Business and Trade Committee

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Mohsin Issa CBE
Co-owner, Asda Stores Ltd
[by email]

30 August 2023

Dear Mr Issa

Thank you for giving evidence to the Committee on 19 July. As agreed during that session, I am writing to you with a number of follow-up questions. These questions are to help us understand if you are enabling Asda to do all that it can to help keep costs down during a cost-of-living crisis.

I note the measures which you set out in your letter of 5 July, as well as your recent, and welcome, announcement that Asda is investing £23 million in reducing the cost of 425 products in Asda stores. However, the Committee has concerns that the complex company structure within which Asda sits, and associated decisions on financing, may restrict your ability to help meet cost-of-living pressures on your customers.

I would therefore be grateful if you could provide the Committee with answers to the questions below, to help us understand the wider picture at Asda. While it is not usual for us to ask such specific financial questions of a private company, your choice of company structure makes it very difficult for anyone to understand where finance originates and then moves within your business, and what the implications might be for your customer base.

(1) To aid our understanding of the company accounts for Asda Limited, please:

- Provide a corporate structure chart, setting out the relationship of the various companies that sit above Asda Limited

- Explain what each corporate entity is incorporated to do. Please ensure this includes: Bellis Acquisition Co 3 Limited, Bellis Acquisition Co PLC, Bellis Finco PLC, Bellis Mid-Co 2 Limited, Bellis Mid-Co 4 Limited, Bellis Top Co Sub Limited, Bellis Topco 2 Limited, Bellis Mid-Co Limited, Bellis Topco Limited and Optima Bidco.

(2) During the evidence session, I asked you about a discrepancy in Asda's accounts between revenue and operating costs. In answer to Q 155, you agreed to answer my question in writing. To reiterate my question: in the latest company accounts for Asda, there are a number of notes explaining the operating costs for 2021 and 2022. However, £1,562m (2021) and £1,933m (2022) is not accounted for in either the breakdown of the operating costs or the accompanying notes. Please can you explain what this revenue was used for.

(3) During the evidence session, at Q150, I asked about dividends. You said that no dividends had been paid out. But from the available accounts, we can see that a 'dividend' of £1,763,857,000 was made to Bellis Acquisition Co PLC from Bellis Acquisition Company 2 Limited. Please can you explain how Bellis Acquisition Company 2 Limited came to receive this funding and for what purpose the dividend was paid to Bellis Acquisition Co PLC. Please ensure that you account for the full amount in your answer.

(4) Asda has purchased the UK and Ireland assets of EG Group. Please can you confirm what EG Group will do with the proceeds of this sale, and what independent valuation was undertaken of those assets.

(5) It is suggested that this intercompany deal between Asda and EG Group is merely taking cash from Asda to pay off some of the debt you incurred to buy Asda in the first place. Please comment on that claim.

(6) Please can you confirm the levels of capital investment at Asda in the three years preceding your ownership of the business, and in each year subsequence to your own ownership. Do you intend to increase, decrease, or maintain the levels of capital investment at Asda going forward?

(7) When you and your brother bought Asda from Walmart for £6.8bn, you personally invested £200m. Where did this finance come from?

(8) Prior to the purchase of EG Group by Asda, it was reported that EG Group lent you and your brother tens of millions of Euros in interest free loans to purchase private jets. Can you confirm whether this report is accurate? If so, did TDR Capital LLC know about this decision? Were EG Group bondholders told? If interest has since been added to these loans, what is that rate of interest? Have the proceeds of sale of EG Group by Asda been used to pay off these loans, and therefore purchase the private jets in question?

(9) My understanding from a whistleblower is that under your ownership of Asda the margin on the price of petrol had changed compared to when Walmart owned Asda. We understand from your answer that Asda still intends to be a market leader, by which, we assume, you meant the cheapest. But you declined to answer the question about margin. Please can you therefore list what the margin has been for each week during financial year 2022/23 for both petrol and diesel. Your answer to this question can be in a confidential annex to your reply, and I shall ask the Committee when it meets on 5 September for an assurance that it will not publish this information.

Please can you reply to these questions by Wednesday 13 September. I remind you that you are required to provide full answers. If the Committee is not content with your answers we reserve the right to recall you to Parliament to provide further oral evidence.

Yours sincerely

Darren Jones

DARREN JONES MP
CHAIR, BUSINESS AND TRADE COMMITTEE