

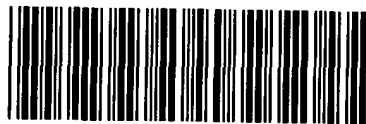
INTERNATIONAL PROCUREMENT AND LOGISTICS LIMITED

Reports and Financial Statements

30 December 2022

Registered No. 05104448

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COMPANIES HOUSE

International Procurement and Logistics Limited

REGISTERED NO. 05104448
COMPANY INFORMATION

DIRECTORS

J Berry
P Grover
V Rehal
M Simpson
K Comerford

SECRETARY

V Rehal

AUDITORS

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
West Yorkshire
LS11 5QR

REGISTERED OFFICE

Asda House
South Bank
Great Wilson Street
Leeds
West Yorkshire
LS11 5AD

International Procurement and Logistics Limited

REGISTERED NO. 05104448
STRATEGIC REPORT

The directors present their strategic report for the 52 week period ending 30 December 2022.

Principal activities of the business

The principal activity of International Procurement and Logistics Limited (hereafter referred to as “IPL” or “the Company”) is the sourcing of fresh produce, grocery products, wine, house plants and flowers for ASDA Stores Limited.

Ownership

The Company is a wholly owned subsidiary of Bellis Finco PLC. Bellis Finco PLC is the holding company of the Asda group of businesses, including the group’s principal trading entity ASDA Stores Limited. All references throughout this report to “Asda” or “the Group” refer to the group of companies consolidated within Bellis Finco PLC.

Asda and therefore IPL is jointly owned and controlled by the Issa Brothers (Mohsin and Zuber Issa) and TDR Capital LLP, a UK Limited Liability Partnership registered in England and Wales.

Business review

The results of the period show operating profit for the period of £16,056,000 (2021: £14,391,000) and revenue of £681,930,000 (2021: £609,648,000). The Company had net assets as at 30 December 2022 of £102,991,000 (2021: £109,546,000).

During the period the Company continued to deliver against its purpose: to provide Asda with the lowest cost, best quality, sustainable sourcing and supply chain solution. The Company continued to ensure prices paid for key product lines are competitive and to invest in supply chain and sustainability initiatives. In particular to improve production efficiency and reduce waste. The Company worked with Asda to support the launch of its Just Essentials range designed to support Asda customers with the increased cost of living.

The Company measures its performance against a balanced set of key performance indicators to ensure it is meeting this purpose.

Future developments

The Company will continue to provide Asda with the lowest cost, best quality, sustainable sourcing and supply chain solution.

International Procurement and Logistics Limited

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STRATEGIC REPORT (continued)

Capital management

Capital is managed by the Treasury function, which forecasts cash flows and ensures that adequate short-term funds are in place to meet liabilities to suppliers and colleagues.

As a wholly owned subsidiary, the capital of IPL is monitored in accordance with the overall capital management policy of Asda, and the primary objective of IPL's capital management policy is consistent with the requirements of the ultimate parent.

Asda is a highly cash generative business and has access to liquidity in the form of cash and a revolving credit facility. The directors of Bellis Finco PLC have provided a letter of support to the Company stating that Bellis Finco PLC will provide financial support to the Company should it be required to enable it to continue to meet its liabilities as they fall due. Further details can be found in the Going Concern section of the Directors' Report.

Certain transactions with suppliers are denominated in foreign currencies. The Commercial Finance function forecasts the timing and level of foreign currency requirements and the Treasury function buys forward contracts accordingly. Other currency requirements are purchased on the spot market. It is Asda's policy not to buy or hold foreign currency speculatively, and as a wholly owned subsidiary IPL adheres to this policy. Currency forward contracts are designated as cash flow hedges.

Section 172 statement

The following sections serve as our section 172 statement. Section 172 of the Companies Act 2006 recognises that whilst companies are run for the benefit of shareholders, a business' long-term success and reputation are dependent upon maintaining relationships with stakeholders and an appreciation of the external impact of its activities.

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 and are keen to ensure proper reflection on stakeholder engagement and opportunities for development at Board level.

The Statutory Board during the period was comprised of the Managing Director, Group Corporate Services Director, Group Financial Director, and two Non-Executive Directors. The Operational Board is comprised of the Managing Director, Group Corporate Services Director, Group Financial Director and the Group Operations Director.

The Statutory Board meets quarterly, with Operational Board meetings taking place on a monthly basis. In addition to the scheduled programme of Board meetings, the Operational Board and wider senior management team (consisting of the IT Director, Procurement Director, Technical Director and Site Leadership) meet weekly, to review performance of all business units and operating sites.

The Operational Board regularly reviews the business's principal stakeholders and how we engage with them. The sections below set out a more detailed summary of the Company's relationships with its key stakeholders and how the business engages with those stakeholders together with a discussion as to how the Operational Board considers other s.172 factors.

The Operational Board feeds back the outcome of stakeholder engagement and the outcome of its consideration of other s.172 factors to the Statutory Board through the quarterly meetings mentioned above. This feedback influences the formulation and ongoing review of the long-term strategy and financial planning to ensure that the Company continues to deliver sustainable returns and promotes reputational reward. The Directors aim to take the needs and priorities of each stakeholder group into account as part of their decision-making processes, recognising that the pertinence of a particular stakeholder group may vary depending upon the matter under discussion.

International Procurement and Logistics Limited

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STRATEGIC REPORT (continued)

Section 172 statement (continued)

Key stakeholder engagement and consideration of s.172 factors

Investors – Asda

Corporate governance policies and procedures are in place which provide for a continuous and structured dialogue between Asda and the Operational Board of IPL, including regular visits and appropriate corporate governance sign-off procedures. In addition, the Managing Director, Group Finance Director, and Group Corporate Services Director all have individual reporting lines into Asda.

| Why we engage this stakeholder? | How we engage and key outcomes |
|---|---|
| Our parent company, Asda, is the provider of investor capital. Their investment enables IPL to fund growth and deliver long-term success. | The IPL Operational Board engage with Asda on significant capital projects and contractual commitments. Principal investments in the year related to the expansion of one of IPL's edible produce packing facilities. Additional capital investments during the year aimed to improve efficiency of production and reduce product waste. |
| As its parent company, Asda requires IPL to deliver a return on their investment. | Two of Asda's Senior Leadership team were on the Statutory Board of IPL during the period, and were therefore engaged with principal decision making on strategy, governance and performance. Interaction between IPL Directors, IPL Management and relevant Asda stakeholders occurs in regular trading meetings to review performance and align longer term goals. |
| As part of ensuring compliance with key legal, ethical and financial regulations, IPL engages directly with Asda on these matters. | Certain functions in IPL - including Finance and Compliance – are subject to oversight by Asda. This oversight includes formal testing and reporting on compliance, such as reporting on anti-bribery controls under the UK Bribery Act 2010 and reporting on any breaches of the Group's Ethics policy. |
| Compliance with Asda risk management policies enables IPL to safeguard the Company and promote its long-term sustainability. | The IPL Operational Board worked closely with Asda during the period to ensure that all relevant Asda policies were embedded throughout the IPL Group, including Anti-Bribery, Trade Sanctions, and Capital Management policies. |

International Procurement and Logistics Limited

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STRATEGIC REPORT (continued)

Section 172 statement (continued)

Interests of the Company's employees

The Group Corporate Services Director oversees colleague engagement and ensures that the results of the employee engagement mechanisms referred to below are provided to the Operational Board. Key issues and significant decisions that arise as a result of this engagement are raised to the Statutory Board as appropriate.

| Why we engage this stakeholder? | How we engage and key outcomes |
|--|--|
| We need to ensure ongoing success of the operation by having engaged and capable colleagues. | <p>The IPL Operational Board promote the performance review and talent management process, which provides colleagues with both support and feedback in order to benefit their development. The Operational Board encourages IPL colleagues to model the IPL values.</p> <p>Colleague feedback and engagement levels are assessed through formal engagement surveys.</p> <p>Colleague engagement is maintained through open communication to share information about the business. The IPL Operational Board provide a business update and key messages to colleagues through a weekly "Snapshot" presentation.</p> |
| We believe in creating an inclusive culture and providing required support to our colleagues | <p>IPL is an equal opportunities employer and ensures that selection, training, development and promotion is accessible and inclusive to all.</p> <p>Colleague engagement initiatives are run across the operational sites to organise team events and improve colleague well-being.</p> <p>Training opportunities such as apprenticeships, graduate schemes and bespoke development programs are in place across a range of different functions including finance, HR and procurement to provide opportunities for a broad range of colleagues to access learning and development and to encourage diversity across our business.</p> |

International Procurement and Logistics Limited

REGISTERED NO. 05104448

STRATEGIC REPORT (continued)

Section 172 statement (continued)

Suppliers

The Procurement team, under the direction of the Managing Director and Procurement Director, engage directly with key suppliers and bring supplier views into the Operational Board meetings through the channels outlined below. The Operational Board then raise any relevant considerations with the Statutory Board in the quarterly Statutory Board meetings.

