

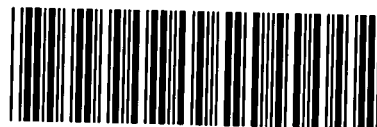
Registration number: 04144792

# ASDA Supermarkets Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

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## **Company Information**

<b>Directors</b>	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)
<b>Company secretary</b>	H Selby (appointed 6 April 2020)
	P Titchmarsh (resigned 6 April 2020)
<b>Registered office</b>	ASDA House
	Southbank
	Great Wilson Street
	Leeds
	LS11 5AD
	UK
<b>Auditors</b>	Ernst & Young LLP
	1 Bridgewater Place
	Water Lane
	Leeds
	LS11 5QR

## **Strategic Report for the Year Ended 31 December 2020**

The Directors present their strategic report for the year ended 31 December 2020.

### **Principal activity**

The principal activities of ASDA Supermarkets Limited (referred to as "the Company") are retail property investment, development and management. As described in note 13, 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.

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 ("ASDA" or "the Group"). For an assessment of the risks and uncertainties which are applicable to the Group, please refer to the ASDA Group Limited consolidated financial statements.

### **Change in ownership**

The intermediate parent undertaking of the Company is ASDA Group Limited. On 16 February 2021, the ultimate parent company and controlling party of 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. Following this transaction Mohsin and Zuber Issa and TDR Capital will jointly control ASDA. This is a non-adjusting post balance sheet event and has no impact on the carrying value of the Company's assets and liabilities at 31 December 2020.

### **Results and Dividends**

The Company's profit for the financial year, after taxation, amounted to £693,000 (2019: £459,000). No dividends were paid in the year (2019: £nil).

### **Post Balance Sheet events**

For details of events since the Balance Sheet date see the Directors' Report.

## **Strategic Report for the Year Ended 31 December 2020 (continued)**

### **Section 172 statement**

The following section serves as the section 172 statement for ASDA Supermarkets Limited, 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.

The Company's principal activity is to charge property rental, relating to properties owned by the Company, to fellow wholly owned subsidiaries 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 consider the Company's operations in the context of the operations of the ASDA group of companies (the "Group") as a whole.

The Company's intermediate parent undertaking, 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. All of the 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 investor 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 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 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 2020 (continued)**

### **Key stakeholder engagement**

During the year ended 31 December 2020, the only significant decisions taken by the Company were administrative in nature such as the consideration and approval of the previous year's financial statements. Any activity in the year in relation to the Company's ordinary course of business being the principal activities of retail property investment, development and management (in each case associated with the wider operations of the Group), was pursuant to decisions made in previous years.

#### *Investors*

The Company's investors, ASDA Group Limited and the ultimate parent company during the year, Walmart, Inc, were key stakeholders; the investors were providers of capital during the year, which allowed the Company to deliver long-term success.

AREIC oversees the Group's (including the Company's) capital expenditure programme. Approval for Company capital expenditure in excess of certain thresholds was obtained from the Board and, where sufficiently material, the ultimate parent during the year, Walmart. Capital expenditure and fixed assets additions are undertaken with the view to the long-term success of the Company and the Group and are subject to the Group's capital expenditure policies. The open engagement in the AREIC forum along with this approval methodology ensures that the Company's immediate and ultimate parent company during the year (its investors) were appropriately engaged in decision making.

#### *Customers*

As above, the Company's principal activity is to charge property rental relating to properties owned or leased by the Company to other Group companies. Therefore, the Company's customers are predominantly other Group companies.

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 2020 (continued)**

**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 23 September 2021 and signed on its behalf by:

*J. Fallon*

J Fallon  
Director

## **Directors' Report for the Year Ended 31 December 2020**

The Directors present their report and the financial statements for the year ended 31 December 2020.

