

FORZA FOODS LIMITED

Reports and Financial Statements
30 December 2017

Registered Number: 07224571

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COMPANIES HOUSE

Forza Foods Limited

Registered no 07224571
Company Information

DIRECTORS

MS Smith – Hilliard
J Fasey
M Snell
JM Roberts (resigned 30.6.17)

SECRETARY

V Rehal

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

Barclays Bank
10 Hall Place
Spalding
Lincolnshire
PE11 1SR

STRATEGIC REPORT

The directors present their Strategic Report and financial statements for the 52 week period ("period") ended 30 December 2017.

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 ("ASDA").

The directors are satisfied with the results and achievements in the period to 30 December 2017 and believe that the future prospects of the Company are sound and consider that the business is adequately financed.

The Company acts as an agency to source product for sale on to ASDA. The Company's purpose is to provide ASDA with the lowest cost, sustainable sourcing and supply chain solution. The Company measures its performance against a balanced set of key performance indicators to ensure it is meeting this purpose.

The Company deals with over 400 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 30 December 2017, the Company had an average of 31.8 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. 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.

STRATEGIC REPORT (CONTINUED)

- **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.
- **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
15 June 2018

DIRECTORS' REPORT

The directors present their report and financial statements for the period ended 30 December 2017.

Directors of the Company

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

Results and dividends

The profit after taxation for the period was £3,796,000 (2016: £4,066,000). Dividends of £nil were paid in the period (Dec 2016 £nil).

Political and charitable contributions

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

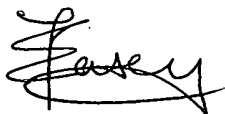
Directors' statement as to disclosure of information to auditors

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
15 June 2018

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

Opinion

We have audited the financial statements of Forza Food Limited for the period ended 30 December 2017 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 17, 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 30 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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 6, 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

15 June 2018

Forza Foods Limited

INCOME STATEMENT

for the period ended 30 December 2017

	<i>Note</i>	<i>30 December 2017 £000</i>	<i>31 December 2016 £000</i>
Revenue	<i>1</i>	72,575	67,627
Cost of sales		(45,779)	(41,732)
Gross profit		26,796	25,895
Administrative expenses		(23,135)	(22,053)
Operating profit	<i>2</i>	3,661	3,842
Finance income	<i>5</i>	8	23
Profit before taxation		3,669	3,865
Income tax credit	<i>6</i>	127	201
Profit for the period		3,796	4,066

The profit for the period of £3,796,000 (Dec 2016: £4,066,000) is attributable to continuing operations.

There are no items of other comprehensive income in the year (2016: none)

Forza Foods Limited

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 December 2017

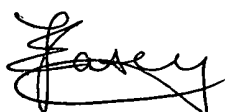
	<i>Notes</i>	<i>Share premium £000</i>	<i>Share capital £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
Balance at 3 January 2016		11,990	10	36,857	48,857
Profit for the period	<i>11</i>	-	-	4,066	4,066
Balance at 31 December 2016		<u>11,990</u>	<u>10</u>	<u>40,923</u>	<u>52,923</u>
		<i>Share premium £000</i>	<i>Share capital £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
Balance at 1 January 2017		11,990	10	40,923	52,923
Profit for the period	<i>11</i>	-	-	3,796	3,796
Balance at 30 December 2017		<u>11,990</u>	<u>10</u>	<u>44,719</u>	<u>56,719</u>

BALANCE SHEET

as at 30 December 2017

	Note	30 December 2017 £000	31 December 2016 £000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	7	19,134	20,746
		<u>19,134</u>	<u>20,746</u>
<i>Current assets</i>			
Inventories	8	19,562	15,002
Trade and other receivables	9	25,806	17,254
Cash and cash equivalents		20,622	20,986
		<u>65,990</u>	<u>53,242</u>
Total assets		<u>85,124</u>	<u>73,988</u>
Equity and liabilities			
<i>Equity attributable to the owners of the parent</i>			
Called up share capital	10	10	10
Share Premium account	11	11,990	11,990
Retained earnings	11	44,719	40,923
Total equity		<u>56,719</u>	<u>52,923</u>
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	12	27,995	20,529
<i>Non current liabilities</i>			
Deferred Tax Liability	13	410	536
Total liabilities		<u>28,405</u>	<u>21,065</u>
Total equity and liabilities		<u>85,124</u>	<u>73,988</u>

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



J Fasey
Director

15 June 2018

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 30 December 2017

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 30 December 2017 were authorised for issue by the board of directors on 15 June 2018 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 financial statements of the Company are made up to the nearest Friday to 31 December each year. The current financial year is the 52 weeks ended 30 December 2017 ('the period'). The comparative financial year is the 52 weeks ended 31 December 2016 ('the prior period').

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.

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 requirement 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';

NOTES TO THE ACCOUNTS

as at 30 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

- 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'.
- The requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures';

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 gross based on the terms of the contract, net of discounts, VAT and other sales-related taxes.

Financial Income

Financial 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.

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 13. The Company had no arrangements with judgemental elements in the current or prior periods.

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 30 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

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 13). 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.

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.

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

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 30 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

- 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 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 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.

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.

Leasing transactions

Rentals payable under operating leases, including fixed rental increases, 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.

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.

NOTES TO THE ACCOUNTS

as at 30 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of assets (continued)

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 liabilities are recognised when the Company becomes party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

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.

Financial liabilities

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

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.

