FORZA FOODS LIMITED

Reports and Financial Statements

28 December 2019

Registered Number: 07224571

Forza Foods Limited

Registered no 07224571
COMPANY INFORMATION

DIRECTORS
MS Smith-Hilliard
J Fasey
M Snell
V Rehal

SECRETARY
V Rehal

AUDITORS
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STRATEGIC REPORT

The Directors present their Strategic Report and financial statements for the 52 week period ended 28 December 2019.

Principal activities of the Business

The principal activity of Forza Foods Limited (hereafter referred to as "Forza" or "the Company") is the procuring, slicing and packing of processed meats for ASDA Stores Limited ("ASDA")

Future strategic intention

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

Company profit and dividends

The profit after taxation for the period was £4,450,000 (2018: £4,340,000). The directors are satisfied with the results and achievements in the period to 28 December 2019 and believe that the future prospects of the Company are sound and consider that the business is adequately financed.

No dividends were paid in the period (2018: £366,000).

Balance sheet

During the year, the Company adopted IFRS 16 – Leases on a modified retrospective basis. As a result of this, an additional £408,000 of assets and £408,000 of liabilities was recognised on the transition date of 30 December 2018. Included in this were current lease liabilities of £172,000. See note 1 for further details.

Capital management

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

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

Section 172 statement

The following sections serve as our section 172 statement. Section 172 of the Companies Act 2006 recognises that whilst companies are run for the benefit of shareholders, a business's long-term success and reputation are dependent upon maintaining relationships with stakeholders and an appreciation of the external impact of its activities.

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 and are keen to ensure proper reflection on stakeholder engagement and opportunities for development at Board level.

The Board regularly reviews the business's principal stakeholders and how we engage with them. The sections below set out a more detailed summary of the Company's relationships with its key stakeholders and how the business engages with those stakeholders together with a discussion as to how the Board considers other s.172 factors.

The Board of Forza is comprised of the Managing Director, Group Legal Director, Group Financial Director, Group Operations Director, Group IT Director, Group People Director and Plant Operations Manager. The Board meets on a monthly basis. In addition to the scheduled programme of Board meetings, the Board and wider senior management team meet weekly, during which feedback from various business units with particular focus on specific stakeholder groups is fed back to the wider Board.

Section 172 statement (continued)

The outcome of stakeholder engagement and consideration of other s.172 factors, as fed back to the Board through the meetings above, influences the formulation and ongoing review of the long-term strategy and financial planning to ensure that the Company continues to deliver sustainable returns and promotes reputational reward. The Directors aim to take the needs and priorities of each stakeholder group into account as part of their decision-making processes, recognising that the pertinence of a particular stakeholder group may vary depending upon the matter under discussion.

Key stakeholder engagement and consideration of s.172 factors

Investor engagement – International Procurement and Logistics Limited ("IPL")
Corporate governance policies and procedures are in place which provide for a continuous and structured dialogue between IPL and the Board of Forza, including regular visits and appropriate corporate governance sign-off procedures. In addition, the Managing Director, Group Finance Director, Group Legal Director, Group Operational Director and Group People Director all sit on the Operational Board of IPL.

Why we engage this stakeholder?	How we engage and key outcomes
Our parent company, IPL, is the provider of investor capital. Their investment enables Forza to fund growth and deliver long-term success.	The Forza Board engage with IPL on significant capital projects and contractual commitments. Principal investments in the year have been projects to improve efficiency of production, improve data integrity and reduce product waste.
As a wholly-owned subsidiary, IPL requires Forza to deliver a return on their investment.	Four of IPL's Board members have also been appointed to the Board of Forza, and are therefore engaged with principal decision making on strategy, governance and performance. Regular interaction between Forza Directors, Forza Management and relevant IPL stakeholders takes place in regular trading meetings to review performance, with joint strategy days take place to align longer term goals.
As part of ensuring compliance with key legal, ethical and financial regulations, Forza engages directly with IPL, and its parent company, ASDA, on these matters.	Certain functions in Forza - including Finance and Compliance – are subject to oversight by IPL and ASDA. This oversight includes formal testing and reporting on compliance, such as reporting on anti-bribery controls under the UK Bribery Act and the Foreign Corrupt Practices Act ("FCPA"); and reporting on any breaches of Walmart/ASDA's Ethics guidance.
Compliance with IPL risk management policies enables Forza to safeguard the Company and promote its long-term sustainability.	The Forza Board work closely with IPL to ensure that all relevant Walmart policies are embedded throughout the IPL Group, including Anti-Corruption, Trade Sanctions, Ethics and Capital Management policies.

Section 172 statement (continued)

Interests of the Company's employees
The Group People Director oversees colleague engagement and ensures that the results of the employee engagement mechanisms referred to below are provided to the Board.

