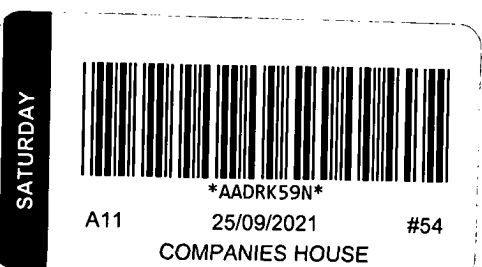


Registration number: 4562707

# ASDA Financial Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



## **Company Information**

<b>Directors</b>	R Burnley (resigned 6 August 2021)
	A Murray (resigned 31 March 2020)
	H Tatum
	R McWilliam (resigned 31 July 2021)
	R McGinn
	A Shaw (appointed 20 January 2020 and resigned 4 December 2020)
	J Fallon (appointed 31 July 2021)
	M Issa (appointed 6 August 2021)
<b>Company secretary</b>	H Selby (appointed 6 April 2020)
	P Titchmarsh (resigned 6 April 2020)
<b>Registered office</b>	ASDA House Southbank Great Wilson Street Leeds LS11 5AD
<b>Auditors</b>	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR

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

The Directors present their Strategic Report for the year ended 31 December 2020.

### **Principal activity**

The principal activity of ASDA Financial Services Limited ("the Company") is the provision of third party financial services products on a commission basis. The business will continue to trade on the same basis for the foreseeable future.

Due to the nature of the business, whereby the Company acts purely as an Introducer Appointed Representative, there are no material risks or uncertainties specific to the Company which require disclosure. The Company does not carry any credit risk in relation to any of its financial services activities.

### **Change in ownership of parent undertaking**

The immediate parent undertaking is ASDA Group Limited. On 16 February 2021, the ultimate parent company and controlling party of ASDA Group Limited ("ASDA"), Walmart Inc. ("Walmart"), completed the sale to Mohsin and Zuber Issa, founders and co-CEOs of EG Group, a global convenience and forecourts retailer, headquartered in Blackburn, UK, and investment funds managed by TDR Capital LLP ("TDR Capital"), a leading UK-based private equity firm, of Walmart's equity interest in ASDA. Following this transaction Mohsin and Zuber Issa and TDR Capital will jointly control ASDA. This is a non-adjusting post balance sheet event and has no impact on the carrying value of the Company's assets and liabilities at 31 December 2020.

### **Results and dividends**

The Company's profit for the financial year, after taxation, amounted to £30,540,000 (2019: £29,901,000).

No dividends were paid in the year (2019: £nil).

### **Section 172**

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

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

The Directors of the Company meet quarterly and regularly review the Company's principal stakeholders and how the Directors engage with them. The sections below set out a more detailed summary of the Company's relationships with its key stakeholders and how the Directors engage with those stakeholders.

The outcome of stakeholder engagement generally influences the formulation and ongoing review of the long-term strategy and financial planning to ensure that the Company's approach 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.

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

### Key Stakeholder Engagement

#### *Investors*

The Company's investors during the year, ASDA Group Limited and ultimately, Walmart, Inc. ("Walmart"), were key stakeholders. The investors were providers of capital which allowed the Company to deliver long-term success.

Where the interests of Walmart were relevant to a decision of the Company, the Directors may have engaged directly with Walmart. The International Financial Services team (which sits within Walmart) provided guidance on how the Directors implemented the Company's local Risk Management Framework and ensured this was in line with the Walmart policy.

#### *Suppliers*

The Company enters into a number of partnership agreements with its suppliers ("Partners") covering a variety of customer facing products such as insurance, credit cards, travel money and other services.

Each Partner is assigned a product manager who manages the relationship between the Partner and the Company. The product manager feeds back any pertinent information with regards to the relationship with the Partner to the Directors which ensures that the Partner's views and opinions are taken into account when the Company makes decisions which are relevant to the Partner. Additionally, joint business plans are agreed with Partners to ensure that the partnerships cater for the needs of both the Company and the Partners.

#### *Customers*

The Company conducts market research where relevant in order to better understand the needs of its customers. The results of this research are fed back to the Directors and where applicable are factored into the decision making of the Directors.

Suppliers also provide detailed 'scorecards' covering key performance indicators which measure the quality of the service provided to the Company's customers by the Partner. The Directors review these key performance indicators during their quarterly meetings. This ensures that the Directors are aware of customers' concerns which allows for targeted improvements to the customer experience.

