

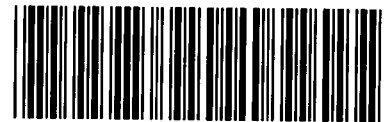
Registration number: 04144792

# ASDA Supermarkets Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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## Company Information

**Directors** R Burnley (resigned 6 August 2021)  
R McWilliam (resigned 31 July 2021)  
M Issa (appointed 18 June 2021)  
Z Issa (appointed 18 June 2021)  
M Dale (appointed 18 June 2021)  
G Lindsay (appointed 18 June 2021)  
J Fallon (appointed 31 July 2021 and resigned 18 July 2022)  
S Nuttall (appointed 18 July 2022)

**Company secretary** H Selby

**Registered office** ASDA House  
Southbank  
Great Wilson Street  
Leeds  
LS11 5AD  
UK

**Auditors** Ernst & Young LLP  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR

## **Strategic Report for the Year Ended 31 December 2021**

The Directors present their strategic report for the year ended 31 December 2021.

### **Principal activity**

The principal activities of ASDA Supermarkets Limited ("the Company") were retail property investment, development and management. During the year, the Company held the title for a property and received rental income in relation to this site from a fellow group undertaking of ASDA Group Limited ("the Group"). As described in note 5, the Company disposed of its investment property on 23 June 2021 in exchange for an intercompany receivable with a value in excess of the net book value of the investment property at that date. The Company is no longer trading and there are no plans to trade in the foreseeable future.

### **Change in ownership**

The intermediate parent undertaking is ASDA Group Limited. On 16 February 2021, the ultimate parent company and controlling party of ASDA Group Limited ("ASDA"), Walmart Inc. ("Walmart"), completed the sale to

Mohsin and Zuber Issa, founders and co-CEOs of EG Group, a global convenience and forecourts retailer, headquartered in Blackburn, UK, and investment funds managed by TDR Capital LLP ("TDR Capital"), a leading UK-based private equity firm, of Walmart's equity interest in ASDA for an enterprise value of £6.7 billion, on a debt-free and cash-free basis. Under the new ownership structure, Mohsin and Zuber Issa and TDR Capital own 100% of the ordinary shares in Bellis Acquisition Company 3 Limited ("BAC3L"), which in turn has acquired the entire issued share capital of ASDA from ASDA Holdings UK Limited ("AHUKL") - and as such, Mohsin and Zuber Issa and TDR Capital jointly control ASDA.

### **Results and Dividends**

The Company's profit for the financial year, after taxation, amounted to £39,117,000 (2020: £693,000). No dividends were paid in the year (2020: £nil).

## Strategic Report for the Year Ended 31 December 2021 (continued)

### Section 172 statement

The following section serves as the section 172 statement for the Company, pursuant to the requirements of The Companies (Miscellaneous Reporting) Regulations 2018. Section 172 of the Companies Act 2006 ("CA 2006") recognises that whilst companies are run for the benefit of their shareholders, a business's long-term success and reputation are dependent upon maintaining relationships with stakeholders and an appreciation of the external impact of its activities.

The directors of the Company (the "Directors") are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the CA 2006 and are keen to ensure proper reflection on stakeholder engagement and issues at Director level and promote continuous reflection on opportunities for development.

Until the sale of its property during the year, the Company's principal activity was to charge property rental, relating to a property owned by the Company, to a fellow wholly owned subsidiary of the intermediate parent undertaking, ASDA Group Limited. Accordingly, in considering the long-term consequences of decisions and the impact of the Company's decisions on its stakeholders, it is important that the Directors also considered the Company's operations in the context of the operations of the Group as a whole.

ASDA Group Limited also plays an important role in the governance of the operations of the Company. This includes consideration and approval of key commercial decisions which materially impact the Company, its stakeholders and its operations. All of the Directors are also directors of ASDA Group Limited. Where individuals are directors of separate legal entities within the Group, they are aware of their separate responsibilities regarding each of these legal entities. Further details of the directors of ASDA Group Limited who served during the year are included in the financial statements of ASDA Group Limited which are available from ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD.

The ASDA Real Estate & Investment Committee ("AREIC") is constituted as a committee of the board of directors of ASDA Group Limited (the "Board") and operates under clearly documented terms of reference defining its scope of authority, which includes oversight of the Group's capital investment programme and real estate matters. AREIC is therefore, relevant to the principal activities of the Company and plays a role in the decision-making process of the Company. Certain nominated Directors are members of AREIC and AREIC is also attended by senior employees of the Group, from a range of business units that support the operations of the Company including property, commercial, strategy, finance and legal.

