

INTERNATIONAL PROCUREMENT AND LOGISTICS LIMITED

Reports and Financial Statements

25 December 2020

Registered No. 5104448

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# International Procurement and Logistics Limited

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REGISTERED NO. 5104448  
COMPANY INFORMATION

## **DIRECTORS**

M Snell  
J Fallon (resigned 31 December 2020)  
J Fasey (resigned 31 July 2020)  
P Grover (appointed 31 July 2020)  
D Lawlor  
V Rehal  
M Simpson  
M Smith-Hilliard

## **SECRETARY**

V Rehal

## **AUDITORS**

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

## **REGISTERED OFFICE**

ASDA House  
Southbank  
Great Wilson Street  
Leeds  
West Yorkshire  
LS11 5AD  
United Kingdom

## **BANKERS**

Barclays Bank PLC  
10 Hall Place  
Spalding  
Lincolnshire  
PE11 1SR

# **International Procurement and Logistics Limited**

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REGISTERED NO. 5104448  
STRATEGIC REPORT

The directors present their strategic report for the 52 week period ending 25 December 2020.

## **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 (hereafter referred to as “ASDA”).

## **Change in ownership**

The Company is a wholly owned subsidiary of ASDA Group Limited. On 16 February 2021, the ultimate parent company and controlling party of ASDA Group Limited, Walmart Inc. (“Walmart”), completed the sale to Mohsin and Zuber Issa, founders and co-CEOs of EG Group, a global convenience and forecourts retailer, headquartered in Blackburn, UK, and investment funds managed by TDR Capital LLP (“TDR Capital”), a leading UK-based private equity firm, of Walmart's equity interest in ASDA Group Limited. Following this transaction Mohsin and Zuber Issa and TDR Capital will jointly control ASDA Group Limited. This is a non-adjusting post balance sheet event and has no impact on the carrying value of the Company's assets and liabilities at 25 December 2020.

## **Future strategic intention**

The Company's purpose is to provide ASDA with the lowest cost, best quality, sustainable sourcing and supply chain solution. This supports ASDA's delivery of a “low cost operating model”. The Company measures its performance against a balanced set of key performance indicators to ensure it is meeting this purpose.

## **Company profit and dividends**

The profit after taxation for the period was £14,436,000 (2019: £14,096,000). The directors are satisfied with the results and achievements in the period to 25 December 2020 and believe that the future prospects of the Company are sound and consider that the business is adequately financed.

No dividends were paid during the period (2019: £nil).

## **Capital management**

As a wholly owned subsidiary, the capital of IPL was monitored in accordance with the overall capital management policy of the ultimate parent company during the period Walmart Inc. and the primary objective of IPL's capital management policy was to be consistent with the requirements of the ultimate parent.

The consolidated financial statements of the ultimate parent company during the period disclose how Walmart Inc. define and manage capital and meet the Group capital objectives.

## **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's long-term success and reputation are dependent upon maintaining relationships with stakeholders and an appreciation of the external impact of its activities.

The Directors 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.

## International Procurement and Logistics Limited

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### STRATEGIC REPORT (continued)

#### Section 172 statement (continued)

The Statutory Board is comprised of the Managing Director, Group Legal Director, Group Financial Director, Group Operations Director and three Non-Executive Directors. The Operational Board is comprised of the Managing Director, Group Legal Director, Group Financial Director, Group Operations Director, Group IT Director, Group People Director and Senior Director - Trading.

The Statutory Board meets quarterly, with Operational Board meetings taking place for a full day on a monthly basis. In addition to the scheduled programme of Board meetings, the Operational Board and wider senior management team meet weekly, during which feedback from various business units with particular focus on specific stakeholder groups is fed back to the Operational Board members.

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.

#### **Key stakeholder engagement and consideration of s.172 factors**

##### **Investors – ASDA Group Limited**

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, Group Legal Director and Group People Director all have direct 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 have been projects to improve efficiency of production, upgrade IT systems and reduce product waste.
As a wholly-owned subsidiary, ASDA requires IPL to deliver a return on their investment.	Three of ASDA's Senior Leadership team have been appointed to the Statutory Board of IPL, and are 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, with joint strategy days taking place to 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 and the Foreign Corrupt Practices Act ("FCPA"); and reporting on any breaches of Walmart/ASDA's Ethics guidance.
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 Walmart policies were embedded throughout the IPL Group, including Anti-Corruption, Trade Sanctions, Ethics 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 People 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 appraisal 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 'STEP' values by being supportive, trailblazing, engaging and</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>IPL Operational Board champion quarterly awareness campaigns to support colleagues, including topics such as modern slavery and post-Brexit implications for EU colleagues.</p> <p>Colleague Ambassadors are appointed across the operational sites, who organise team events, aim to improve colleague well-being and collate colleague feedback to present concerns or suggestions to the IPL Operational Board.</p> <p>A graduate placement scheme is in place across a range of different disciplines such as finance, operations and trading to provide a broad introduction to the workplace for new graduates and encourage diversity across our operation.</p>

## International Procurement and Logistics Limited

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### STRATEGIC REPORT (continued)

#### Section 172 statement (continued)

##### Suppliers

The trading team, under the direction of the Senior Director –Trading, 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 Principal 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 have continued to focus on improving "payment on time" for suppliers. 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> <p>Walmart operated a responsible sourcing programme that the IPL Statutory Board adopted during the period. This gives suppliers access to training material on ethical and social compliance related subjects.</p>

## International Procurement and Logistics Limited

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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 ensuring that IPL remain ASDA's lowest cost, sustainable supply chain solution. Our sustainable sourcing model supports ASDA's mission to help their customers to save money and live better lives. Members of ASDA's Senior Leadership team have been appointed to the Statutory Board of IPL to ensure there is alignment between ASDA's mission 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 2020 the IPL Operational Board have invested in driving efficiency in our supply chain to ensure the time taken for produce to get from the grower to the ASDA customer is as quick 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 Legal 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 to A* or above.</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 2020.</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

