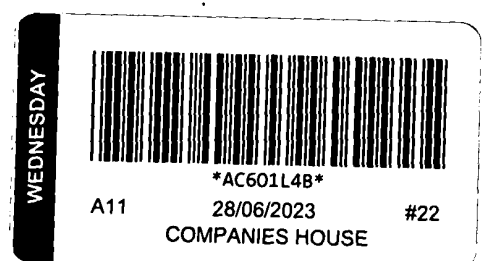


Registration number: 12855280

Bellis Acquisition Company PLC

Annual Report and Financial Statements

for the Year Ended 31 December 2022



Company Information

Directors	M Dale
	M Issa
	Z Issa
	G Lindsay
Company secretary	I Patel
Registered office	Waterside Head Office Haslingden Road Guide Blackburn BB1 2FA UK
Auditors	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR

Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

Principal activity

Bellis Acquisition Company PLC was incorporated on 3 September 2020. The principal activity of Bellis Acquisition Company PLC ("the Company") is an intermediate holding and group financing company.

Results and Dividends

The profit on ordinary activities after taxation amounted to £1,753,854,000 (2021: £86,776,000 loss).

An additional senior facility with a par value of £200.0m was entered into on 28 October 2022 in order to fund the acquisition of Arthur Foodstores Limited. This facility attracts interest of SONIA +7.75% per annum and payments of interest are made on a semi-annual basis. The loan matures on 28 October 2023 and has therefore been classified as current.

No dividends were paid in the year (2021: £nil).

Section 172 statement

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

The directors of the Company (the "Directors") are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the CA 2006 and are keen to ensure proper reflection on stakeholder engagement and issues at Director level and promote continuous reflection on opportunities for development. The Company does not itself engage with suppliers or customers and the Company has no employees. The Company has interests in subsidiary undertakings, including an indirect ownership of the ASDA Group Limited group ("ASDA"), which is responsible for relationships with external stakeholders including suppliers, customers and employees. Further details of how ASDA engages with its stakeholders can be found in the Bellis Finco PLC Consolidated Financial Statements.

During the prior period, the Company raised finance through the issue of senior secured notes, term loans, bridge loans, intercompany debt and equity share capital to finance the acquisition of ASDA during the prior period by a wholly-owned indirect subsidiary of the Company, Bellis Acquisition Company 3 Limited ("BAC3"). The Investors and Debt Holders sections of this statement detail how the Directors engage with the providers of this finance to the Company, its parent companies and its subsidiaries (together "the Group") as a whole.

The Company's intermediate parent undertaking, Bellis Topco 2 Limited also plays an important role in the governance of the operations of the Company. This includes consideration and approval of key commercial decisions which materially impact the Company, its stakeholders and its operations. All of the Directors are also directors of Bellis Topco 2 Limited. Where individuals are directors of separate legal entities within the Group, they are aware of their separate responsibilities regarding each of these legal entities.

Strategic Report for the Year Ended 31 December 2022 (continued)

Key Stakeholder Engagement

Investors

Funds managed by TDR Capital LLP ("TDR"), along with Mohsin Issa and Zuber Issa (the "Issa Brothers"), are key stakeholders of the Company who together have provided equity capital which, alongside the raising of external debt finance, has been used to fund the acquisition of ASDA and as such, these stakeholders jointly control the Company.

In addition, the former ultimate parent of ASDA Group Limited, Walmart Inc. ("Walmart"), has provided finance to an intermediate parent of the Company which formed part of the initial intercompany debt funding of the Company during the prior period.

Why?

During the year, TDR and the Issa Brothers have been the key providers of equity capital to the Company.

Through its investment in Bellis Topco 2 Limited, Walmart Inc. is also an investor in the Company.

How we engage and key outcomes

The Directors of the Company are key representatives of the investors. Manjit Dale and Gary Lindsay represent the interests of TDR and the Issa Brothers represent their own shareholder interest in the Company. As there are direct lines of communication between the investors and the Directors, this allows the investors' views and interests to be represented through the decision-making process.

As part of the funding for the acquisition of ASDA during the prior period, an intermediate parent of the Company, Bellis Topco 2 Limited ("Bellis Topco 2"), issued preference shares to a subsidiary of ASDA's previous ultimate parent company, Walmart Inc. ("Walmart") and the funds raised from this issue formed part of the initial intercompany debt funding of the Company. The Board of Bellis Topco 2 includes a director who is a member of Walmart's senior leadership team. As a result, the Directors of the Company engage with Walmart via meetings of the Bellis Topco 2 Board.

Strategic Report for the Year Ended 31 December 2022 (continued)

Debt Holders

The Company is partially funded by external debt finance. As a result, the holders of the Company's various debt instruments (together, the "Debt Holders") are key stakeholders of the Company.

Why?

In line with the requirements of the contractual terms of the external debt and to ensure that the debt holders are aware of the financial position and performance of the Bellis Finco PLC Group ("the Group"), in which this Company is consolidated, key events impacting the Group in the year and other factors that impact their interests as lenders to the Group, a quarterly call is held with these stakeholders.

How we engage and key outcomes

On a quarterly basis, members of the senior management of the Group to whom authority has been delegated by the Directors, in accordance with the Group's Disclosure Policy, present the results of the Group to the debt holders. During the year, this consisted of the delivery of interim financial statements prepared at the consolidated Bellis Finco PLC level under UK-adopted International Accounting Standards (IAS 34) accompanied by an investor presentation which included relevant information about the Group, and a conference call. This allows direct communication between the Directors and these stakeholders. The Group must also adhere to financial covenants imposed by the debt agreements and report compliance to the debt holders.

Further to this, the debt holders are able to provide feedback to the Directors via the Investor Relations team on an ongoing basis, enabling two-way dialogue between the Directors and debt holders throughout the period.

Employees

The Company itself does not have any employees. ASDA Stores Limited is the Group's principal employer. In accordance with the Group's governance policies, all decisions material to the operating and employer entities within the Group are taken by the directors of those entities with direction, oversight and approval from the Executive Committee of ASDA Group Limited and directors of Bellis Topco 2 Limited where required.

Suppliers, customers and others in a business relationship with the Company

The Company does not itself engage with any suppliers or customers, this is managed on their behalf by fellow subsidiaries. All decisions material to relationships with the Group's suppliers, customers and other relevant stakeholders are taken by the boards of directors of the entities that have those relationships, with direction, oversight and approval from the board of directors of ASDA Group Limited and Bellis Topco 2 Limited where required.

Further detail of how the directors of the Group's key operating and employer entities engage with employees, suppliers, customers and other stakeholders; and have regard to their interests and the effect of that regard on the principal decisions taken by those entities in the year, are set out in the strategic report contained within the financial statements of Bellis Finco PLC for the year ended 31 December 2022.