AREIC meets at least monthly and with such greater frequency as is considered necessary. It creates a formal vehicle for direct and ongoing engagement between the Directors, the wider Board and the business units who are involved in supporting the operations of the Company and the wider Group real estate portfolio. It is therefore, a forum for engaging directly with material stakeholders, such as its investors and customers, and a forum for sharing the outcome of other stakeholder engagement carried out by business units that support the operations of the Company.

Engaging stakeholders in this way and the outcome of stakeholder engagement generally, as fed back to the nominated Directors via AREIC, ensures that the Directors consider the impact of decisions on relevant stakeholder groups and provides open lines of communication with affected stakeholders (in particular, members of the Board of ASDA Group Limited, as the investor and the parent company of the Company's former tenants to ensure proposed decisions are fully understood and supported before taken. The section below sets out a more detailed summary of the Company's relationships with its key stakeholders and how the Directors engage with those stakeholders. The Directors recognise that the pertinence of a particular stakeholder group may vary depending upon the matter under discussion.

## **Strategic Report for the Year Ended 31 December 2021 (continued)**

### **Key stakeholder engagement**

#### *Investors*

The Company's investors during the year, ASDA Group Limited and ultimately, Walmart, Inc. ("Walmart") up until the change in ownership on 16 February 2021 and Bellis Topco Limited thereafter, were key stakeholders. The investors were providers of capital which allowed the Company to deliver long-term success.

Decisions made by the Company are reported to and monitored by the Executive Committee of ASDA Group Limited. The overall performance of the ASDA Group Limited group, which includes this Company, is monitored by investors in Bellis Topco Limited via established governance and regular reporting mechanisms.

#### *Customers*

As above, until the sale of its property during the year, the Company's principal activity was to charge property rental relating to properties owned or leased by the Company to other Group companies. Therefore, the Company's customers were predominantly other Group companies. At the Balance Sheet date, the Company no longer has customers.

As described above, the membership composition of AREIC and the interaction with the business units who are involved in supporting the operations of the Company and the wider Group real estate portfolio, provides a useful mechanism for the Directors to engage with its customers. This ensures that decision making is taken in the context of wider Group initiatives and also accounts for the interests of intercompany tenants and long-term consequences on the Group.

#### *Suppliers*

The Company has no suppliers.

#### *Employees*

The Company has no employees.

## Strategic Report for the Year Ended 31 December 2021 (continued)

### Key Principal Decisions

#### *Warehouse asset sale-and-leaseback transaction*

On 16 February 2021, Bellis Acquisition Company 3 Limited ("BAC3L") purchased the entire issued share capital of ASDA Group Limited (the "Acquisition"). As part of the financing for this transaction, an intermediate parent undertaking of the ASDA Group Limited group ("the Group") issued a loan note to Bellis Noncore 2 Limited, a fellow wholly owned subsidiary of the ultimate parent company, Bellis Topco Limited, for £902.5m. The cash received in exchange for this loan note originated from a bridge loan (the "Warehouse Asset Disposal Bridge Facility") which was drawn down by Bellis Noncore 2 Limited from a third party lender.

To secure the Warehouse Asset Disposal Bridge Facility, certain entities within the Group, including the Company, granted first priority mortgages, fixed charges or standard securities, as applicable, over certain of their warehouse assets (the "Warehouse Assets") and retail assets. Prior to the execution of these mortgages, fixed charges, standard securities and pledges, as applicable, and in respect of certain other Warehouse Assets which were not capable of being subject to security at the time of the Acquisition, entities within the ASDA Group, including the Company, entered into lease agreements in respect of the Warehouse Assets.

On 23 and 24 June 2021, following the lifting of the CMA Initial Enforcement Order on 16 June 2021, in line with the terms and requirements of the Warehouse Asset Disposal Bridge Facility, the Group, including the Company, transferred the Warehouse Assets to a fellow wholly-owned subsidiary of Bellis Topco Limited, Bellis Select Warehouse Limited ("BSWL"), in exchange for intercompany receivables in favour of subsidiary undertakings within the Group, including the Company. The Warehouse Assets were then leased back to ASDA Stores Limited - a fellow wholly owned subsidiary of the Group.

