13,325.7	12,188.0
Operating costs	3	(12,670.4)	(11,582.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		655.3	605.2
Net interest receivable	4	15.5	2.6
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		670.8	607.8
Taxation	5	(59.8)	30.7
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		611.0	638.5
Dividends	6	(1,360.0)	-
RETAINED (LOSS) / PROFIT FOR THE FINANCIAL YEAR		(749.0)	638.5

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2003

There are no other recognised gains and losses arising in the year other than the loss for the year ended 31 December 2003 of £749.0m (year ended 31 December 2002 - profit £638.5m).

ASDA Group Limited

RECONCILIATION OF CONSOLIDATED SHAREHOLDERS' FUNDS

for the year ended 31 December 2003

	<i>Year ended 31 December 2003 £m</i>	<i>Year ended 31 December 2002 £m</i>
Shareholders' funds at beginning of the year	4,058.4	3,419.9
Total recognised gains and losses for the year	(749.0)	638.5
Shareholders' funds at end of the year	<u>3,309.4</u>	<u>4,058.4</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2003

	<i>31 December 2003 £m</i>	<i>31 December 2002 £m</i>
Reported profit on ordinary activities before taxation	670.8	607.8
Adjustment of depreciation to historical cost basis	(5.1)	(5.0)
Historical cost profit on ordinary activities before taxation	<u>665.7</u>	<u>602.8</u>
Historical cost retained (loss) / profit after taxation and dividends	<u>(754.1)</u>	<u>633.5</u>

ASDA Group Limited

GROUP AND COMPANY BALANCE SHEETS

at 31 December 2003

	<i>Notes</i>	<i>Group</i>		<i>Company</i>	
		<i>31 December 2003</i>	<i>31 December 2002</i>	<i>31 December 2003</i>	<i>31 December 2002</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
FIXED ASSETS					
Tangible assets	8	5,180.4	4,771.1	-	-
Investments	9	8.9	16.2	1,671.6	1,689.1
		<u>5,189.3</u>	<u>4,787.3</u>	<u>1,671.6</u>	<u>1,689.1</u>
CURRENT ASSETS					
Stocks	11	684.4	643.0	-	-
Debtors	12	144.1	135.7	2,269.0	1,969.1
Investments	13	767.0	851.1	767.0	851.0
Cash at bank and in hand		146.0	19.2	-	-
		<u>1,741.5</u>	<u>1,649.0</u>	<u>3,036.0</u>	<u>2,820.1</u>
CREDITORS: amounts falling due within one year					
Borrowings	16	(0.3)	(77.1)	-	-
Other creditors	14	(2,970.3)	(1,692.3)	(2,118.6)	(1,199.3)
		<u>(2,970.6)</u>	<u>(1,769.4)</u>	<u>(2,118.6)</u>	<u>(1,199.3)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,229.1)</u>	<u>(120.4)</u>	<u>917.4</u>	<u>1,620.8</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,960.2</u>	<u>4,666.9</u>	<u>2,589.0</u>	<u>3,309.9</u>
CREDITORS: amounts falling due after more than one year					
Borrowings	16	(423.8)	(423.8)	(423.6)	(423.2)
Provisions	15	(227.0)	(184.7)	-	-
NET ASSETS		<u>3,309.4</u>	<u>4,058.4</u>	<u>2,165.4</u>	<u>2,886.7</u>
CAPITAL AND RESERVES					
Called up share capital	18	783.9	783.9	783.9	783.9
Share premium account	20	568.4	568.4	568.4	568.4
Revaluation reserve	20	437.1	437.1	156.2	161.5
Profit and loss account	20	1,520.0	2,269.0	656.9	1,372.9
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>3,309.4</u>	<u>4,058.4</u>	<u>2,165.4</u>	<u>2,886.7</u>



A De Nunzio
Chief Executive Officer
28th June 2004

ASDA Group Limited

NOTES TO THE ACCOUNTS at 31 December 2003

1. ACCOUNTING POLICIES

ACCOUNTING BASIS

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

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards. The transitional provisions of FRS15 have been followed and accordingly prior year valuations of land and buildings have not been updated.

