

FORZA FOODS LIMITED

Reports and Financial Statements
31 December 2016

Registered Number: 07224571

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COMPANIES HOUSE

Forza Foods Limited

Registered no 07224571
Company Information

DIRECTORS

MS Smith – Hilliard
J Fasey (appointed 5.7.16)
M Snell (appointed 20.10.16)
PF Probert (resigned 4.1.16)
AJ Ruane (resigned 17.2.16)
ZA Nichol (resigned 21.7.16)
GL Cook (resigned 18.8.16)
JM Roberts (resigned 30.6.17)
S Wicks (appointed 4.1.16, resigned 5.7.16)
N Scrase (appointed 4.1.16, resigned 20.10.16)

SECRETARY

GL Cook (resigned 4.1.16)
V Rehal (appointed 4.1.16)

AUDITORS

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

REGISTERED OFFICE

Unit 1 Foxbridge Way
Normanton Industrial Estate
Normanton
Wakefield
West Yorkshire
WF6 1TN

BANKERS

Royal bank of Scotland
3rd Floor
2 Whitehall Quay
Leeds
West Yorkshire
LS1 4HR

Forza Foods Limited

STRATEGIC REPORT

The directors present their Strategic Report and financial statements for the 52 week period ("period") ended 31 December 2016.

Principal activities

The principal activity of Forza Foods Limited (referred to as "the Company") is the procuring, slicing and packing of cooked meats for Asda Stores Limited.

Results and dividends

	Dec 2016 £000	Jan 2016 £000	Change %
Revenue	67,627	290,666	-76.7%
Operating profit	3,842	27,328	-85.9%
Profit before tax	3,865	27,366	-85.9%
Equity shareholders' funds	52,923	48,857	8.3%
Current assets as a % of current liabilities	253%	203%	
Headcount number of employees	1,406	1,274	

Dividends of £nil were paid in the period (Jan 2016 £16,500,000).

Turnover decreased by 76.7% in the year primarily as a result in changing to reporting sales net as an agent rather than gross as principal in past years. This is further explained in our accounting policies on page 13. Profit before tax for the year decreased by 85.9% as we reduced prices through to Asda Stores Limited our ultimate UK parent company.

The company's 'quick ratio' (current assets as a percentage of current liabilities) has improved year on year due to improved controls within our working capital.

The average number of employees increased by 132 year on year. Regular meetings are held between local management and colleagues to allow a free flow of information and ideas. Details of the number of employees and related costs can be found in note 4 to the financial statements.

The Company deals with over 522 separate suppliers, and has established trading terms which are appropriate to the particular relationship and product supplied. Whenever an order is placed the parties are aware of the payment terms and it is the Company's policy to abide by these terms when invoices have been received and approved.

At 31 December 2016, the Company had an average of 29.1 days purchases owed to trade creditors.

Risks and uncertainties

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

- **Strategic risk**
We continue to invest in new opportunities and areas of growth in order to diversify our offering. The board invests significant time in working with our parent company to formulate, review and communicate strategy effectively to those delivering it.
- **Supplier risk**
The current economic environment is challenging for our suppliers. This puts increased importance on the strength of our control processes and ability to recognise and respond to supplier issues. A periodic review process of supplier risk exists to identify issues, develop appropriate action plans and improve our controls in relation to supplier monitoring.
- **Resourcing and capability risk**
Retention of key individuals and succession planning is important for long term stability and success. We have a robust appraisal process and talent review system to ensure the right individuals are in the right roles, with a clear path to long term development. The goodwill of colleagues is maintained through open communication, both to allow management to share information about the business and to give colleagues the opportunity to provide feedback about working for the company.
- **Financial risk**
The principal financial risk is having the funds available at the right time to meet the business needs. This risk is managed by business forecasting, for performance outturn and cash flows to ensure that the adequate funds are in place to meet the liabilities to suppliers, and colleagues.

Certain transactions with suppliers are denominated in foreign currency. To satisfy part of this need the business enters into a small number of forward contracts. The business does not have a policy to buy forward or hold foreign currency speculatively. Forward contracts are accounted for at a fair value.