| Why we engage this stakeholder? | How we engage and key outcomes |
|--|--|
| <p>We aim to maintain trust and engagement with our supplier base. We have clear communication channels to ensure our suppliers' views are heard.</p> <p>Our suppliers are central to improving our logistical expertise and capability. We are a global business with a network of suppliers and farmers worldwide.</p> | <p>Our colleagues in our overseas offices work closely with our UK business to provide local expertise and knowledge to continuously improve our relationships with suppliers.</p> <p>IPL complies with the Groceries Supply Code of Practice ("GSCOP") to ensure it is operating on terms that are mutually agreed and in line with GSCOP requirements.</p> <p>Every year our parent company submits an annual compliance report, which includes IPL, to the Competition and Markets Authority (the "CMA") and the Groceries Code Adjudicator (the "GCA") to detail our compliance with GSCOP, any alleged breaches of GSCOP and any disputes with suppliers.</p> <p>For more detail on how the IPL Operational Board have worked with suppliers see 'Key decisions' section below.</p> |
| <p>We work with our suppliers to improve quality and cost of supplies and drive efficiency of supply chain.</p> | <p>The IPL Operational Board continued to focus on improving "payment on time" for suppliers during the period. Performance is measured on a weekly basis, which enables areas of concern to be identified so that they can be resolved on a timely basis.</p> |

International Procurement and Logistics Limited

REGISTERED NO. 05104448

STRATEGIC REPORT (continued)

Section 172 statement (continued)

Customer engagement

IPL's principal customer is Asda, so the IPL Operational Board focus on improving the value, quality and availability of our products as well as ensuring that IPL remains Asda's lowest cost, sustainable supply chain solution. Our sustainable sourcing model supports Asda's purpose to bring brighter living within everyone's reach. Members of Asda's Senior Leadership team have been appointed to the Statutory Board of IPL to ensure there is alignment between Asda's purpose and the Operational Board of IPL.

| Why we engage this stakeholder? | How we engage and key outcomes |
|--|--|
| Providing Asda's customers with a good value, high quality product is critical to ensuring long term success for the IPL business. | <p>The IPL Operational Board monitors external data on the prices of key product lines and works to category-specific targets, agreed with Asda, for pricing against Asda's key competitors. This helps the Operational Board identify areas to drive targeted value improvements.</p> <p>Throughout 2022 the IPL Operational Board have invested in driving supply chain efficiency to ensure the time taken for produce to get from the grower to the Asda customer is as short as possible.</p> <p>Asda customer complaints associated with products supplied by IPL are monitored by the IPL Operational Board and used to drive quality improvements.</p> |

Maintaining a reputation for high standards of business conduct

The Compliance team, under the direction of the Group Corporate Services Director, ensure that IPL comply with relevant regulation and appropriate consideration is given to these regulations in Operational Board discussions. Significant decisions and results of regulatory reviews are raised to the Statutory Board on a quarterly basis.

| Why we engage this stakeholder? | How we engage and key outcomes |
|---|---|
| Compliance with regulatory frameworks safeguards our business and builds trust. | <p>All of our IPL, Forza and Kober sites are BRC (British Retail Consortium) accredited.</p> <p>IPL has been Authorised Economic Operator ("AEO") accredited since 2016. AEO is an international supply chain security accreditation underpinned by the WCO (World Customs Organisation) demonstrating that an international supply chain is safe, secure and compliant. This accreditation was maintained throughout 2022.</p> <p>All IPL Directors complete mandatory health and safety training every two years. Directors are also encouraged to take part in health and safety "walkabouts" across all of our operational sites, in order to engage with colleagues and impress the importance of health and safety.</p> |

International Procurement and Logistics Limited

REGISTERED NO. 05104448

STRATEGIC REPORT (continued)

Section 172 statement (continued)

Impact of the Company's operations on the community and the environment

The Operational Board is aware of the importance of environmental responsibility and the impact that IPL can have on the environment and the community it operates in. The Directors have supported good causes that align with our parent company's charitable strategy and have driven the continued acceleration of innovation and focus to reduce detrimental impacts on the environment and promote sustainability.

| Why we engage this stakeholder? | How we engage and key outcomes |
|---|--|
| The local community provides our colleagues, some suppliers and Asda customers. A strong relationship with the local community ensures we continue to retain and attract people to our business and make a positive contribution to the local area. | <p>The IPL Operational Board and FareShare have been working together since 2011 to tackle hunger and fight food waste. FareShare are a UK charity which redistributes surplus, good-to-eat food from the food industry, which would otherwise go to waste.</p> <p>The IPL Operational Board invest in enhancing the horticultural and food industries in the countries and regions that we source from, with IPL colleagues based in overseas branches working closely with growers to facilitate this.</p> |
| IPL have a responsibility to minimise the adverse impact our business activities have on the environment, which will also prevent long-term damage to our reputation. | <p>The IPL Operational Board have set targets across our sites to reduce our use of energy and water. The business as a whole works hard to minimise the volume of waste we produce, operating a zero waste to landfill policy within all IPL operating sites. Food and packaging segregation has been improved by identifying paths to reduce, reuse and recycle wherever possible.</p> <p>The IPL Operational Board continue to engage in projects with our suppliers, farmers and growers to help reduce their impact on the environment. This includes a stringent pesticide analysis programme to allow us to work with suppliers to reduce pesticides and ensure compliance with relevant regulations.</p> <p>The IPL Operational Board are working with our suppliers to significantly reduce the amount of plastic packaging used on our products and improve recyclability. During 2022, initiatives included reducing the amount of plastic used in the packaging of apple and strawberry products, and converting certain seasonal nut lines into recyclable packaging.</p> |

International Procurement and Logistics Limited

REGISTERED NO. 05104448

STRATEGIC REPORT (continued)

Key decisions

Supplier engagement

Our suppliers are important strategic partners and we strive to be fair and clear in all our dealings with them. We are governed by the GSCOP, a set of legal rules on managing supplier relationships, which is enforced by the Grocery Code Adjudicator ("GCA").

During the period, IPL have continued to focus on compliance with GSCOP, including by taking the following steps:

- Encouraging suppliers to provide feedback on our business via the annual GCA Supplier Survey, utilising our personal relationships in the supply base, and our web-based supplier portal.
- Upskilling our procurement team through face-to-face instructor led training on GSCOP, and our internal controls, policies, guidance, and process.
- In a year which saw price inflation in the food sector, we developed and embedded new policy, guidance and process to ensure our compliance with the GCA's "golden rules" on handling supplier requests for cost price increases.
- Updating our contract templates to enhance clarity on how suppliers may raise issues and challenges, and to provide better information on our ways of operating.
- Performing auditing to ensure that the terms agreed with suppliers are fully documented, providing both IPL and suppliers with clarity and confidence.
- Utilising the supplier portal to provide suppliers with access to our policies, and to update them on news, developments and changes.

Expansion of produce packing facility

In October 2021, the directors took the decision to expand IPL's southern produce packing facility in Kent by acquiring the lease on a building adjoining the existing site. Throughout 2022, the directors continued to support this strategy and the conversion and fit out of the expanded site accounted for the majority of the Company's capital investment during the period. This expansion represents a significant investment to the business which is now bringing multiple benefits including:

- Allowing banana ripening operations and packing of certain produce lines at both the northern and southern facilities, resulting in improved sustainability and distribution cost savings through reduced road miles.
- Mitigation of risk to the business from any disruption to operations at an individual site.
- Additional packing capacity will allow products currently packed by third parties to be packed and quality controlled in house.
- Modernisation and automation of certain packing operations, allowing product quality improvements and cost reductions.

Launch of Just Essentials

In May 2022 Asda launched a new grocery opening price point range, Just Essentials By Asda. The range replaced the existing budget offerings, including the Asda Smart Price and Farm Stores brands.

The Just Essentials range was rolled out to most of IPL's categories, creating products designed to help customers keep to a household budget. The total Asda range experienced year on year growth of over 110% during FY22 compared to prior year sales in the opening price point range. It is a key part of Asda's strategy to make desirable product affordable, and IPL played an important part in giving customers the opportunity to reappraise Asda's quality and value offering.

Declared dividends

On 20 December 2022, the Company declared a cash dividend of £20,000,000 to distribute cash held within the IPL Group. In the opinion of the directors the value of the dividend represented excess cash reserves held by the IPL Group and will not impact the ability of the Company or its subsidiary undertakings to satisfy their liabilities as they fall due.