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

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings, adjusted where appropriate to conform to group accounting policies for the year ended 31 December 2003.

TURNOVER

Turnover comprises the value of sales excluding value added tax and intra-group transactions.

TANGIBLE FIXED ASSETS

The group's tangible fixed assets are included in the balance sheet at cost less depreciation, with the exception of its food retailing properties, which have been included at valuation less depreciation and amounts written off. In accordance with the transitional provisions of FRS 15 the directors have elected to freeze all future revaluations and the revalued assets have not been restated to their historical cost.

DEPRECIATION

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

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

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

LEASED ASSETS

Assets held under finance leases are capitalised as tangible fixed assets and are included in borrowings at the cost of outright purchase. Rentals are apportioned between reductions in the capital obligations included in borrowings and those relating to finance charges, which are charged to the profit and loss account at a constant periodic rate of charge.

The capitalised cost of leased assets is written off over the shorter of their estimated useful lives or the lease terms. The costs of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

1. ACCOUNTING POLICIES (CONTINUED)

CAPITALISATION OF INTEREST

Interest costs relating to the financing of properties in the course of construction for trading occupation by the company or its subsidiary undertakings are capitalised gross cost (previously net of tax relief).

Interest costs incurred in funding land and construction work in progress in respect of property development projects are capitalised during the year of development. The interest rate applied is based on the average rate of general borrowings outstanding during a period. This was 8.2% during the year ended 31 December 2003 (31 December 2002 – 8.3%).

STOCKS

Stocks comprise goods held for resale and development properties and are valued at the lower of cost and net realisable value.

DEFERRED TAXATION

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

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

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

PENSIONS

The group operates a defined benefit pension scheme, which requires contributions to be made to separately administered funds. Contributions to these funds are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

The group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

1. ACCOUNTING POLICIES (CONTINUED)

RESTATEMENT OF COMPARATIVES

The operating cost note 3 has been restated to include the disclosure on the loss on sale of tangible fixed assets. There is no impact on the profit and loss account or balance sheet.

The pension disclosures for the asset values for the year ended 31 December 2002 have been restated in note 21. This is due to Mercers, the actuaries, restating the amounts based on more accurate information they have received from Legal and General in relation to payments made to the scheme around the year end. This only affects the pension disclosures and has no impact on the profit and loss account or balance sheet.

INVESTMENTS

Investments in associated undertakings are dealt with under the equity method of accounting in the consolidated financial statements less amounts written off. In the company's financial statements investments in associated undertakings are stated at cost less amounts written off.

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

RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off in the period in which it is incurred.

FOREIGN CURRENCIES

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

ASDA Group Limited

NOTES TO THE ACCOUNTS at 31 December 2003

2. TURNOVER AND SEGMENTAL ANALYSIS

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

The group operates in two principal areas of activity, categorised as follows:

- ASDA - operation of food, clothing, home and leisure stores;
- Gazeley - property developments.

	<i>Year ended 31 December 2003 £m</i>	<i>Year ended 31 December 2002 £m</i>
TURNOVER		
ASDA	13,270.3	12,074.6
Gazeley	55.4	113.4
	<u>13,325.7</u>	<u>12,188.0</u>
OPERATING PROFIT		
ASDA	638.4	587.9
Gazeley	16.9	17.3
	<u>655.3</u>	<u>605.2</u>
NET ASSETS		
ASDA	2,841.3	3,582.2
Gazeley	125.2	126.0
	<u>2,966.5</u>	<u>3,708.2</u>
Unallocated net assets	342.9	350.2
	<u>3,309.4</u>	<u>4,058.4</u>

Unallocated net assets comprise balances in respect of investments and borrowings.