Additionally, the Financial Conduct Authority ("FCA") sets out within its principles that customers must be treated fairly. These principles include:

- Fair treatment of customers is central to the corporate culture of the Company;
- Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly;
- Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale;
- Where consumers receive advice, the advice is suitable and takes account of their circumstances;
- Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect; and,
- Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

The Company ensures that itself and its Partners adhere to these principles and this is monitored by the Directors through the information they receive during their quarterly meetings. Failure to adhere to this principle may result in fines, sanctions and loss of reputation for the Company.

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

### *Employees*

The Company has no employees.

### **Key Principal Decisions**

During the year, the Group has approved several contract renewals to ensure continued supply of key services to ASDA customers, which are managed by this Company. The Group approved the renewal of the relationship with Barclays to continue to provide 1,050 Automated Teller Machines ("ATM's") and the renewal of the contract with PayPoint for bill payment in store. In 2020, there were significant transactions via these essential services driving footfall to the Group's stores.

Additionally, the contract with FiServ for B2B Gift Card services was approved for renewal. In 2020, ASDA won 40% market share of the Free School Meal gift vouchers issued resulting in an increase in sales for the Group. Also through the relationship with FiServ, ASDA was the first supermarket to offer a volunteer shopping card allowing customers to shop for others who were having to shield due to Covid-19; over 360,000 cards were issued in 2020.

### **KPIs**

The main key performance indicator is the generation of profit through the sale of third party financial products.

- Revenue decreased by 34.9% to £15,890,000 (2019: £24,416,000) driven by decreased demand for foreign currency, ATM ("Automated Teller Machine") and other services in light of the COVID restrictions imposed across the UK during the year;
- Operating profit decreased by 38.1% to £13,488,000 (2019: £21,798,000) in line with the decrease in Revenue.

Approved by the Board and signed on its behalf by:



R McGinn  
Director  
24 September 2021

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

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

### **Future developments**

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

### **Going concern**

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

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

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

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

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

### **Dividends**

Details of dividends paid are detailed in the Strategic Report.

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

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

#### *Change in ownership*

The immediate parent undertaking is ASDA Group Limited. On 16 February 2021, the ultimate parent company and controlling party of ASDA Group Limited ("ASDA"), Walmart Inc. ("Walmart"), completed the sale to Mohsin and Zuber Issa, founders and co-CEOs of EG Group, a global convenience and forecourts retailer, headquartered in Blackburn, UK, and investment funds managed by TDR Capital LLP ("TDR Capital"), a leading UK-based private equity firm, of Walmart's equity interest in ASDA for an enterprise value of £6.8 billion, on a debt-free and cash-free basis. Under the new ownership structure, Mohsin and Zuber Issa and TDR Capital own 100% of the ordinary shares in Bellis Acquisition Company 3 Limited ("BAC3L") which in turn has acquired the entire issued share capital of ASDA from ASDA's immediate parent at the balance sheet date - ASDA Holdings UK Limited ("AHUKL") - and as such, Mohsin and Zuber Issa and TDR Capital will jointly control ASDA. This is a non-adjusting post balance sheet event and has no impact on the carrying value of the Company's assets and liabilities at 31 December 2020.

#### *Brexit*

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

#### *Cash Pooling arrangement*

On 15 June 2021, the ASDA Group 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 immediate 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, and the Company is party to this guarantee. An interest rate of 5% p.a. is applicable on any net aggregate debit balance incurred in the Cash Pool.

#### *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.

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

### **Directors' liabilities**

During the year, the Directors are 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 year. However, a proportion of this insurance was paid by a fellow subsidiary undertaking of the immediate parent company.

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

### **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 and signed on its behalf by:



R McGinn  
Director  
24 September 2021



## **Statement of Directors' Responsibilities**

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

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

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

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

## **Independent Auditor's Report to the Members of ASDA Financial Services Limited**

### **Opinion**

We have audited the financial statements of ASDA Financial Services Limited for the year ended 31 December 2020 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 13, 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 state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

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

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

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

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.

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

### **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.

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.

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

We have nothing to report in this regard.

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

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

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

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

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

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

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

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

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

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

**Use of our report**

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

Ernst & Young LLP

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

24 September 2021  
Date.....

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

		<b>Year Ended 31 December 2020 £ 000</b>	<b>Year ended 31 December 2019 £ 000</b>
	<b>Note</b>		
Revenue	2	15,890	24,416
Operating costs	3	<u>(2,402)</u>	<u>(2,618)</u>
<b>Operating profit</b>		13,488	21,798
Financial income	4	<u>17,052</u>	<u>15,117</u>
<b>Profit on ordinary activities before tax</b>		30,540	36,915
Income tax expense	6	<u>-</u>	<u>(7,014)</u>
<b>Profit for the financial year</b>		<u><u>30,540</u></u>	<u><u>29,901</u></u>

There were no items of other comprehensive income arising in the year (2019: none).