How we have regard to this matter	What we do and key outcomes
We need to ensure ongoing success of the operation by having engaged and capable colleagues.	The Forza Board promote the appraisal and talent management process, which provides colleagues with both support and feedback in order to benefit their development. Colleague engagement is maintained through open communication to share information about the business. The Forza Board provide a business update and key messages to colleagues through a weekly "Snapshot" presentation.
We believe in creating an inclusive culture and providing required support to our colleagues	Forza is an equal opportunities employer and ensures that selection, training, development and promotion is accessible and inclusive to all. Forza Board champion quarterly awareness campaigns to support colleagues, including topics such as modern slavery and post-Brexit implications for EU colleagues. A graduate placement scheme is in place across a range of different disciplines such as finance, operations and trading to provide a broad introduction to the workplace for new graduates and encourage diversity across our operation.

Supplier engagement
The trading team, under the direction of the Supply Chain Manager, engage directly with key suppliers and bring supplier views into the Board meetings through the channels outlined below.

Why we engage this stakeholder?	How we engage and key outcomes
We aim to maintain trust and engagement with our supplier base. We have clear communication channels to ensure our suppliers views are heard. Our suppliers are central to improving our logistical expertise and capability.	Forza complies with the Grocery Supplier Code of Practice ("GSCOP") to ensure it is operating on terms that are mutually agreed and in line with GSCOP requirements. Every year ASDA submits an annual compliance report, which includes Forza, to the Competition and Markets Authority (the "CMA") and the Groceries Code Adjudicator (the "GCA") to detail our compliance with GSCOP, any alleged breaches of GSCOP and any disputes with suppliers.
We work with our suppliers to improve quality and cost of supplies and drive efficiency of supply chain.	The Forza Board have continued to focus on improving "payment on time" for suppliers. Performance is measured on a monthly basis, which enables areas of concern to be identified so that they can be resolved on a timely basis. Walmart operate a responsible sourcing programme that the Forza Board adopt, this gives suppliers access to training material on ethical and social compliance related subjects.

Section 172 statement (continued)

Customer engagement
Forza's principal customer is ASDA, so the Forza Board focus on improving the value, quality and availability of our products as well ensuring that Forza remain ASDA's lowest cost, sustainable supply chain solution. Our sustainable sourcing model supports ASDA's mission to help their customers to save money and live better lives.

Why we engage this stakeholder?	How we engage and key outcomes
Providing ASDA's customers with a good value, high quality product is critical to ensuring long term success for the Forza business.	The Forza Board monitors external data on the prices of key product lines and works to category-specific targets, agreed with ASDA, for pricing against ASDA's key competitors. This helps the Board identify areas to drive targeted value improvements. Throughout 2019 the Forza Board have invested in driving efficiency in our supply chain to ensure the time taken for produce to get from the farmer to the ASDA customer is as quick as possible. ASDA customer complaints associated with products supplied by Forza are monitored by the Forza Board and used to drive quality improvements. We consider the demands of the ASDA customer in the products we sell, including rationalising of our range and making amendments to pack sizes.

Maintaining a reputation for high standards of business conduct
The Technical Manager, under the direction of the Group Legal Director, ensures that Forza comply with relevant regulation and appropriate consideration is given to these regulations in board discussions.

How we have regard to this matter	What we do and key outcomes
Compliance with regulatory frameworks safeguards our business and builds trust.	All of our IPL, Forza and Kober sites are BRC (British Retail Consortium) accredited to A* or above. All but one of our sites has gone through BRC V8 (new standard) which launched in February 2019. All Forza Directors complete mandatory health and safety training every two years. Directors are also encouraged to take part in health and safety "walkabouts" across all or our operational sites, in order to engage with colleagues and impress the importance of health and safety.

Section 172 statement (continued)

Impact of the Company's operations on the environment
The Board is aware of the importance of environmental responsibility and the impact that Forza can have on the environment The Directors have promoted the continued acceleration of innovation and focus in this area to reduce detrimental impacts on the environment and promote sustainability.

How we have regard to this matter	What we do and key outcomes
Forza have a responsibility to minimise the adverse impact our business activities have on the environment, which will also prevent long-term damage to our reputation.	The Forza Board have set targets across our sites to reduce our use of energy and water. The business as a whole works hard to minimise the volume of waste we produce. Food and packaging segregation has been improved by identifying paths to reduce, reuse and recycle wherever possible. Forza Board are working with suppliers to reduce the amount of plastic packaging used on Forza products and improve recyclability.

Key Significant Projects/Principal Decisions

Investment in financial system
During the year, the Forza Board have approved and supported the ongoing investment in the development of a new financial system, to replace the existing system. The new system is planned to be implemented across the whole IPL Group to improve the control framework, through the introduction of automation, drive consistency of process and integrity of reporting. This investment decision has been made with consideration to the impact on colleagues, suppliers and the long term growth of the company.