Where relevant to any decision required to be made by the Directors, the outcome of relevant stakeholder engagement as undertaken by and/or provided to directors of the Group's key operating and employer entities are fed back to and form part of the discussions of the Directors when decisions are being considered and made. This ensures that the interests of and relationships with those stakeholders are taken into account when Company level decisions are made.

Strategic Report for the Year Ended 31 December 2022 (continued)

Key performance indicators, principal risks and uncertainties

During the prior period, the Company became party to a number of covenants associated with external borrowings. There is a risk that the covenants attached to these borrowing are not met which could result in penalties and adversely impact the Company's ability to secure funding in the future. As such, covenant compliance is continuously monitored and managed.

The Company is subject to the risk that its capital structure may not be sufficient to support the growth of its business and maintain its existing credit rating. The capital structure of the Company consists of debt obligations (including the Senior Facilities, the Senior Secured Notes and the term loans) and equity (issued share capital, share premium and reserves). Part of the Company's capital risk management strategy is to monitor a broad range of financial metrics and manage compliance with financial covenants relating to the Company's debt obligations.

The Treasury function ensures that the Company and its subsidiaries continue to have sufficient funding by monitoring rolling forecasts of the cash flows of the Company and its subsidiaries, which includes the Company's ability to service its debt obligations. The objective of the Company and its subsidiaries is to maintain a balance between continuity of funding and flexibility using operating cash flows, intercompany balances and external sources of funding.

The Company is exposed to interest rate risk on its floating rate liabilities (based on SONIA (previously LIBOR) and EURIBOR) primarily comprising the Senior Facilities, which consist of the Revolving Credit Facility, Facility A, Facility B and a bridge loan entered into during the year. The EURIBOR interest rate risk on Facility B is hedged through entering into cross-currency interest rate swaps to fix the interest payments in pound sterling.

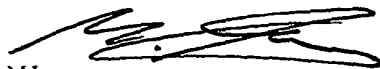
The Company is party to a floating rate Euro denominated loan - Term Loan B. The non-GBP interest and principal repayment cash flows from the Euro debt agreement expose the Company to fluctuations in foreign exchange rates that impact profit or loss.

Under the hedging policy of the Company and its subsidiaries, the Company hedges both the foreign exchange and interest rate risk associated with a portion of the Company's Euro denominated debt using EUR-GBP cross currency interest rate swap contracts to effectively eliminate variability in the Company's functional currency equivalent cash flows due to variability in the EUR-GBP exchange rate and the variable interest rate. The hedge ratio is 100% on a current notional basis.

Other climate-related issues, for example adverse weather, may have a significant impact on the operations, property, supply chain, particularly in fresh, and the ability to maintain availability on the shelves of the ASDA Group Limited Group, which is a Group which the Company has an indirect investment in.

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

Approved by the Board on 28 April 2023 and signed on its behalf by:



M Issa,
Director

Directors' Report for the Year Ended 31 December 2022

The Directors present their Directors' Report and the audited financial statements for the year ended 31 December 2022.

The Company was incorporated on 3 September 2020. The Company changed its accounting reference date in the prior period from 30 September to 31 December to align its accounting reference date with that of its parent company, Bellis Finco PLC (together with its subsidiaries, the "Bellis Finco Group"). As a result, the comparative amounts presented in the financial statements are not entirely comparable and represent the period from 3 September 2020 to 31 December 2021.

Directors of the company

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

M Dale

M Issa

Z Issa

G Lindsay

Future developments

The Company will continue to operate on the same basis for the foreseeable future.

Going concern

The financial statements for the year ended 31 December 2022 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 30 June 2024. The directors of Bellis Finco PLC Group ("the Group") have provided a letter of support to the Company stating that Bellis Finco PLC will provide financial support to the Company to enable it to continue to meet its liabilities as they fall due from the date of approval of the financial statements up to 30 June 2024.

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

The Group's Treasury function ensures that the Group continues to have sufficient funding by monitoring rolling forecasts of the Group's cash flows and maintaining a sufficient level of standby facilities via the Revolving Credit Facility. Any capital repayments of long-term financing are forecast in the cash flow model used in the going concern scenarios. The Revolving Credit Facility remains undrawn at the year end and no utilisation is forecast in the base case cash flow model. For more information on liquidity risk and maturity of financial liabilities see note 19 in the Bellis Finco PLC accounts.

In assessing Bellis Finco PLC's ability to provide support to the Company, the Directors have tested the ability of the Group to meet its liabilities as they fall due from the date of approval of the accounts to 30 June 2024, in the event of various cash flow scenarios, including a severe but plausible downside scenario. This scenario applies severe but plausible economic downsides to a base case forecast, modelling the impact of a decline of the Group's participation in the UK grocery market compared to planned growth alongside the risk of fuel margin decline, inflationary pressures and risk of not achieving forecast levels of cost transformation activities. Furthermore, the Directors have considered the likely impacts on the business of levels of geo-political instability and uncertainty arising out of external events which are ongoing at the date of approval of the financial statements. The Directors are satisfied that the potential economic impacts of these events are adequately taken into account in the severe but plausible downside scenario.

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

Directors' Report for the Year Ended 31 December 2022 (continued)

In the severe but plausible downside scenario the maximum utilisation of the RCF is 4%. Where management do not implement any mitigating actions the maximum utilisation of the RCF is 31%. The Directors consider that a scenario with no mitigating actions is not realistic as all modelled mitigating actions are readily accessible. The Group is subject to a maintenance covenant whereby the senior secured net leverage ratio cannot exceed 4.90:1. This covenant is required to be tested if, as at the quarter end, drawings on the RCF exceed 40% of the facility. The Directors have also considered whether the above scenarios trigger the requirement to test the Group's financial covenant and have confirmed that there would be no requirement to test financial covenants under the cashflow scenarios modelled during the going concern period.

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

Furthermore, the Directors have considered the potential impact of strategic options which would further accelerate the Group's ability to achieve its growth ambitions. These include, but are not limited to, investments to enable organic growth as well as significant potential acquisition opportunities, some of which may require additional capital and funding required to execute these opportunities.

Whilst no options have reached the commitment stage, the impact of the most advanced of these options, including incremental capital and funding requirements, has been modelled based on the Directors' best estimate of the assumptions required for the initial investment, terms of financing and post-acquisition trading. In addition to undertaking normal diligence processes before committing to such a strategic option, and in accordance with the Group's established governance framework as outlined on pages 23-30 of the Strategic Report of Bellis Finco PLC, the Boards of the controlling parent (Bellis Topco 2 Limited) and of the Company have approved a resolution that sets out the required financial and associated criteria that must apply for the most advanced strategic option to be executed in the going concern review period. Such criteria include, inter alia, not progressing until appropriate financing is in place within specified cost parameters which ensure both affordability and the ability of the Group to continue to meet its liabilities and covenant requirements in the going concern period.