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

NOTES TO THE ACCOUNTS

as at 30 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

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 the income statement 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:

	30 December 2017 £000	31 December 2016 £000
Depreciation of property, plant and equipment (note 7)	3,838	3,845
Operating lease expense (note 14)		
- Plant & Equipment	239	125
Loss on Disposal of tangible assets	-	24
Auditor remuneration	35	34
Foreign currency loss	152	91
Cost of inventories written off during the period	327	140
Employment costs (note 4)	29,916	27,509

Forza Foods Limited

NOTES TO THE ACCOUNTS as at 30 December 2017

3. DIRECTORS' REMUNERATION

	<i>30 December 2017 £000</i>	<i>31 December 2016 £000</i>
Directors' emoluments	463	1,176
Value of Company pension contributions to defined contributions schemes	-	10
Number of directors who are members of Company pension schemes	0	2

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

	<i>30 December 2017 £000</i>	<i>31 December 2016 £000</i>
Directors' emoluments	374	631
Value of Company pension contributions to defined contributions schemes	-	-

J Roberts and M Hilliard (Dec 2016: Three) of the directors received remuneration in relation to qualifying services provided to the Company. The directors J Fasey and M Snell are 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 & Logistics Limited.

4. EMPLOYMENT COSTS

	<i>30 December 2017 £000</i>	<i>31 December 2016 £000</i>
Wages and salaries	29,734	27,311
Other pension costs	182	198
	29,916	27,509

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

	<i>30 December 2017</i>	<i>31 December 2016</i>
Employees and Agency staff	1,434	1,379

Forza Foods Limited

NOTES TO THE ACCOUNTS as at 30 December 2017

5. FINANCE INCOME

	<i>30 December 2017 £000</i>	<i>31 December 2016 £000</i>
Interest on bank deposits	8	23

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>30 December 2017 £000</i>	<i>31 December 2016 £000</i>
Current tax:		
UK corporation tax on profit for the period	-	12
Adjustments in respect of prior periods	(1)	-
Total current tax charge	(1)	12
Deferred tax:		
On profits for the period	(266)	(268)
Adjustments in respect of prior periods	140	-
Effect of Rate Change	-	55
Total deferred tax charge	(126)	(213)
Total tax charge from continuing operations	(127)	(201)

	<i>30 December 2017 £000</i>	<i>31 December 2016 £000</i>
Profit before tax	3,669	3,865
Tax using the UK corporation tax rate of 19.247% (Dec 2016: 20.0%)	706	773
Effects of:		
Non-deductible expenses	43	75
Capital allowances		55
Adjustments in respect of prior periods	140	-
Group relief	(1,016)	(1,104)
Tax charge for the year	(127)	(201)

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 30 December 2017

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 31 December 2016	6,538	40,531	47,069
Additions	-	2,226	2,226
Balance at 30 December 2017	6,538	42,757	49,295
Accumulated depreciation			
Balance at 31 December 2016	823	25,500	26,323
Depreciation charge for the year	130	3,708	3,838
Balance at 30 December 2017	953	29,208	30,161
Net book value			
Balance at 31 December 2016	5,715	15,031	20,746
Balance at 30 December 2017	5,585	13,549	19,134

Forza Foods Limited

NOTES TO THE ACCOUNTS as at 30 December 2017

8. INVENTORIES

	<i>30 December 2017 £000</i>	<i>31 December 2016 £000</i>
Produce and raw materials	16,961	12,491
Packaging	1,063	969
Engineering	1,538	1,536
Assets held for resale	-	6
	<hr/>	<hr/>
	19,562	15,002
	<hr/>	<hr/>

9. TRADE AND OTHER RECEIVABLES

	<i>30 December 2017 £000</i>	<i>31 December 2016 £000</i>
Amounts receivable from trade customers	170	426
Other Debtors	5,647	3,454
Amounts receivable from group undertakings	19,709	13,070
Corporation tax	-	14
Prepayments and accrued income	280	290
	<hr/>	<hr/>
	25,806	17,254
	<hr/>	<hr/>

10. CALLED UP SHARE CAPITAL

	<i>No.</i>	<i>£000</i>
Authorised, called up & fully paid at 31 December 2016 & 30 December 2017		
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 30 December 2017

11. RESERVES

	<i>Share premium £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
Balance at 3 January 2016	11,990	36,857	48,857
Profit for the period	-	4,066	4,066
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	<u>11,990</u>	<u>40,923</u>	<u>52,913</u>

	<i>Share premium £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
Balance at 1 January 2017	11,990	40,923	52,923
Profit for the period	-	3,796	3,796
	<hr/>	<hr/>	<hr/>
Balance at 30 December 2017	<u>11,990</u>	<u>44,719</u>	<u>56,719</u>

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

12. TRADE AND OTHER PAYABLES

	<i>30 December 2017 £000</i>	<i>31 December 2016 £000</i>
Trade payables	19,407	11,812
Amounts owed to group undertakings	708	-
Other taxation and social security costs	2,848	2,275
Accruals and deferred income	5,032	6,442
	<hr/>	<hr/>
	<u>27,995</u>	<u>20,529</u>

Forza Foods Limited

NOTES TO THE ACCOUNTS

as at 30 December 2017

13. DEFERRED TAXATION

	30 December 2017 £000	31 December 2016 £000
Provision for deferred tax		
Accelerated capital allowances	410	540
Short term timing differences	-	(4)
Provision for Deferred Tax	410	536
Movement in deferred tax provision		
At beginning of period as previously stated		
Provision credited to the profit and loss account attributable to operating profit	536	749
At the end of the period	(126)	(213)
	410	536

14. 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:

	30 December 2017 £000	31 December 2016 £000
Within one year	251	250
In the second to fifth years inclusive	314	543
Over five years	3	27
	568	820

The Company leases various vehicles and equipment under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

NOTES TO THE ACCOUNTS

as at 30 December 2017

15. 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.

16. 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 £182,000 (Dec 2016: £198,000).

As at 30 December 2017, contributions of £33,000 (Dec 2016: £25,000) due in respect of the current reporting period had not been paid over to the schemes.

17. 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