- **Regulatory and compliance risk**
We recognise that Forza operates in an environment where we can be impacted by changes in Government policy. In response to this, we continue to risk assess all regulatory developments and test compliance with internal processes designed to mitigate risks, making improvements where required.
- **Fraud risk**
We have a control framework in place to help prevent and detect potential fraud and dishonest activity. Our Statement of Ethics provides clear guidance to colleagues on appropriate behaviour, including guidance on how to raise any business conduct concerns they may have through an Open Door Communication Policy or through the local Ethics Committee. In addition, procedures are in place in respect of compliance with the UK Bribery Act and Foreign Corrupt Practises Act.
- **System risk**
Detailed disaster recovery plans are in place in the event of an incident which could severely affect our ability to trade.

STRATEGIC REPORT

- Environmental risk

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

In recent years we have implemented a number of initiatives and processes in recognition of our environmental responsibilities, and in collaboration with suppliers, help them to become more efficient with resources.

On behalf of the board:



J Fasey
Director
27 July 2017

Forza Foods Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the period ended 31 December 2016.

Directors of the Company

The directors who served during the period are shown on page 1

Dividends

Dividends of £nil were paid in the period (Jan 2016 £16,500,000).

Political and charitable contributions

During the year, cash donations to charitable organisations made by the Company totalled £nil (Jan 2016: £nil). The Company did not make any political donations during the period (Jan 2016: £nil).

Disabled colleagues

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

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

Going Concern & future outlook

The financial statements are prepared on the going concern basis as the Company has considerable financial resources and good long term prospects. As a consequence, the directors believe that the Company is well placed to manage any financial risks successfully and continue to operate for the foreseeable future.

Directors' liabilities

The company has granted an indemnity to each of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity remains in force as at the date of approving the Directors' Report. The indemnity is controlled and paid centrally by the ultimate parent company (Wal-Mart Stores Inc).

Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

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

On behalf of the board



J Fasey
Director
27 July 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

Director's responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have 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 assume 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 FORZA FOODS LIMITED

We have audited the financial statements of Forza Foods Limited for the period ended 31 December 2016 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the reports and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 1 January 2017 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no 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.

Ernst & Young LLP

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

1 August 2017

Forza Foods Limited

INCOME STATEMENT for the period ended 31 December 2016

		<i>31 December 2016 £000</i>	<i>2 January 2016 £000</i>
	<i>Note</i>		
Revenue	1	67,627	290,666
Cost of sales		(41,732)	(240,901)
Gross profit		25,895	49,765
Administrative expenses		(22,053)	(22,437)
Operating profit	2	3,842	27,328
Finance income	5	23	38
Profit before taxation		3,865	27,366
Income tax income / (expense)	6	201	(5,393)
Profit for the period		4,066	21,973

The overall profit of £4,066,000 (Jan 2016: £21,973,000 profit) is all attributable to continuing operations.

Forza Foods Limited

STATEMENT OF OTHER COMPREHENSIVE INCOME for the period ended 31 December 2016

		<i>31 December 2016 £000</i>	<i>2 January 2016 £000</i>
	<i>Note</i>		
Profit for the period		4,066	21,973
Other comprehensive income to be reclassified to income statement in subsequent periods			
Reclassification during the year to income statement	12	-	597
Tax on cash flow hedges recognised directly in comprehensive income	12	-	(129)
Other comprehensive income for the period		-	468
Profit for the period attributable to the equity holders of the company and total comprehensive income for the period		4,066	22,441

Forza Foods Limited

STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2016

	Notes	Cash flow hedge reserve £000	Share premium £000	Share capital £000	Retained earnings £000	Total equity £000
Balance at 3 January 2015		(468)	11,990	10	31,384	42,915
Profit for the period	12	-	-	-	21,973	21,973
Dividends paid in the period	11,12	-	-	-	(16,500)	(16,500)
Other Comprehensive income for the period		468	-	-	-	468
Balance at 2 January 2016		-	11,990	10	36,857	48,857

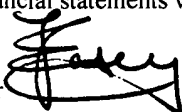
		Cash flow hedge reserve £000	Share premium £000	Share capital £000	Retained earnings £000	Total equity £000
Balance at 2 January 2016		-	11,990	10	36,857	48,857
Profit for the period	12	-	-	-	4,066	4,066
Dividends paid in the period	11,12	-	-	-	-	-
Other Comprehensive income for the period		-	-	-	-	-
Balance at 31 December 2016		-	11,990	10	40,923	52,923