The above results were derived from continuing operations.

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

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
<b>At 1 January 2019</b>		-	235,922	235,922
Profit for the year		<u>-</u>	<u>29,901</u>	<u>29,901</u>
<b>At 1 January 2020</b>		-	265,823	265,823
Profit for the year	9	<u>-</u>	<u>30,540</u>	<u>30,540</u>
<b>At 31 December 2020</b>		<u><u>-</u></u>	<u><u>296,363</u></u>	<u><u>296,363</u></u>

**Balance Sheet as at 31 December 2020**  
(Registration number: 4562707)

	Note	31 December 2020 £ 000	31 December 2019 £ 000
<b>Current assets</b>			
Trade and other receivables	7	290,257	272,840
Income tax asset		6,105	-
Cash and cash equivalents		<u>2</u>	<u>-</u>
<b>Total assets</b>		<u>296,364</u>	<u>272,840</u>
<b>Equity attributable to the shareholders</b>			
Called up share capital	8	-	-
Retained earnings	9	<u>296,363</u>	<u>265,823</u>
<b>Total equity</b>		<u>296,363</u>	<u>265,823</u>
<b>Current liabilities</b>			
Trade and other payables	10	1	3
Income tax liability	10	<u>-</u>	<u>7,014</u>
		<u>1</u>	<u>7,017</u>
<b>Total equity and liabilities</b>		<u>296,364</u>	<u>272,840</u>

Approved by the Board and signed on its behalf by:



R McGinn  
Director  
24 September 2021



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

### **1 Accounting policies**

#### **Authorisation of financial statements**

These financial statements were authorised for issue by the Board and signed on its behalf by R McGinn on 24 September 2021. The Company is incorporated and domiciled in England and under the Companies Act 2006 (registration number 4562707).

#### **Statement of compliance**

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

#### **Basis of preparation**

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

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

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

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

### 1 Accounting policies (continued)

#### Going concern

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

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

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

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

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

#### Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2020 have had a material effect on the financial statements.

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

### 1 Accounting policies (continued)

#### Summary of disclosures exemption

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

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

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

#### Judgements, estimates and assumptions

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

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

#### Trade and other receivables

Receivables are stated at their nominal amount (discounted if material) as reduced by appropriate allowances for estimated irrecoverable amounts. Intercompany receivables are interest bearing (6%), unsecured and are repayable on demand.

Receivables and payables are offset and the net amount reported in the Balance Sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Interest receivable or payable is charged and would be settled on the net balance.

The Company's loans and receivables, including amounts owed by fellow subsidiaries of the ultimate parent company during the year, are held with the sole objective of collecting contractual cash flows and are therefore carried at amortised cost. They are included in current assets except for those with maturities greater than 12 months after the Balance Sheet date.

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

### 1 Accounting policies (continued)

#### Trade and other payables

Other payables are not interest bearing and are stated at their nominal value.

#### Taxation

Taxation comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is 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:

- 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 measured on an undiscounted basis 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.

#### Revenue recognition

The Company acts as an Introducer Appointed Representative for products which are underwritten by third parties who are independent of the Company. As a result, commission revenue is recognised on a net basis in line with guidance in IFRS 15. For revenue earned through individual transactions with end customers, income is recognised at the point that commission is contractually earned following the end of the regulatory cooling off period. In respect of commission revenue which the Company earns as a percentage of product profit generated by the independent third party partner, revenue is recognised on a net basis based on the Directors' best estimate of the amount earned in the year according to the contractual arrangements in place with the third party partner.

#### Financial income

Financial income is recognised on an accruals basis, monthly and on a compound basis.

### 2 Revenue

Revenue, which comprises of commission from financial services products, is stated net of value added tax and arises wholly within the United Kingdom.

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

### 3 Operating costs

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Marketing expenses	1,591	1,670
Other operating expenses	811	948
	<u>2,402</u>	<u>2,618</u>

### 4 Financial income

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Intercompany interest receivable	<u>17,052</u>	<u>15,117</u>

### 5 Directors' and auditor's remuneration

The Directors did not receive any remuneration for their qualifying services as statutory directors of the Company during the period (2019: £nil). The Directors provided qualifying services to other group companies and their remuneration is paid by ASDA Stores Limited and not recharged to the Company. All Directors are employees of ASDA Stores Limited.