For the most advanced strategic option, the Group has modelled a potential severe but plausible downside scenario of the combined Group, which includes, where relevant, sensitivities of the post-acquisition trading and any assumed synergies. In such scenarios, the Group maintains sufficient liquidity and covenant headroom in the going concern period, having applied mitigations under the control of management where necessary.

Whilst the most advanced strategic option (and any related finance) are not committed to, as of the date of approval of the financial statements, the Directors consider that the governance processes outlined in this note will ensure that if the modelled strategic option were committed to, that this would not impact the ability of the Group to meet its liabilities for the going concern period to 30 June 2024.

Thus, the Directors of the Company and the Group have concluded that it is appropriate to adopt the going concern basis without any material uncertainties.

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

Dividends

Dividends paid are detailed in the Strategic Report.

Directors' Report for the Year Ended 31 December 2022 (continued)

Events since the balance sheet date

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

Financial instruments

The Company's financial risk and management objectives are detailed in the Strategic Report and policies are further discussed in note 1.

Directors' liabilities

During the year, the Directors were insured against liability in respect of proceedings brought by third parties, subject to the limitations set out in the Companies Act 2006.

Disclosure of information to the auditors

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

Reappointment of auditors

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

Approved by the Board on 28 April 2023 and signed by:



M Issa
Director

Statement of Directors' Responsibilities

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

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

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

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

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

Independent Auditor's Report to the Members of Bellis Acquisition Company PLC

Opinion

We have audited the financial statements of Bellis Acquisition Company plc (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and the related notes 1 to 15, 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 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

- We obtained management's going concern assessment which was predicated on a parent support letter received from Bellis Finco plc.
- We inspected the parent support letter, noting it did not contain caveats or limitations on providing support for the going concern period (to 30 June 2024).
- In order to evaluate the ability of Bellis Finco plc to provide the support, we performed the following procedures on the going concern assessment of Bellis Finco plc group (the "Group"):
 - Determined whether, in our judgement, the process applied by management in making their assessment of going concern, including supporting cash flow forecasts to 30 June 2024 and covenant compliance calculations, was fit for purpose;
 - Assessed key assumptions used both in the base case and in the severe but plausible downside scenario forecasts by reference to historical data and external market perspectives;
 - Assessed whether we considered the downside sensitivities to be appropriately severe in the current retail grocery market;
 - Corroborated key assumptions in the group forecasts (e.g. market share, product price, mix and volume, cost inflation and finance costs) to other evidence including external research, historical performance and internal sector specialists, and ensuring this was consistent with our audit work in other areas;
 - Tested the mathematical accuracy of management's cash flow models;
 - Reperformed the Group's covenant compliance test calculations to determine if the covenant tests apply in the base case or downside scenarios;
 - For the strategic growth option modelled by management, performed the same procedures as outlined above for the related base case and downside scenarios plus a further assessment of the related financing structure and terms required to provide sufficient liquidity and covenant headroom;

Independent Auditor's Report to the Members of Bellis Acquisition Company PLC (continued)

- Assessed the Directors' and Shareholders' commitment through a Board resolution to only progress the most advanced strategic option if the terms of the funding were within prescribed boundaries that would not cause a breach of facilities under the various scenarios modelled;
- Reviewed the disclosures in the financial statements relating to the going concern basis of preparation and evaluating that these provided an explanation of the Directors' assessment that was consistent with the audit evidence we obtained; and
- As a part of the governance processes documented by the Board, there is a commitment to only progress the most advanced strategic option with funding arrangements that will secure adequate liquidity and covenant headroom through the going concern review period.

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 Group's and the company's ability to continue as a going concern for the going concern period to 30 June 2024. Going concern has also been determined to be a key audit matter.

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 conclusion is not a guarantee as to the Group's and the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none">• Going concern• Investment and intercompany receivable recoverability
Materiality	<ul style="list-style-type: none">• Overall materiality of £46.9m which represents 2.0% of equity.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact Bellis Acquisition Company plc. The company has determined that the most significant future impacts from climate change on its operations will be physical risk and the impact it could have on operations, property and supply chain. This is explained on page 5 in the principal risks and uncertainties. These disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

Our audit effort in considering climate change was focused on the adequacy of the company's disclosures in the financial statements and conclusion that no issues were identified that would impact the carrying value of long-lived assets held by the company or have any other impact on the financial statements.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Bellis Acquisition Company PLC (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Investment and intercompany receivable recoverability</p> <p>Refer to Accounting policies (pages 23-25); and Notes 4 and 9 of the Financial Statements (pages 26-29 and 35)</p> <p>The Balance Sheet includes investments of £800.0m, non-current intercompany receivables of £5,705.1m and current intercompany receivables of £203.7m.</p> <p>There is a risk that the carrying value of the investment in subsidiary undertakings is impaired. The investment value is primarily in two indirect subsidiaries being ASDA Stores Limited – a retail trading business, and McLagan Investments Limited – a property investment entity.</p> <p>There is also a risk that the intercompany receivables due from subsidiary undertakings are not recoverable, or management do not appropriately recognise an expected credit loss in accordance with IFRS 9 Financial Instruments.</p>	<p>Investments</p> <p>We obtained management's investment impairment model which calculates the value-in-use of the indirect trading subsidiary group of ASDA Group Limited and checked it for clerical accuracy.</p> <p>We performed a walkthrough of the investment impairment model and evaluated the design and implementation of key controls.</p> <p>We challenged the following key assumptions within the forecast information in the model by performing the procedures below:</p> <ul style="list-style-type: none"> • Discount rate: by using our Valuation specialists to assess the appropriateness of the rate used by reference to a reasonable range; • Sales growth: by comparison to industry forecasts for 2023-2027; • Margin: by comparison to historical trends in recent years; • Long-term growth rate: by reference to the long term UK inflationary target as set by Bank of England, which has been deemed to be an appropriate reference for the expected long term UK retail market growth. <p>We searched for contrary evidence in external industry reports to assess the reasonableness of each assumptions above.</p> <p>We performed sensitivity analysis to determine the level of decline in sales and margin that would give rise to an impairment. We then assessed the likelihood of these sensitised assumptions occurring.</p> <p>Intercompany receivables</p> <p>We performed a walkthrough of the intercompany impairment model and evaluated the design and implementation of key controls.</p> <p>We agreed the intercompany receivables to the corresponding balances in the general ledgers of the counterparties.</p> <p>We audited the intercompany settlement step-plan prepared by management by considering: the liquidity of each company and its ability to settle any intercompany balances and where recoverability assumed any sale of investments. We evaluated the value in use of those investments by challenging the key assumptions, as described previously.</p> <p>We performed an independent expected credit loss calculation and compared this to the assessment performed by management.</p>	<p>We consider the carrying values of the investment in subsidiaries to be supportable.</p> <p>We concluded the intercompany receivable balance is recoverable, with no material credit loss provision required at 31 December 2022.</p>