BALANCE SHEET

as at 31 December 2016

	Note	31 December 2016 £000	2 January 2016 £000
Assets			
Non-current assets			
Property, plant and equipment	7	20,746	25,050
		<u>20,746</u>	<u>25,050</u>
Current assets			
Inventories	8	15,002	13,314
Trade and other receivables	9	17,254	24,057
Cash and cash equivalents		20,986	9,587
		<u>53,242</u>	<u>46,958</u>
Total assets		<u>73,988</u>	<u>72,008</u>
Equity and liabilities			
Equity attributable to the owners of the parent			
Called up share capital	10	10	10
Share premium account	12	11,990	11,990
Retained earnings	12	40,923	36,857
Total equity		<u>52,923</u>	<u>48,857</u>
Liabilities			
Current liabilities			
Trade and other payables	13	20,529	19,663
Corporation tax		-	2,739
Non-current liabilities			
Deferred tax liability	14	536	749
Total liabilities		<u>21,065</u>	<u>23,151</u>
Total equity and liabilities		<u>73,988</u>	<u>72,008</u>

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

J Fasey
Director

27 July 2017

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

1. ACCOUNTING POLICIES

Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Forza Foods Limited (the "Company") for the period ended 31 December 2016 were authorised for issue by the board of directors on 27 July 2017 and the balance sheet was signed on behalf of the directors by J Fasey. The Company is a private company limited by shares incorporated and domiciled in England under the Companies Act 2006 (registration number 7224571).

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

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

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

Basis of preparation

- 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
- 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';
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'.

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

Operating profit

Operating profit is stated before finance income and finance costs.

Revenue recognition

Income from sales to group companies

Revenue represents income received for the sale of produce to ASDA Stores Limited and other Wal-Mart companies on an agency net basis. Revenue is measured at the fair value of the consideration received or receivable and represents commission receivable under agency agreements in respect of goods and services procured in the normal course of business, net of discounts, VAT and other sales-related taxes.

Other income

Income from sales external to the group is recognised based on the terms of the contract, net of discounts, VAT and other sales-related taxes.

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

Finance Income

Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Supplier Income

Supplier incentives, rebates and discounts are recognised, as a deduction from costs, as they accrue in accordance with the terms of each relevant supplier contract. All supplier income is supported by contracts and, in the majority of instances these contracts begin and end within the Company's financial year. In a small number of instances, contractual periods may extend over the Company's year-end. In such cases the amount of any income accrued in relation to these contracts is supported by detailed calculations.

Supplier income is split into three classifications:

- Supplier incentives and discounts – which are usually expressed in the supplier contract as an agreed amount per item sold. This type of income is specifically calculated and therefore no judgment is required in determining the amount of income to record in the financial year;
- Annual supplier rebate – these are earned and billed within the Company's financial year in the majority of cases. The rebates are linked to volume of purchase of specific products. A small proportion of rebates agreements may extend beyond the year end and in these cases and income accruals are supported by calculations and based on explicit terms in each contract;
- Fixed amount supplier income – where fixed monetary amounts are agreed with suppliers relating to certain promotional activities. The majority of this income is earned and billed within the Company's financial year however a small proportion of contracts may not be coterminous with the year end and, in these cases, any income accrued is supported by detailed calculations.

Unbilled amounts of income to which the Company is contractually entitled are included in trade and other receivables, or offset against corresponding trade payables, however these amounts are all non-judgemental, being based only on purchases in the financial year with no assumptions required. At year end there are no unpaid billed amounts.

Property, plant and equipment

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

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

Freehold buildings	2% straight line
Plant and equipment	10% to 20% per annum straight line

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

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Taxation

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

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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

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

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

Leasing transactions

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

NOTES TO THE ACCOUNTS

as at 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of issue costs.

Financial assets

Financial assets held by the Company are classified as available for sale or loans and receivables at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Any gains or losses in assets held as available for sale arising from a change in fair value are recognised in the income statement for the period.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Intercompany receivables are non-interest bearing, are unsecured, are repayable on demand and are measured at amortised cost.

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Trade and other payables

Trade and other payables, are not interest bearing and are stated at their nominal value. Intercompany payables are non-interest bearing, unsecured and are repayable on demand.

Derecognition of financial assets

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

Financial liabilities

Financial liabilities held by the Company are classified as other financial liabilities at amortised cost.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to its net carrying amount.