ASDA Group Limited

NOTES TO THE ACCOUNTS at 31 December 2003

3. OPERATING COSTS

	Year ended 31 December 2003 £m	Year ended 31 December 2002 £m
		<i>Restated</i>
Change in stocks	41.4	23.6
Other operating income	202.1	52.5
Raw materials and consumables	(10,329.2)	(9,396.5)
Employment costs	(1,421.0)	(1,249.6)
Depreciation of tangible fixed assets	(218.8)	(197.5)
Loss on sale of tangible fixed assets	(19.5)	(8.7)
Other operating charges	(925.4)	(806.6)
	<u>(12,670.4)</u>	<u>(11,582.8)</u>
OTHER OPERATING CHARGES		
OPERATING LEASE CHARGES		
land and buildings	62.0	50.6
plant and machinery	54.9	9.0
	<u>116.9</u>	<u>59.6</u>
AMOUNTS PAID TO AUDITORS		
Fees charged to profit and loss account in respect of:		
Audit fees	0.2	0.2
Non-audit fees	0.1	0.2
	<u>0.3</u>	<u>0.4</u>
EMPLOYMENT COSTS		
Wages and salaries	1,300.7	1,148.1
Social security costs	79.6	65.3
Pension costs	40.7	36.2
	<u>1,421.0</u>	<u>1,249.6</u>

The average number of colleagues employed by the group during the year was:

	<i>Total</i>		<i>Full time equivalents</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
ASDA	134,032	125,815	86,349	80,674
Gazeley	36	30	35	30
	<u>134,068</u>	<u>125,845</u>	<u>86,384</u>	<u>80,704</u>

ASDA Group Limited

NOTES TO THE ACCOUNTS at 31 December 2003

4. NET INTEREST RECEIVABLE

	<i>Year ended 31 December 2003 £m</i>	<i>Year ended 31 December 2002 £m</i>
Bonds	(34.9)	(37.1)
Interest capitalised	7.6	14.5
	<u>(27.3)</u>	<u>(22.6)</u>
Interest receivable and similar income	41.2	25.2
Intercompany interest receivable	1.6	-
	<u>15.5</u>	<u>2.6</u>

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

5. TAXATION

The charge / (credit) to UK corporation tax for the year arises as follows:

	<i>Year ended 31 December 2003 £m</i>	<i>Year ended 31 December 2002 £m</i>
CURRENT TAX		
UK corporation tax on profits for the year	109.8	92.2
Adjustments in respect of prior periods	(97.0)	(154.8)
TOTAL CURRENT TAX	<u>12.8</u>	<u>(62.6)</u>
DEFERRED TAX		
Origination and reversal of timing differences	31.2	29.4
Adjustments in respect of prior periods	15.8	2.5
TOTAL DEFERRED TAX (NOTE 17)	<u>47.0</u>	<u>31.9</u>
TAX CHARGE / (CREDIT) ON PROFITS ON ORDINARY ACTIVITIES	<u>59.8</u>	<u>(30.7)</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below.

PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	<u>670.8</u>	<u>607.8</u>
PROFIT ON ORDINARY ACTIVITIES MULTIPLIED BY		
THE STANDARD RATE OF UK CORPORATION TAX OF 30% (2002: 30%)	<u>201.2</u>	<u>182.3</u>
Effects of:		
Expenses not deductible for tax purposes	3.8	3.0
Non-qualifying depreciation	14.0	13.6
Accelerated capital allowances and other timing differences	(26.8)	(29.4)
Stock option provision increase/(release)	3.0	(12.7)
Non taxable income	(15.3)	(1.7)
Tax interest received	(1.8)	-
Losses surrendered from parent at nil consideration	(64.5)	(61.9)
Adjustments in respect of prior periods	(97.0)	(154.8)
Other	(3.8)	(1.0)
CURRENT TAX CHARGE/(CREDIT) FOR YEAR	<u>12.8</u>	<u>(62.6)</u>

The prior periods' adjustments of £97.0m includes £76.9m credit relating to the agreement of certain prior period liabilities with the Inland Revenue, together with a credit of £20.1m following a re-categorisation between current and deferred tax.