Independent Auditor's Report to the Members of Bellis Acquisition Company PLC (continued)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £46.9m (2021: £1.6 million), which is 2% (2021: 2%) of Equity. Materiality has significantly increased compared to the prior year due to capital contributions and dividends received in the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2021: 50%) of our planning materiality, namely £35.2m (2021: £0.8m). We have set performance materiality at this percentage due to there being no material misstatements in the prior year.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.3m (2021: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2-8, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Bellis Acquisition Company PLC (continued)

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 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report to the Members of Bellis Acquisition Company PLC (continued)

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

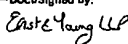
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are frameworks directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice) and the relevant tax laws in the United Kingdom.
- We understood how the company is complying with those frameworks making inquiries of members of management, Legal & Compliance, and Group Internal Audit. We corroborated our inquiries through our review of Group board minutes and other similar papers of the company and Group, we also considered the controls and processes management has in place to monitor compliance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud. This included consideration of how the company's 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 extended trial balance adjustments 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 testing manual extended trial balance adjustments and large or unusual transactions of the company based on our understanding of the business; additionally, we performed inquiries of management, Legal & Compliance, and Group Internal Audit. We also completed procedures to conclude on the compliance of the disclosures in the Financial Statements with the requirements of the relevant accounting standards, and UK legislation.

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

Use of our report

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

DocuSigned by:

CBF558DE68904AC...

Kate Jarman

For and on behalf of Ernst & Young LLP, Statutory Auditor

28 April 2023

Date.....

Income Statement for the Year Ended 31 December 2022

		Year Ended 31 December 2022 £ 000	Period ended 31 December 2021 £ 000
	Note		
Operating costs	3	<u>(154)</u>	<u>(3,404)</u>
Operating loss		(154)	(3,404)
Finance income	5	2,044,552	239,752
Finance costs	6	<u>(290,552)</u>	<u>(323,153)</u>
Profit/(loss) on ordinary activities before taxation		1,753,846	(86,805)
Income tax credit	8	<u>8</u>	<u>29</u>
Profit/(loss) for the financial year/period		<u><u>1,753,854</u></u>	<u><u>(86,776)</u></u>

The above results were derived from continuing operations.

Statement of Comprehensive Income for the Year Ended 31 December 2022

		Year ended 31 December 2022 £ 000	Period ended 31 December 2021 £ 000
	Note		
Profit/(loss) for the year/period		<u>1,753,854</u>	<u>(86,776)</u>
Items that may be reclassified subsequently to profit or loss			
<i>Cross-currency hedge:</i>			
Reclassification during the year/period to income statement		(35,450)	34,555
Net gain/(loss) during the year/period on not-yet matured contracts		54,934	(25,522)
Tax on cash flow hedges recognised directly in other comprehensive income	8	(4,836)	(2,415)
Currency basis movements on cost of hedging reserve		1,614	(600)
Time-value movements on cost of hedging reserve		<u>(1,753)</u>	<u>1,229</u>
		<u>14,509</u>	<u>7,247</u>
Other comprehensive income for the year/period		<u>14,509</u>	<u>7,247</u>
Total comprehensive income/(loss) for the year/period		<u><u>1,768,363</u></u>	<u><u>(79,529)</u></u>

Statement of Changes in Equity for the Year Ended 31 December 2022

	Note	Share capital £ 000	Capital contribution reserve £ 000	Cash flow hedge £ 000	Cost of hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 3 September 2020		-	-	-	-	-	-
Loss for the period	11	-	-	-	-	(86,776)	(86,776)
Cash flow hedges - reclassified during the period to Income Statement		-	-	34,468	87	-	34,555
Net loss during the period on cross-currency swap		-	-	(25,522)	-	-	(25,522)
Tax on cash flow hedges recognised directly in other comprehensive income	8	-	-	(2,415)	-	-	(2,415)
Currency basis movements on cost of hedging reserve		-	-	-	(600)	-	(600)
Time-value movements on cost of hedging reserve		-	-	-	1,229	-	1,229
Ordinary share capital issued		50	-	-	-	-	50
Balance at 31 December 2021		50	-	6,531	716	(86,776)	(79,479)
Balance at 1 January 2022		50	-	6,531	716	(86,776)	(79,479)
Profit for the year	11	-	-	-	-	1,753,854	1,753,854
Cash flow hedges - reclassified during the year to Income Statement		-	-	(35,550)	100	-	(35,450)
Net gain during the year on cross-currency swap		-	-	54,934	-	-	54,934
Tax on cash flow hedges recognised directly in other comprehensive income	8	-	-	(4,836)	-	-	(4,836)
Currency basis movements on cost of hedging reserve		-	-	-	1,614	-	1,614
Time-value movements on cost of hedging reserve		-	-	-	(1,753)	-	(1,753)
Capital contribution	11	-	657,454	-	-	-	657,454
Balance at 31 December 2022		50	657,454	21,079	677	1,667,078	2,346,338

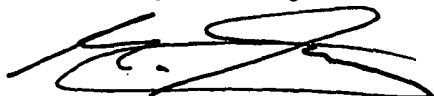
Balance Sheet as at 31 December 2022

Registration number: 12855280

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Assets			
Non-current assets			
Investments	4	800,000	800,000
Intercompany receivables	9	<u>5,705,085</u>	<u>5,954,057</u>
		<u>6,505,085</u>	<u>6,754,057</u>
Current assets			
Derivative asset	9	36,009	-
Cash and cash equivalents	12	460	190
Intercompany receivables	9	<u>203,707</u>	<u>-</u>
		<u>240,176</u>	<u>190</u>
Total assets		<u><u>6,745,261</u></u>	<u><u>6,754,247</u></u>
Equity and liabilities			
Equity			
Called up share capital	10	50	50
Capital contribution reserve	11	657,454	-
Cash flow hedge reserve	11	21,079	6,531
Cost of hedging reserve	11	677	716
Retained earnings	11	<u>1,667,078</u>	<u>(86,776)</u>
Total equity		<u>2,346,338</u>	<u>(79,479)</u>
Non-current liabilities			
Borrowings	7	3,634,545	3,590,729
Intercompany payables	13	498,933	3,066,644
Deferred tax liabilities	8	<u>7,214</u>	<u>2,386</u>
		<u>4,140,692</u>	<u>6,659,759</u>
Current liabilities			
Trade payables, other payables and derivative liabilities	13	37,942	53,540
Borrowings	7	209,750	-
Intercompany payables	13	<u>10,539</u>	<u>120,427</u>
		<u>258,231</u>	<u>173,967</u>
Total liabilities		<u>4,398,923</u>	<u>6,833,726</u>
Total equity and liabilities		<u><u>6,745,261</u></u>	<u><u>6,754,247</u></u>

Approved by the Board on 28 April 2023 and signed on its behalf by:

M Issa
Director



Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies

Authorisation of financial statements

These financial statements of the Company for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 28 April 2023. The Company is incorporated and domiciled in England and under the Companies Act 2006 (registered number 12855280).