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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 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>IPL Operational Board invest in enhancing the horticultural and food industries in the countries and regions that we source from. This included running a bursary programme for students to attend Stellenbosch University in South Africa during the period.</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>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>IPL Operational Board are working with our suppliers to significantly reduce the amount of plastic packaging used on our products and improve recyclability. During 2020, IPL removed the plastic fork from our salad bowls, reduced the punnet weight on several of our lines and swapped the plastic punnets for a much lighter plastic bag for our bumper root vegetable pack.</p>



# International Procurement and Logistics Limited

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## STRATEGIC REPORT (continued)

### Key Principal Decisions

#### COVID-19

The outbreak of COVID-19 was confirmed in the UK in early 2020 and has been prominent throughout the period. This led to a high level of disruption to UK economic, social and political activity. The directors announced several initiatives to reduce the impact of the virus on our colleagues.

#### *Colleagues*

In March 2020, the Board announced that all vulnerable colleagues, clinically extremely vulnerable colleagues, or and anyone living with someone who was clinically extremely vulnerable, would be able to shield in line with government guidance. In order to support these colleagues we continued to pay them full pay for this duration, which was up to four months. Further, a “Thank You” bonus of up to £500 was made to our operational colleagues who continued to work during the pandemic, in recognition of their extra efforts that protected the health of their colleagues who needed to step away during this time.

#### *Suppliers*

Due to reduced demand for non-food products and significant impacts on certain parts of the Company's supply chain, the Company cancelled purchase orders for some non-food items. In recognition of costs incurred by suppliers in manufacturing the related items the Company made voluntary compensation payments to those suppliers.

In addition, IPL confirmed it would pay small suppliers on shorter payment terms to support their cashflows. These measures reduced the adverse impact of the pandemic on stakeholders within the supply chain and provided the wider economic benefits of helping those businesses to keep operating.

#### Investment in financial system

During the period, the implementation of a new financial system began across the IPL Group, to replace the existing system. The new system which is planned to be fully implemented across the whole IPL Group by 2021, improves the control framework through the introduction of automation, drives consistency of process and integrity of reporting. This investment decision has been made with consideration to the impact on colleagues, suppliers and the long-term growth of the company.

Colleagues across the business have been actively engaged in the implementation of the new system to ensure it is fit for purpose. Where possible, and still retaining a strong control framework, steps have been taken to ensure the new system is intuitive to use, easy to navigate and utilises our colleagues' time more effectively.

The new system shows a clearer audit trail of supplier orders and invoices, ensuring supplier queries can be addressed effectively and commitments tracked through to payment.

#### Supplier engagement

During the period, the IPL Operational Board have continued to work collaboratively with our suppliers and have taken a number of significant steps to strengthen compliance controls. These steps included:

- Training covering compliance and controls delivered to supply chain planning, finance and retail functions.
- New training and tools for IPL colleagues to ensure that written and oral communications to suppliers are clear and unambiguous.
- Monitoring to ensure that the terms agreed with suppliers are fully documented, providing both IPL and suppliers with clarity and confidence.
- Controls and processes to ensure forecasting practices are effective and continue to improve.
- A new claims process to support suppliers by enabling them to challenge where appropriate

Through listening to suppliers, the Directors know that clarity of communication and clear, agreed processes are valued by suppliers and key to developing collaborative relationships between IPL and our supplier base.

#### Events since balance sheet date

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

## International Procurement and Logistics Limited

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### 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 Groceries Supply Code of Practice.

- **Economic risk**

At the date of approval of the Accounts, the Directors recognise that there is still significant economic and social uncertainty surrounding the outbreak and spread of COVID-19. The key risks to the business include;

- changes in customer trends impacting demand for our products
- disruption due to outbreaks of COVID-19 at locations within our supply chain or other related disruption at suppliers which impact on availability; and
- operational impacts due to the maintenance of social distancing and other measures to protect colleagues.

IPL considered the economic impact of the UK's withdrawal from the European Union including the effect on the price and availability of products and impact on our colleagues. A cross-functional working group was in place during the period with its main objective being to manage the impacts to IPL of the UK's withdrawal in order to minimise disruption to our production and ultimately ASDA's customers. As part of this working group, IPL also considered the potential tariff impact and the Customs regime in relation to products imported from the European Union.

- **Resourcing and capability risk**

Retention of key individuals is important for long-term stability and success. There is a risk that we lose key individuals and talent. For further detail on how we drive colleague engagement please see the section 172 statement above.

- **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 the liabilities to suppliers and colleagues.

As detailed in note 23, on 16 February 2021, the ultimate parent company and controlling party of ASDA Group Limited, Walmart Inc. ("Walmart"), completed the sale to Mohsin and Zuber Issa, founders and co-CEOs of EG Group, a global convenience and forecourts retailer, headquartered in Blackburn, UK, and investment funds managed by TDR Capital LLP ("TDR Capital") of the entire issued share capital of the Group. Following this transaction, ASDA Group Limited has access to external borrowing facilities for short-term liquidity requirements, and continues to forecast cash flows to ensure that liabilities can be met as they fall due.

Certain transactions with suppliers are denominated in foreign currency. The commercial and finance teams work together to forecast the timing and level of foreign currency requirements and the ASDA Treasury function buys forward accordingly for certain product categories. Other currency requirements are purchased on the spot market. The business does not have a policy to buy forward or hold foreign currency speculatively. Currency forward contracts are hedge accounted for at a fair value.