From 13 July 2021 to 21 October 2021, following a competitive auction process and following receipt and careful consideration by the Directors of external advice from property specialists relating to the fair value of the Warehouse Assets and the expected level of market rental associated with them, the Warehouse Assets that were transferred to BSWL were sold to entities controlled by a third party, The Blackstone Group. The Warehouse Assets continued to be leased back to ASDA Stores Limited on leases carrying a 25 year term with the exception of two lease agreements for Warehouse Assets, which had terms of 1 year.

The Directors considered various matters including the financial impacts on the Company and the Group when enacting this series of transactions (together, the "Sale-and-Leaseback Transaction").

### Key Performance Indicators, Risks and Uncertainties

Due to the intercompany nature of the business, there are no material risks or uncertainties which require disclosure in these individual accounts and key performance indicators are not applicable.

The key performance indicators, risks and uncertainties of ASDA Group Limited, which includes this Company, are noted in the Strategic Report of the Group's Annual Report and Financial Statements, which does not form part of this report.

Approved by the Board on 9 September 2022 and signed on its behalf by:



S Nuttall - Director

## **Directors' Report for the Year Ended 31 December 2021**

The Directors present their report and the financial statements for the year ended 31 December 2021.

### **Directors**

The Directors who held office during the year and subsequent to the Balance Sheet date were as follows:

- R Burnley (resigned 6 August 2021)
- R McWilliam (resigned 31 July 2021)
- M Issa (appointed 18 June 2021)
- Z Issa (appointed 18 June 2021)
- M Dale (appointed 18 June 2021)
- G Lindsay (appointed 18 June 2021)
- J Fallon (appointed 31 July and resigned 18 July 2022)
- S Nuttall (appointed 18 July 2022)

### **Future developments**

The Company's future developments are detailed in the Strategic Report.

### **Going concern**

During the year, the Company earned rental income from its investment property. On 23 June 2021 this property was disposed of and the Company ceased trading at this point. In accordance with IAS 1: Presentation and Disclosure, these financial statements are prepared on a basis other than going concern to reflect the fact that trading has ceased. Assets and liabilities continue to be carried at their recoverable amount. Due to the cessation of trade, assets and liabilities have been classified as current.

### **Dividends**

Dividends paid are detailed in the Strategic Report.

### **Directors' liabilities**

During the year, the Directors were insured against liability in respect of proceedings brought by third parties, subject to the limitations set out in the Companies Act 2006. The insurance was controlled and paid centrally by the former ultimate parent company during the year, Walmart Inc. However, a proportion of this insurance was paid by the Group.

At the point of the sale of the share capital of the Group from ASDA Holdings UK Limited to Bellis Acquisition 3 Limited, a new insurance policy was taken out by the Group and Company. Such insurance remains in force at the date of approving the Directors' Report.

### **Directors' statement as to disclosure of information to auditors**

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.



**Directors' Report for the Year Ended 31 December 2021 (continued)**

**Reappointment of auditors**

The auditors, Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 9 September 2022 and signed on its behalf by:



S Nuttall  
Director

### **Statement of Directors' Responsibilities**

The Directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 Supermarkets Limited**

### **Opinion**

We have audited the financial statements of ASDA Supermarkets Limited for the year ended 31 December 2021 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in the financial statements preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matter - financial statements prepared on a basis other than going concern**

We draw attention to note 1 to the financial statements which explains that trading has ceased and therefore, the directors do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 1. Our opinion is not modified in respect of this matter.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independent Auditor's Report to the Members of ASDA Supermarkets Limited (continued)**

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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 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.

### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 8 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant frameworks directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice) and the relevant tax laws and regulations in the UK.

### **Independent Auditor's Report to the Members of ASDA Supermarkets Limited (continued)**

- We understood how ASDA Supermarkets Limited is complying with those frameworks by making enquiries of management, Legal & Compliance, and Internal Audit. We corroborated our enquiries through our review of board minutes and similar papers and inspection of commentary in the group management accounts.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the wider group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing on the full population of journals, with a focus on manual journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of management, Legal & Compliance, and Internal Audit. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with the requirements of the relevant accounting standards, and UK legislation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

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.