Events since balance sheet date

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

International Procurement and Logistics Limited

REGISTERED NO. 05104448

STRATEGIC REPORT (continued)

Principal risks and uncertainties

Risk is an inevitable part of the business. On an ongoing basis the IPL Board review the principal risks, assess their likelihood and consequence, and develop and monitor appropriate controls. The Board has overall responsibility for risk management and ensures this is aligned with the business strategy and objectives. Key risks and mitigating actions are set out below:

- **Strategic risk**
We continue to invest in new opportunities and areas of growth in order to diversify our offering. The Board invests significant time in working with our parent company to formulate, review and communicate strategy effectively to those delivering it.
- **Supplier risk**
The current economic environment is challenging for our suppliers. This puts increased importance on the strength of our control processes and ability to recognise and respond to supplier issues. We review our controls in relation to supplier monitoring and continue to invest in our control environment and training to ensure we are compliant with the GSCOP.
- **Economic risk**
The company faces increasing challenges on product and supply chain cost inflation, and availability due to a number of factors. These include changing global weather patterns, energy prices and the ongoing war in the Ukraine and western sanctions on Russia. The business mitigates these risks through diversification of supply of goods and logistics routes.
- **Resourcing and capability risk**
The ability to recruit and retain labour in the current market is improving but still presents a challenge in some regions. Resource, talent and capability remain important for long term stability and success. The IPL Board continue to review pay and benefits to ensure we remain competitive in local markets.
- **Financial risk**
The principal financial risk is having the funds available at the right time to meet business needs. This risk is managed by forecasting cash flow to ensure that adequate funds are in place to meet liabilities to suppliers and colleagues as they fall due.

Certain transactions with suppliers are denominated in foreign currency. Consequently, the Company is affected by fluctuations in exchange rates which impact the cost of produce and raw materials. The Company manages its exposure to currency risks through the use of forward contracts.

- **Regulatory and compliance risk**
We recognise that IPL operates in an environment where we can be impacted by changes in Government policy. In response to this, we continue to risk assess all relevant regulatory developments and test compliance with internal processes designed to mitigate risks, making improvements where required.
- **Fraud risk**
We have a control framework in place to help prevent and detect potential fraud and dishonest activity. Our Statement of Ethics provides clear guidance to colleagues on appropriate behaviour, including guidance on how to raise any business conduct concerns they may have. Colleagues can raise issues by contacting the independent Ethics hotline, or by contacting the Ethics team directly by email or phone. In addition, stringent procedures are in place in respect of compliance with the UK Bribery Act 2010.
- **Systems and cyber security risk**
Detailed disaster recovery plans are in place in the event of an incident which could severely affect our ability to trade.

There is a risk that IPL systems are vulnerable to cyber-attacks which could lead to significant limitations in ability to operate, loss of earnings, reputational damage and regulatory fines. IPL has a cyber security system in place which is closely linked to Asda's Cyber Security team. It provides insight and detailed analysis of current risks with remediations and is continually developing ways to mitigate potential risks.

International Procurement and Logistics Limited

REGISTERED NO. 05104448

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

- **Environmental risk**

We recognise that we have a responsibility to minimise the adverse impact that our business activities may have on the environment. Failure to do so may result not only in adverse environmental impacts, but also financial penalties and long term damage to our reputation.

- **Data protection risk**

In the event of non-compliance with the requirements of the General Data Protection Regulations ("GDPR"), there is a risk of data loss or misuse or other data breaches which could lead to significant fines and reputational damage. In response to this, we continue to risk assess all aspects of data protection and mitigate risk accordingly.

- **Health and safety risk**

In the event of non-compliance with applicable Health and Safety laws there is a risk that colleagues are harmed which could lead to significant fines and reputational damage. IPL has a health and safety policy as well as procedures and training in place across all sites. There are also established health and safety metrics and accident reporting to monitor risk.

On behalf of the board:



P Grover
Director
28 July 2023

International Procurement and Logistics Limited

REGISTERED No. 05104448
DIRECTORS' REPORT

The directors present their report and financial statements for the period ended 30 December 2022.

Directors

The directors who served during the period to 30 December 2022 and to the date of the report were:

J Berry (appointed 22 September 2022)
P Grover
V Rehal
M Simpson
K Comerford (appointed 22 September 2022)
M Snell (resigned 22 September 2022)
D Lawlor (resigned 4 January 2022)

Results and dividends

The profit after taxation for the period was £13,579,000 (2021: £48,727,000). The directors are satisfied with the results and achievements in the period to 30 December 2022 and believe that the future prospects of the Company are sound and consider that the business is adequately financed.

Total dividends of £20,000,000 were paid during the period (2021: £88,861,000).

Branches outside the United Kingdom

The Company has five branches: International Procurement and Logistics Limited, Agencia en Chile, registered in Chile; International Procurement and Logistic Limited, registered in France; International Procurement and Logistics Limited, registered in Kenya; International Procurement & Logistics, Succursale au Maroc, registered in Morocco; and, International Procurement and Logistics Limited, registered in South Africa.

Political donations

During the period, the Company did not make any political donations (2021: £nil).

Colleague involvement

The Company leadership team meet regularly with our colleagues to discuss business performance, proposed changes and future initiatives. Directors of the Company engage with employees and consider their interests in decision making. We maintain a clear performance management and development framework to support colleagues to learn and develop. Further detail is provided in the Section 172 Statement within the Strategic Report.

Colleagues with a disability or impairment

IPL is an Equal Opportunities Employer, meaning that selection, training, development and promotion is based solely on the applicant's skills, abilities and potential. We will always seek to make reasonable adjustments during any selection process to prevent disabled candidates being at a disadvantage when compared to those who are not disabled.

If an existing colleague has a disability, it is our policy wherever possible, to work with the individual and our Occupational Health provider to identify any reasonable adjustments possible to ensure suitable and continuing employment.

Engagement with UK employees, and regard for suppliers and others

The statements required by Part 4, paragraphs 11(3) (Employee Involvement) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are also included within the Strategic Report.

International Procurement and Logistics Limited

REGISTERED NO. 05104448

DIRECTORS' REPORT (continued)

Going concern and future outlook

The financial statements for the period ended 30 December 2022 have been prepared on the 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 July 2024 ('the going concern period'). The directors of Bellis Finco PLC have provided a letter of support to the Company stating that Bellis Finco PLC 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 July 2024.

In assessing the Group's ability to adopt the going concern basis, the Directors of Bellis Finco PLC (the "Group Directors") have reviewed the Group's annual corporate planning process which includes profitability, cashflow and liquidity forecasting and have based their projections for the going concern period on the FY23 plan and the FY24 forecasts from the three-year planning process.

Furthermore, the Group Directors have considered the impact of the recent acquisition of Euro Garages (Jersey) Ltd ("EG"), including incremental capital and funding requirements, throughout the going concern period. The impact has been modelled based on the committed funding arranged for the initial investment and the Group Directors' best estimate of post-acquisition trading informed by the financial due diligence over the acquired business.

The Group's Treasury function ensures that the Group continues to have sufficient funding by monitoring rolling forecasts of the Group's cash flows and maintaining a sufficient level of standby facilities via the Revolving Credit Facility ("RCF"). The Group has secured a £117m increase in the RCF on completion of the EG acquisition and a further £40m increase on repayment of a £200m loan which was drawn down to fund the acquisition of 132 grocery retail sites from The Co-operative Group on 30 October 2022. Any capital repayments of long-term financing are forecast in the cash flow model used in the going concern scenarios. The RCF remains undrawn at the period end and the maximum utilisation of the RCF forecast in the base case cash flow model is 5% which is repaid before the end of the going concern period.

In assessing the Group's ability to continue to adopt the going concern basis, the Group Directors have tested the ability of the Group to meet its liabilities as they fall due from the date of approval of the financial statements to 31 July 2024, in the event of various cash flow scenarios, including a severe but plausible downside scenario. This scenario applies severe but plausible economic downsides to our base case forecast, modelling the impact of a decline of the Group's participation in the UK grocery market compared to planned growth alongside the risk of fuel margin decline, inflationary pressures and risk of not achieving forecast levels of cost transformation activities. In relation to the acquisition of EG, the Directors have included a reduction in synergies achieved and post-acquisition trading within the severe but plausible scenario. Furthermore, the Group Directors have considered the likely impacts on the business of levels of geo-political instability and uncertainty arising out of external events which are ongoing at the date of approval of the financial statements. The Group Directors are satisfied that the potential economic impacts of these events are adequately taken into account in the severe but plausible downside scenario.

Mitigating actions that are in the control of management have been considered such as reducing non-essential capital expenditure and discretionary spend such as marketing and property costs. These mitigating actions are not required to be implemented to ensure sufficient headroom in the severe but plausible downside scenario.

In the severe but plausible downside scenario the maximum utilisation of the RCF is 23%. Where management do not implement any mitigating actions the maximum utilisation of the RCF is 51%. The Group Directors consider that a scenario with no mitigating actions is not realistic as all modelled mitigating actions are readily accessible.

The Group is subject to a maintenance covenant, whereby the senior secured net leverage ratio cannot exceed 4.90:1. This covenant is required to be tested if, as at the quarter end, drawings on the RCF exceed 40% of the facility. Under the above scenarios including both the base case and severe but plausible downside scenarios, testing of the maintenance covenant is not required.