## International Procurement and Logistics Limited

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### STRATEGIC REPORT (continued)

#### Principal risks and uncertainties *(continued)*

- **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 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 and regular monitoring was in place during the period in respect of compliance with the UK Bribery Act and US Foreign Corrupt Practices Act

- **Systems risk**

Detailed disaster recovery plans are in place in the event of an incident which could severely affect our ability to trade.

- **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. For further detail on how we address our environmental risks please see the Section 172 Statement and Key Principal Decisions above.

- **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.

- **Cyber security risk**

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 strong cyber security system in place which is closely linked to ASDA's Cyber Security team, which provides insight and detailed analysis of risks and remediations and are continually developing ways to mitigate potential risks.

- **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 the risk.

On behalf of the board:



P Grover  
Director  
20 September 2021

# International Procurement and Logistics Limited

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## DIRECTORS' REPORT

The directors present their report and financial statements for the period ended 25 December 2020.

### **Directors**

The directors during the period are disclosed on page 1.

### **Dividends**

Ordinary dividends of £nil (2019: £nil) were paid during the period.

### **Political and charitable contributions**

During the period, the Company did not make any cash donations to charitable organisations (2019: £nil) and did not make any political donations (2019: £nil).

### **Going concern and future outlook**

The financial statements for the year ended 25 December 2020 have been prepared on a going concern basis as the Directors have determined that the Company has sufficient resources and liquidity facilities to meet its liabilities as they fall due for the period from the date of approval of the accounts to 31 December 2022.

The directors of ASDA Group Limited have provided a letter of support to the Company stating that ASDA Group Limited will provide financial support to the Company should it be required to enable it to continue to meet its liabilities as they fall due from the date of approval of the financial statements up to 31 December 2022.

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

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

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

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

### **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.

# International Procurement and Logistics Limited

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## DIRECTORS' REPORT (continued)

### 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 becomes disabled, 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(1)(b) and 11B(1) (Engagement with UK employees, and regard for suppliers and others) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are also included within the Strategic Report.

## 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 1 of these financial statements.

### Purpose and Leadership

Our 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 has been developed in accordance with our parent company and 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 as "STEP" values (supportive, trailblazing, engaging and principled) and are embedded across the business. They underpin the formal annual colleague appraisal process. Formal annual appraisals take place between the colleague and their line manager, with a half year review as a minimum. This appraisal process informs colleagues' annual pay award and therefore this creates additional incentive to effectively enact these values.

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, appraisals 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 via email, our ethics hotline or through our compliance team. 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 STEP behaviours noted above. The independence of IPL's ethics reporting procedures is achieved by reports being made directly to the ASDA Ethics Team, who had support and reporting lines during the period to the ultimate parent, Walmart Inc. The ASDA Board is made aware of any ethics investigations or breaches within the IPL Group where appropriate.

# International Procurement and Logistics Limited

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## DIRECTORS' REPORT (continued)

### Corporate Governance *(continued)*

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.

### Board Composition

During the period our Board was made up of seven members, three 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. He is 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, Group People Director and Group Legal Director each have individual reporting lines into ASDA and the ultimate parent during the period Walmart, 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, ASDA and Walmart 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 observed detailed corporate governance procedures and policies, much of which was derived from the corporate governance framework mandated by Walmart as the ultimate parent during the period. This set out clear guidelines as to which internal stakeholders within IPL, ASDA and Walmart needed to be aware of or involved in decision making on a relevant matter, ensuring that there were appropriate checks and balances before making decisions - this in turn ensured independent challenge on significant decisions where appropriate. The policies in place are reviewed periodically.

Conflicts were carefully managed and monitored by Walmart as the ultimate parent during the period. An annual process is completed to identify any conflicts. Additionally, on an on-going basis, directors are asked to consider and report on any conflicts. Appropriate safeguards would be implemented in the event of any conflict.

# International Procurement and Logistics Limited

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## DIRECTORS' REPORT (continued)

### Corporate Governance *(continued)*

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, is reliable, 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.

### 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. Please see the Strategic Report for full details of the 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 Walmart or ASDA policies throughout the IPL Group.

### Remuneration

Our parent company, ASDA, is involved in the remuneration and policies that effect 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 productivity. This ensures a balanced focus on meeting our purpose 'The ASDA customer is at the heart of everything we do'.

The Managing Director and Group Legal Director were on a bonus scheme with Walmart 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 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 Walmart corporate governance framework and ensures engagement with ASDA prior to proceeding with certain types of business.

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.

### Events since the balance sheet date

#### *Brexit*

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

# International Procurement and Logistics Limited

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## DIRECTORS' REPORT (continued)

### Events since the balance sheet date (continued)

#### *Change in ownership*

The Company is a wholly owned subsidiary of ASDA Group Limited. On 16 February 2021, the ultimate parent company and controlling party of ASDA Group Limited, Walmart Inc. ("Walmart"), completed the sale to Mohsin and Zuber Issa, founders and co-CEOs of EG Group, a global convenience and forecourts retailer, headquartered in Blackburn, UK, and investment funds managed by TDR Capital LLP ("TDR Capital"), a leading UK-based private equity firm, of Walmart's equity interest in ASDA for an enterprise value of £6.8 billion, on a debt-free and cash-free basis. Under the new ownership structure, Mohsin and Zuber Issa and TDR Capital own 100% of the ordinary shares in Bellis Acquisition Company 3 Limited ("BAC3L") which in turn has acquired the entire issued share capital of ASDA from ASDA's immediate parent at the balance sheet date - ASDA Holdings UK Limited ("AHUKL") - and as such, Mohsin and Zuber Issa and TDR Capital will jointly control ASDA. This is a non-adjusting post balance sheet event and has no impact on the carrying value of the Company's assets and liabilities at 25 December 2020.

Following the sales of its interest in the ordinary share capital of the immediate parent company, Walmart will continue to provide a reduced selection of services to ASDA, including services such as IT and access to innovation and know-how under the Transitional Services Agreement and the Ancillary Services Agreement, for a transitional period.