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

6. DIVIDENDS

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
Dividends paid - £0.43 per ordinary share (2002: nil)	1,360,000	-

7. DIRECTORS' REMUNERATION

The total remuneration of the directors for each of the last two financial years are as follows:

	<i>Year ended 31 December 2003 £000</i>	<i>Year ended 31 December 2002 £000</i>
Total directors' remuneration excluding pension costs	4,101	3,314
	<i>No.</i>	<i>No.</i>
Number of directors who are members of the defined benefit scheme	9	8
Number of directors who exercised share options	5	4
Number of directors entitled to receive shares under long term incentive schemes	8	7

Amounts in respect of the highest paid director are as follows:

Total remuneration excluding pensions	871	741
Accumulated total accrued pension	36	27

The highest paid director exercised share options during the year and did not receive or become entitled to any shares from qualifying services under a long term incentive scheme.

ASDA Group Limited

NOTES TO THE ACCOUNTS at 31 December 2003

8. TANGIBLE FIXED ASSETS

	<i>Freehold properties £m</i>	<i>Leasehold properties £m</i>	<i>Plant, fixtures & fittings £m</i>	<i>Total £m</i>
COST OR VALUATION				
At 1 January 2003	3,881.5	548.9	1,140.8	5,571.2
Additions	538.1	44.6	294.7	877.4
Disposals	(84.9)	(3.9)	(37.4)	(126.2)
At 31 December 2003	4,334.7	589.6	1,398.1	6,322.4
COST OR VALUATION AT THE END OF THE YEAR IS REPRESENTED BY:				
Valuation	2,349.6	-	-	2,349.6
Cost	1,985.1	589.6	1,398.1	3,972.8
	4,334.7	589.6	1,398.1	6,322.4
DEPRECIATION				
At 1 January 2003	450.8	183.3	733.4	1,367.5
Charge for the year	61.5	17.2	140.1	218.8
Disposals	(21.2)	(2.6)	(29.7)	(53.5)
At 31 December 2003	491.1	197.9	843.8	1,532.8
Net book amounts at 31 December 2003	3,843.6	391.7	554.3	4,789.6
Assets under construction at 31 December 2003				390.8
NET BOOK VALUE AT 31 DECEMBER 2003				5,180.4
Net book amounts at 31 December 2002	3,430.7	365.6	407.4	4,203.7
Assets under construction at 31 December 2002				567.4
NET BOOK VALUE AT 31 DECEMBER 2002				4,771.1

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

8. TANGIBLE FIXED ASSETS (continued)

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

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

The cumulative amount of capitalised interest included in the cost of fixed assets is £178.7 million (31 December 2002: £165.5 million). Details of interest capitalised during the year are given in note 4.

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

	31 December 2003 £m	31 December 2002 £m
Freehold properties	1,912.4	1,912.4

The net book amount of plant, fixtures and fittings for the group includes £nil (2002 - £nil) in respect of leased assets after charging depreciation of £nil (2002 - £nil).

The analysis of the net book value of leasehold properties is:

	31 December 2003 £m	31 December 2002 £m
Leases with 50 years or more unexpired	309.5	292.4
Leases with less than 50 years unexpired	82.2	73.2
	391.7	365.6

ASDA Group Limited

NOTES TO THE ACCOUNTS at 31 December 2003

9. FIXED ASSET INVESTMENTS

	<i>Group</i>		<i>Company</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Subsidiary undertakings (note 10)	-	-	1,662.7	1,672.9
Qualifying Employee Share Ownership Trust	8.9	16.2	8.9	16.2
	<u>8.9</u>	<u>16.2</u>	<u>1,671.6</u>	<u>1,689.1</u>

10. SUBSIDIARY UNDERTAKINGS

As at 31 December 2003, the following companies, being those whose results principally affect the financial position of the group, were subsidiary undertakings whose ordinary share capital was wholly owned, and which were registered in England and Wales and operating in the UK.