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

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

Operational colleague bonus scheme
From January 2019 the Forza Board have introduced a monthly bonus scheme for hourly paid operational colleagues. This enabled these colleagues to benefit from any productivity gains generated by the site where they work, improving colleague engagement.

These colleagues previously participated in an annual scheme, however the Forza Board considered it more impactful for colleagues to increase both the frequency of payments, to monthly, and the maximum bonus amount payable by 100%.

Forza Board believe the new operational bonus scheme has driven productivity improvements, which has benefitted our investors, and been beneficial for colleagues.

Supplier engagement
During the year, the Forza Board have continued to work collaboratively with our suppliers and have taken a number of significant steps to continue to strengthen compliance controls. These steps included:

- Strategic small group training to procurement, planning, finance and retail functions.
- New training and tools for Forza colleagues to ensure that written and oral communications to suppliers are clear and unambiguous.

Section 172 statement (continued)

- Monitoring to ensure that the terms agreed with suppliers are fully documented, providing both Forza and suppliers with clarity and confidence.
- Controls and processes to ensure forecasting practices are effective and continue to improve.
- A new claims process to support suppliers by enabling them to challenge where appropriate

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

Principal risks and uncertainties

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

- **Strategic risk**

We continue to invest in new opportunities and areas of growth in order to diversify our offering. The Board invests significant time in working with our parent company to formulate, review and communicate strategy effectively to those delivering it.

- **Supplier risk**

The current economic environment is challenging for our suppliers. This puts increased importance on the strength of our control processes and ability to recognise and respond to supplier issues. We review our controls in relation to supplier monitoring and continue to invest in our control environment and training to ensure we are compliant with the Groceries Supply Code of Practice.

- **Economic risk**

The consumer environment continues to be challenging, with discretionary income marginally decreasing during the period. Customers remain cautious in their spending habits and we expect conditions to remain tough for ASDA customers, with price being a key consideration. We will continue to drive cost efficiencies to allow ASDA to deliver a "low cost operating model".

The Directors consider that the principal risks and uncertainties associated with COVID-19 that could lead to a significant financial impact on the Company are product availability, colleague absence and changes to ASDA customer demand. All of these factors could impact the Company's sales volumes and subsequent cash flow. At the date of approval, the Directors have plans in place to protect product availability, to provide cover for colleague absence and to work closely with ASDA to adapt to customer demand, which has remained robust, to mitigate the impacts of COVID-19. Plans have been reviewed on a daily basis during the peak of the lockdown and continue to be reviewed a minimum of 3 times a week at the date of approval of the accounts.

Forza have considered the potential economic impact of the UK's withdrawal from the European Union including the effect on price and availability of products and impact on our colleagues. A cross functional working group is in place and its main objective is to manage the impacts to Forza of the UK's withdrawal in order to minimise disruption to our operation, and ultimately ASDA's customers by protecting availability of key imported products, including the use of additional EU and UK ports. Forza has also considered the potential tariff impact and the Customs regime in relation to products imported from the EU and has plans to reduce risk.

Principal risks and uncertainties (continued)

- **Resourcing and capability risk**

Retention of key individuals and succession planning is important for long term stability and success. There is a risk we lose key individuals ad talent. For further detail on how we drive colleague engagement please see the Section 172 Statement above.

- **Financial risk**

The principal financial risk is having the funds available at the right time to meet business needs. This risk is managed by business forecasting for performance outturn and cash flow to ensure that the adequate funds are in place to meet the liabilities to suppliers and colleagues.

- **Regulatory and compliance risk**

We recognise that Forza Foods Ltd operates in an environment where we can be impacted by changes in Government policy. In response to this, we continue to risk assess all regulatory developments and test compliance with internal processes designed to mitigate risks, making improvements where required.

- **Fraud risk**

We have a control framework in place to help prevent and detect potential fraud and dishonest activity. Our Statement of Ethics provides clear guidance to colleagues on appropriate behaviour, including guidance on how to raise any business conduct concerns they may have. Colleagues can raise issues by contacting the independent Ethics hotline, or by contacting the Ethics team directly by email or phone. In addition, stringent procedures and regular monitoring is in place in respect of compliance with the UK Bribery Act and US Foreign Corrupt Practices Act.

- **System risk**

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

- **Environmental risk**

We recognise that we have a responsibility to minimise the adverse impact that our business activities may have on the environment. Failure to do so may result not only in adverse environmental impacts, but also financial penalties and long term damage to our reputation. For further detail on how we address our environmental risks please see the Section 172 Statements above.