### **Directors**

The Directors, who held office during the year, were as follows:

R Burnley  
R McWilliam

The following Directors were appointed after the Balance Sheet date:

J Fallon  
M Issa  
Z Issa  
M Dale  
G Lindsay

### **Future developments**

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

### **Going concern**

The financial statements for the year ended 31 December 2020 have been prepared on a going concern basis as the Directors have determined that the Company has sufficient resources and liquidity facilities to meet its liabilities as they fall due for the period from the date of approval of the accounts to 31 December 2022. The directors of ASDA Group Limited have provided a letter of support to the Company stating that ASDA Group Limited will provide financial support to the Company to enable it to continue to meet its liabilities as they fall due from the date of approval of the financial statements up to 31 December 2022.

In assessing ASDA Group Limited's ability to adopt the going concern basis, the directors of ASDA Group Limited have assessed the ability of the Group to meet its liabilities as they fall due from the date of approval of the accounts up to 31 December 2022, in the event of various cashflow scenarios, including a severe but plausible downside scenario. This scenario applies severe but plausible economic downsides to a base case forecast resulting from the continued economic and social uncertainty surrounding the outbreak and spread of COVID-19, including a potential decline in sales due to the re-opening of non-essential retail and hospitality in line with the UK Government's roadmap out of lockdown.

As a result of the change in ownership, the Group is now a guarantor to external debt raised by new parent undertakings. For the going concern period under review, the directors of ASDA Group Limited have assumed that interest payments relating to this external debt will be serviced from the Group's cashflows. As such, interest cashflows relating to this debt have been reflected in both the base case and severe but plausible downside modelling. Mitigating actions that are in the control of management, such as reducing non-essential capex and discretionary spend, have been considered.



## **Directors' Report for the Year Ended 31 December 2020 (continued)**

The ASDA Group Limited model has been reverse stress tested to determine the extent of deterioration of cashflows that would lead to the Group breaching the level of available facilities. The Directors of the Company and of the Group consider that such a significant deterioration of cashflows is implausible.

Further details of the going concern assessment undertaken by the directors of ASDA Group Limited are provided in the annual report of ASDA Group Limited, for which copies are available on request from the registered office of that company.

### **Dividends**

Dividends paid are detailed in the Strategic Report.

### **Events since the Balance Sheet date**

#### *Change in ownership*

The intermediate parent undertaking is ASDA Group Limited. On 16 February 2021, the ultimate parent company and controlling party of ASDA, Walmart Inc., 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, a leading UK-based private equity firm, of Walmart's equity interest in ASDA for an enterprise value of £6.8 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's immediate parent at the Balance Sheet date - ASDA Holdings UK Limited ("AHUKL") - and as such, Mohsin and Zuber Issa and TDR Capital will jointly control ASDA. This is a non-adjusting post Balance Sheet event and has no impact on the carrying value of the Company's assets and liabilities at 31 December 2020.

#### *Brexit*

On 1 January 2021, the United Kingdom withdrew from the European Union. The Group has put in place measures to mitigate the impact of this on customers and colleagues and the Directors do not believe that there is any significant impact on the carrying value of the Company's assets and liabilities at the Balance Sheet date.

#### *Initial Enforcement Order*

On 20 April 2021, the Competition and Markets Authority ("CMA") published its Phase 1 decision on the Initial Enforcement Order ("IEO") which it previously issued under section 72(2) of the Enterprise Act 2002 on Mr Zuber Issa, Mr Mohsin Issa, TDR Capital LLP, TDR Capital III Holdings L.P., TDR Capital III Investments (2019) L.P., and ASDA Group Limited in relation to the acquisition by Bellis Acquisition Company 3 Limited of ASDA. The decision stated that the CMA believed the transaction gave rise to a realistic prospect of a substantial lessening of competition in the retail supply of road fuel in 36 local areas; and in the retail supply of auto-LPG in one local area.

On 5 May 2021, the CMA announced that Mr Zuber Issa, Mr Mohsin Issa and TDR Capital LLP jointly offered undertakings to the CMA, which involve divesting 27 EG Group Limited petrol filling stations to address the CMA's competition concerns ("undertakings in lieu of reference").