*Ernst & Young LLP*

Victoria Venning (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds

14 September 2022  
Date.....

**Income Statement for the Year Ended 31 December 2021**

		<b>Year Ended 31 December 2021 £ 000</b>	<b>Year ended 31 December 2020 £ 000</b>
	<b>Note</b>		
Revenue		642	1,190
Operating expenses	2	<u>(218)</u>	<u>(381)</u>
<b>Operating profit</b>		424	809
Finance income	3	802	-
Finance expense	4	(120)	(116)
Other income	5	<u>38,011</u>	<u>-</u>
<b>Profit on ordinary activities before tax</b>		39,117	693
Income tax	6	<u>-</u>	<u>-</u>
<b>Profit for the financial year</b>		<u><u>39,117</u></u>	<u><u>693</u></u>

There were no other items of comprehensive income for the year (2020: £nil).

The current year results above are attributable to discontinued operations. The prior year results are attributable to continuing operations.

**Statement of Changes in Equity for the Year Ended 31 December 2021**

	<b>Note</b>	<b>Called up share capital £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
<b>Balance at 1 January 2020</b>		-	3,418	3,418
Profit for the year		-	693	693
<b>Balance at 31 December 2020</b>		-	4,111	4,111
<b>Balance at 1 January 2021</b>		-	4,111	4,111
Profit for the year	10	-	39,117	39,117
<b>Balance at 31 December 2021</b>		-	43,228	43,228

**Balance Sheet as at 31 December 2021**

(Registration number: 04144792)

	Note	31 December 2021 £ 000	31 December 2020 £ 000
<b>Assets</b>			
<b><i>Non-current assets</i></b>			
Investment properties	7	-	5,716
<b><i>Current assets</i></b>			
Trade and other receivables	8	<u>45,501</u>	<u>178</u>
<b>Total assets</b>		<u><u>45,501</u></u>	<u><u>5,894</u></u>
<b>Equity and liabilities</b>			
<b><i>Equity attributable to the shareholders</i></b>			
Called up share capital	9	-	-
Retained earnings	10	<u>43,228</u>	<u>4,111</u>
<b>Total equity</b>		43,228	4,111
<b>Current liabilities</b>			
Trade and other payables	11	<u>2,273</u>	<u>1,783</u>
<b>Total equity and liabilities</b>		<u><u>45,501</u></u>	<u><u>5,894</u></u>

Approved by the Board on 9 September 2022 and signed on its behalf by:



S Nuttall  
Director



## Notes to the Financial Statements for the Year Ended 31 December 2021

### 1 Accounting policies

#### Authorisation of financial statements

The financial statements of ASDA Supermarkets Limited for the year ended 31 December 2021 were authorised for issue by the Board on 9 September 2022 and the Balance Sheet was signed on behalf of the Directors by S Nuttall. The Company is incorporated and domiciled in England and Wales under the Companies Act 2006 (registration number 04144792).

#### Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with historical cost convention, the Companies Act 2006 and applicable accounting standards.

#### Basis of preparation

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000), except where otherwise indicated. The presentational currency is also the Company's functional currency.

#### Summary of significant accounting policies and key accounting estimates

The accounting policies below have, unless otherwise stated, been applied to all periods presented in these financial statements.

#### Going concern

During the year, the Company earned rental income from its investment property. On 23 June 2021 this property was disposed of and the Company ceased trading at this point. In accordance with IAS 1: Presentation and Disclosure, these financial statements are prepared on a basis other than going concern to reflect the fact that trading has ceased. Assets and liabilities continue to be carried at their recoverable amount. Due to the cessation of trade, assets and liabilities have been classified as current.

#### Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2021 have had a material impact on the financial statements.

#### New standards, interpretations and amendments not yet effective

There are no issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, that will or may have a material impact on the Company's financial statements in the future.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 1 Accounting policies (continued)

#### Summary of disclosures exemption

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1
- The requirements of paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements';
- The requirements of IAS 7 'Statement of Cash Flows';
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- The requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures'; and
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where applicable, equivalent disclosures are included in the consolidated financial statements of ASDA Group Limited, in which the Company is consolidated.

#### 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.

There are no estimates and assumptions that are judged to have significant risk of causing a material adjustment to the carrying value of assets and liabilities of the Company.

#### Revenue

Revenue is entirely earned in the UK and represents amounts charged on an accruals basis in respect of rents charged to other group companies for the use of investment properties. Amounts are recognised exclusive of value added tax.

#### Finance income and costs

Finance income is recognised on an accruals basis, monthly and is annually compounded.

Finance costs are recognised on an accruals basis, monthly and on a compound basis.

#### Other income

Other income represents gains on the sale of investment properties. In accordance with IFRS 15, the transfer of properties for proceeds is considered a sale.