The model has been reverse stress tested to determine the level of sales and margin decline that would lead to the Group breaching the level of available facilities or covenants. The Directors of the Group and the Company consider that the likelihood of such a significant deterioration of cash flows or profitability is remote.

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DIRECTORS' REPORT (continued)

Going concern and future outlook *(continued)*

Under all scenarios modelled, the Directors of the Group have concluded that the Group has sufficient resources and liquidity facilities to meet its liabilities as they fall due and that it is appropriate to adopt the going concern basis and are therefore in a position to provide a letter of support to subsidiaries.

As a result of the above assessment prepared by the Group Directors, the Company Directors are satisfied that they can rely on the letter of support and that financial statements of the Company should be prepared on a going concern basis.

Corporate Governance

Introduction

The Companies (Miscellaneous Reporting) Regulations 2018 require certain large companies to include a statement as to which corporate governance code has been applied and how. Asda qualifies for this disclosure and has chosen to adopt the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website), which incorporates 6 key principles; Purpose & Leadership, Board Composition, Director Responsibilities, Opportunity & Risk, Remuneration and Stakeholder Relationships & Engagement.

The narrative below discusses the governance arrangements of IPL, who have not formally adopted a corporate governance code but due to the interaction with our parent company we have decided to follow, where appropriate, the principles applied by Asda under their adoption of the Wates Corporate Governance Principles.

The Statutory Board of IPL ("The Board") is described in the Section 172 statement included within the Strategic Report and details of directors who have served during the year are included on page 12 of these financial statements.

Purpose and Leadership

Asda's purpose 'The Asda customer is at the heart of everything we do' is clearly defined and supported by critical success factors. This purpose underpins our strategy, operating practices and approach to risk as defined in the Strategic Report. This purpose is communicated to colleagues and features in most internal communications.

Expected behaviours are aligned with our critical success factors, with colleagues appraised not only on what they have delivered but *how* they have delivered against these behaviours. These behaviours are defined IPL values and are embedded across the business. They underpin the formal annual colleague performance review process. Formal annual performance reviews take place between the colleague and their line manager, with a half year review as a minimum.

These behaviours are key to IPL's culture and are embedded in the Company's ways of working. These behaviours are exhibited by the Board and various mechanisms have been adopted to ensure these behaviours are communicated to colleagues, such as through inductions, ongoing training, performance reviews and company-wide briefings. IPL also seeks to recruit colleagues who are aligned to these values.

IPL has clearly defined procedures for colleagues to report misconduct and other unethical behaviour. Colleagues can report ethics violations to the Ethics team via email or telephone. The methods for reporting are publicised around our offices and operational sites. Reports can be made anonymously and are confidential. Furthermore, the IPL Group operates a policy of no retaliation to protect our colleagues and encourage them to report any unethical behaviours, without the threat of repercussion. The ethics policy is aligned to the IPL values noted above. The independence of IPL's ethics reporting procedures is achieved by reports being made directly to Asda.

IPL Board communication to colleagues of IPL's performance and key business news is delivered through a variety of methods including weekly 'snapshot' briefings and company-wide email communications from the directors and the colleague communications team.

IPL is also committed to supporting the wider community and its external shareholders. For further details, please see the Section 172 statement within the Strategic Report.

International Procurement and Logistics Limited

REGISTERED NO. 05104448

DIRECTORS' REPORT (continued)

Corporate Governance *(continued)*

Board Composition

During the period our Board was made up of five members, two of which were on the Asda Senior Leadership team. The Board meets quarterly and makes key decisions which are carefully considered, and if deemed appropriate, implemented by the Operational Board and Senior Management team. There is no formal chair role, separate to the role of Managing Director (who effectively acts as chief executive of the Company). The Managing Director leads the Board and is responsible for its overall effectiveness, promoting open debate and facilitating constructive discussion. They are also responsible for ensuring that the Board has appropriate information and sufficient time is made available for Board discussions.

The size and composition of the Board is appropriate for the size of the business. In particular, the Company's key business functions are represented on the Board and each director is skilled and experienced in the function that they represent. IPL Board Members come from a broad base of experience and knowledge, with backgrounds in Operations, Retail, Finance and Legal. This ensures the decisions relevant to the Company are being made in a diverse forum. The diversity of thought and expertise provided by the respective Board members promotes balanced and holistic decision-making which assesses the impact of decisions on the various stakeholders' who have an interest in the business and who are affected by the decisions made. The structure of the Board enables effective long-term decision making which in turn supports the delivery of IPL's strategic objectives.

The effectiveness of the IPL Board is considered as part of the Executive appraisal process, and the scrutiny, review and support provided by our parent company, Asda, provides an appropriate amount of independent rigour and challenge to the operation and decisions of the IPL Board. This includes participation in appointments to the executive board, monitoring the effectiveness of the board through routine and structured dialogue including regular visits and appropriate corporate governance sign-off procedures. Furthermore, the Managing Director, Group Finance Director, and Group Corporate Services Director each have individual reporting lines into Asda, which provides an additional degree of independence.

Board members have a formal appraisal process twice annually which considers performance and reward. Furthermore, there are periodic evaluations of the constitution and effectiveness of the Board and additional appointments are made where necessary to deliver the appropriate diversity and expertise.

IPL is committed to on-going professional development of its employees, which includes Board Members. This is delivered through a variety of means, such as development days and various Company and Asda training courses, which ensure that employees of the Company (including the Directors) have the most up to date knowledge and skills to ensure they are effective in their roles.

For further details of how the Board engage with the Company's stakeholders and promote the success of the Company, please refer to the Section 172 statement within the Strategic Report.

Director Responsibilities

Responsibilities are made clear to directors prior to appointment and many have previously held board positions. Furthermore, the directors observe detailed corporate governance procedures and policies. This sets out clear guidelines as to which internal stakeholders within IPL and Asda need to be aware of or involved in decision making on a relevant matter, ensuring that there are appropriate checks and balances before making decisions - this in turn ensures independent challenge on significant decisions where appropriate. The policies in place are reviewed periodically.

The Board has established robust internal processes, such as independent review and corroboration of reported financial balances, which ensure the systems and controls in place are operating effectively. This ensures the quality and integrity of information provided to the Board, which allows for better and more informed decision making.

Directors receive regular mandatory training on areas such as health and safety, our Statement of Ethics and Anti-Corruption compliance.

International Procurement and Logistics Limited

REGISTERED NO. 05104448

DIRECTORS' REPORT (continued)

Corporate Governance (continued)

Opportunity and risk

In order to promote the long-term sustainable success of IPL, the Board identifies both risks and opportunities to achieving this. IPL is part of the overall Asda risk management programme which facilitates identification, mitigation and ongoing monitoring of risk. The policies that facilitate delivery of the risk management programme are developed and overseen by Asda, primarily by the Asda Internal Audit team, who stress test and carry out relevant audits on the Company. Please see the Strategic Report for details of the key risks identified and assessed.

The IPL Operational Board (members of which are defined within the Section 172 statement within the Strategic report) meets monthly to assess progress against key strategic initiatives and opportunities. This allows the Company to create and preserve value in the long-term and engage other stakeholders where opportunities are identified. The IPL Operational Board also report to the Statutory Board on the key value opportunities, which allows further visibility and review.

IPL has a well-established internal control framework with clearly defined policies and procedures published on our intranet site for all colleagues to access. Where appropriate we have embedded relevant Asda policies throughout the IPL Group.

Remuneration

Our parent company, Asda, is involved in the remuneration and policies that affect the Directors of the Company.

Remuneration for Directors is aligned with the performance of the Company and achievement of Company purpose and critical success factors both in terms of annual results and the long-term sustainable success of the Company. Bonuses for both Directors and the Senior Management team are set on annual metrics including parent company sales and profit along with IPL cost control. This ensures a balanced focus on meeting our purpose 'The Asda customer is at the heart of everything we do'.

The Directors were on a bonus scheme with Asda metrics during the period to drive coherent group strategy.

Furthermore, a long term incentive scheme is in place for colleagues at grade Senior Manager and above who have remained in the business for over 3 years to reward loyalty and to retain key colleagues.

Stakeholder Relationships and Engagement

IPL's parent company, Asda, is engaged through a variety of means. The IPL Board are the primary communication route between IPL and senior leaders at Asda. As described above, there are multiple reporting lines directly into Asda, to ensure that certain areas of the IPL business operate with a degree of independence and have the benefit of additional checks and balances from Asda. This objective is also achieved through the Asda corporate governance framework and ensures engagement with Asda prior to proceeding with certain types of business transactions.

For more information regarding how we consider our key stakeholders in our decision-making process and the effect of our key decisions on these stakeholders, please refer to the detail set out in our Strategic Report.