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

On 16 February 2021, alongside the immediate parent company and fellow wholly owned subsidiaries, the Company pledged certain assets as security for the indebtedness of parent undertakings in the form of a first fixed charge over a freehold property and bank account. On 13 July 2021, the Company was released from its security obligations relating to these assets.

#### *Initial Enforcement Order*

On 20 April 2021, the Competition and Markets Authority ("CMA") published its Phase 1 decision on the Initial Enforcement Order ("IEO") which it previously issued under section 72(2) of the Enterprise Act 2002 on Mr Zuber Issa, Mr Mohsin Issa, TDR Capital LLP ("TDR"), TDR Capital III Holdings L.P., TDR Capital III Investments (2019) L.P., and ASDA Group Limited ("ASDA") in relation to the acquisition by Bellis Acquisition Company 3 Limited ("BAC3L") of ASDA. The decision stated that the CMA believed the transaction gave rise to a realistic prospect of a substantial lessening of competition in the retail supply of road fuel in 36 local areas; and in the retail supply of auto-LPG in one local area.

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

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

#### *Cash pooling arrangement*

On 17 May 2021, the Company has entered into a Notional Cash Pooling Agreement. The Cash Pool is a cash management facility and is secured by means of a composite guarantee which allows the Company, the intermediate parent company ASDA Group Limited and certain other wholly owned subsidiaries of ASDA Group Limited to borrow an amount no greater than the aggregate credit balances in the cash pooled accounts, up to a maximum of £100m. An interest rate of 5% p.a. is applicable on any net aggregate debit balance incurred in the Cash Pool.



# International Procurement and Logistics Limited

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## DIRECTORS' REPORT (continued)

### Events since the balance sheet date *(continued)*

#### *Sale and leaseback*

On 23 June 2021, the Company sold a property with a net book value at 25 December 2020 of £2,863,000 to Bellis Select Warehouses Limited ("BSWL") - a fellow wholly-owned subsidiary of the ultimate parent company at that date, Bellis Holdco Limited - in exchange for an intercompany receivable from BSWL equivalent to the fair value of the property at that date which is in excess of the net book value of the property.

On 13 July 2021, the property was subsequently sold to a third party and leased back to a fellow wholly owned subsidiary of the Group.

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

### Directors' liabilities

During the 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. The insurance was controlled and paid centrally by the ultimate parent company during the period. However, a proportion of this insurance was paid by the Company.

At the point of the sale of the share capital of ASDA Group Limited, the Company's parent, from ASDA Holdings UK Limited to Bellis Acquisition 3 Limited, a new insurance policy was taken out by the Company. Such insurance remains in force at the date of approving the Directors' Report. For a list of directors who held office during the period please refer to the beginning of these financial statements.

### 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  
20 September 2021

# International Procurement and Logistics Limited

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## DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## International Procurement and Logistics Limited

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

#### **Opinion**

We have audited the financial statements of International Procurement and Logistics Limited for the period ended 25 December 2020 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, and the related notes 1 to 23, 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" (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 25 December 2020 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We note the company has received a formal letter of support from ASDA Group Limited (the "Group"), and the directors have considered the ability of the Group to provide support.
- We inspected the formal letter of support, noting it does not contain any caveats.
- To assess the ability of ASDA Group Limited to offer the support we obtained management's going concern assessment, including the cash forecast and forecast covenant calculation which covers the period to 31 December 2022. The Group has modelled a base scenario and a severe but plausible downside scenario in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the Group.
  - We have tested the assumptions included in each modelled scenario for the cash forecast and covenant calculation and we have considered the impact of COVID-19 on the going concern assessment performed by the Directors.
  - We challenged the appropriateness of the methods used to calculate the cash forecasts and covenant calculations and determined that they were appropriately sophisticated to be able to make an assessment on going concern.
  - We have performed procedures over the integrity of the modelling, challenged the cash flows included against external benchmarks and market consensus and the availability of funding included in the assessment.
  - We considered the mitigating factors included in the cash forecasts and covenant calculations that are within control of the Group and agree that they provide potential further liquidity if required. We also verified the credit facilities available to the Group.
  - We have performed reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenant during the going concern period.
- We reviewed the company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

## International Procurement and Logistics Limited

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

#### **Conclusions relating to going concern (continued)**

Following the agreed sale of ASDA Group Limited in February 2021, we have verified that the new financing in place has been entered into post-year end. The financing is held by Bellis Finco plc and Bellis Acquisition plc; however, the ASDA group is responsible for servicing the debt, and as such we have ensured that the Directors have included these costs within their assessment and forecasts.

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 through 31 December 2022.

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

#### **Other information**

The other information comprises the information included in the annual report 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 there is 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 17, 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.

## International Procurement and Logistics Limited

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

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

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks 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 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 non-compliance with such laws and regulations. Our procedures involved journal entry testing on the full population of journals, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of 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.

International Procurement and Logistics Limited

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

**Use of our report**

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

Ernst & Young LLP

Victoria Venning (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds  
20 September 2021

# International Procurement and Logistics Limited

## INCOME STATEMENT

for the period ended 25 December 2020

		<i>Period Ended 25 December 2020 £000</i>	<i>Period Ended 27 December 2019 £000</i>
	<i>Note</i>		
<b>Revenue</b>		666,917	640,871
Cost of sales		(629,933)	(602,916)
<b>Gross profit</b>		36,984	37,955
Administrative expenses		(22,201)	(23,665)
<b>Operating profit</b>	2	14,783	14,290
Financial income	6	95	321
Financial costs	7	(810)	(884)
<b>Profit before taxation</b>		14,068	13,727
Income tax credit	8	368	369
<b>Profit for the period</b>		14,436	14,096