On 16 June 2021, the CMA announced that it had accepted the undertakings in lieu of reference. The IEO put in place by the CMA at completion of the acquisition has been lifted as of 16 June 2021.

## **Directors' Report for the Year Ended 31 December 2020 (continued)**

### *Security pledged over the Group's assets*

On 16 February 2021, alongside the immediate parent company and fellow wholly-owned subsidiaries, the Company entered into financial guarantee contracts to guarantee the indebtedness of parent undertakings. These guarantees are to be treated as contingent liabilities as it is not considered probable that they will be called upon.

The Company also pledged certain assets as security for the indebtedness of parent undertakings in the form of a first fixed charge over material bank accounts, intergroup receivables and a first ranking floating charge over all present and future assets. The likelihood of the guarantees being called upon is considered remote.

On 13 July 2021, as a result of Bellis Noncore 2 Limited repaying its secured term facility from the proceeds of the sale and leaseback transaction (described below), the Company was released from its fixed and floating charges that were provided as security for this loan.

### *Sale and Leaseback*

On 23 June 2021, the Company sold its investment property with a net book value at 31 December 2020 of £5,716,000 to Bellis Select Warehouses Limited ("BSWL") - a fellow wholly-owned subsidiary of the ultimate parent company at that date, Bellis Holdco Limited - in exchange for an intercompany receivable from BSWL equivalent to the fair value of the property at that date which is in excess of the net book value of the property.

On 13 July 2021 this property was subsequently sold to a third party and leased back to a fellow wholly owned subsidiary of the Group. After the Balance Sheet date but prior to the sale of the property, fixtures and fittings have been transferred to the Company from a fellow Group undertaking at book value, in exchange for an intercompany payable of the same value.

The Directors anticipate that the sale of the property will not result in a taxable gain on disposal.

This is a non-adjusting post Balance Sheet event as the conditions relating to the asset sale and subsequent lease back were not in place at the Balance Sheet date and therefore there is no impact on the carrying value of the Company's assets at the Balance Sheet date.

### **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 ultimate parent company. 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. 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 2020 (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 23 September 2021 and signed on its behalf by:

*J. Fallon*

J Fallon  
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 2020 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 2020 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.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 31 December 2022.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report set out on pages 2 - 9, 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.

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **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 our 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 and the 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 10, 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.

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

### ***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.

Our approach was as follows:

- 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.
- We understood how ASDA Supermarkets Limited is complying with those frameworks by making enquiries of management, Group Legal, Group Ethics & Compliance, and Internal Audit. We corroborated our enquiries through our review of board minutes and papers and inspection of commentary in the management accounts.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business 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 Company 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 consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of management, Group Legal, Group Ethics & 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.

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

**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

24 September 2021  
Date:.....



**Income Statement for the Year Ended 31 December 2020**

		<b>Year Ended 31 December 2020 £ 000</b>	<b>Year ended 31 December 2019 £ 000</b>
	<b>Note</b>		
Revenue		1,190	1,190
Operating expenses	2	<u>(381)</u>	<u>(381)</u>
<b>Operating profit</b>		809	809
Financial income	3	-	354
Financial expense	4	<u>(116)</u>	<u>(508)</u>
<b>Profit on ordinary activities before tax</b>		693	655
Income tax expense	5	<u>-</u>	<u>(196)</u>
<b>Profit for the financial year</b>		<u><u>693</u></u>	<u><u>459</u></u>

There were no other items of comprehensive income for the year (2019: £nil).

The results above are all attributable to continuing operations.