Statement of compliance

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

Basis of preparation

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

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

The Company changed its accounting reference date in the prior period from 30 September to 31 December to align its accounting reference date with that of its parent company, Bellis Finco PLC (together with its subsidiaries, the "Bellis Finco Group"). As a result, the comparative amounts presented in the financial statements are not entirely comparable and represent the period from 3 September 2020 to 31 December 2021.

The Company is currently working to identify the physical risk to our business and supply chains from the changing climate, along with the potential impact of policy, technology and market changes as we transition to a lower carbon future. This is a developing area with inherent uncertainty which is constantly evolving. The work being undertaken will be embedded in the risk management framework of Bellis Finco PLC, the company's immediate parent, to help inform the overall response to the risks and opportunities that are identified. Our assessment to date has not identified material expenditure arising out of the impact of climate-related risk and this is reflected in the financial forecasts used to assess the going concern basis and to determine the recoverable amount of long-lived assets. Management will continue to monitor this in future periods.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Going concern

The financial statements for the year ended 31 December 2022 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 30 June 2024. The directors of Bellis Finco PLC Group ("the Group") have provided a letter of support to the Company stating that Bellis Finco PLC will provide financial support to the Company to enable it to continue to meet its liabilities as they fall due from the date of approval of the financial statements up to 30 June 2024.

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

The Group's Treasury function ensures that the Group continues to have sufficient funding by monitoring rolling forecasts of the Group's cash flows and maintaining a sufficient level of standby facilities via the Revolving Credit Facility. Any capital repayments of long-term financing are forecast in the cash flow model used in the going concern scenarios. The Revolving Credit Facility remains undrawn at the year end and no utilisation is forecast in the base case cash flow model. For more information on liquidity risk and maturity of financial liabilities see note 19 in the Bellis Finco PLC accounts.

In assessing Bellis Finco PLC's ability to provide support to the Company, the Directors have tested the ability of the Group to meet its liabilities as they fall due from the date of approval of the accounts to 30 June 2024, in the event of various cash flow scenarios, including a severe but plausible downside scenario. This scenario applies severe but plausible economic downsides to a base case forecast, modelling the impact of a decline of the Group's participation in the UK grocery market compared to planned growth alongside the risk of fuel margin decline, inflationary pressures and risk of not achieving forecast levels of cost transformation activities. Furthermore, the Directors have considered the likely impacts on the business of levels of geo-political instability and uncertainty arising out of external events which are ongoing at the date of approval of the financial statements. The Directors are satisfied that the potential economic impacts of these events are adequately taken into account in the severe but plausible downside scenario.

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

In the severe but plausible downside scenario the maximum utilisation of the RCF is 4%. Where management do not implement any mitigating actions the maximum utilisation of the RCF is 31%. The Directors consider that a scenario with no mitigating actions is not realistic as all modelled mitigating actions are readily accessible. The Group is subject to a maintenance covenant whereby the senior secured net leverage ratio cannot exceed 4.90:1. This covenant is required to be tested if, as at the quarter end, drawings on the RCF exceed 40% of the facility. The Directors have also considered whether the above scenarios trigger the requirement to test the Group's financial covenant and have confirmed that there would be no requirement to test financial covenants under the cashflow scenarios modelled during the going concern period.

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

Furthermore, the Directors have considered the potential impact of strategic options which would further accelerate the Group's ability to achieve its growth ambitions. These include, but are not limited to, investments to enable organic growth as well as significant potential acquisition opportunities, some of which may require additional capital and funding required to execute these opportunities.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Whilst no options have reached the commitment stage, the impact of the most advanced of these options, including incremental capital and funding requirements, has been modelled based on the Directors' best estimate of the assumptions required for the initial investment, terms of financing and post-acquisition trading. In addition to undertaking normal diligence processes before committing to such a strategic option, and in accordance with the Group's established governance framework as outlined on pages 23-30 of the Strategic Report of Bellis Finco PLC, the Boards of the controlling parent (Bellis Topco 2 Limited) and of the Company have approved a resolution that sets out the required financial and associated criteria that must apply for the most advanced strategic option to be executed in the going concern review period. Such criteria include, inter alia, not progressing until appropriate financing is in place within specified cost parameters which ensure both affordability and the ability of the Group to continue to meet its liabilities and covenant requirements in the going concern period.

For the most advanced strategic option, the Group has modelled a potential severe but plausible downside scenario of the combined Group, which includes, where relevant, sensitivities of the post-acquisition trading and any assumed synergies. In such scenarios, the Group maintains sufficient liquidity and covenant headroom in the going concern period, having applied mitigations under the control of management where necessary.

Whilst the most advanced strategic option (and any related finance) are not committed to, as of the date of approval of the financial statements, the Directors consider that the governance processes outlined in this note will ensure that if the modelled strategic option were committed to, that this would not impact the ability of the Group to meet its liabilities for the going concern period to 30 June 2024.

Thus, the Directors of the Company and the Group have concluded that it is appropriate to adopt the going concern basis without any material uncertainties.

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

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2022 have had a material impact on the financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Summary of disclosures exemptions

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - Paragraph 79(a)(iv) of IAS 1;
 - Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'; and
 - Paragraph 118(e) of IAS 38 'Intangible Assets'.
- The requirements of paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements';
- The requirements of IAS 7 'Statement of Cash Flows';
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- The requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures'; and
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'.

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

Finance income and costs

Finance income and expenses are recognised monthly using the effective interest rate method.

Dividend income is recognised in the Company's profit on the date the Company's right to receive payments is established.