- **Data Protection risk**

In the event of non-compliance with the requirements of the General Data Protection Regulations ("GDPR"), there is a risk of data loss or misuse or other data breaches which could lead to significant fines and reputational damage. In response to this, we continue to risk assess all aspects of data protection and mitigate risk accordingly.

- **Health and safety risk**

In the event of non-compliance with applicable Health and Safety laws there is a risk that colleagues are harmed which could lead to significant fines and reputational damage. Forza Foods Limited has a health and safety policy as well as procedures and training in place across all sites. There are also established health and safety metrics and accident reporting to monitor the risk.

On behalf of the board:

J Fasey
Director

16 July 2020

DIRECTORS' REPORT

The Directors present their report and financial statements for the period ended 28 December 2019.

Directors
The Directors during the period are disclosed on page 1.

Dividends
No dividends were paid in the period (2018: £366,000).

Political and charitable contributions
During the period, the Company did not make any cash donations to charitable organisations or political donations (2018: £nil).

Going concern and future outlook
In assessing the Company's ability to adopt the going concern basis in preparation of the Financial Statements, the Directors have considered the financial impact that COVID-19 may have on the Company's operating cash flows in the foreseeable future based on data available at the date of approval. The Directors have taken into account the existing profit retention agreement with ASDA, alongside increased current and forecast sales volumes and trends, coupled with robust customer demand and the ability of the Company's supply chain to maintain supply during the outbreak and spread of COVID-19. After considering these factors, and the Company's financial position at the date of approval of the Accounts the Directors have adopted the going concern basis in preparation of the Financial Statements.

Colleague involvement
The Forza leadership team meet regularly with our colleagues to discuss business performance, proposed changes and future initiatives. Directors of the company engage with employees and consider their interests in decision making. We maintain a clear performance management and development framework to support colleagues to learn and develop. Further detail is provided in the Section 172 Statement within the Strategic Report.

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

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

Engagement with UK employees, and regard for suppliers, customers and others
The statements required by Part 4, paragraphs 11(1)(b) and 11B(1) (Engagement with UK employees, and regard for suppliers, customers and others) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are also included within the Strategic Report.

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 insurance is controlled and paid centrally by the ultimate parent company.

For a list of directors who held office during the period please refer to the beginning of these financial statements.

Directors' statement as to disclosure of information to 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.

Events since balance sheet date
The Directors recognise that the impact of COVID-19 on forecast cashflows of the Company is difficult to estimate and could result in future revisions of certain estimates such as the recoverable amount of long lived assets.

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

16 July 2020

DIRECTORS' RESPONSIBILITY STATEMENT

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 FORZA FOODS LIMITED

Opinion

We have audited the financial statements of Forza Foods Limited for the period ended 28 December 2019 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 20 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".
In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 28 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report 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
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORZA FOODS LIMITED *(continued)*

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

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

16 July 2020

INCOME STATEMENT
for the period ended 28 December 2019

	Note	*Period Ended 28 December 2019 £000*	*Period Ended 29 December 2018 £000*
Revenue		276,030	263,660
Cost of sales		(246,042)	(236,244)
Gross profit		29,988	27,416
Administrative expenses		(25,904)	(23,556)
Operating profit	*2*	4,084	3,860
Financial income	*6*	153	101
Financial costs	*6*	(9)	-
Profit before taxation		4,228	3,961
Income tax credit	*7*	222	379
Profit for the period		4,450	4,340

The overall result of £4,450,000 (2018: £4,340,000) is all attributable to continuing operations.

IFRS 16 was adopted on 30 December 2018. The modified retrospective approach was taken; hence prior year comparatives have not been restated. The primary statements are therefore shown on an IFRS 16 basis for 2019 and an IAS 17 basis for 2018.

Adoption of IFRS 16 in the 52-week period to 28 December 2019 resulted in a decrease to operating costs of £9,000 and an increase to finance costs of £9,000.

There are no other items of other comprehensive income in the year (2018: none)

STATEMENT OF CHANGES IN EQUITY

For the period ended 28 December 2019

	Notes	*Share premium*	*Share capital*	*Retained earnings*	*Total equity*
		£000	*£000*	*£000*	*£000*
Balance at 31 December 2017		11,990	10	44,719	56,719
Profit for the period	*13*	-	-	4,340	4,340
Dividends paid		-	-	(366)	(366)
Balance at 29 December 2018		11,990	10	48,693	60,693

		Share premium	*Share capital*	*Retained earnings*	*Total equity*
		£000	*£000*	*£000*	*£000*
Balance at 30 December 2018		11,990	10	48,693	60,693
Profit for the period	*13*	-	-	4,450	4,450
Balance at 28 December 2019		11,990	10	53,143	65,143