**Statement of Changes in Equity for the Year Ended 31 December 2020**

	<b>Note</b>	<b>Called up share capital £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
<b>Balance at 1 January 2019</b>		-	2,959	2,959
<b>Profit for the year</b>		-	459	459
<b>Balance at 31 December 2019</b>		-	3,418	3,418
<b>Balance at 1 January 2020</b>		-	3,418	3,418
<b>Profit for the year</b>	9	-	693	693
<b>Balance at 31 December 2020</b>		-	4,111	4,111

**Balance Sheet as at 31 December 2020**  
(Registration number: 04144792)

	Note	31 December 2020 £ 000	31 December 2019 £ 000
<b>Assets</b>			
<i><b>Non-current assets</b></i>			
Investment properties	6	5,716	6,092
<i><b>Current assets</b></i>			
Trade and other receivables	7	178	-
<b>Total assets</b>		<u>5,894</u>	<u>6,092</u>
<b>Equity and liabilities</b>			
<i><b>Equity attributable to the shareholders</b></i>			
Called up share capital	8	-	-
Retained earnings	9	4,111	3,418
<b>Total equity</b>		<u>4,111</u>	<u>3,418</u>
<i><b>Liabilities</b></i>			
<i><b>Current liabilities</b></i>			
Trade and other payables	10	1,783	2,478
Income tax liability	10	-	196
		<u>1,783</u>	<u>2,674</u>
<b>Total equity and liabilities</b>		<u>5,894</u>	<u>6,092</u>

Approved by the Board on 23 September 2021 and signed on its behalf by:

*J. Fallon*

J Fallon  
Director

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 1 Accounting policies

#### Authorisation of financial statements

The financial statements of ASDA Supermarkets Limited for the year ended 31 December 2020 were authorised for issue by the Board on 23 September 2021 and the Balance Sheet was signed on behalf of the Directors by J Fallon. 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 when otherwise indicated. The presentational currency is also the Company functional currency.

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Going concern

The financial statements for the year ended 31 December 2020 have been prepared on a going concern basis as the Directors have determined that the Company has sufficient resources and liquidity facilities to meet its liabilities as they fall due for the period from the date of approval of the accounts to 31 December 2022. The directors of ASDA Group Limited have provided a letter of support to the Company stating that ASDA Group Limited will provide financial support to the Company to enable it to continue to meet its liabilities as they fall due from the date of approval of the financial statements up to 31 December 2022.

In assessing ASDA Group Limited's ability to adopt the going concern basis, the directors of ASDA Group Limited have assessed the ability of the Group to meet its liabilities as they fall due from the date of approval of the accounts up to 31 December 2022, in the event of various cashflow scenarios, including a severe but plausible downside scenario. This scenario applies severe but plausible economic downsides to a base case forecast resulting from the continued economic and social uncertainty surrounding the outbreak and spread of COVID-19, including a potential decline in sales due to the re-opening of non-essential retail and hospitality in line with the UK Government's roadmap out of lockdown.

As a result of the change in ownership, the Group is now a guarantor to external debt raised by new parent undertakings. For the going concern period under review, the directors of ASDA Group Limited have assumed that interest payments relating to this external debt will be serviced from the Group's cashflows. As such, interest cashflows relating to this debt have been reflected in both the base case and severe but plausible downside modelling. Mitigating actions that are in the control of management, such as reducing non-essential capex and discretionary spend, have been considered.

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 1 Accounting policies (continued)

The ASDA Group Limited model has been reverse stress tested to determine the extent of deterioration of cashflows that would lead to the Group breaching the level of available facilities. The Directors of the Company and of the Group consider that such a significant deterioration of cashflows is implausible.

Further details of the going concern assessment undertaken by the directors of ASDA Group Limited are provided in the annual report of ASDA Group Limited, for which copies are available on request from the registered office of that company.

#### Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2020 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.

#### 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.

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 1 Accounting policies (continued)

#### Judgements, estimates and assumptions

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

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.

#### Financial income and costs

Interest income and expenses are recognised on an accruals basis, monthly and on a compound basis.

#### 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.

**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**1 Accounting policies (continued)**

**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 2020 (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.

*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 has one internal lessee, another Group company. The Company does not let to third parties. Leases are subject to regular rent reviews.