Other than the Directors, the Company does not have any employees (2019: nil).

The Company's audit costs of £3,200 (2019: £3,200) are borne by ASDA Stores Limited.

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

**6 Income tax**

	<b>Year ended 31 December 2020 £ 000</b>	<b>Year ended 31 December 2019 £ 000</b>
<b>Current taxation</b>		
UK corporation tax on profit for the year	-	7,014
<b>Current tax charge for the year</b>	-	7,014

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

	<b>Year ended 31 December 2020 £ 000</b>	<b>Year ended 31 December 2019 £ 000</b>
Profit before tax	30,540	36,915
Corporation tax at standard rate	5,803	7,014
Losses surrendered from Group company for no payment	(5,803)	-
<b>Total tax charge for the year</b>	-	7,014

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

On 3 March 2021, it was announced in the UK Budget that the standard rate of corporation tax in the United Kingdom will increase from 19% to 25% on 1 April 2023. The impact of this rate change has not been recognised in the year ended 31 December 2020 as the change was not substantively enacted at the Balance Sheet date.

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

### 6 Income tax (continued)

#### Deferred tax

Deferred tax assets are attributable to the following:

	Asset £ 000
<b>2020</b>	
Other items	<u>1</u>
<b>2019</b>	
Other items	<u>1</u>

Movement in deferred tax assets during the year:

	At 1 January 2020 £ 000	Recognised in income £ 000	At 31 December 2020 £ 000
Other items	<u>1</u>	<u>-</u>	<u>1</u>

Movement in deferred tax assets during the prior year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Other items	<u>1</u>	<u>-</u>	<u>1</u>

### 7 Trade and other receivables

	31 December 2020 £ 000	31 December 2019 £ 000
Intercompany receivables	289,492	268,550
Prepayments and accrued income	764	4,289
Deferred tax asset	<u>1</u>	<u>1</u>
	<u>290,257</u>	<u>272,840</u>

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

**8 Called up share capital**

**Allotted, called up and fully paid**

	Number	£
At 31 December 2019 and 31 December 2020	<u>1</u>	<u>1</u>

**9 Reserves**

Reconciliation of movement in reserves is as follows:

	Retained earnings £ 000
At 1 January 2020	265,823
Profit for the year	<u>30,540</u>
At 31 December 2020	<u>296,363</u>

**10 Trade and other payables**

	31 December 2020 £ 000	31 December 2019 £ 000
Other payables	1	3
Income tax liability	<u>-</u>	<u>7,014</u>
	<u>1</u>	<u>7,017</u>

**11 Related party transactions**

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



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

### 12 Events since the Balance Sheet date

#### Change in ownership

The immediate parent undertaking is ASDA Group Limited. On 16 February 2021, the ultimate parent company and controlling party of ASDA Group Limited ("ASDA"), Walmart Inc. ("Walmart"), completed the sale to Mohsin and Zuber Issa, founders and co-CEOs of EG Group, a global convenience and forecourts retailer, headquartered in Blackburn, UK, and investment funds managed by TDR Capital LLP ("TDR Capital"), a leading UK-based private equity firm, of Walmart's equity interest in ASDA for an enterprise value of £6.8 billion, on a debt-free and cash-free basis. Under the new ownership structure, Mohsin and Zuber Issa and TDR Capital own 100% of the ordinary shares in Bellis Acquisition Company 3 Limited ("BAC3L") which in turn has acquired the entire issued share capital of ASDA from ASDA's immediate parent at the balance sheet date - ASDA Holdings UK Limited ("AHUKL") - and as such, Mohsin and Zuber Issa and TDR Capital will jointly control ASDA. This is a non-adjusting post balance sheet event and has no impact on the carrying value of the Company's assets and liabilities at 31 December 2020.

#### Brexit

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

#### Cash Pooling arrangement

On 15 June 2021, the ASDA Group 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 immediate 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, and the Company is party to this guarantee. An interest rate of 5% p.a. is applicable on any net aggregate debit balance incurred in the Cash Pool.

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

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

#### **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.

### **13 Parent undertaking and controlling party**

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

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

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

At the date of approval of the financial statements, the ultimate parent company is Bellis Holdco Limited which is jointly controlled by the Issa brothers and TDR Capital LLP. See note 12 for changes since the Balance Sheet date.