	<i>Principal activities</i>	<i>Holding Company</i>
ASDA Stores Limited	Retailing	ASDA Group Limited
Gazeley Properties Limited	Property Development	Gazeley Holdings Limited
McLagan Investments Limited	Property Investment	ASDA Group Limited
The Burwood House Group Limited	Property Investment	McLagan Investments Limited

11. STOCKS

<i>Group</i>	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>
	<i>£m</i>	<i>£m</i>
Goods held for resale	594.0	594.5
Development properties	90.4	48.5
	<u>684.4</u>	<u>643.0</u>

ASDA Group Limited

NOTES TO THE ACCOUNTS at 31 December 2003

12. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Amounts owed by subsidiary undertakings	-	-	2,266.7	1,968.5
Amounts owed by group undertakings	32.2	59.6	-	-
Other debtors	74.4	42.8	-	-
Prepayments and accrued income	37.5	33.3	2.3	0.6
	<u>144.1</u>	<u>135.7</u>	<u>2,269.0</u>	<u>1,969.1</u>

Amounts owed by subsidiary undertakings includes £nil (31 December 2002 £425.7m) due after more than one year.

13. INVESTMENTS

Investments are in short term instruments with approved counter parties.

14. CREDITORS

	<i>Group</i>		<i>Company</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank overdraft	-	-	-	0.2
Trade creditors	1,557.7	1,243.8	-	-
Amounts owed to subsidiary undertakings	-	-	2,092.7	1,165.9
Amounts owed to group undertakings	936.0	-	-	-
Taxation	63.2	73.2	3.8	-
Other taxes and social security	23.9	19.1	-	-
Other creditors	97.2	85.7	0.3	11.4
Accruals	292.3	270.5	21.8	21.8
	<u>2,970.3</u>	<u>1,692.3</u>	<u>2,118.6</u>	<u>1,199.3</u>

ASDA Group Limited

NOTES TO THE ACCOUNTS at 31 December 2003

15. PROVISIONS FOR LIABILITIES AND CHARGES

Group

	31 December 2003	31 December 2002
	£m	£m
Provisions	46.0	50.7
Deferred taxation (note 17)	181.0	134.0
	<u>227.0</u>	<u>184.7</u>

	Share contribution provision £m	Onerous lease provision £m	Total £m
At 1 January 2003	45.3	5.4	50.7
Utilised during the year	(14.7)	(0.1)	(14.8)
Provided during the year	10.1	-	10.1
At 31 December 2003	<u>40.7</u>	<u>5.3</u>	<u>46.0</u>

The share contribution provision represents the provision required to fund the economic cost of the ASDA share schemes. The onerous lease provision represents provisions for lease obligations arising from discontinued activities.

16. BORROWINGS

	Group	
	31 December 2003	31 December 2002
	£m	£m
Amounts falling due within one year:		
Bank finance	-	76.9
Obligations under finance leases	0.3	0.2
	<u>0.3</u>	<u>77.1</u>

The company has no borrowings due within one year.

ASDA Group Limited

NOTES TO THE ACCOUNTS at 31 December 2003

16. BORROWINGS (continued)

	<i>Group</i>		<i>Company</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Amounts repayable between one and two years:				
Obligations under finance leases	0.2	0.2	-	-
Amounts repayable between two and five years:				
Obligations under finance leases	-	0.4	-	-
Bonds due 2007 (a)	199.0	198.7	199.0	198.7
Amounts repayable in five years or more:				
Bonds due 2010 (b)	75.8	75.8	75.8	75.8
Bonds due 2015 (c)	148.8	148.7	148.8	148.7
	<u>423.8</u>	<u>423.8</u>	<u>423.6</u>	<u>423.2</u>

(a) On 24 April 1997, the company issued £200 million of unsecured 8 3/8 % bonds at 98.872% of nominal value redeemable at par on 24 April 2007 unless previously redeemed at the company's request.