**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 2020 (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 2020 (continued)**

**2 Operating expenses**

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

		Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
	Note		
Depreciation on investment property	6	376	376
Management fee expense		5	5
		<u>381</u>	<u>381</u>

The Directors did not receive any remuneration for their qualifying services as statutory Directors of the Company during the period (2019: £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.

Other than the Directors, the Company has no employees (2019: nil).

The Company's audit costs of £953 (2019: £900) are paid by ASDA Stores Limited.

**3 Financial income**

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Intercompany interest receivable	<u>-</u>	<u>354</u>

**4 Financial expense**

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Intercompany interest payable	<u>116</u>	<u>508</u>

**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**5 Income tax**

Corporation tax for the period arises as follows:

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
<b>Current tax</b>		
UK corporation tax on profit for the year	-	196
<b>Current tax charge for the year</b>	-	196

A reconciliation of the current tax charge compared to the standard rate of corporation tax in the UK of 19% (2019: 19%) applied to the profit on ordinary activities before tax is as follows:

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Profit before tax	693	655
Corporation tax at standard rate	132	125
<b>Effects of:</b>		
Non-qualifying depreciation	71	71
Losses surrendered from Group company for no payment	(203)	-
<b>Total tax charge for the year</b>	-	196

The standard rate of corporation tax in the United Kingdom for the year is 19% (2019: 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. The impact of this rate change has not been recognised in the year ended 31 December 2020 as the change was not substantively enacted at the Balance Sheet date.

**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 2020 (continued)**

**6 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 2020 and 31 December 2020	8,472	816	9,288
<b>Depreciation</b>			
At 1 January 2020	2,499	697	3,196
Depreciation charge	294	82	376
At 31 December 2020	2,793	779	3,572
<b>Carrying amount</b>			
At 31 December 2020	5,679	37	5,716
At 31 December 2019	5,973	119	6,092

**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 2020 is £21,644,000 (2019: £18,485,000).

*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 have been obtained for each site.

Management have not identified any indicators of impairment.

*Items in the Income Statement*

Rental income received on investment properties was £1,190,000 (2019: £1,190,000). Direct operating expenses relating to investment properties with rental income are borne by the lessor. There were no operating expenses relating to investment properties where no rental income was received in the year.

**7 Trade and other receivables**

	<b>31 December 2020 £ 000</b>	<b>31 December 2019 £ 000</b>
Corporation tax	178	-

**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**8 Called up share capital**

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

	No.	£
At 31 December 2019 and 31 December 2020	<u>1</u>	<u>1</u>

**9 Reserves**

Reconciliation of movement in reserves is as follows:

	Retained earnings £ 000
At 1 January 2020	3,418
Profit for the year	<u>693</u>
<b>At 31 December 2020</b>	<b><u>4,111</u></b>

**10 Trade and other payables**

	31 December 2020 £ 000	31 December 2019 £ 000
Intercompany payables	1,783	2,478
Corporation tax	<u>-</u>	<u>196</u>
	<b><u>1,783</u></b>	<b><u>2,674</u></b>

**11 Future lease income**

*Operating lease agreements where Company is lessor*

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

	31 December 2020 £ 000	31 December 2019 £ 000
No later than one year	<u>99</u>	<u>99</u>

The Company sub-lets investment property under license agreements to other group companies. The non-cancellable term of these licenses is one month. They have no purchase options or escalation clauses.

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 12 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.

### 13 Events since the Balance Sheet date

#### *Change in ownership*

The intermediate parent undertaking is ASDA Group Limited. On 16 February 2021, the ultimate parent company and controlling party of ASDA, Walmart Inc., 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, a leading UK-based private equity firm, of Walmart's equity interest in ASDA for an enterprise value of £6.8 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's immediate parent at the Balance Sheet date - ASDA Holdings UK Limited ("AHUKL") - and as such, Mohsin and Zuber Issa and TDR Capital will jointly control ASDA. This is a non-adjusting post Balance Sheet event and has no impact on the carrying value of the Company's assets and liabilities at 31 December 2020.