## STATEMENT OF COMPREHENSIVE INCOME

for the period ended 25 December 2020

		<i>Period Ended 25 December 2020 £000</i>	<i>Period Ended 27 December 2019 £000</i>
	<i>Note</i>		
<b>Profit for the period</b>		14,436	14,096
<b>Items to be reclassified to income statement in subsequent periods</b>			
Reclassification during the year to income statement	16	(1,018)	300
Net gain during the year of the not-yet matured contracts	16	717	1,635
Tax on cash flow hedges	16	41	(314)
<b>Other comprehensive (loss)/income for the period</b>		(260)	1,621
<b>Total comprehensive income for the period (attributable to the shareholders)</b>		14,176	15,717

# International Procurement and Logistics Limited

## STATEMENT OF CHANGES IN EQUITY for the period ended 25 December 2020

	<i>Note</i>	<i>Share capital £000</i>	<i>Cash flow hedge £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
<b>Balance at 29 December 2018</b>		100	(730)	120,908	120,278
Profit for the period	16	-	-	14,096	14,096
<b>Other comprehensive income</b>					
Cash flow hedges - gain arising in the period	16	-	1,935	-	1,935
Tax on cash flow hedges recognised directly in equity	16	-	(314)	-	(314)
<b>Balance at 27 December 2019</b>		100	891	135,004	135,995
	<i>Note</i>	<i>Share capital £000</i>	<i>Cash flow hedge £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
<b>Balance at 28 December 2019</b>		100	891	135,004	135,995
Profit for the period	16	-	-	14,436	14,436
<b>Other comprehensive income</b>					
Cash flow hedges - loss arising in the period	16	-	(301)	-	(301)
Tax on cash flow hedges recognised directly in equity	16	-	41	-	41
<b>Balance at 25 December 2020</b>		100	631	149,440	150,171



# International Procurement and Logistics Limited

## BALANCE SHEET as at 25 December 2020

Registration number: 5104448		25 December 2020 £000	27 December 2019 £000
	<i>Note</i>		
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	28,413	27,637
Right-of-use assets	10	31,845	34,351
Goodwill	11	9,570	9,570
Investments in subsidiaries	12	55,251	55,251
Deferred tax asset	8	520	111
		<u>125,599</u>	<u>126,920</u>
<b>Current assets</b>			
Inventories	13	46,985	43,755
Trade and other receivables	14	68,899	62,679
Cash and cash equivalents		100,388	65,844
		<u>216,272</u>	<u>172,278</u>
<b>Total assets</b>		<u>341,871</u>	<u>299,198</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to the owners of the parent</b>			
Called up share capital	15	100	100
Retained earnings	16	149,440	135,004
Cash flow hedge reserve	16	631	891
<b>Total equity</b>		<u>150,171</u>	<u>135,995</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	150,517	121,445
Lease liabilities	18	3,106	2,182
		<u>153,623</u>	<u>123,627</u>
<b>Non-current liabilities</b>			
Lease liabilities	18	30,517	32,574
Provisions	19	7,560	7,002
		<u>38,077</u>	<u>39,576</u>
<b>Total liabilities</b>		<u>191,700</u>	<u>163,203</u>
<b>Total equity and liabilities</b>		<u>341,871</u>	<u>299,198</u>

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



P Grover  
Director  
20 September 2021

# International Procurement and Logistics Limited

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## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 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 25 December 2020 were authorised for issue by the board of directors on 20 September 2021 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 5104448).

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 ASDA Group Limited. The results of the Company are included in the consolidated financial statements of ASDA Group Limited, which are available from ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD. 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 25 December 2020 (‘the period’). The comparative financial year is the 52 weeks ended 27 December 2019 (‘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 of IAS 16 ‘Property, Plant and Equipment’; and
  - Paragraph 118 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 135-135 of IAS 36 ‘Impairment of Assets’.

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

# International Procurement and Logistics Limited

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## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 1 Accounting policies (*continued*)

#### ***Going Concern***

The financial statements for the year ended 25 December 2020 have been prepared on a going concern basis as the Directors have determined that the Company has sufficient resources and liquidity facilities to meet its liabilities as they fall due for the period from the date of approval of the accounts to 31 December 2022. The directors of ASDA Group Limited have provided a letter of support to the Company stating that ASDA Group Limited will provide financial support to the Company should it be required to enable it to continue to meet its liabilities as they fall due from the date of approval of the financial statements up to 31 December 2022.

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

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

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

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

#### ***Prior year restatement***

During the preparation of the operating profit note (note 2) for the 2020 financial statements, management noted an error in the 2019 cost of inventory recognised as an expense disclosure whereby employment costs of £48.2m included in this amount were already separately included in the employment costs line disclosure.

This is corrected by a prior year restatement to previously reported numbers in the operating profit note. The restatement results in a reduction in cost of inventory disclosed as an expense in 2019 from £586.5m to £538.3m. The restatement does not impact any primary statement or other footnote.

#### ***Changes in accounting policy***

None of the standards, interpretations and amendments effective for the first time from 28 December 2019 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.

# International Procurement and Logistics Limited

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## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 1 Accounting policies (*continued*)

#### *Judgements*

Judgements are made with regard to provisions for property provisions (note 19). Judgement is applied in determining whether control exists over entities and whether they should be treated as subsidiaries (note 12). Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

#### *Estimates and assumptions*

Estimates and assumptions are made with regard to inventory net realisable values (note 13), determining appropriate useful economic lives for property, plant and equipment (note 9) and the likelihood that tax assets can be realised (note 8). Actual results may differ from these estimates.

#### *Revenue recognition*

##### *Income from sales to group companies*

Revenue represents income received for the sale of produce to ASDA Stores Limited on both an agency net and gross basis. Sales where IPL controls the goods before transferring to the customer are accounted for within revenue on a gross basis. Revenue is measured at the fair value of the consideration received or receivable and represents commission receivable under agency agreements in respect of goods procured in the normal course of business, net of discounts, VAT and other sales-related 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, VAT and other sales-related taxes.