Streamlined energy and carbon reporting

The Company's UK energy use is consolidated and reported as part of Bellis Finco PLC's financial statements.

Matters covered in the strategic report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Director's Report have been omitted as they are included in the Strategic Report. These matters relate to future developments, risk management objectives and policies.

International Procurement and Logistics Limited

REGISTERED NO. 05104448

DIRECTORS' REPORT (continued)

Events since the Balance Sheet date

There have been no events occurring between the Balance Sheet date and the date of the approval of the financial statements which require disclosure.

Directors' liabilities

During the period, 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.

Disclosure of information to the auditor

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.

Re-appointment of auditors

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



P. Grover
Director
28 July 2023

International Procurement and Logistics Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (and then apply them consistently);
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- State whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and Directors' Report, that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PROCUREMENT & LOGISTICS LIMITED

Opinion

We have audited the financial statements of International Procurement and Logistics Limited for the period ended 30 December 2022 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" applicable in the UK (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ▶ give a true and fair view of the company's affairs as at 30 December 2022 and of its profit for the period 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 a period to 31 July 2024.

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, 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PROCUREMENT & LOGISTICS LIMITED (continued)

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.

Opinions on other matters 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 period 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 in relation to which 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 18, 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 but 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PROCUREMENT & LOGISTICS LIMITED (continued)

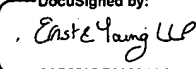
procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice) and the relevant tax laws and regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to health and safety and employee matters.
- We understood how International Procurement and Logistics Limited is complying with those frameworks by making enquiries of company management, Group 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 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 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 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 noncompliance with such laws and regulations. Our procedures involved journal entry testing on the full population of journals, with a focus on journals indicating large or unusual transactions based on our understanding of the business; enquiries of company 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.

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.

DocuSigned by:

C9F558DE68994AC...

Kate Jarman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

31 July 2023

International Procurement and Logistics Limited

INCOME STATEMENT

for the period ended 30 December 2022

| | | <i>Period Ended 30 December 2022 £000</i> | <i>Period Ended 31 December 2021 £000</i> |
|-------------------------------|-------------|---|---|
| | <i>Note</i> | | |
| Revenue | 2 | 681,930 | 609,648 |
| Cost of sales | | (642,748) | (574,544) |
| Gross profit | | 39,182 | 35,104 |
| Administrative expenses | | (23,126) | (20,713) |
| Operating profit | 3 | 16,056 | 14,391 |
| Finance and dividend income | 7 | 7 | 35,120 |
| Finance costs | 8 | (1,184) | (963) |
| Profit before taxation | | 14,879 | 48,548 |
| Income tax (charge)/credit | 9 | (1,300) | 179 |
| Profit for the period | | 13,579 | 48,727 |

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 December 2022

| | | <i>Period Ended 30 December 2022 £000</i> | <i>Period Ended 31 December 2021 £000</i> |
|---|-------------|---|---|
| | <i>Note</i> | | |
| Profit for the period | | 13,579 | 48,727 |
| Items to be reclassified to income statement in subsequent periods | | | |
| Reclassification during the year to income statement | 17 | (290) | 1,239 |
| Fair value gain/(loss) on cash flow hedges | 17 | 209 | (1,880) |
| Deferred tax (charge) / credit on items taken to equity | 17 | (53) | 150 |
| Other comprehensive (loss) for the period | | (134) | (491) |
| Total comprehensive income for the period | | 13,445 | 48,236 |

All activities during the financial period are in respect of continuing activities.

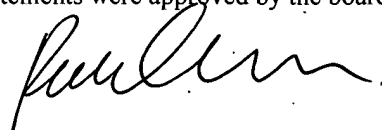
International Procurement and Logistics Limited

BALANCE SHEET as at 30 December 2022

| Registration number: 05104448 | | 30 December 2022 £000 | 31 December 2021 £000 |
|--|------|-----------------------------|-----------------------------|
| | Note | | |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 30,293 | 30,179 |
| Right-of-use assets | 11 | 34,837 | 35,912 |
| Goodwill | 12 | 9,570 | 9,570 |
| Investments in subsidiaries | 13 | 55,251 | 55,251 |
| Deferred tax asset | 9 | - | 849 |
| | | 129,951 | 131,761 |
| Current assets | | | |
| Inventories | 14 | 47,114 | 39,383 |
| Trade and other receivables | 15 | 57,686 | 56,416 |
| Cash and cash equivalents | | 34,936 | 51,391 |
| | | 139,736 | 147,190 |
| Total assets | | 269,687 | 278,951 |
| Equity and liabilities | | | |
| Equity attributable to the owners of the parent | | | |
| Called up share capital | 16 | 100 | 100 |
| Retained earnings | | 102,885 | 109,306 |
| Cash flow hedge reserve | 17 | 6 | 140 |
| Total equity | | 102,991 | 109,546 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | 121,748 | 121,349 |
| Lease liabilities | 19 | 3,906 | 3,835 |
| Deferred tax liability | 9 | 504 | - |
| | | 126,158 | 125,184 |
| Non current liabilities | | | |
| Lease liabilities | 19 | 33,067 | 34,144 |
| Provisions | 20 | 7,471 | 10,077 |
| | | 40,538 | 44,221 |
| Total liabilities | | 166,696 | 169,405 |
| Total equity and liabilities | | 269,687 | 278,951 |

The financial statements were approved by the board of directors and signed on its behalf by:

P Grover
Director
28 July 2023



International Procurement and Logistics Limited

STATEMENT OF CHANGES IN EQUITY for the period ended 30 December 2022

| | <i>Note</i> | <i>Share capital £000</i> | <i>Cash flow hedge £000</i> | <i>Retained earnings £000</i> | <i>Total equity £000</i> |
|---|-------------|-----------------------------------|---|---------------------------------------|----------------------------------|
| Balance at 26 December 2020 | | 100 | 631 | 149,440 | 150,171 |
| Profit for the period | | - | - | 48,727 | 48,727 |
| Dividends | | - | - | (88,861) | (88,861) |
| Other comprehensive income | | | | | |
| Cash flow hedges - loss arising in the period | 17 | - | (641) | - | (641) |
| Tax on cash flow hedges recognised directly in equity | 17 | - | 150 | - | 150 |
| Balance at 31 December 2021 | | 100 | 140 | 109,306 | 109,546 |
| Balance at 31 December 2021 | | 100 | 140 | 109,306 | 109,546 |
| Profit for the period | | - | - | 13,579 | 13,579 |
| Dividends | | - | - | (20,000) | (20,000) |
| Other comprehensive income | | | | | |
| Cash flow hedges - loss arising in the period | 17 | - | (81) | - | (81) |
| Tax on cash flow hedges recognised directly in equity | 17 | - | (53) | - | (53) |
| Balance at 30 December 2022 | | 100 | 6 | 102,885 | 102,991 |

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

1 Accounting policies

Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of International Procurement and Logistics Limited (the “Company”) for the period ended 30 December 2022 were authorised for issue by the board of directors on 28 July 2023 and the balance sheet was signed on behalf of the directors by P Grover. The Company is a private company limited by shares, incorporated and domiciled in England under the Companies Act 2006 (registration number: 05104448).

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.

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

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Bellis Finco PLC. The results of the Company are included in the consolidated financial statements of Bellis Finco PLC, which are available from Waterside Head Office, Haslingden Road, Guide, Blackburn, Lancashire, BB1 2FA, UK. These financial statements are therefore separate financial statements of the Company only.

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

Basis of preparation

The financial statements of the Company are made up to the nearest Friday preceding 31 December each year. The current financial year is the 52 weeks ended 30 December 2022 (‘the period’). The comparative financial year is the 53 weeks ended 31 December 2021 (‘the prior period’).

The accounting policies which follow have, unless otherwise stated, been applied consistently to all periods presented in these Company financial statements. 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;
 - Paragraph 73 (e) of IAS 16 ‘Property, Plant and Equipment’; and
 - Paragraph 118 (e) of IAS 38 ‘Intangible Assets’.
- 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 requirement 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’;
- 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; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 ‘Impairment of Assets’.

Where applicable, equivalent disclosures are included in the consolidated financial statements of Bellis Finco PLC, in which the Company is consolidated.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

1 Accounting policies (continued)

Going Concern

The financial statements for the period ended 30 December 2022 have been prepared on the 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 July 2024 ('the going concern period'). The directors of Bellis Finco PLC have provided a letter of support to the Company stating that Bellis Finco PLC 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 July 2024.

In assessing the Group's ability to adopt the going concern basis, the Directors of Bellis Finco PLC (the "Group Directors") have reviewed the Group's annual corporate planning process which includes profitability, cashflow and liquidity forecasting and have based their projections for the going concern period on the FY23 plan and the FY24 forecasts from the three-year planning process.