#### *Brexit*

On 1 January 2021, the United Kingdom withdrew from the European Union. The Group has put in place measures to mitigate the impact of this on customers and colleagues and the Directors do not believe that there is any significant impact on the carrying value of the Company's assets and liabilities at the Balance Sheet date.

#### *Initial Enforcement Order*

On 20 April 2021, the Competition and Markets Authority ("CMA") published its Phase 1 decision on the Initial Enforcement Order ("IEO") which it previously issued under section 72(2) of the Enterprise Act 2002 on Mr Zuber Issa, Mr Mohsin Issa, TDR Capital LLP, TDR Capital III Holdings L.P., TDR Capital III Investments (2019) L.P., and ASDA Group Limited in relation to the acquisition by Bellis Acquisition Company 3 Limited of ASDA. The decision stated that the CMA believed the transaction gave rise to a realistic prospect of a substantial lessening of competition in the retail supply of road fuel in 36 local areas; and in the retail supply of auto-LPG in one local area.

On 5 May 2021, the CMA announced that Mr Zuber Issa, Mr Mohsin Issa and TDR Capital LLP jointly offered undertakings to the CMA, which involve divesting 27 EG Group Limited petrol filling stations to address the CMA's competition concerns ("undertakings in lieu of reference").

On 16 June 2021, the CMA announced that it had accepted the undertakings in lieu of reference. The IEO put in place by the CMA at completion of the acquisition has been lifted as of 16 June 2021.

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 13 Events since the Balance Sheet date (continued)

#### *Security pledged over the Group's assets*

On 16 February 2021, alongside the immediate parent company and fellow wholly-owned subsidiaries, the Company entered into financial guarantee contracts to guarantee the indebtedness of parent undertakings. These guarantees are to be treated as contingent liabilities as it is not considered probable that they will be called upon.

The Company also pledged certain assets as security for the indebtedness of parent undertakings in the form of a first fixed charge over material bank accounts, intergroup receivables and a first ranking floating charge over all present and future assets. The likelihood of the guarantees being called upon is considered remote.

On 13 July 2021, as a result of Bellis Noncore 2 Limited repaying its secured term facility from the proceeds of the sale and leaseback transaction (described below), the Company was released from its fixed and floating charges that were provided as security for this loan.

#### *Sale and Leaseback*

On 23 June 2021, the Company sold its investment property with a net book value at 31 December 2020 of £5,716,000 to Bellis Select Warehouses Limited ("BSWL") - a fellow wholly-owned subsidiary of the ultimate parent company at that date, Bellis Holdco Limited - in exchange for an intercompany receivable from BSWL equivalent to the fair value of the property at that date which is in excess of the net book value of the property.

On 13 July 2021 this property was subsequently sold to a third party and leased back to a fellow wholly owned subsidiary of the Group. After the Balance Sheet date but prior to the sale of the property, fixtures and fittings have been transferred to the Company from a fellow Group undertaking at book value, in exchange for an intercompany payable of the same value.

The Directors anticipate that the sale of the property will not result in a taxable gain on disposal.

This is a non-adjusting post Balance Sheet event as the conditions relating to the asset sale and subsequent lease back were not in place at the Balance Sheet date and therefore there is no impact on the carrying value of the Company's assets at the Balance Sheet date.

### 14 Parent undertaking and controlling party

The Company's immediate parent 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, Southbank, Great Wilson Street, Leeds, LS11 5AD.

During the year, the ultimate parent undertaking and controlling party was Walmart Inc. which is incorporated in the USA. Copies of its consolidated financial statements, which include this Company, can be obtained from the Company Secretary, Walmart Inc., Corporate Offices, 702 SW 8th Street, Bentonville, AR72716, USA.

At the date of approval of the financial statements, the ultimate parent company is Bellis Holdco Limited which is jointly controlled by the Issa brothers and TDR Capital LLP. See note 13 for changes since the Balance Sheet date.