Impairment of non-current assets

The carrying amounts of the Company's non-current assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent from those of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. 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. Impairment losses on continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Borrowings

The Company's interest-bearing borrowings include intercompany borrowings and external borrowings and are recorded initially at fair value plus directly attributable transaction costs. Subsequently, these liabilities are carried at amortised cost using the effective interest method. Gains or losses arising on repurchase, settlement or cancellation of liabilities are recognised respectively in finance income or finance cost. Borrowings are classified as current liabilities except for those with contractual maturities greater than 12 months after the Balance Sheet date.

Derivatives designated as hedging instruments

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rate and interest 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. The fair value of cross-currency interest rate swaps is measured using a swap valuation model, this model incorporates various observable market inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

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.

The Company uses cross-currency-interest-rate swaps to hedge its exposure to foreign currency risk and floating interest rate risk relating to its foreign currency borrowings. For cross-currency-interest-rate-swaps, the gain or loss is recognised in finance costs or finance income. Amounts recognised in other comprehensive income are transferred to the Income Statement when the hedged transaction affects profit or loss.

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 the Income Statement.

Trade and other receivables

Trade and other receivables are initially recorded at fair value and subsequently recognised at amortised cost. Intercompany receivables are interest-bearing (3.00% - 11.14%), unsecured and are repayable at their maturity dates.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances with an original maturity of three months or less.

Trade and other payables

Trade and other payables, other than intercompany loans, are not interest bearing and are stated at their nominal value. Non-interest-bearing intercompany payables are unsecured and repayable on demand. Interest-bearing intercompany payables are interest-bearing, attracting a rate of interest of 4.25% - 8.25%, and are repayable at their maturity dates.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Taxation

The tax expense comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relate to items recognised as other comprehensive income, in which case the tax is also recognised directly in other comprehensive income.

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.

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

- in respect of taxable temporary differences associated with investments in subsidiaries, 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.

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

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 key judgements, estimates and assumptions impacting the carrying value of assets and liabilities are discussed further below.

Judgements

Recoverability of Intercompany receivables

All intercompany receivables are recognised initially at fair value. The Group assesses intercompany receivables for impairment using the expected credit losses model and recognises impairment losses as required.

Impairment of investments

The Company estimates the recoverable amount of its investments in subsidiaries and compares this to the carrying value. Impairment losses are recognised where the recoverable amount is lower than the carrying value.

2 Auditors' remuneration

The Company's audit fee for the year ended 31 December 2022 was £31,106 (2021: £28,278). The Company's audit costs are paid by a subsidiary undertaking. Also included within operating costs is an amount of £217,275 (2021: £160,244) in respect of the audit of the immediate parent company's consolidated financial statements and the financial statements of other subsidiary undertakings of the ultimate parent. Full details of audit and non-audit fees incurred by the immediate parent company and its subsidiaries is disclosed in the annual report and consolidated financial statements of Bellis Finco PLC which are available at the registered office of that company.

£nil (2021: £245,000) of non-audit fees were paid to the Company's auditor by a fellow wholly owned subsidiary of the immediate parent.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

3 Operating costs

Operating expenses include fees paid in relation to third-party advisory services and intercompany management fees. The Directors did not receive any remuneration for their qualifying services as statutory directors of the Company during the year (2021: £nil).

4 Investments

	Investment in subsidiaries £ 000
Group subsidiaries	
Cost or valuation	
At 3 September 2020	-
Additions	<u>800,000</u>
At 31 December 2021	<u>800,000</u>
At 1 January 2022	<u>800,000</u>
At 31 December 2022	<u>800,000</u>
Carrying amount	
At 31 December 2022	<u>800,000</u>
At 31 December 2021	<u>800,000</u>

Following a review of the carrying value of investments held by the Company, no impairment charge has been recognised.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Investments (continued)

Subsidiary undertakings

Name of subsidiary	Country of incorporation and principal place of business	% equity held
ASDA Delivery Limited	United Kingdom	100%
ASDA Employee Share Schemes Trustee Limited	United Kingdom	100%
ASDA Finance Limited	Jersey	100%
ASDA Financial Services Limited	United Kingdom	100%
ASDA Guernsey Limited	Guernsey	100%
ASDA Group Limited	United Kingdom	100%
ASDA Pension Plan Trustees Limited	United Kingdom	100%
ASDA Quest Trustee Limited	United Kingdom	100%
ASDA Southbank Limited	United Kingdom	100%
ASDA Storage Limited	United Kingdom	100%
ASDA Stores Limited	United Kingdom	100%
ASDA Supermarkets Limited	United Kingdom	100%
ASDA Stores (Belfast) Limited	United Kingdom	100%
Bandsound Limited	United Kingdom	100%
Bellis Acquisition Company 2 Limited*	Jersey	100%
Bellis Acquisition Company 3 Limited	Jersey	100%
Chorley Renaissance Limited	United Kingdom	100%
Erteco U.K. Limited	United Kingdom	100%
Essencerealm Limited	United Kingdom	100%
Ever 1295 Limited	United Kingdom	100%
Ever 2010 Limited	United Kingdom	100%
Ever 2010 North Limited	United Kingdom	100%
Ever 2010 South Limited	United Kingdom	100%

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Investments (continued)

Name of subsidiary	Country of incorporation and principal place of business	% equity held
Forza AW Limited	United Kingdom	100%
Forza Foods Limited	United Kingdom	100%
George Sourcing Services UK Limited	United Kingdom	100%
George Tedarik Hizmetleri A.S.	Turkey	100%
International Procurement and Logistics Limited	United Kingdom	100%
International Produce Sociedad Limitada	Spain	100%
Kent Nominee 1 Limited	Jersey	100%
Kent Nominee 2 Limited	Jersey	100%
Kober Limited	United Kingdom	100%
McLagan Investments Limited	United Kingdom	100%
Nordicline Limited	United Kingdom	100%
Porth Investments Limited	United Kingdom	100%
Power4all Limited	United Kingdom	100%
Reach Belvedere Limited	United Kingdom	100%
Selby Produce Limited	United Kingdom	100%
The Burwood House Group Limited	United Kingdom	100%
The George Davies Partnerships Limited	United Kingdom	100%
Vinpack Limited	United Kingdom	100%
Westry Produce Limited	United Kingdom	100%

* indicates direct investment of Bellis Acquisition Company PLC.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Investments (continued)

All investments listed above have 100% ordinary share capital, except for ASDA Finance Limited which includes 0.1% preference share capital as part of total capital.