BALANCE SHEET
As at 28 December 2019
Registration number: 07224571

	Note	28 December 2019 £000	29 December 2018 £000
Assets			
Non-current assets			
Property, plant and equipment	8	17,216	17,929
Right-of-use asset	9	658	-
Deferred tax asset	15	191	-
		18,065	17,929
Current assets			
Inventories	10	25,655	22,754
Trade and other receivables	11	28,725	28,548
Cash and cash equivalents		22,535	23,272
		76,915	74,574
Total assets		94,980	92,503
Equity and liabilities			
Equity attributable to the owners of the parent			
Called up share capital	12	10	10
Share premium account	13	11,990	11,990
Retained earnings	13	53,143	48,693
Total equity		65,143	60,693
Liabilities			
Current liabilities			
Trade and other payables	14	29,187	31,779
Lease liability	16	226	-
		29,413	31,779
Non-current liabilities			
Deferred Tax Liability	15	-	31
Lease liability	16	424	-
		424	31
Total liabilities		29,837	31,810
Total equity and liabilities		94,980	92,503

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

J Fasey
Director
16 July 2020

NOTES TO THE ACCOUNTS
as at 28 December 2019

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 28 December 2019 were authorised for issue by the board of directors on 16 July 2020 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 07224571).

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

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

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of ASDA Group Limited. The results of the Company are included in the consolidated financial statements of ASDA Group Limited, which are available from ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD. These financial statements are therefore separate financial statements of the Company only.

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

Basis of preparation

The financial statements of the Company are made up to the nearest Saturday to 31 December each year. The current financial year is the 52 weeks ended 28 December 2019 ('the period'). The comparative financial year is the 52 weeks ended 29 December 2018 ('the prior period').

In assessing the Company's ability to adopt the going concern basis in preparation of the Financial Statements, the Directors have considered the financial impact that COVID-19 may have on the Company's operating cash flows in the foreseeable future based on data available at the date of approval. The Directors have taken into account the existing profit retention agreement with ASDA, alongside increased current and forecast sales volumes and trends, coupled with robust customer demand and the ability of the Company's supply chain to maintain supply during the outbreak and spread of COVID-19. After considering these factors, and the Company's financial position at the date of approval of the Accounts the Directors have adopted the going concern basis in preparation of the Financial Statements.

The accounting policies which follow have, unless otherwise stated, been applied consistently to all periods presented in these Company financial statements. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73 of IAS 16 'Property, Plant and Equipment'; and
  - Paragraph 118 of IAS 38 'Intangible Assets'.
- The requirements of paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements';
- The 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';

1. Accounting policies *(continued)*

***Basis of preparation** (continued)*

- The requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures';
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135-135 of IAS 36 'Impairment of Assets'.

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

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 30 December 2018.

IFRS 16 - Leases
In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019, with earlier application permitted. This replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. The date of initial application of IFRS 16 for the Company is 30 December 2018.

Impact on lessee accounting
IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were recorded off-Balance Sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:
a) recognises right-of-use assets and lease liabilities in the Balance Sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet immediately before the date of transition.
b) recognises depreciation of right-of-use assets and interest on lease liabilities in the Income Statement.

Lease incentives (e.g. rent free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive accrual, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

Practical expedients and policy choices
The Company has applied IFRS 16 using the modified retrospective approach which:
- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and,
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

1. Accounting policies *(continued)*

***IFRS 16 - Leases** (continued)*

IFRS 16 allows for certain transition and accounting policy options for companies taking the modified retrospective approach. The Company has applied the following practical expedients at transition date, but no others:

- To rely on the previous identification of a lease (as provided by IAS 17 or IFRIC 4) for all contracts that existed on the transition date; and,
- To exclude initial direct costs from the measurement of the right-of-use asset on the transition date.

With respect to all leases previously classified as operating under IAS 17, the Company has elected to measure right-of-use assets recognised on the transition date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet immediately before the transition date.

The Company has taken the following ongoing policy choices from the adoption date:

- To account for any lease with a term of less than 12 months as a short term lease, recognising cost in the Income Statement on a straight line basis over the lease term and not recognising a right-of-use asset and lease liability at the contract date;
- To apply the IFRS 16 low value asset exemption threshold based on the value of the asset when new, on an individual asset basis if deemed appropriate;
- To apply a materiality threshold to all leases on and post transition. Costs relating to leases with total undiscounted cash flows over the life of the lease below a documented threshold will be expensed as incurred and no right-of-use asset or lease liability will be recognised at the contract date;
- To elect to combine lease and non-lease components prospectively after the transition date. This applies to all leases with the exception of IT and printer leases.

Financial impact of adoption

In the year of adoption, the overall impact to the Income Statement was no impact on profit before tax, split as a decrease to operating costs of £9,000 and an increase to finance costs of £9,000.