#### *Financial Income*

Interest receivable comprises interest on funds invested. 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 they fall due. 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

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## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 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
Short leasehold property	- over lease term
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 IAS36 '*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.

#### ***Investments***

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

# International Procurement and Logistics Limited

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## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 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) and leases of low value assets (defined as leases where the cost of the underlying asset is below an internally set materiality threshold). 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 Company adjusted for lease term. Rates are updated on a quarterly basis.

#### *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.

# International Procurement and Logistics Limited

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## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 1 Accounting policies (*continued*)

#### *Leases (continued)*

##### *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.

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.

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.

# International Procurement and Logistics Limited

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## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 1 Accounting policies (*continued*)

#### *Financial instruments (continued)*

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.

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.

#### *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 25 December 2020

### 2 Operating profit

Operating profit is stated after charging:

	<i>Period Ended 25 December 2020</i>	<i>Period Ended 27 December 2019 (Restated)</i>
	<i>£000</i>	<i>£000</i>
Cost of inventory recognised as an expense (excl. employment costs)	560,596	538,345
Employment costs ( <i>note 4</i> )	63,697	62,768
Depreciation of owned property, plant and equipment ( <i>note 9</i> )	7,144	7,054
Depreciation on right-of-use assets ( <i>note 10</i> )	3,534	2,909
Foreign exchange losses	1,626	2,148

During the preparation of the operating profit note for the 2020 financial statements management noted an error in the 2019 cost of inventory recognised as an expense disclosure whereby employment costs of £48.2m included in this amount were already separately included in the employment costs line disclosure.

This is corrected by a prior year restatement to previously reported numbers in the operating profit note. The restatement results in a reduction in cost of inventory disclosed as an expense in 2019 from £586.5m to £538.3m. The restatement does not impact any primary statement or other footnote.

### 3 Auditors' remuneration

	<i>Period Ended 25 December 2020</i>	<i>Period Ended 27 December 2019</i>
	<i>£000</i>	<i>£000</i>
Fees payable to the Company's auditors for the audit of the company financial statements	54	54

# International Procurement and Logistics Limited

## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 4 Employment costs and numbers

	<i>Period Ended 25 December 2020 £000</i>	<i>Period Ended 27 December 2019 £000</i>
Wages and salaries	56,713	56,318
Social security costs	5,251	4,806
Other pension costs ( <i>note 20</i> )	1,733	1,644
	<hr/>	<hr/>
	63,697	62,768
	<hr/>	<hr/>

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

	<i>Period Ended 25 December 2020</i>	<i>Period Ended 27 December 2019</i>
<b>Total</b>		
Production	1,705	1,725
Administrative	377	367
	<hr/>	<hr/>
	2,082	2,092
	<hr/>	<hr/>

	<i>Period Ended 25 December 2020</i>	<i>Period Ended 27 December 2019</i>
<b>Full time equivalents</b>		
Production	1,653	1,687
Administrative	357	356
	<hr/>	<hr/>
	2,010	2,043
	<hr/>	<hr/>

# International Procurement and Logistics Limited

## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 5 Directors' remuneration

	<i>Period Ended 25 December 2020 £000</i>	<i>Period Ended 27 December 2019 £000</i>
Directors' emoluments	1,619	1,676
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 25 December 2020 £000</i>	<i>Period Ended 27 December 2019 £000</i>
Directors' emoluments	642	800
Value of Company pension contributions to defined benefit schemes	-	-
Value of Company pension contributions to defined contribution schemes	-	-

Five (2019: Four) of the directors received remuneration in relation to qualifying services provided to the Company. The directors J Fallon, M Simpson and D Lawlor, are paid by other companies within the ASDA Group or their overall services to the company with no recharge being made to IPL.

### 6 Financial income

	<i>Period Ended 25 December 2020 £000</i>	<i>Period Ended 27 December 2019 £000</i>
Interest on bank deposits	95	321

### 7 Financial costs

	<i>Period Ended 25 December 2020 £000</i>	<i>Period Ended 27 December 2019 £000</i>
Interest on lease liabilities	810	884

# International Procurement and Logistics Limited

## NOTES TO THE ACCOUNTS for the period ended 25 December 2020

### 8 Income tax

	<i>Period Ended 25 December 2020 £000</i>	<i>Period Ended 27 December 2019 £000</i>
<b>Current tax</b>		
UK corporation tax on profit for the period	-	-
Adjustments in respect of prior periods	-	-
<b>Total current tax charge</b>	-	-
<b>Deferred tax</b>		
On profits for the period	316	349
Adjustments in respect of prior periods	21	49
Effect of rate change	31	(29)
<b>Total deferred tax credit</b>	368	369
<b>Total tax credit from continuing operations</b>	368	369

The standard rate of corporation tax in the United Kingdom for the year is 19% (2019: 19%).