The registered address of the entities listed above is ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD. The exceptions to this are as follows:

ASDA Finance Limited *12 Castle Street, St Helier, Jersey, JE2 3RT*

ASDA Guernsey Limited *PO Box 25, Regency Court, Gategny Esplanade, St Peter Port, Guernsey, GY1 3AP*

ASDA Stores (Belfast) Limited *ASDA, 150 Junction One International Outlet, Antrim, United Kingdom, BT41 4GY*

Forza AW Limited & Forza Foods Limited *Unit 1 Foxbridge Way, Normanton Industrial Estate, Normanton, Wakefield, WF6 1TN*

Kent Nominee 1 Limited & Kent Nominee 2 Limited *12 Castle Street, St Helier, Jersey, JE2 3RT*

Kober Limited *Unit 1 Foxbridge Way, Normanton Industrial Estate, Normanton, Wakefield, WF6 1TN*

George Tedarik Hizmetleri A.S. *Mecidiyekoy mah. Oguz Sok. No: 4A Sisli, Istanbul, Turkey*

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Bellis Acquisition Company 3 Limited & Bellis Acquisition Company 2 Limited *13-14 Esplanade, PO BOX 536, St Helier, Jersey*

5 Finance income

	Year ended 31 December 2022 £ 000	Period ended 31 December 2021 £ 000
Dividend income	1,763,857	-
Intercompany interest receivable	280,695	239,752
	<u>2,044,552</u>	<u>239,752</u>

Dividend income of £1,763,857,000 was received from the Company's wholly-owned subsidiary, Bellis Acquisition Company 2 Limited.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

6 Financial costs

	Year ended 31 December 2022 £ 000	Period ended 31 December 2021 £ 000
Intercompany interest payable	139,530	148,018
External interest payable	<u>151,022</u>	<u>175,135</u>
	<u>290,552</u>	<u>323,153</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Borrowings

<i>Non-current borrowings</i>			<i>Par Value</i>	<i>Maturity</i>	<i>Capital outstanding at 31 December 2021</i>	<i>Unamortised fees at 31 December 2021</i>	<i>Carrying value at 31 December 2021</i>
			£ 000		£ 000	£ 000	£ 000
Sterling Notes	Senior	Secured	£2,250,000	16 February 2026	2,250,000	(55,302)	2,194,698
Term Loan A			£195,000	16 August 2025	195,000	(2,892)	192,108
Euro Term Loan B			€845,000	16 February 2026	708,824	-	708,824
Sterling Notes	Senior	Secured	£500,000	16 February 2026	500,000	(4,901)	495,099
					3,653,824	(63,095)	3,590,729
<i>Non-current borrowings</i>			<i>Par Value</i>	<i>Maturity</i>	<i>Capital outstanding at 31 December 2022</i>	<i>Unamortised fees at 31 December 2022</i>	<i>Carrying value at 31 December 2022</i>
			£ 000		£ 000	£ 000	£ 000
Sterling Notes	Senior	Secured	£2,250,000	16 February 2026	2,250,000	(42,702)	2,207,298
Term Loan A			£195,000	16 August 2025	185,250	(1,852)	183,398
Euro Term Loan B			€845,000	16 February 2026	747,674	-	747,674
Sterling Notes	Senior	Secured	£500,000	16 February 2026	500,000	(3,825)	496,175
					3,682,924	(48,379)	3,634,545
<i>Current borrowings</i>			<i>Par Value</i>	<i>Maturity</i>	<i>Capital outstanding at 31 December 2022</i>	<i>Unamortised fees at 31 December 2022</i>	<i>Carrying value at 31 December 2022</i>
			£ 000		£ 000	£ 000	£ 000
Senior Bridge facility*			£200,000	28 October 2023	200,000	-	200,000
Term Loan A			£9,750	16 February 2023	9,750	-	9,750
					209,750	-	209,750

* Fees on the Senior Bridge Facility have been borne by a subsidiary undertaking.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

During the prior period, the Company issued the following notes and loans:

- Senior secured notes with a par value of £2,250.0m were issued on 24 February 2021, these notes are listed on The International Stock Exchange. These notes attract interest at 3.25% per annum and payments of interest are made on a semi-annual basis. The notes mature on 16 February 2026 and have therefore been classified as non-current.

- Term loan A with a par value of £195.0m was entered into on 16 February 2021. This loan attracts interest at SONIA (formerly LIBOR)+ 3.25% per annum and payments of interest are made on a semi-annual basis. This loan matures on 16 August 2025 and has therefore been classified as non-current, other than an amount of £9,750,000 which is due for repayment on 16 February 2023

- Euro term loan B with a par value of €845.0m was entered into on 16 February 2021. This loan attracts interest at EURIBOR + 2.75% per annum and payments of interest are made on a semi-annual basis. This loan matures on 16 February 2026 and has therefore been classified as non-current. The Group has entered into Cross Currency Interest Rate Swaps relating to Euro Term Loan B to hedge the foreign currency and interest rate risk on both the principal and interest payments. This effectively fixes the interest payments in GBP at a rate of 3.73%.

- Sterling senior secured notes with a par value of £500.0m were entered into on 5 November 2021, these notes are listed on The International Stock Exchange. These notes attract interest at 4.5% per annum and payments of interest are made on a semi-annual basis. The notes mature on 16 February 2026 and have therefore been classified as non-current.

- Forecourt Bridge Loan with a par value of £750.0m was entered into on 16 February 2021. This loan attracted interest at LIBOR + 7.75%, with a step-up of 0.5% each quarter and payments of interest were made on a semi-annual basis. This loan along with fees and interest accrued was repaid in full on 5 November 2021 through the issuance of £500.0m of 4.5% Sterling senior secured notes due in February 2026 and cash on hand in ASDA Group Limited of £255.4m.

- Sterling senior secured notes bridging facility with a par value of £2,250.0m was entered into on 16 February 2021 and re-financed on 24 February 2021 through the issue of the Senior secured notes with a par value of £2,250.0m referred to above. The interest costs on this bridge loan were repaid through cash on hand in ASDA Group Limited.