Foreign currencies

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

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

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies continued

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

Judgements, estimates and assumptions

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

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

Judgements

Supplier incentives, rebates, fixed income and discounts are collectively known as “supplier income”. Accounting for the amount and timing of recognition of certain elements of supplier income may require the exercise of judgement depending on the contractual terms in place. The three key types of supplier income are explained in the accounting policy on page 14. The Company had no arrangements with judgemental elements in the current or prior periods.

Estimates and assumptions

Estimates and assumptions are made with regard to inventory net realisable values (note 8), establishing uniform depreciation (note 7) and the likelihood that tax assets can be realised (note 14). Actual results may differ from these estimates.

Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders.

2. OPERATING PROFIT

Operating profit is stated after charging / (crediting):

	31 December 2016 £000	2 January 2016 £000
Depreciation of property, plant and equipment (note 7)	3,845	4,157
Operating lease expense (note 15)		
- Plant & Equipment	125	608
Loss on disposal of tangible assets	24	24
Auditor remuneration	34	35
Foreign currency losses/(gains)	91	(1)
Cost of inventories written off during the period	140	165
Cost of inventory recognised as an expense	-	147,371
Employment costs (note 4)	27,509	25,651

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

3. DIRECTORS' REMUNERATION

	<i>31 December 2016 £000</i>	<i>2 January 2016 £000</i>
Directors' emoluments	1,176	1,432
Value of Company pension contributions to defined contributions schemes	10	179
Number of directors who are members of Company pension schemes	2	4

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

	<i>31 December 2016 £000</i>	<i>2 January 2016 £000</i>
Directors' emoluments	631	400
Value of Company pension contributions to defined contributions schemes	-	-

Three (Jan 2016: Five) of the directors received remuneration in relation to qualifying services provided to the Company. The other directors did not receive any remuneration for their qualifying services as statutory directors of the Company during the year. The directors provided qualifying services to other group companies and their remuneration is paid and disclosed in the financial statements of International Procurement & Logistics Limited.

4. EMPLOYMENT COSTS

	<i>31 December 2016 £000</i>	<i>2 January 2016 £000</i>
Wages and salaries	27,311	25,334
Other pension costs (note 17)	198	317
	27,509	25,651

The closing number of employees during the period was as follows:

	<i>2 January 2016</i>	<i>3 January 2015</i>
Employees and agency staff	1,406	1,274

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

5. FINANCIAL INCOME

	<i>31 December 2016 £000</i>	<i>2 January 2016 £000</i>
Loans and receivables at amortised cost:		
Interest on bank deposits	23	38

6. TAXATION

The charge to UK corporation tax for the period included in the income statement arises as follows:

Recognised in the income statement

	<i>31 December 2016 £000</i>	<i>2 January 2016 £000</i>
Current tax:		
UK corporation tax on profit for the period	12	5,589
Total current tax charge	12	5,589
Deferred tax:		
On profits for the period	(268)	(117)
Adjustments in respect of prior periods	-	3
Effect of rate change	55	(82)
Total deferred tax credit (note 14)	(213)	(196)
Total tax (credit) / charge from continuing operations	(201)	5,393

Reconciliation of effective tax rate

	<i>31 December 2016 £000</i>	<i>2 January 2016 £000</i>
Profit before tax	3,865	27,366
Tax using the UK corporation tax rate of 20.0% (Jan 2016: 20.25%)	773	5,541
Effects of:		
Non-deductible expenses	75	82
Effect of rate change	55	(82)
Adjustments in respect of prior periods	-	3
Group relief	(1,104)	(151)
Tax (credit) / charge for the year	(201)	5,393

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

6. TAXATION (CONTINUED)

On 18 November 2015 the Finance Act 2015 received Royal Assent and enacted reductions in the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020.

On 15 September 2016 the Finance Act 2016 received Royal Assent and enacted a further reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. This supersedes the previously enacted rate change which would have reduced the corporation tax rate to 18% on this date.

Deferred tax has been provided at the rate at which the deferred tax liability is likely to reverse.