Furthermore, the Group Directors have considered the impact of the recent acquisition of Euro Garages (Jersey) Ltd ("EG"), including incremental capital and funding requirements, throughout the going concern period. The impact has been modelled based on the committed funding arranged for the initial investment and the Group Directors' best estimate of post-acquisition trading informed by the financial due diligence over the acquired business.

The Group's Treasury function ensures that the Group continues to have sufficient funding by monitoring rolling forecasts of the Group's cash flows and maintaining a sufficient level of standby facilities via the Revolving Credit Facility ("RCF"). The Group has secured a £117m increase in the RCF on completion of the acquisition and a further £40m increase on repayment of a £200m loan which was drawn down to fund the acquisition of 132 grocery retail sites from The Co-operative Group on 30 October 2022. Any capital repayments of long-term financing are forecast in the cash flow model used in the going concern scenarios. The RCF remains undrawn at the period end and the maximum utilisation of the RCF forecast in the base case cash flow model is 5% which is repaid before the end of the going concern period.

In assessing the Group's ability to continue to adopt the going concern basis, the Group Directors have tested the ability of the Group to meet its liabilities as they fall due from the date of approval of the financial statements to 31 July 2024, in the event of various cash flow scenarios, including a severe but plausible downside scenario. This scenario applies severe but plausible economic downsides to our base case forecast, modelling the impact of a decline of the Group's participation in the UK grocery market compared to planned growth alongside the risk of fuel margin decline, inflationary pressures and risk of not achieving forecast levels of cost transformation activities. In relation to the acquisition of EG, the Directors have included a reduction in synergies achieved and post-acquisition trading within the severe but plausible scenario. Furthermore, the Group Directors have considered the likely impacts on the business of levels of geo-political instability and uncertainty arising out of external events which are ongoing at the date of approval of the financial statements. The Group Directors are satisfied that the potential economic impacts of these events are adequately taken into account in the severe but plausible downside scenario.

Mitigating actions that are in the control of management have been considered such as reducing non-essential capital expenditure and discretionary spend such as marketing and property costs. These mitigating actions are not required to be implemented to ensure sufficient headroom in the severe but plausible downside scenario.

In the severe but plausible downside scenario the maximum utilisation of the RCF is 23%. Where management do not implement any mitigating actions the maximum utilisation of the RCF is 51%. The Group Directors consider that a scenario with no mitigating actions is not realistic as all modelled mitigating actions are readily accessible.

The Group is subject to a maintenance covenant, whereby the senior secured net leverage ratio cannot exceed 4.90:1. This covenant is required to be tested if, as at the quarter end, drawings on the RCF exceed 40% of the facility. Under the above scenarios including both the base case and severe but plausible downside scenarios, testing of the maintenance covenant is not required.

The model has been reverse stress tested to determine the level of sales and margin decline that would lead to the Group breaching the level of available facilities or covenants. The Directors of the Group and the Company consider that the likelihood of such a significant deterioration of cash flows or profitability is remote.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

1 Accounting policies (*continued*)

Going concern and future outlook (*continued*)

Under all scenarios modelled, the Directors of the Group have concluded that the Group has sufficient resources and liquidity facilities to meet its liabilities as they fall due and that it is appropriate to adopt the going concern basis and are therefore in a position to provide a letter of support to subsidiaries.

As a result of the above assessment prepared by the Group Directors, the Company Directors are satisfied that they can rely on the letter of support and that financial statements of the Company should be prepared on a going concern basis.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 01 January 2022 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 an effect on the Company financial statements in the future.

Judgements, estimates and assumptions

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

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

Accounting judgements

Lease liability

In accordance with IFRS 16 it is necessary to recognise all lease liabilities and related right-of-use assets on the balance sheet. Management consider the determination of the lease term (whether options to extend the lease are reasonably certain to be exercised) and the discount rate applied to lease liabilities (by reference to the incremental borrowing rate) to be key judgements.

Lease term

In determination of the term, the Company considers if any option to extend is reasonably certain to be exercised based on whether an economic incentive exists to do so. This incentive is assessed by reference to multiple factors including but not limited to current operational performance of the site and future performance projections, length of time to the option exercise date and future capital requirements. A term extension on leases for sites in England and Wales may be judged reasonably certain on the basis of security of tenure if an economic incentive to remain in the lease beyond the contractual term is deemed to exist. This incentive is assessed by reference to the same factors listed above. If an extension is judged reasonably certain, the typical additional term applied is 10 years.

Discount rate

None of the Company's leases have an implicit interest rate and therefore the incremental borrowing rate is utilised to discount the lease liabilities. The Company utilises incremental borrowing rates determined by Asda who consider the following factors in determining the incremental borrowing rate:

- The risk free rate of return in the UK market; and,
- The credit risk spread which reflects the additional risks associated with lending specifically to the Group, taking account of factors such as the Group credit rating, the term of the lease, and the geographic location.

The Group ensures that the incremental borrowing rates rate used remain relevant, current and materially correct by updating them on a quarterly basis.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

1 Accounting policies (*continued*)

Judgements, estimates and assumptions (*continued*)

Critical accounting estimates

There are no significant accounting estimates involved in the preparation of the financial statements.

Revenue recognition

Income from sales to group companies

Revenue represents income received for the sale of produce to ASDA Stores Limited as both agent and principal. Revenue on sales where IPL is principal and controls the goods before transferring to the customer are accounted on a gross basis. Revenue on sales where IPL is agent are accounted on a net basis, being the commission on those sales. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable net of discounts and value added taxes.

Income from sales to third parties

Revenue from sales external to the Group is recognised gross based on the terms of the contract, net of discounts and value added taxes.

The Company recognises revenue when performance obligations have been satisfied.

Finance income

Interest receivable comprises interest on funds invested and interest earned on interest bearing intercompany loans. Interest income is recognised in the income statement as it accrues, at a constant rate on the carrying amount.

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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense in the income statement as are incurred. Since 13 October 2009, the Company has participated in the IPL Stakeholder Pension Plan, which is a defined contribution scheme.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

1 Accounting policies (*continued*)

Property, plant and equipment

All property, plant and equipment are recorded at cost less accumulated depreciation and any recognised provision for impairment.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the date of acquisition of each asset, evenly over its expected useful life, as follows:

| | |
|------------------------|---|
| Freehold property | - 5% per annum straight line |
| Leasehold improvements | - shorter of the lease term and useful economic life, straight line |
| Plant and equipment | - 5% to 33% per annum straight line |

Freehold land is not depreciated. All items of property, plant and equipment are reviewed for impairment in accordance with IAS 36 'Impairment of Assets'.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised over the net identifiable assets acquired. If this consideration is lower than the fair value of the net assets, the difference is recognised in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill.

Investments in subsidiaries

Investments in subsidiaries are held at cost. At each balance sheet date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss (if any).

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as a credit in the income statement immediately.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

1 Accounting policies (*continued*)

Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability

The lease liability is initially measured at the value of the lease payments that are not paid at the commencement date, discounted to present value.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as separate current and non-current lines in the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate; or,
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Discount rate

When discounting payments to present value, the Company uses the rate based on an estimated incremental borrowing rate. Rates are determined with reference to UK rates available to the Group adjusted for lease term.

Right-of-use Assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term. Depreciation is charged from the commencement date of the lease. Right-of-use assets are presented as a separate line in the Balance Sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment' policy above.

Non-lease components and variable rent expense

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has taken this election.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

1 Accounting policies (*continued*)

Leases (continued)

The primary non-lease components recognised within lease payments are property costs (service charges and insurances) paid to landlords and included within the terms of lease contracts. These costs are included within the lease payments at commencement date if fixed, or within variable rent expense as incurred if not. The majority of these payments are variable and therefore not included in the lease liability.

The Company does not have any rent payment terms linked to sales or other variable metrics.

Financial instruments

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

Financial assets and liabilities

The Company classifies its financial assets and liabilities in the following categories: trade and intercompany receivables, cash and cash equivalents and trade and intercompany payables. The Company's accounting policies relating to lease liabilities are described above.

Management determines the classification of its instruments at initial recognition.

All financial assets and liabilities are recognised initially at fair value. The Company assesses financial assets for impairment using the expected credit losses model and recognises impairment losses as required.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and recorded at the proceeds received, net of issue costs.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Derivative financial instruments and hedging

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

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

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

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

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

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

1 Accounting policies (continued)

Financial instruments (continued)

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

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing inventories to their present location and condition. Cost is calculated using the actual method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade and other receivables

Trade and other receivables are stated at their original invoiced value and reduced by appropriate allowances for estimated irrecoverable amounts. Impaired debts are derecognised when they are assessed as uncollectible. Intercompany receivables are non-interest bearing, unsecured, are repayable on demand and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables are non-interest bearing and are stated at their nominal value.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimation of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation.

Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in pounds sterling, which is the functional currency of the Company.

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

2 Revenue

The Company is engaged in a single reportable operating segment of business, being the sale of produce, grocery products, wine, house plants and flowers. The Company is engaged in a single geographical segment, the United Kingdom.