Gain on sale of properties is calculated as fair value of proceeds less net book value of properties sold.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 1 Accounting policies (continued)

#### Investment property

Property held to earn rental income is classified as investment property and is measured initially at cost, including transaction costs. Following initial recognition, investment properties are carried at cost less any accumulated depreciation and accumulated impairment losses.

Investment properties are depreciated over their useful life, on a straight line basis, as follows:

Freehold Buildings	20-50 years
Fixtures and Equipment	10 years

There is no depreciation on freehold land.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in the Income Statement in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

#### Impairment of non-financial assets

The carrying amounts of the Company'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. 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.

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 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. Impairment losses on continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

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.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 1 Accounting policies (continued)

#### 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 or the arrangement conveys a right to use the asset.

##### *The Company as a lessor*

Where the Company owns the freehold, assets are included in investment properties and depreciated over their useful economic lives. Rental income from operating leases, including the effect of lease incentives, is recognised on a straight-line basis over the lease term.

The Company had one internal lessee during the year, another Group company. The Company does not let to third parties. Leases are subject to regular rent reviews.

#### Trade and other receivables

The Company's loans and receivables, including amounts owed by fellow subsidiaries of the ultimate parent company, are held with the sole objective of collecting contractual cash flows and are therefore, carried at amortised cost.

Amounts receivable from group undertakings are interest bearing (3.45%), unsecured, repayable in 2026 and measured at amortised cost. The amounts receivable from group undertakings have been classified as current due to the company ceasing trading during the year and the financial statements have been prepared on a basis other than going concern to reflect this. In accordance with IAS 1: Presentation and Disclosure, all assets and liabilities have been classified as current.

Receivables and payables 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. Net interest receivable or payable is charged and settled on the net balance.

#### Trade and other payables

Trade and other payables, other than intercompany loans, are not interest bearing and are stated at their nominal value. Intercompany payables are interest bearing (6%), unsecured and repayable on demand.

Receivables and payables 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. Net interest receivable or payable is charged and settled on the net balance.

**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

**1 Accounting policies (continued)**

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

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of non-current assets, and gains on disposal of non-current 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; and
- 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.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 2 Operating expenses

The operating profit from continuing operations is stated after charging the following:

		<b>Year ended 31 December 2021 £ 000</b>	<b>Year ended 31 December 2020 £ 000</b>
	<b>Note</b>		
Depreciation on investment property	7	212	376
Management fee expense		6	5
		<u>218</u>	<u>381</u>

The Directors did not receive any remuneration for their qualifying services as statutory Directors of the Company during the period (2020: £nil). The Directors provided qualifying services to other group companies and their remuneration is paid and disclosed in the financial statements of ASDA Stores Limited, a fellow wholly owned subsidiary.

Other than the Directors, the Company has no employees (2020: nil).

The Company's audit costs of £953 (2020: £953) are borne by ASDA Stores Limited.

### 3 Finance income

	<b>Year ended 31 December 2021 £ 000</b>	<b>Year ended 31 December 2020 £ 000</b>
Intercompany interest receivable	<u>802</u>	<u>-</u>

### 4 Finance expense

	<b>Year ended 31 December 2021 £ 000</b>	<b>Year ended 31 December 2020 £ 000</b>
Intercompany interest payable	<u>120</u>	<u>116</u>

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 5 Other income

The analysis of the Company's other income for the year is as follows:

	2021 £ 000 Year ended 31 December 2021 £ 000	2020 £ 000 Year ended 31 December 2020 £ 000
Gain on sale of investment property	38,011	-

On 23 June 2021, the Company sold its freehold property at fair value to a related party, Bellis Select Warehouse Limited (BSWL).

In accordance with IFRS 15, it was determined that the transfer of the distribution property to BSWL for proceeds of £44,207,000 is considered a sale. The assets sold to BSWL had a net book value of £6,196,000 and the Company has recognised a gain on the sale of £38,011,000.

### 6 Income tax

Corporation tax for the period arises as follows:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
<b>Current tax</b>		
UK corporation tax on profit for the year	-	-
<b>Current tax credit for the year</b>	-	-

**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

**6 Income tax (continued)**

A reconciliation of the current tax charge compared to the standard rate of corporation tax in the UK of 19% (2020: 19%) applied to the profit on ordinary activities before tax is as follows:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Profit before tax	39,117	693
Corporation tax at standard rate	7,432	132
<b>Effects of:</b>		
Non-qualifying depreciation	40	71
Profit on sale of non-qualifying fixed assets	(7,222)	-
Losses surrendered from Group company for no payment	(250)	(203)
<b>Total tax charge/(credit) for the year</b>	<b>-</b>	<b>-</b>

The standard rate of corporation tax in the United Kingdom for the year is 19% (2020: 19%).