During the year, the Company issued the following notes and loans:

- An additional senior bridge facility with a par value of £200.0m was entered into on 28 October 2022 in order to fund the acquisition of Arthur Foodstores Limited. This facility attracted interest of SONIA +7.75% per annum and payments of interest are made on a semi-annual basis. The loan matures on 28 October 2023 and has therefore been classified as current.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Income tax

Tax (credited)/charged in the income statement:

	Year ended 31 December 2022 £ 000	Period ended 31 December 2021 £ 000
Current taxation		
UK corporation tax on profit for the year/period	-	-
Current tax charge for the year/period	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	(11)	(22)
Arising from adjustments in respects of prior periods	7	-
Arising from changes in tax rates and laws	(4)	(7)
Total deferred taxation	(8)	(29)
Tax credit in the income statement	(8)	(29)

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

	Year ended 31 December 2022 £ 000	Period ended 31 December 2021 £ 000
Profit/(loss) before tax	1,753,846	(86,805)
Corporation tax charge/(credit) at standard rate	333,231	(16,493)
Expenses not deductible for tax purposes	11	636
Losses surrendered for no payment	1,879	15,835
Adjustments in respect of prior periods	7	-
Change in tax rate	(4)	(7)
Non-taxable dividend income	(335,132)	-
Total tax credit for the year/period	(8)	(29)

On 3 March 2021, it was announced in the UK Budget that the main rate of corporation tax in the United Kingdom will increase to 25% on 1 April 2023, and this rate change was substantively enacted in May 2021. The deferred tax liability is calculated using the tax rate at which it is expected to unwind of 25%.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Income tax (continued)

Tax on items charged directly to the statement of comprehensive income

	Year ended 31 December 2022 £ 000	Period ended 31 December 2021 £ 000
Deferred tax charge on cash flow hedges	<u>4,836</u>	<u>2,415</u>

Deferred tax

Deferred tax liabilities are attributable to the following:

	Liability £ 000
2022	
Revaluation of cash flow hedges	<u>7,214</u>
2021	
Revaluation of cash flow hedges	<u>2,386</u>

Movement in deferred tax liabilities during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2022 £ 000
Revaluation of cash flow hedges	<u>2,386</u>	<u>(8)</u>	<u>4,836</u>	<u>7,214</u>

Movement in deferred tax liabilities during the prior period:

	At 3 September 2020 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2021 £ 000
Revaluation of cash flow hedges	<u>-</u>	<u>(29)</u>	<u>2,415</u>	<u>2,386</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Trade, other receivables and derivative assets

	31 December 2022 £ 000	31 December 2021 £ 000
Non-current intercompany receivables	5,705,085	5,954,057
Current intercompany receivables	<u>203,707</u>	<u>-</u>
Derivative assets		
Derivative assets	<u>36,009</u>	<u>-</u>

Intercompany receivables are interest bearing (3.00% - 11.14%), unsecured, and are repayable at their maturity dates. All intercompany receivables are due from fellow wholly-owned subsidiaries of the ultimate parent.

Trade and other receivables balances have been assessed to determine the value of expected credit losses in IFRS 9 and the impact is £nil (2021: £nil).

Key movements in non-current intercompany receivables include a settlement of an intercompany receivable balance amounting to £376,566,000 through offset of a corresponding intercompany payable (see note 13), cash settlement during the year by the Company's wholly-owned subsidiary- Bellis Acquisition Company 2 Limited of amounts owing to the company totalling £149,184,000, partially offset by intercompany interest accrued since 31 December 2021 of £276,778,000.

The balance in current intercompany receivables at 31 December 2022 of £203,707,000 relates to the onward lending of the senior bridge facility entered into on 28 October 2022 (see note 7) to a subsidiary undertaking and includes interest accrued during the year.

10 Called up share capital

	Number	£ 000
Allotted, called up and fully paid shares		
Ordinary shares of £1 each at 31 December 2021 and 31 December 2022	<u>50,000</u>	<u>50</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Reserves

The changes to each component of equity resulting from items of other comprehensive income for the prior period were as follows:

	Capital contribution reserve £ 000	Other reserves £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 3 September 2020	-	-	-	-	-
Loss for the period	-	-	-	(86,776)	(86,776)
Cash flow hedges - reclassified during the period to Income Statement	-	87	34,468	-	34,555
Net loss during the period on cross-currency interest rate swap	-	-	(25,522)	-	(25,522)
Tax on cash flow hedges recognised directly in other comprehensive income	-	-	(2,415)	-	(2,415)
Time-value movements on cost of hedging reserve	-	1,229	-	-	1,229
Currency basis movements on cost of hedging reserve	-	(600)	-	-	(600)
At 31 December 2021	-	716	6,531	(86,776)	(79,529)

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Reserves (continued)

Reconciliation of movement in reserves during the year is as follows:

	Capital contribution reserve £ 000	Other reserves £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	-	716	6,531	(86,776)	(79,529)
Profit for the year	-	-	-	1,753,854	1,753,854
Cash flow hedges - reclassified during the year to Income Statement	-	100	(35,550)	-	(35,450)
Net loss during the year on cross-currency interest rate swap	-	-	54,934	-	54,934
Tax on cash flow hedges recognised directly in other comprehensive income	-	-	(4,836)	-	(4,836)
Time-value movements on cost of hedging reserve	-	(1,753)	-	-	(1,753)
Currency basis movements on cost of hedging reserve	-	1,614	-	-	1,614
Capital contribution	657,454	-	-	-	657,454
At 31 December 2022	657,454	677	21,079	1,667,078	2,346,288

During the year, the immediate parent company- Bellis Finco PLC- waived an intercompany balance of £657,454,000 due from the Company. This has been accounted for as a capital contribution.

12 Cash and cash equivalents

	31 December 2022 £ 000	31 December 2021 £ 000
Cash at bank	460	190

13 Trade payables, other payables and derivative liabilities

	31 December 2022 £ 000	31 December 2021 £ 000
Accrued expenses	37,942	30,885
Derivative liabilities	-	22,655
	37,942	53,540
Intercompany payables		
Current	10,539	120,427
Non-current	498,933	3,066,644
	509,472	3,187,071

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Trade payables, other payables and derivative liabilities (continued)

Intercompany payables are interest bearing (4.25% - 8.25%), unsecured, and are repayable at their maturity dates. All intercompany payables are owed to fellow wholly-owned subsidiaries of the ultimate parent.

Key movements driving the decrease in intercompany payables include:

- Settlement of amounts owing to the immediate parent undertaking during the year amounting to £1,763,857,000 using intercompany receivables which the Company received as a dividend in specie (see note 5);
- Settlement during the year of an intercompany payable balance amounting to £376,566,000 through offset of a corresponding intercompany receivable (see note 9);
- Waiving of amounts owing to the immediate parent undertaking of £657,454,000 during the year (see note 11);
- Cash settlement of amounts owing to the immediate parent undertaking during the year of £20,000,000.

partially offset by:

- Intercompany interest accrued since 31 December 2021 of £139,530,000.

14 Related party transactions

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

Outstanding balances due from/owed to fellow wholly owned subsidiaries are disclosed in notes 9 and 13.

15 Parent undertaking and controlling party

The Company's immediate parent is Bellis Finco PLC, a company incorporated in England and Wales.

The smallest and largest group at which consolidated financial statements are prepared is Bellis Finco PLC.

At 31 December 2022 and at the date of approval of the financial statements, the ultimate parent company and controlling party was Bellis Topco Limited, which is incorporated in Jersey and is jointly controlled by the Issa brothers and TDR Capital LLP.