(b) On 31 March 1989, the company issued £125 million of unsecured 10 7/8% bonds at 101.753% of nominal value redeemable at par on 20 April 2010, unless previously redeemed at the company's request, at the higher of par or a price calculated to provide a yield equal to that earned on 12% Exchequer Stock 2013/2017.

(c) On 17 July 1998, the company issued £150 million of unsecured 6 5/8% bonds at 99.441% of nominal value redeemable at par on 17 July 2015 unless previously redeemed at the company's request.

As at 31 December 2003 all gross borrowings were in sterling at fixed rates of interest.

The average interest rate of fixed rate debt is 8.2% for which the rate is fixed on average for 6 years.

ASDA Group Limited

NOTES TO THE ACCOUNTS at 31 December 2003

17. DEFERRED TAXATION

Group

	31 December 2003 £m	31 December 2002 £m
AMOUNT PROVIDED		
Accelerated capital allowances	164.9	126.0
Short term timing differences	16.1	8.0
	<u>181.0</u>	<u>134.0</u>

*Total
£m*

MOVEMENT IN DEFERRED TAX PROVISION

At beginning of the year	134.0
Deferred tax charge in the profit and loss account attributable to operating profit (note 5)	47.0
At end of the year	<u>181.0</u>

Deferred tax has been provided at 30%.

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

Corporation tax of £91.1m has been deferred as a consequence of rollover relief claims made in respect of the disposal of certain fixed assets in prior periods.

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

18. CALLED UP SHARE CAPITAL

Authorised

At 31 December 2002 and 31 December 2003

	<i>No.</i>	<i>£m</i>
Ordinary shares of 25p each	5,000,000,000	1,250.0

Allotted, called up and fully paid

At 31 December 2002 and 31 December 2003

	<i>No.</i>	<i>£m</i>
Ordinary shares of 25p each	3,135,704,692	783.9

19. FINANCIAL COMMITMENTS

Group

	<i>31 December 2003</i>	<i>31 December 2002</i>
	<i>£m</i>	<i>£m</i>
Contracted for	16.0	15.1

The annual commitments under non-cancellable operating leases, which relates primarily to land and buildings, is as follows:

	<i>31 December 2003</i>	<i>31 December 2002</i>
	<i>£m</i>	<i>£m</i>
Leases expiring:		
Within one year	1.7	6.0
Between two and five years	2.2	2.6
After five years	43.0	52.0
	46.9	60.6

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

20. RESERVES

	<i>Share capital</i>	<i>Share premium</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 January 2003	783.9	568.4	437.1	2,269.0	4,058.4
Retained loss for the year	-	-	-	(749.0)	(749.0)
At 31 December 2003	783.9	568.4	437.1	1,520.0	3,309.4
Company					
At 1 January 2003	783.9	568.4	161.5	1,372.9	2,886.7
Loss for the year	-	-	-	(716.0)	(716.0)
Write off of revaluation reserve	-	-	(5.3)	-	(5.3)
At 31 December 2003	783.9	568.4	156.2	656.9	2,165.4

In accordance with the exemptions given by Section 230 (3) of the Companies Act 1985 the company has not presented its own profit and loss account.

The loss for the financial year in the financial statements of the company was £716.0 million (31 December 2002: profit of £29.4 million).

The cumulative amount of goodwill written off to reserves pre 1 January 1989 is £114.5 million (31 December 2002: £114.5 million).

21. PENSIONS

The group operates a defined benefit pension scheme open to all full time and part time salaried colleagues and a defined contribution plan open to all hourly paid colleagues. These schemes provide a pension in addition to the basic state pension together with other benefits such as life assurance. There is also an unfunded final salary arrangement for salaried colleagues whose salary is in excess of the earnings cap.

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

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

The pension cost relating to the defined benefit pension scheme is assessed in accordance with the advice of an independent qualified actuary who conducted a triennial valuation as at 5 April 2001 using the projected unit method.