The table on the following page illustrates the impacts to the Balance Sheet at the transition date.

1. **Accounting policies** *(continued)*

IFRS 16 - Leases *(continued)*

	Year ended 29 December 2018 Under IAS 17	*IFRS 16 impact*	*Balance as at 30 December 2018 Under IFRS 16*
	£000	*£000*	*£000*
Assets			
Non-current assets			
Property, plant and equipment	17,929	-	17,929
Right-of-use assets	-	408	408
	17,929	408	18,337
Current assets			
Inventories	22,754	-	22,754
Trade and other receivables	28,548	-	28,548
Cash and cash equivalents	23,272	-	23,272
	74,574	-	74,574
Total assets	92,503	408	92,911
Equity and liabilities			
Equity attributable to the owners of the parent			
Called up share capital	10	-	10
Share premium account	11,990	-	11,990
Retained earnings	48,693	-	48,693
Total equity	60,693	-	60,693
Liabilities			
Current liabilities			
Trade and other payables	31,779		31,779
Lease Liabilities	-	172	172
Non current liabilities			
Lease Liabilities	-	236	236
Deferred tax liability	31	-	31
Total liabilities	31,810	408	32,218
Total equity and liabilities	92,503	408	92,911

1. Accounting policies *(continued)*

IFRS 16 - Leases (continued)

The following reconciliation presents the differences between liabilities carried forward at 29 December 2018 under IAS 17 and liabilities brought forward at 30 December 2018 under IFRS 16:

		£000
Future undiscounted operating lease commitments under IAS 17 as at 29 December 2018		498
Impact of discounting	1	(90)
Total lease liability under IFRS16 at 30 December 2018		408

Notes

1) Discount rate on transition. Liabilities on transition were discounted using a weighted average incremental borrowing rate ("IBR") of 2.32%. IBR has been determined on a lease-by-lease basis based on a Group specific borrowing rate with reference to the remaining lease term. IBRs applied range between 0.8% and 1.74%.

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 22. 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 10), determining appropriate useful economic lives for property, plant and equipment (note 8), finance versus operating lease classification (prior to adoption of IFRS 16 – leases) (note 16) and the likelihood that tax assets can be realised (note 15). Actual results may differ from these estimates.

1. Accounting policies *(continued)*

Revenue recognition

Income from sales to group companies

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

Income from sales to third parties

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

Finance Income

Interest receivable comprises interest on bank deposits. Interest income is recognised in the income statement as it accrues, at a constant rate on the 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. In some instances, contractual periods extend over the Company's period end. In such cases the amount of any income accrued in relation to these contracts is supported by detailed calculations or supply data. 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 period;

- Annual supplier rebate – these are earned and billed within the Company's financial period in the majority of cases. The rebates are linked to supply of specific products at fixed prices. No tiered arrangements are in place. Agreements may span the period end but in these cases income is recognised based on purchases in the period and explicit terms in each contract, therefore no judgement is required in determining the amount of income to record in the financial period;

- Fixed amount supplier income – where fixed monetary amounts are agreed with suppliers relating to agreed minimum volumes. Any income accrued is supported by detailed calculations and is non-judgemental.

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 period with no assumptions required. Billed amounts unpaid at period end are included in trade receivables or offset against corresponding trade payables where a contractual right of offset exists.

1. Accounting policies *(continued)*

Taxation

Taxation comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods

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

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

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

Retirement benefit costs

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

Property, plant and equipment

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

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

Freehold buildings – 2% straight line
Plant and equipment - 10% to 20% per annum straight line
Freehold land is not depreciated

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.

1. Accounting policies *(continued)*

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases where the cost of the underlying asset is below an internally set materiality threshold). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability

The lease liability is initially measured at the value of the lease payments that are not paid at the commencement date, discounted to present value.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as separate current and non-current lines in the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

1. **Accounting policies** *(continued)*

Leases (continued)

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate; or,
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Discount rate
When discounting payments to present value, the Company uses the rate based on an estimated incremental borrowing rate. Rates are determined with reference to UK rates available to the Company adjusted for lease term. Rates are updated on a quarterly basis.

Right-of-use Assets
Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term. Depreciation is charged from the commencement date of the lease. Right-of-use assets are presented as a separate line in the Balance Sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment' policy above.

Non-lease components and variable rent expense
As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has taken this election.

The Company does not have any rent payment terms linked to sales or other variable metrics.

Financial assets and liabilities

The Company classifies its financial assets and liabilities in the following categories: trade and intercompany receivables, cash and cash equivalents and trade and intercompany payables.
Management determines the classification of its instruments at initial recognition.
All financial assets and liabilities are recognised initially at fair value. The Company assesses financial assets for impairment using the expected credit losses model and recognises impairment losses as required.