On 3 March 2021, it was announced in the UK Budget that the standard rate of corporation tax in the United Kingdom will increase to 25% on 1 April 2023, and this rate change was substantively enacted in May 2021.

**Deferred tax**

There have been no timing differences giving rise to either a deferred tax asset or liability in the Company.



**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

**7 Investment properties**

	<b>Freehold Land &amp; Buildings £ 000</b>	<b>Fixtures &amp; Equipment £ 000</b>	<b>Total £ 000</b>
<b>Cost</b>			
At 1 January 2021	8,472	816	9,288
Transfers	692	-	692
Disposals	(9,164)	(816)	(9,980)
At 31 December 2021	-	-	-
<b>Depreciation</b>			
At 1 January 2021	(2,793)	(779)	(3,572)
Depreciation charge	(171)	(41)	(212)
Eliminated on disposal	2,964	820	3,784
At 31 December 2021	-	-	-
<b>Carrying amount</b>			
At 31 December 2021	-	-	-
At 31 December 2020	5,679	37	5,716

**Fair Value of Investment Property**

The cost model is applied to investment properties under IAS 40. The estimated fair value of the investment property portfolio at 31 December 2021 is £nil (2020: £21,644,000).

*Fair Value Techniques*

Investment property fair values are calculated on a rental value per square foot and yield basis based on location. Average observable market rates and yields have been used and have been adjusted based on unobservable inputs such as site size and format. Consequently, properties are classified as having unobservable inputs in the IFRS 3 Fair Value Measurement fair value hierarchy (Level 3). Independent valuations were obtained for each site in the prior year.

*Items in the Income Statement*

Rental income received on investment properties was £642,000 (2020: £1,190,000) and a gain on sale of the investment property of £38,011,000 was recognised during the year (2020: £nil). Direct operating expenses relating to investment properties with rental income were borne by the lessor. There were no operating expenses relating to investment properties where no rental income was received in the year.

**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

**8 Trade and other receivables**

	<b>31 December 2021 £ 000</b>	<b>31 December 2020 £ 000</b>
Intercompany receivables	45,501	-
Corporation tax	-	178
	<u>45,501</u>	<u>178</u>

**9 Called up share capital**

**Allotted, called up and fully paid**  
Ordinary shares of £1 each

	<b>No.</b>	<b>£</b>
At 31 December 2020 and 31 December 2021	<u>1</u>	<u>1</u>

Authorised share capital as at 31 December 2021 and 31 December 2020 is 1,000 shares at a value of £1 per share.

**10 Reserves**

Reconciliation of movement in reserves is as follows:

	<b>Retained earnings £ 000</b>
At 1 January 2021	4,111
Profit for the year	<u>39,117</u>
At 31 December 2021	<u>43,228</u>

**11 Trade and other payables**

	<b>31 December 2021 £ 000</b>	<b>31 December 2020 £ 000</b>
Intercompany payables	<u>2,273</u>	<u>1,783</u>

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 12 Future lease income

*Operating lease agreements where Company is lessor*

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

	31 December 2021 £ 000	31 December 2020 £ 000
No later than one year	-	99

During the year, the Company sub-let its investment property under a license agreement to another group company. The non-cancellable term of this license was one month. The license had no purchase options or escalation clauses. Following the sale of the Company's investment property this license was terminated.

### 13 Related party transactions

As a wholly owned subsidiary, the Company has taken advantage of the exemption in paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries of the ASDA Group Limited group.

### 14 Parent undertaking and controlling party

The immediate parent undertaking is ASDA Stores Limited, a company incorporated in England and Wales.

The smallest group at which consolidated financial statements are prepared is ASDA Group Limited. Copies of these financial statements are available from the registered office, ASDA House, South Bank, Great Wilson Street, Leeds, LS11 5AD.

The largest group at which consolidated financial statements are prepared is Bellis Finco PLC, a company incorporated in England and Wales. Bellis Finco PLC's registered office is Waterside Head Office, Haslingden Road, Guide, Blackburn, BB1 2FA.

Until 16 February 2021, the ultimate parent company and controlling party was Walmart Inc. which is incorporated in the USA. At the date of approval of the financial statements, the ultimate parent company is Bellis Topco Limited, a company incorporated and registered in Jersey.