The key actuarial assumptions are that: the investment return pre-retirement will be 6.8% per annum; the investment return post-retirement will be 4.8% per annum; pension increases will be 2.3% per annum; and salary increases will be 3.8% per annum. At 5 April 2001, the market value of the scheme's assets was £385.3 million and this represented 93% of the benefits that had accrued to members, after allowing for expected future increases in salaries. To derive the pension cost, the deficit is being spread as a percentage of salaries over the future working lifetime of the existing members.

The pension cost of the unfunded arrangement is assessed in accordance with the advice of an independent qualified actuary.

The group has no significant exposure to any other post-retirement benefit obligations.

FRS17 Retirement Benefits

The Group operates a defined benefit pension scheme in the UK. A full actuarial valuation was carried out at 5 April 2001 and updated to 31 December 2003 by a qualified independent actuary.

Under the transitional arrangements of FRS 17, the company is required to disclose the following information about the defined benefit pension scheme and the figures that would have been shown under FRS17 in the financial statements.

FRS17 gives the present value of the schemes assets and liabilities by discounting pension commitments, including salary growth, at an AA corporate bond yield.

The FRS17 value of liabilities, including those that are unfunded at 31 December 2003 is £690m (31 December 2002: £534m) and the market value of assets is £473.8m (31 December 2002: £359.9m) giving a pension scheme deficit of £216.2m (31 December 2002: £174.1m).

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

21. PENSIONS (CONTINUED)

In calculating the liabilities of the defined benefit pension scheme the following assumptions have been used:

31 DECEMBER 2003

UK SCHEME % PER ANNUM

Discount rates for liabilities	5.40
Future salary growth	4.30
Future price inflation	2.80
Future pension growth	2.80

The assets and liabilities in the scheme as at 31 December 2003 were:

	<i>Rate of Return %</i>	<i>Value £m</i>
Equities	7.30	414.7
Bonds	5.10	51.0
Gilts and other	7.30	8.1
Market value of assets		473.8
Present value of scheme liabilities		(690.0)
Pension liability before deferred tax		(216.2)
Deferred tax asset		64.9
Net pension liability		(151.3)

31 DECEMBER 2002

UK SCHEME % PER ANNUM

Discount rates for liabilities	5.50
Future salary growth	3.85
Future price inflation	2.35
Future pension growth	2.35

The assets and liabilities in the scheme as at 31 December 2002 were:

	<i>Rate of Return %</i>	<i>(Restated) Value £m</i>
Equities	7.0	304.8
Bonds	5.0	47.0
Gilts and others	7.0	8.1
Market value of assets		359.9
Present value of scheme liabilities		(534.0)
Pension liability before deferred tax		(174.1)
Deferred tax asset		52.2
Net pension liability		(121.9)

ASDA Group Limited

NOTES TO THE ACCOUNTS at 31 December 2003

21. PENSIONS (CONTINUED)

31 DECEMBER 2001

UK SCHEME % PER ANNUM

Discount rates for liabilities	5.80
Future salary growth	3.90
Future price inflation	2.40
Future pension growth	2.40

The assets and liabilities in the scheme as at 31 December 2001 were:

	<i>Rate of Return %</i>	<i>Value £m</i>
Equities	7.25	336.2
Bonds	5.00	39.9
Gilts and other	7.25	9.3
Market value of assets		385.4
Present value of scheme liabilities		(454.7)
Pension liability before deferred tax		(69.3)
Deferred tax asset		20.8
Net pension liability		48.5

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss account at 31 December 2003 and 31 December 2002 would have been as follows:

	<i>(Restated)</i>	
	<i>31 December 2003</i>	<i>31 December 2002</i>
	<i>£m</i>	<i>£m</i>
Net assets excluding pension liability	3,309.4	4,058.4
Reversal of SSAP24 prepayment	(28.5)	(24.1)
Pension liability	(151.3)	(121.9)
Net assets including pension liability	3,129.6	3,912.4
Profit and loss account excluding pension liability	1,520.0	2,269.0
Reversal of SSAP 24 prepayment	(28.5)	(24.1)
Pension liability	(151.3)	(121.9)
Profit and loss account including pension liability	1,340.2	2,123.0