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.

Inventories

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

1. Accounting policies *(continued)*

Trade and other receivables

Trade and other receivables are stated at their original invoiced value and reduced by appropriate allowances for estimated irrecoverable amounts. Impaired debts are derecognised when they are assessed as uncollectible. Intercompany receivables are non-interest bearing, unsecured, are repayable on demand and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Trade and other payables

Trade and other payables are non-interest bearing and are stated at their nominal value. Intercompany payables are non-interest bearing and are repayable on demand.

Foreign currencies

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in 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.

2. OPERATING PROFIT

Operating profit is stated after charging:

	Period Ended 28 December 2019 £000	*Period Ended 29 December 2018 £000*
Depreciation of property, plant and equipment (note 8)	3,898	3,682
Depreciation on right-of-use assets (note 9)	224	-
Operating lease expense – Plant & Equipment	-	243
Employment costs (note 5)	33,320	31,010

3. DIRECTORS' REMUNERATION

	Period Ended 28 December 2019	*Period Ended 29 December 2018*
	£000	*£000*
Directors' emoluments	-	248
Value of Company pension contributions to defined contributions schemes	-	-
Number of directors who are members of Company pension schemes	-	-

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

	Period Ended 28 December 2019	*Period Ended 29 December 2018*
	£000	*£000*
Directors' emoluments	-	248
Value of Company pension contributions to defined contributions schemes	-	-

No directors (2018: One up to 31 August 2018), received remuneration for the period in relation to qualifying services provided to the Company. The directors are all paid by other companies within the Asda Group for their overall services to the Company with no recharge being made to Forza Foods Limited. The emoluments of these directors are disclosed in the financial statements of International Procurement and Logistics Limited.

4. AUDITORS' REMUNERATION

	Period Ended 28 December 2019	*Period Ended 29 December 2018*
	£000	*£000*
Fees payable to the company's auditors for audit of the company financial statements	41	33

5. EMPLOYMENT COSTS

		Period Ended 28 December 2019 £000	*Period Ended 29 December 2018 £000*
Wages and salaries		32,609	30,565
Other pension costs	18	711	445
		33,320	31,010

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

	Period Ended 28 December 2019	*Period ended 29 December 2018*
Total employees		
Production	1,393	1,511
Administrative	73	76
	1,466	1,587
Full time equivalents		
Production	1,387	1,491
Administrative	72	74
	1,459	1,565

6. FINANCIAL INCOME & COSTS

	Period Ended 28 December 2019 £000	*Period Ended 29 December 2018 £000*
Interest on bank deposits	153	101
Interest on lease liabilities	(9)	-

7. TAXATION

Tax credit recognised in the income statement

	Period Ended 28 December 2019 £000	*Period Ended 29 December 2018 £000*
Current tax:		
UK corporation tax on profit for the period	-	-
Total current tax credit/(charge)	-	-
Deferred tax:		
On profits for the period	242	265
Adjustments in respect of prior periods	-	114
Effect of rate change	(20)	-
Total deferred tax credit	222	379
Total tax credit from continuing operations	222	379

Reconciliation of effective tax rate:

Profit before tax	4,228	3,961
Tax using the UK corporation tax rate of 19% (2018: 19%)	(803)	(753)
Effects of:		
Non-deductible expenses	(73)	(67)
Adjustments in respect of prior periods	-	114
Group relief	1,118	1,085
Effect of rate change	(20)	-
Tax credit for the year	222	379

The standard rate of corporation tax in the United Kingdom for the year is 19% (2018: 19%). On 15 September 2016, the Finance Act 2016 received Royal Assent and enacted a reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. Deferred tax has been provided at the rate at which the Company estimated the temporary differences would reverse, based on rates substantively enacted and enacted at the balance sheet date.

On the 11 March 2020, it was announced in the UK Budget that the reduction in the corporation tax rate to 17% on 1 April 2020 would be reversed, and the standard rate of corporation tax in the United Kingdom will remain at 19%. The impact of providing for deferred tax at a rate of 19% would be an increase in deferred tax assets of the Company totalling £20,000. This has not been recognised in the period ended 28 December 2019 as the change was not substantively enacted at the balance sheet date.