3 Operating profit

Operating profit is stated after charging:

| | <i>Period Ended 30 December 2022 £000</i> | <i>Period Ended 31 December 2021 £000</i> |
|--|---|---|
| Cost of inventory recognised as an expense (excl. employment costs) | 572,214 | 513,283 |
| Employment costs (<i>note 5</i>) | 64,887 | 61,204 |
| Depreciation of owned property, plant and equipment (<i>note 10</i>) | 7,456 | 7,071 |
| Depreciation on right-of-use assets (<i>note 11</i>) | 3,823 | 3,387 |
| Foreign exchange losses / (gains) | 701 | (1,574) |
| Gain on sale of property, plant and equipment | (566) | (6,250) |

4 Auditors' remuneration

| | <i>Period Ended 30 December 2022 £000</i> | <i>Period Ended 31 December 2021 £000</i> |
|--|---|---|
| Fees payable to the Company's auditors for the audit of the Company financial statements | 57 | 54 |

There were no non-audit fees paid to the auditor in either year.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS for the period ended 30 December 2022

5 Employment costs and numbers

| | <i>Period Ended 30 December 2022 £000</i> | <i>Period Ended 31 December 2021 £000</i> |
|--|---|---|
| Wages and salaries | 57,693 | 54,370 |
| Social security costs | 5,412 | 5,101 |
| Other pension costs (<i>note 21</i>) | 1,782 | 1,733 |
| | <u>64,887</u> | <u>61,204</u> |

The average number of employees in the period was as follows:

| | <i>Period Ended 30 December 2022</i> | <i>Period Ended 31 December 2021</i> |
|----------------|--|--|
| Total | | |
| Production | 1,850 | 1,755 |
| Administrative | 314 | 345 |
| | <u>2,164</u> | <u>2,100</u> |

| | <i>Period Ended 30 December 2022</i> | <i>Period Ended 31 December 2021</i> |
|------------------------------|--|--|
| Full time equivalents | | |
| Production | 1,768 | 1,684 |
| Administrative | 298 | 330 |
| | <u>2,066</u> | <u>2,014</u> |

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

6 Directors' remuneration

| | <i>Period Ended 30 December 2022 £000</i> | <i>Period Ended 31 December 2021 £000</i> |
|---|---|---|
| Directors' emoluments | 967 | 1,675 |
| Value of Company pension contributions to defined contributions schemes | - | - |
| Number of directors who are members of Company pension schemes | - | - |

The amounts in respect of the highest paid director are as follows:

| | <i>Period Ended 30 December 2022 £000</i> | <i>Period Ended 31 December 2021 £000</i> |
|--|---|---|
| Directors' emoluments | 436 | 965 |
| Value of Company pension contributions to defined benefit schemes | - | - |
| Value of Company pension contributions to defined contribution schemes | - | - |

Four (2021: Four) of the directors received remuneration in relation to qualifying services provided to the Company. The directors M Simpson, K Comerford and D Lawlor were paid by ASDA Stores Limited for their overall services to the Asda Group with no recharge being made to IPL.

7 Finance and dividend income

| | <i>Period Ended 30 December 2022 £000</i> | <i>Period Ended 31 December 2021 £000</i> |
|--|---|---|
| Interest on bank deposits | 7 | - |
| Interest on intercompany loans | - | 120 |
| Dividend income from subsidiary undertakings | - | 35,000 |
| Total finance and dividend income | 7 | 35,120 |

8 Finance costs

| | <i>Period Ended 30 December 2022 £000</i> | <i>Period Ended 31 December 2021 £000</i> |
|---|---|---|
| Interest on dilapidations and lease liabilities | 1,184 | 963 |

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

9 Income tax

| | <i>Period Ended 30 December 2022 £000</i> | <i>Period Ended 31 December 2021 £000</i> |
|---|---|---|
| Current tax | | |
| UK corporation tax on profit for the period | - | - |
| Adjustments in respect of prior periods | - | - |
| Total current tax charge | - | - |
| Deferred tax | | |
| Relating to origination and reversal of temporary differences | 934 | 23 |
| Adjustments in respect of prior periods | 127 | (41) |
| Effect of rate change | 239 | (161) |
| Total deferred tax charge / (credit) | 1,300 | (179) |
| Total tax charge / (credit) from continuing operations | 1,300 | (179) |

The standard rate of corporation tax in the United Kingdom for the year is 19% (2021: 19%). On 3 March 2021, it was announced in the UK Budget that the main rate of corporation tax in the United Kingdom would increase to 25% on 1 April 2023, and this rate change was substantively enacted in May 2021. The deferred tax asset is calculated using the tax rate at which it is expected to unwind of between 23.5% and 25%.

| | <i>Period Ended 30 December 2022 £000</i> | <i>Period Ended 31 December 2021 £000</i> |
|--|---|---|
| Profit before tax | 14,879 | 48,548 |
| Tax charge using the UK corporation tax rate of 19% (2021: 19%) | 2,827 | 9,224 |
| Effects of: | | |
| Non-deductible expenses | 180 | 135 |
| Profit on sale of non qualifying fixed assets | - | (1,418) |
| Adjustments in respect of prior periods | 127 | (41) |
| Adjustments in respect of rate changes | 239 | (161) |
| Group relief received for no payment | (1,674) | (1,148) |
| Enhanced capital allowance super-deduction | (399) | (120) |
| Non taxable dividend income | - | (6,650) |
| Tax charge/ (credit) for the year | 1,300 | (179) |

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

9 Income tax (continued)

Deferred tax

Net deferred tax liability / asset are attributable to the following:

| | 30 December 2022 £000 | 31 December 2021 £000 |
|--------------------------------|-----------------------------|-----------------------------|
| Accelerated capital allowances | (671) | 671 |
| Provisions | 217 | 175 |
| Other | (50) | 3 |
| | <hr/> | <hr/> |
| Net tax (liability) / asset | (504) | 849 |
| | <hr/> | <hr/> |

Deferred tax movement during the period:

| | 31 December 2021 £000 | Recognised in income £000 | Recognised in other comprehensive income £000 | 30 December 2022 £000 |
|-----------------------------|-----------------------------|---------------------------------|---|-----------------------------|
| Property, plant & equipment | 671 | (1,342) | - | (671) |
| Provisions | 175 | 42 | - | 217 |
| Cash flow hedges | 3 | - | (53) | (50) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 849 | (1,300) | (53) | (504) |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Movement in deferred tax during the prior period:

| | 25 December 2020 £000 | Recognised in income £000 | Recognised in other comprehensive income £000 | 31 December 2021 £000 |
|-----------------------------|-----------------------------|---------------------------------|---|-----------------------------|
| Property, plant & equipment | 372 | 299 | - | 671 |
| Provisions | 295 | (120) | - | 175 |
| Cash flow hedges | (147) | - | 150 | 3 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 520 | 179 | 150 | 849 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS for the period ended 30 December 2022

10 Property, plant and equipment

| | <i>Leasehold improvements £000</i> | <i>Plant & Equipment £000</i> | <i>Total £000</i> |
|------------------------------------|--|---|-----------------------|
| Cost | | | |
| Balance at 31 December 2021 | 17,364 | 48,270 | 65,634 |
| Additions | 1,158 | 6,412 | 7,570 |
| Disposals | - | (162) | (162) |
| Balance at 30 December 2022 | 18,522 | 54,520 | 73,042 |
| Accumulated depreciation | | | |
| Balance at 31 December 2021 | 7,252 | 28,203 | 35,455 |
| Depreciation charge for the period | 1,381 | 6,075 | 7,456 |
| Depreciation on disposals | - | (162) | (162) |
| Balance at 30 December 2022 | 8,633 | 34,116 | 42,749 |
| Net book value | | | |
| Balance at 31 December 2021 | 10,112 | 20,067 | 30,179 |
| Balance at 30 December 2022 | 9,889 | 20,404 | 30,293 |

At 30 December 2022, the Company had entered into contractual commitments for the acquisition of plant and equipment amounting to £351,000 (2021: £6,253,236).

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

11 Right-of-use assets

| | <i>Land & Buildings £000</i> | <i>Plant & Equipment £000</i> | <i>Total £000</i> |
|---------------------------------|--|---|-----------------------|
| Cost | | | |
| At 31 December 2021 | 43,028 | 1,706 | 44,734 |
| Additions | - | 789 | 789 |
| Modifications | 1,959 | - | 1,959 |
| Disposals | - | (278) | (278) |
| At 30 December 2022 | 44,987 | 2,217 | 47,204 |
| Accumulated depreciation | | | |
| At 31 December 2021 | 8,068 | 754 | 8,822 |
| Charge for the period | 3,436 | 387 | 3,823 |
| Eliminated on disposal | - | (278) | (278) |
| At 30 December 2022 | 11,504 | 863 | 12,367 |
| Net book value | | | |
| At 31 December 2021 | 34,960 | 952 | 35,912 |
| At 30 December 2022 | 33,483 | 1,354 | 34,837 |

The Company leases various pack houses, warehouses and manual handling equipment under agreements within the scope of IFRS 16.