7. PROPERTY, PLANT & EQUIPMENT

	<i>Land & Buildings Freehold £000</i>	<i>Plant and Equipment £000</i>	<i>Total £000</i>
Cost			
Balance at 2 January 2016	6,621	43,546	50,167
Additions	-	1,658	1,658
Disposals	(83)	(4,673)	(4,756)
Balance at 31 December 2016	6,538	40,531	47,069
Accumulated depreciation			
Balance at 2 January 2016	769	24,348	25,117
Depreciation charge for the year	130	3,715	3,845
Disposals	(76)	(2,563)	(2,639)
Balance at 31 December 2016	823	25,500	26,323
Net book value			
Balance at 2 January 2016	5,852	19,198	25,050
Balance at 31 December 2016	5,715	15,031	20,746

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

8. INVENTORIES

	<i>31 December 2016 £000</i>	<i>2 January 2016 £000</i>
Finished goods and raw materials	12,491	10,967
Packaging	969	889
Engineering	1,536	1,422
Assets held for resale	6	36
	<hr/>	<hr/>
	15,002	13,314
	<hr/>	<hr/>

9. TRADE AND OTHER RECEIVABLES

	<i>31 December 2016 £000</i>	<i>2 January 2016 £000</i>
Amounts receivable from trade customers	426	21,229
Other Debtors	3,454	2,320
Amounts receivable from group undertakings	13,070	11
Corporation tax	14	-
Prepayments and accrued income	290	497
	<hr/>	<hr/>
	17,254	24,057
	<hr/>	<hr/>

10. CALLED UP SHARE CAPITAL

	<i>No.</i>	<i>£000</i>
Authorised at 2 January 2016 and 31 December 2016		
Ordinary shares of 10p each	100,000	10
A Ordinary shares of £1 each	1	-
	<hr/>	<hr/>
	100,001	10
	<hr/>	<hr/>

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

10. CALLED UP SHARE CAPITAL (CONTINUED)

Allotted, called up and paid	<i>No.</i>	<i>£000</i>
At 2 January 2016		
Ordinary shares of £10p each	100,000	10
1 ordinary A shares of £1 each	1	-
	<hr/>	<hr/>
	100,001	10
	<hr/>	<hr/>
 Allotted, called up and paid	 <i>No.</i>	 <i>£000</i>
At 31 December 2016		
Ordinary shares of 10p each	100,000	10
Ordinary shares of £1 each	1	-
	<hr/>	<hr/>
	100,001	10
	<hr/>	<hr/>

On the 4 January 2016 the one A ordinary Shares of £1 each in the capital of the company, were re-designated as an ordinary share of £1 each in the capital of the company.

Following re-designation, the only class of share in the company is that of ordinary shares. Holders of ordinary shares will be entitled to full dividend and capital rights, voting rights and distribution rights on winding up. They do not confer any rights of redemption

11. DIVIDENDS PAID

Dividends of £nil were paid in the year (Jan 2016 £16,500,000). This represents a dividend of £nil (Jan 2016: £165) per share

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

12. RESERVES

	<i>Share premium £000</i>	<i>Cash Flow hedge £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
Balance at 3 January 2015	11,990	(468)	31,384	42,906
Profit for the period	-	-	21,973	21,973
Cash flow hedges - gains arising in the year	-	597	-	597
Tax on cash flow hedges recognised directly in equity	-	(129)	-	(129)
Dividends paid in the period	-	-	(16,500)	(16,500)
Balance at 2 January 2016	<u>11,990</u>	<u>-</u>	<u>36,857</u>	<u>48,847</u>
	<i>Share premium £000</i>	<i>Cash Flow hedge £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
Balance at 2 January 2016	11,990	-	36,857	48,847
Profit for the period	-	-	4,066	4,066
Cash flow hedges - gains arising in the year	-	-	-	-
Tax on cash flow hedges recognised directly in equity	-	-	-	-
Dividends paid in the period	-	-	-	-
Balance at 31 December 2016	<u>11,990</u>	<u>-</u>	<u>40,923</u>	<u>52,913</u>

The share premium account represents the additional amount shareholders paid for their issued shares in excess of the par value of those shares.

The cash flow hedge reserve represents the gains and losses arising on revaluation of derivatives, being forward currency contracts, and the revaluation of hedged monetary assets and liabilities from historical cost to year-end spot rate.