On the 3 March 2021, it was announced in the UK Budget that the standard rate of corporation tax in the United Kingdom will increase from 19% to 25% on 1 April 2023. The impact of this rate change has not been recognised in the period ended 25 December 2020 as the change was not substantively enacted at the balance sheet date. Had this rate change been substantively enacted, the deferred tax asset would have increased by £163,000 to £683,000

	<i>Period Ended 25 December 2020 £000</i>	<i>Period Ended 27 December 2019 £000</i>
<b>Profit before tax</b>	14,068	13,727
<b>Tax charge using the UK corporation tax rate of 19% (2019: 19%)</b>	(2,673)	(2,608)
Effects of:		
Non-deductible expenses	(225)	(89)
Adjustments in respect of prior periods	21	49
Adjustments in respect of rate changes	31	(29)
Group relief received for no payment	3,214	3,046
<b>Tax credit for the period</b>	368	369

# International Procurement and Logistics Limited

## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 8 Income tax (continued)

#### Deferred tax

Net deferred tax assets are attributable to the following:

	25 December 2020 £000	27 December 2019 £000
Property, plant & equipment	372	92
Provisions	295	207
Other	(147)	(188)
Net tax asset	520	111

Deferred tax movement during the period:

	27 December 2019 £000	Recognised in income £000	Recognised in other comprehensive income £000	25 December 2020 £000
Property, plant & equipment	92	280	-	372
Provisions	207	88	-	295
Other	(188)	-	41	(147)
	111	368	41	520

Movement in deferred tax during the prior period:

	28 December 2018 £000	Recognised in income £000	Recognised in other comprehensive income £000	27 December 2019 £000
Property, plant & equipment	(199)	291	-	92
Provisions	129	78	-	207
Other	126	-	(314)	(188)
	56	369	(314)	111

# International Procurement and Logistics Limited

## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 9 Property, plant and equipment

	<i>Freehold Land &amp; Buildings £000</i>	<i>Leasehold improvements £000</i>	<i>Plant &amp; Equipment £000</i>	<i>Total £000</i>
<b>Cost</b>				
Balance at 27 December 2019	3,307	10,952	42,027	56,286
Additions	745	2,711	4,507	7,963
Disposals	-	(76)	(1,253)	(1,329)
Balance at 25 December 2020	4,052	13,587	45,281	62,920
<b>Accumulated depreciation</b>				
Balance at 27 December 2019	755	4,820	23,074	28,649
Depreciation charge for the period	334	2,163	4,647	7,144
Depreciation on disposals	-	(70)	(1,216)	(1,286)
Balance at 25 December 2020	1,089	6,913	26,505	34,507
<b>Net book value</b>				
Balance at 27 December 2019	2,552	6,132	18,953	27,637
Balance at 25 December 2020	2,963	6,674	18,776	28,413

At 25 December 2020, the Company had entered into contractual commitments for the acquisition of plant and equipment amounting to £3,594,000 (2019: £2,033,000).

# International Procurement and Logistics Limited

## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 10 Right-of-use assets

	<i>Land &amp; Buildings</i> £000	<i>Plant &amp; Equipment</i> £000	<i>Total</i> £000
<b>Cost</b>			
At 28 December 2019	35,558	1,670	37,228
Additions	1,151	-	1,151
Disposals	(224)	(299)	(523)
	<hr/>	<hr/>	<hr/>
At 25 December 2020	36,485	1,371	37,856
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 28 December 2019	2,299	578	2,877
Charge for the period	3,136	398	3,534
Eliminated on disposal	(215)	(185)	(400)
	<hr/>	<hr/>	<hr/>
At 25 December 2020	5,220	791	6,011
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 27 December 2019	33,259	1,092	34,351
	<hr/>	<hr/>	<hr/>
At 25 December 2020	31,265	580	31,845
	<hr/>	<hr/>	<hr/>

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. They have no purchase options. 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 2 years.

Additions in the year primarily relate to renewals of previously existing leases.

For further details of lease liabilities please see note 18.

# International Procurement and Logistics Limited

## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 11 Goodwill

	£000
<b>Cost and net book value</b>	
Balance at 27 December 2019 and 25 December 2020	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 25 December 2020 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 6.8% and the growth rate used to extrapolate the cash flows beyond the first year is 0.6%.

These assumptions used are aligned with those of the Company's parent group, ASDA Group Limited. 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 Group Limited.

### 12 Investments

<b>Subsidiary Undertakings</b>	£000
Cost and net book value at 27 December 2019 and 25 December 2020	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 25 December 2020

### 12 Investments (continued)

\* The registered address of these companies is ASDA House, Southbank, 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 with the exception of Forza Foods Limited which is indirectly held.

### 13 Inventories

	25 December 2020 £000	27 December 2019 £000
Produce and raw materials	46,985	43,755

### 14 Trade and other receivables

	25 December 2020 £000	27 December 2019 £000
Trade receivables	1,840	491
Amounts receivable from group undertakings	56,142	54,804
Amounts receivable from subsidiary undertaking	349	282
Prepayments and accrued income	10,568	7,102
	68,899	62,679

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 £7,572,000 (2019: £8,919,000) are offset within amounts receivable from group undertakings in the current period.

Amounts receivable from group and subsidiary undertakings are non-interest bearing and generally on 21 day terms.

### 15 Share capital

	No.	£000
<b>Authorised, allotted, called up and fully paid</b>		
At 27 December 2019 and 25 December 2020		
Ordinary shares of £1 each	100,000	100

# International Procurement and Logistics Limited

## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 16 Reserves

	<i>Cash flow hedge £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
<b>Balance at 29 December 2018</b>	(730)	120,908	120,178
Profit for the period	-	14,096	14,096
Cash flow hedges - gain arising in the period	1,935	-	1,935
Tax on cash flow hedges recognised directly in equity	(314)	-	(314)
<b>Balance at 27 December 2019</b>	891	135,004	135,895
<b>Balance at 28 December 2019</b>	891	135,004	135,895
Profit for the period	-	14,436	14,436
Cash flow hedges - loss arising in the period	(301)	-	(301)
Tax on cash flow hedges recognised directly in equity	41	-	41
<b>Balance at 25 December 2020</b>	631	149,440	150,071

The cash flow hedge reserve 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.