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

21. PENSIONS (CONTINUED)

	<i>£m</i>
Movement in deficit during the year:	
Deficit in scheme at 1 January 2003	(174.1)
Movement in year:	
Current service costs	(29.4)
Contribution	31.7
Net return on assets	(4.9)
Actuarial loss	(39.5)
	<hr/>
Deficit in scheme at 31 December 2003	(216.2)
	<hr/>

(restated)
£m

Movement in deficit during the year:	
Deficit in scheme at 1 January 2002	(69.3)
Movement in year:	
Current service costs	(26.5)
Contributions	52.7
Net return on assets	1.7
Actuarial loss	(132.7)
	<hr/>
Deficit in scheme at 31 December 2002	(174.1)
	<hr/>

The following amounts would have been recognised in the financial statements in the year ended 31 December 2003 under the requirements of FRS17:

31 December
2003
£m

PROFIT AND LOSS ACCOUNT

Amounts charged to operating profit:	
Service cost	29.4
	<hr/>

Amounts charged/(credited) to other finance income:

Expected return on pension plan assets	25.4
Interest on pension plan liabilities	(30.3)
	<hr/>
Net return	(4.9)
	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES:

Actual return less expected return on assets	53.4
Changes in assumptions	(92.9)
	<hr/>
Actuarial loss recognised in Statement of total recognised gains and losses	(39.5)
	<hr/>

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

21. PENSIONS (CONTINUED)

Details of experience gains and losses for the year ended 31 December 2003:

Difference between actual and expected return on scheme assets	
Amount (£m)	53.4
Percentage of scheme assets	11%
Total amount recognised in statement of total recognised gains and losses	
Amount (£m)	(39.5)
Percentage of scheme liabilities	(6%)

The following amounts would have been recognised in the financial statements in the year ended 31 December 2002 under the requirements of FRS17:

	<i>31 December</i>
	<i>2002</i>
	<i>£m</i>
PROFIT AND LOSS ACCOUNT	
Amounts charged to operating profit:	
Service cost	26.5
	=====
Amounts charged/(credited) to other finance income:	
Expected return on pension plan assets	28.9
Interest on pension plan liabilities	(27.2)

Net return	1.7
	=====
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES:	
Actual return less expected return on assets	(107.8)
Changes in assumptions	(24.9)

Actuarial loss recognised in Statement of total recognised gains and losses	(132.7)
	=====
Details of experience gains and losses for the year ended 31 December 2002 (as restated):	
Difference between actual and expected return on scheme assets	
Amount (£m)	(107.8)
Percentage of scheme assets	(30%)
Total amount recognised in statement of total recognised gains and losses	
Amount (£m)	(133.0)
Percentage of scheme liabilities	(25%)

ASDA Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

21. PENSIONS (CONTINUED)

The group operates a defined contribution and a defined benefit pension scheme. The assets of the schemes are held separately from those of the group in an independently administered fund. The unpaid contributions outstanding at the year end, included in other creditors are £0.2m (2002: £1.3m) for the defined contribution scheme. The charge for the year for the defined contribution scheme is £9m (2002: £6.0m). The charge for the defined benefit scheme is £31.7m (2002: £30.2m).

22. RELATED PARTIES

The group has taken advantage of the exemption in FRS 8 from disclosing transactions with entities where 90% or more of their voting rights are controlled within the Wal-Mart Store group of companies or with investees of the group.

23. PARENT UNDERTAKING AND CONTROLLING PARTY

The group's immediate parent undertaking is Wal-Mart Stores (UK) Limited, for which consolidated group financial statements have been prepared and are available for inspection at its registered office: Asda House, Southbank, Great Wilson Street, Leeds, LS11 5AD.

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