Forza Foods Limited

NOTES TO THE ACCOUNTS as at 31 December 2016

13. TRADE AND OTHER PAYABLES

	31 December 2016 £000	2 January 2016 £000
Trade payables	11,812	16,388
Amounts owed to group undertakings	-	87
Other taxation and social security costs	2,275	1,086
Accruals and deferred income	6,442	2,102
	<u>20,529</u>	<u>19,663</u>

14. DEFERRED TAXATION

	<i>Assets</i>		<i>Liabilities</i>		<i>Net</i>	
	<i>Dec</i> <i>2016</i> <i>£000</i>	<i>Jan</i> <i>2016</i> <i>£000</i>	<i>Dec</i> <i>2016</i> <i>£000</i>	<i>Jan</i> <i>2016</i> <i>£000</i>	<i>Dec</i> <i>2016</i> <i>£000</i>	<i>Jan</i> <i>2016</i> <i>£000</i>
Property, plant & equipment	(2,176)	(2,535)	2,716	3,284	540	749
Other	(4)	-	-	-	(4)	-
Tax (assets) / liabilities	<u>(2,180)</u>	<u>(2,535)</u>	<u>2,716</u>	<u>3,284</u>	<u>536</u>	<u>749</u>
Netting of tax (assets) / liabilities	<u>2,180</u>	<u>2,535</u>	<u>(2,180)</u>	<u>(2,535)</u>	<u>-</u>	<u>-</u>
Net tax liability	<u>-</u>	<u>-</u>	<u>536</u>	<u>749</u>	<u>536</u>	<u>749</u>

Deferred tax has been provided at 19% (2016: 19%)

Movement in deferred tax during the year:

	<i>Jan</i> <i>2016</i> <i>£000</i>	<i>Recognised</i> <i>in income</i> <i>£000</i>	<i>Recognised in other</i> <i>comprehensive</i> <i>income</i> <i>£000</i>	<i>Dec</i> <i>2016</i> <i>£000</i>
Property, plant & equipment	<u>749</u>	<u>(213)</u>	<u>-</u>	<u>536</u>

Movement in deferred tax during the prior year:

	<i>03-Jan</i> <i>2015</i> <i>£000</i>	<i>Recognised</i> <i>in income</i> <i>£000</i>	<i>Recognised in other</i> <i>comprehensive</i> <i>income</i> <i>£000</i>	<i>02-Jan</i> <i>2016</i> <i>£000</i>
Cash flow hedges	(129)	-	129	-
Property, plant & equipment	<u>945</u>	<u>(196)</u>	<u>-</u>	<u>749</u>
	<u>816</u>	<u>(196)</u>	<u>129</u>	<u>749</u>

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 31 December 2016

15. OBLIGATIONS UNDER LEASES

Operating lease agreements where Company is lessee

At the balance sheet date, the Company had outstanding commitments for future minimum undiscounted lease payments under non-cancellable operating leases in respect plant and machinery, which fall due as follows:

	31 December 2016 £000	2 January 2016 £000
Within one year	250	598
In the second to fifth years inclusive	543	200
Over five years	27	-
	<hr/>	<hr/>
	820	598
	<hr/>	<hr/>

The Company leases various vehicles and equipment under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. Total present value minimum lease payments in respect of plant & machinery are £762,000 (Jan 2016:£556,000)

16. 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 Broadstreet Great Wilson Europe Limited group.

Loans to Directors

Transactions in relation to loans with directors during the year are outlined in the table below:

Description	% Rate	Balance 2.1.16 £000	Amounts advanced £000	Interest charged £000	Amounts repaid £000	Balance 31.12.16 £000
AJ Ruane - Loan	4.00	54	-	-	(54)	-
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

17. RETIREMENT BENEFIT SCHEMES – DEFINED CONTRIBUTION

The Company participates in a Stakeholder Pension Plan, a defined contribution scheme. From 1 February 2014 the company entered into an auto enrolment scheme in addition to the Stakeholder Pension Plan, the total value into both plans during the period was £198,000 (Jan 2016: £317,000).

As at 31 December 2016, contributions of £28,000 (Jan 2016: £139,000) due in respect of the current reporting period had not been paid over to the schemes.

NOTES TO THE ACCOUNTS

as at 31 December 2016

18. PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Forza AW 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.

In the directors' opinion, the ultimate parent undertaking and controlling party is Wal-Mart Stores, Inc. which is incorporated in the USA. Copies of its consolidated financial statements, which include this Company, can be obtained from the Company Secretary, Wal-Mart Stores, Inc., Corporate Offices, 702 SW 8th Street, Bentonville, AR72716, USA.