NOTES TO THE ACCOUNTS
as at 28 December 2019

8. PROPERTY, PLANT & EQUIPMENT

	Freehold Land & buildings	*Plant and Equipment*	*Total*
	£000	*£000*	*£000*
Cost			
Balance at 29 December 2018	6,538	44,917	51,455
Additions for the period	-	3,215	3,215
Disposals	-	(200)	(200)
Balance at 28 December 2019	6,538	47,932	54,470
Accumulated depreciation			
Balance at 29 December 2018	1,083	32,443	33,526
Depreciation charge for the period	130	3,768	3,898
Disposals	-	(170)	(170)
Balance at 28 December 2019	1,213	36,041	37,254
Net book value			
Balance at 29 December 2018	5,455	12,474	17,929
Balance at 28 December 2019	**5,325**	**11,891**	**17,216**

9. RIGHT-OF-USE ASSETS

	Plant & Equipment *£000*
Cost	
At 29 December 2018	-
Transition additions	408
Additions	486
Disposals	(79)
At 28 December 2019	815
Accumulated depreciation	
At 29 December 2018	-
Transition additions	-
Charge for the year	224
Eliminated on disposal	(67)
At 28 December 2019	157
Net book value	
At 28 December 2019	**658**

The company leases manual handling equipment under agreements within the scope of IFRS 16.

Leases of plant and equipment have various terms but typically do not include mid-term rent reviews or extension options. They have no purchase options. The average remaining lease term is 5 years.

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

For further details of lease liabilities please see note 16.

10. INVENTORIES

	28 December 2019 *£000*	*29 December 2018* *£000*
Produce and raw materials	22,876	20,191
Packaging	1,042	950
Engineering	1,737	1,613
	25,655	22,754

11. TRADE AND OTHER RECEIVABLES

	28 December 2019 £000	29 December 2018 £000
Amounts receivable from trade customers	104	132
Other debtors	3,079	3,484
Amounts receivable from group undertakings	24,034	24,554
Prepayments and accrued income	1,508	378
	28,725	28,548

12. CALLED UP SHARE CAPITAL

	No.	£000
Allotted, called up & fully paid at 29 December 2018		
Ordinary shares of 10p each	100,000	10
Ordinary shares of £1 each	1	-
	100,001	10

	No.	£000
Allotted, called up & fully paid at 28 December 2019		
Ordinary shares of 10p each	100,010	10
	100,010	10

13. RESERVES

	Notes	Share premium £000	Share capital £000	Retained earnings £000	Total equity £000
Balance at 31 December 2017		11,990	10	44,719	56,719
Profit for the period		-	-	4,340	4,340
Dividends paid		-	-	(366)	(366)
Balance at 29 December 2018		11,990	10	48,693	60,693

	Share premium £000	Share capital £000	Retained earnings £000	Total equity £000
Balance at 30 December 2018	11,990	10	48,693	60,693
Profit for the period	-	-	4,450	4,450
Balance at 28 December 2019	11,990	10	53,143	65,143

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

14. TRADE AND OTHER PAYABLES

	28 December 2019 £000	29 December 2018 £000
Trade payables	14,913	21,888
Amounts owed to group undertakings	1,230	862
Other taxation and social security costs	2,389	3,131
Accruals and deferred income	10,655	5,898
	29,187	31,779

15. DEFERRED TAXATION

	28 December 2019 £000	*29 December 2018 £000*
Deferred tax asset (provision)		
Accelerated capital allowances	122	(96)
Short term timing differences	69	65
Deferred Tax Asset / (Provision)	191	(31)

Deferred tax has been provided at 19% (2018: 19%)

Movement in deferred tax asset/ (provision)

At beginning of period as previously stated	(31)	(410)
Provision credited to the profit and loss account attributable to operating profit	222	379
At the end of the period	191	(31)

16. LEASE LIABILITIES

Future minimum lease payments are due as follows:

	28 December 2019 £000
No later than one year	240
Later than one year and no later than two years	232
Later than two years and no later than three years	150
Later than three years and no later than four years	49
Later than four years and no later than five years	-
	671
Lease finance charges allocated to future periods	(21)
	650

There are no instances at 28 December 2019 where future rental payments have been committed but not yet included in the lease liability.

16. LEASE LIABILITIES *(continued)*

Amounts recognised in Income Statement
The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	28 December 2019 £000
Depreciation - plant and equipment right-of-use assets	224
Interest expense related to lease liabilities	9
Total amount recognised in Income Statement	233

17. 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.

18. RETIREMENT BENEFIT SCHEMES – DEFINED CONTRIBUTION SCHEME

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 £711,000 (2018: £445,000).

As at 28 December 2019, contributions of £119,000 (2018: £80,000) due in respect of the current reporting period had not been paid over to the schemes.

19. 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

20. EVENTS SINCE THE BALANCE SHEET DATE

The outbreak and spread of COVID-19 was confirmed in the UK in early 2020 and at the date of approval of the accounts, is resulting in a high level of disruption to UK economic, social and political activity. The Company considers the outbreak to be a non-adjusting post balance sheet event. The Directors recognise that the impact on forecast cashflows of the Company is difficult to estimate and have considered a range of factors, as described in note 1.