### 17 Trade and other payables

	<i>25 December 2020 £000</i>	<i>27 December 2019 £000</i>
Trade payables	139,588	114,394
Amounts owed to group undertakings	782	782
Other taxation and social security costs	5,375	3,604
Accruals and deferred income	3,461	1,780
Other payables	1,311	884
	150,517	121,445

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 £7,572,000 (2019: £8,919,000) 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 25 December 2020

### 18 Lease liabilities

Future minimum lease payments are due as follows:

	25 December 2020 £000	27 December 2019 £000
No later than one year	3,599	2,399
Later than one year and no later than five years	13,443	16,088
Later than five years	21,862	23,045
	<u>38,904</u>	<u>41,532</u>
Lease finance charges allocated to future periods	(5,281)	(6,777)
	<u>33,623</u>	<u>34,755</u>

There are no instances at 25 December 2020 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:

	25 December 2020 £000
Depreciation - land and buildings right-of-use assets	3,136
Depreciation - plant and equipment right-of-use assets	398
	<u>3,534</u>
Interest expense related to lease liabilities	810
Total amount recognised in Income Statement	<u>4,344</u>

### 19 Provisions

<b>Movement in dilapidations provisions during the period</b>	<b>£000</b>
At 27 December 2019	7,002
Increase due to unwinding of discount	174
Provided during the period	384
	<u>7,560</u>
At 25 December 2020	<u>7,560</u>

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.

# International Procurement and Logistics Limited

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## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 20 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 £1,733,000 (2019: £1,644,000).

As at 25 December 2020, contributions of £266,000 (2019: £276,000) due in respect of the current reporting period had not been paid over to the schemes.

### 21 Financial commitments

At the period end, IPL had entered into forward commitments to purchase foreign currency totalling £35,600,000 (2019: £25,116,000).

### 22 Parent undertaking and controlling party

During the period, the Company's immediate parent undertaking was ASDA Stores Limited, a company incorporated in England and Wales.

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

During the period, the ultimate parent company and controlling party was Walmart Inc. which is incorporated in the USA. Copies of its consolidated financial statements, which include this company, can be obtained from the Company Secretary, Walmart Inc., Corporate Offices, 702 SW 8th Street, Bentonville, AR72715, USA.

At the date of approval of the financial statements, the ultimate parent company is Bellis Holdco Limited which is jointly controlled by the Issa brothers and TDR Capital LLP. See note 23 for changes since the Balance Sheet date.

### 23 Events since the Balance Sheet date

#### *Brexit*

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

#### *Change in ownership*

The Company is a wholly owned subsidiary of ASDA Group Limited. On 16 February 2021, the ultimate parent company and controlling party of ASDA Group Limited, Walmart Inc. ("Walmart"), completed the sale to Mohsin and Zuber Issa, founders and co-CEOs of EG Group, a global convenience and forecourts retailer, headquartered in Blackburn, UK, and investment funds managed by TDR Capital LLP ("TDR Capital"), a leading UK-based private equity firm, of Walmart's equity interest in ASDA Group Limited for an enterprise value of £6.8 billion, on a debt-free and cash-free basis. Under the new ownership structure, Mohsin and Zuber Issa and TDR Capital own 100% of the ordinary shares in Bellis Acquisition Company 3 Limited ("BAC3L") which in turn has acquired the entire issued share capital of ASDA Group Limited from ASDA Group Limited's immediate parent at the balance sheet date - ASDA Holdings UK Limited ("AHUKL") - and as such, Mohsin and Zuber Issa and TDR Capital will jointly control ASDA Group Limited. This is a non-adjusting post balance sheet event and has no impact on the carrying value of the Company's assets and liabilities at 25 December 2020.

Following the sales of its interest in the ordinary share capital of the immediate parent company, Walmart will continue to provide a reduced selection of services to ASDA Group Limited, including services such as IT and access to innovation and know-how under the Transitional Services Agreement and the Ancillary Services Agreement, for a transitional period.

# International Procurement and Logistics Limited

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## NOTES TO THE ACCOUNTS

for the period ended 25 December 2020

### 23 Events since the Balance Sheet date (*continued*)

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

On 16 February 2021, alongside the immediate parent company and fellow wholly owned subsidiaries, the Company pledged certain assets as security for the indebtedness of parent undertakings in the form of a first fixed charge over a freehold property and bank account. On 13 July 2021, the Company was released from its security obligations relating to these assets.

#### *Initial Enforcement Order*

On 20 April 2021, the Competition and Markets Authority ("CMA") published its Phase 1 decision on the Initial Enforcement Order ("IEO") which it previously issued under section 72(2) of the Enterprise Act 2002 on Mr Zuber Issa, Mr Mohsin Issa, TDR Capital LLP ("TDR"), TDR Capital III Holdings L.P., TDR Capital III Investments (2019) L.P., and ASDA Group Limited ("ASDA") in relation to the acquisition by Bellis Acquisition Company 3 Limited ("BAC3L") of ASDA. The decision stated that the CMA believed the transaction gave rise to a realistic prospect of a substantial lessening of competition in the retail supply of road fuel in 36 local areas; and in the retail supply of auto-LPG in one local area.

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

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

#### *Cash pooling arrangement*

On 17 May 2021, the Company has entered into a Notional Cash Pooling Agreement. The Cash Pool is a cash management facility and is secured by means of a composite guarantee which allows the Company, the intermediate parent company ASDA Group Limited and certain other wholly owned subsidiaries of ASDA Group Limited to borrow an amount no greater than the aggregate credit balances in the cash pooled accounts, up to a maximum of £100m. An interest rate of 5% p.a. is applicable on any net aggregate debit balance incurred in the Cash Pool.

#### *Sale and leaseback*

On 23 June 2021, the Company sold a property with a net book value at 25 December 2020 of £2,863,000 to Bellis Select Warehouses Limited ("BSWL") - a fellow wholly-owned subsidiary of the ultimate parent company at that date, Bellis Holdco Limited - in exchange for an intercompany receivable from BSWL equivalent to the fair value of the property at that date which is in excess of the net book value of the property.

On 13 July 2021 the property was subsequently sold to a third party and leased back to a fellow wholly owned subsidiary of the Group.

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