Leases of land and buildings have various terms, escalation clauses and renewal rights, however they commonly include either a market rent review or index linked rent review with a cap and collar. The timing of when rent reviews take place differs for each lease. The average remaining lease term is 13 years.

Leases of plant and equipment have various terms but typically do not include mid-term rent reviews or extension options. They have no purchase options. The average remaining lease term is 4 years.

For further details of lease liabilities please see note 19.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

12 Goodwill

| | |
|--|-------|
| | £000 |
| Cost and net book value | |
| Balance at 31 December 2021 & 30 December 2022 | 9,570 |

The goodwill balance relates the trade and asset purchase of Tazcopak (£88,000), Vinpack Limited (£1,976,000), Westry Produce Limited (£5,022,000) and part of the trading assets from QV Foods Limited (£2,484,000).

Impairment testing of goodwill

Goodwill has been tested for impairment as at 30 December 2022 by allocating the goodwill along with other related assets, and comparing to future expected cash flows. This represents the lowest level to which management monitors goodwill. The goodwill values of Westry and QV Foods have been combined as these are managed and monitored as one business unit by management.

The recoverable amounts are determined based on value in use calculations using cash flow projections from financial budgets approved by senior management for the following year. The pre-tax discount rate applied to the cash flow projections is 11.0% (2021: 6.0%).

These assumptions used are aligned with those of the Company's parent group, Asda. The Company sales forecasts are intrinsically linked to Asda performance and forecasts as a primary supplier of Potatoes (Westry / QV Foods) and Wine (Vinpack). Asda sales and purchase growth assumptions are used as the basis for the IPL sales forecasts. The value in use calculations are therefore most sensitive to sales assumptions and discount rate. For further details of these assumptions please see the consolidated financial statements of Asda.

13 Investments in subsidiaries

| | |
|--|----------------------------|
| Subsidiary Undertakings | <i>Investments</i> £000 |
| Cost and net book value at 31 December 2021 & 30 December 2022 | 55,251 |

| Name | Place of incorporation | Principal activity | Proportion of ordinary shares held % |
|----------------------------------|------------------------|---|--------------------------------------|
| International Produce Spain S.L. | Spain | The provision of logistical and management services | 100% |
| Vinpack Limited * | England & Wales | Dormant company | 100% |
| Westry Produce Limited * | England & Wales | Dormant company | 100% |
| Selby Produce Limited * | England & Wales | Dormant company | 100% |
| Forza AW Limited ** | England & Wales | Investment company | 100% |
| Forza Foods Limited ** | England & Wales | Slicing and packing company | 100% |
| Kober Limited ** | England & Wales | Slicing and packing company | 100% |

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

13 Investments (continued)

* The registered address of these companies is Asda House, South Bank, Great Wilson Street, Leeds, LS11 5AD.

** The registered address of these companies is Unit 1, Foxbridge Way, Normanton Industrial Estate, Normanton, Wakefield, WF6 1TN.

The registered address of the Spanish entity is Registro Mercantil de Murcia, Avda Teniente Montesinos 8 Torre Z Plantas 1 y 2, 30100 Murcia.

All companies are directly owned by the Company with the exception of Forza Foods Limited which is indirectly held.

14 Inventories

| | 30 December 2022 £000 | 31 December 2021 £000 |
|---------------------------|-----------------------------|-----------------------------|
| Produce and raw materials | 47,114 | 39,383 |

The inventory balance is inclusive of inventory provisions totalling £1,783,000 (2021: £1,437,000).

15 Trade and other receivables

| | 30 December 2022 £000 | 31 December 2021 £000 |
|--|-----------------------------|-----------------------------|
| Trade receivables | 516 | 624 |
| Amounts receivable from group undertakings | 53,403 | 50,175 |
| Amounts receivable from subsidiary undertaking | 120 | 68 |
| Prepayments and accrued income | 3,438 | 5,549 |
| Derivative assets | 209 | - |
| | 57,686 | 56,416 |

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

A legally enforceable right of offset exists with group balances. To better reflect the nature of intercompany liabilities, amounts owed to parent company of £10,123,000 (2021: £9,531,000) are offset within amounts receivable from group undertakings in the current period.

Amounts receivable from group and subsidiary undertakings are non-interest bearing.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

16 Share capital

| | <i>No.</i> | <i>£000</i> |
|---|------------|-------------|
| Authorised, allotted, called up and fully paid | | |
| At 31 December 2021 & 30 December 2022 | | |
| Ordinary shares of £1 each | 100,000 | 100 |

17 Reserves

Cash flow hedge reserve

The cash flow hedge reserve of £6,000 (2021: £140,000) represents the gains and losses arising on revaluation of derivatives, being forward currency contracts, and the revaluation of hedged monetary assets and liabilities from historical cost to period end spot rate.

18 Trade and other payables

| | <i>30 December 2022 £000</i> | <i>31 December 2021 £000</i> |
|--|--------------------------------------|--------------------------------------|
| Trade payables | 115,276 | 113,054 |
| Amounts owed to group undertakings | - | 782 |
| Other taxation and social security costs | 3,292 | 3,880 |
| Accruals and deferred income | 2,604 | 2,916 |
| Other payables | 576 | 717 |
| | <u>121,748</u> | <u>121,349</u> |

A legally enforceable right of offset exists with group balances. To better reflect the nature of these liabilities, amounts owed to the parent company of £10,123,000 (2021: £9,531,000) are offset within amounts receivable in the current period.

Amounts owed to group undertakings are non-interest bearing and generally on 30 day terms.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

19 Lease liabilities

| | 30 December 2022 £000 | 31 December 2021 £000 |
|---|-----------------------------|-----------------------------|
| Current lease liability | 3,906 | 3,835 |
| Non-current lease liability | 33,067 | 34,144 |
| | <u>36,973</u> | <u>37,979</u> |
| Future minimum lease payments are due as follows: | | |
| No later than one year | 4,667 | 4,420 |
| Later than one year and no later than five years | 17,928 | 16,809 |
| Later than five years | 20,742 | 22,505 |
| | <u>43,337</u> | <u>43,734</u> |
| Lease finance charges allocated to future periods | (6,364) | (5,755) |
| | <u>36,973</u> | <u>37,979</u> |

Total lease cash outflow in the year was £4,743,000 (2021: £3,168,000).

There are no instances at 30 December 2022 where future rental payments have been committed but not yet included in the lease liability.

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

| | 30 December 2022 £000 | 31 December 2021 £000 |
|--|-----------------------------|-----------------------------|
| Depreciation - land and buildings right-of-use assets | 3,436 | 2,848 |
| Depreciation - plant and equipment right-of-use assets | 387 | 539 |
| | <u>3,823</u> | <u>3,387</u> |
| Interest expense related to lease liabilities | 989 | 801 |
| | <u>4,812</u> | <u>4,188</u> |

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

20 Provisions

| Movement in dilapidations provisions during the period | £000 |
|--|---------|
| At 31 December 2021 | 10,077 |
| Decrease due to unwinding of discount and rate changes | (2,051) |
| Unused provision reversed | (555) |
| | <hr/> |
| At 30 December 2022 | 7,471 |
| | <hr/> |

The dilapidations provision represents provisions for the cost of works required to remove leasehold improvements within leasehold properties. The provisions will be utilised at the end of the individual properties' lease terms which are currently between 2026 and 2046. The amount provided during the period is accounted for within additions as an increase in the valuation of property, plant and equipment and the impact of this will be recognised as additional depreciation over the lease terms of the sites to which the provision relates.

21 Retirement benefit schemes – defined contribution schemes

Since 13 October 2009, the Company has participated in the IPL Stakeholder Pension Plan, a defined contribution scheme. From 1 January 2014 the Company entered into an auto enrolment scheme in addition to the Stakeholder Pension Plan.

Total contributions to the schemes for the period were £1,782,000 (2021: £1,733,000).

As at 30 December 2022, contributions of £293,000 (2021: £283,000) due in respect of the current reporting period had not been paid over to the schemes.

22 Financial commitments

At the period end, IPL had entered into forward commitments to purchase foreign currency totalling £16,202,000 (2021: £27,460,000).

23 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 Bellis Finco PLC.

International Procurement and Logistics Limited

NOTES TO THE ACCOUNTS

for the period ended 30 December 2022

24 Parent undertaking and controlling party

The Company's 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.

At 30 December 2022 and at the date of approval of the financial statements, the ultimate parent company and controlling party was Bellis Topco Limited, which is incorporated in Jersey and is jointly controlled by the Issa brothers and TDR Capital LLP.

25 Events since the Balance Sheet date

There have been no events occurring between the Balance Sheet date and the date of the approval of the financial statements which require disclosure.