

FORZA FOODS LIMITED

Reports and Financial Statements

01 January 2022

Registered Number: 07224571

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COMPANIES HOUSE

Forza Foods Limited

Registered no 07224571

COMPANY INFORMATION

DIRECTORS

P Grover

V Rehal

M Snell

M Smith-Hilliard (resigned 15 October 2021)

J Berry (appointed 19 January 2022)

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

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BANKERS

Barclays Bank

10 Hall Place

Spalding

Lincolnshire

PE11 1SR

Forza Foods Limited

STRATEGIC REPORT

The Directors present their Strategic Report and financial statements for the 53-week period ended 1 January 2022.

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”).

Change in ownership

The Company is a wholly owned subsidiary of ASDA Group Limited. On 16 February 2021, the ultimate parent company and controlling party of ASDA Group Limited, Walmart Inc. (“Walmart”), completed the sale to Mohsin and Zuber Issa, founders and co-CEOs of EG Group, a global convenience and forecourts retailer, headquartered in Blackburn, UK, and investment funds managed by TDR Capital LLP (“TDR Capital”), a leading UK-based private equity firm, of Walmart's equity interest in ASDA Group Limited. Under the new ownership structure, Mohsin and Zuber Issa and TDR Capital own 100% of the ordinary shares in Bellis Acquisition Company 3 Limited (“BAC3L”), which in turn has acquired the entire issued share capital of ASDA Group Limited from ASDA Holdings UK Limited (“AHUKL”) - and as such, Mohsin and Zuber Issa and TDR Capital jointly control ASDA Group Limited and therefore Forza.

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 £4,430,000 (2020: £4,271,000). The directors are satisfied with the results and achievements in the period to 1 January 2022 and believe that the future prospects of the Company are sound and consider that the business is adequately financed.

Total dividends of £25,000,000 were paid during the period (2020: £nil).

Capital management

Capital management is managed by the Treasury function, which forecasts cash flows and ensures that adequate short-term funds are in place to meet liabilities to suppliers and colleagues.

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

ASDA has access to external borrowing facilities for short-term liquidity requirements, and forecasts cash flows to ensure that liabilities can be met as they fall due. The directors of ASDA Group Limited have provided a letter of support to the Company stating that ASDA Group Limited will provide financial support to the Company should it be required to enable it to continue to meet its liabilities as they fall due. Further details can be found in the Going Concern section of the Director's Report.

Certain transactions with suppliers are denominated in foreign currencies. Currency requirements are purchased on the spot market. It is ASDA's policy not to buy or hold foreign currency speculatively, and as a wholly owned subsidiary Forza adheres to this policy.

STRATEGIC REPORT (CONTINUED)

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 Statutory Board is comprised of the Managing Director, Group Corporate Services Director, Group Financial Director and Group Operations Director (until resignation on 15 October 2021). The Operational Board of Forza is comprised of the Managing Director, Group Corporate Services Director, Group Financial Director, Group Operations Director (until resignation on 15 October 2021), Commercial Director, Principle Operations Manager and Finance Manager.

The Statutory Board meets on a monthly basis. In addition to the scheduled programme of Statutory Board meetings, the Operational 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 Operational Board.

The Operational 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 outcome of stakeholder engagement and consideration of other s.172 factors, as fed back to the Operational Board and Statutory 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.

STRATEGIC REPORT (CONTINUED)

Section 172 statement (continued)

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 Corporate Services Director and Group Operational Director (until resignation on 15 October 2021) 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 period have been projects to improve efficiency of production 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 were on the Statutory Board of Forza during the period and are therefore engaged with principal decision making on strategy, governance and performance. Interaction between Forza Directors, Forza Management and relevant IPL stakeholders takes place in regular trading meetings to review performance, with joint strategy meetings taking 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 reporting on any breaches of ASDA’s Ethics policy.
Compliance with IPL risk management policies enables Forza to safeguard the Company and promote its long-term sustainability.	The Forza Board worked closely with IPL during the period to ensure that all relevant ASDA policies were embedded throughout the IPL Group, including Anti-Bribery, Trade Sanctions and Capital Management policies.

STRATEGIC REPORT (CONTINUED)

Section 172 statement (continued)

Interests of the Company's employees

The Group Corporate Services Director oversees colleague engagement and ensures that the results of the employee engagement mechanisms referred to below are provided to the Operational 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.	<p>The Forza Board promote the appraisal and talent management process, which provides colleagues with both support and feedback in order to benefit their development.</p> <p>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" communication.</p>
We believe in creating an inclusive culture and providing required support to our colleagues.	<p>Forza is an equal opportunities employer and ensures that selection, training, development and promotion is accessible and inclusive to all.</p> <p>Colleague engagement initiatives are run across the operational sites to organise team events and improve colleague well-being.</p>

Supplier engagement

The trading team, under the direction of the Group Operations Director, 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
<p>We aim to maintain trust and engagement with our supplier base. We have clear communication channels to ensure our suppliers' views are heard.</p> <p>Our suppliers are central to improving our logistical expertise and capability.</p>	<p>Forza complies with the Groceries Supply 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.</p>
We work with our suppliers to improve quality and cost of supplies and drive efficiency of supply chain.	<p>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.</p>

STRATEGIC REPORT (CONTINUED)

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 as 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.	<p>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.</p> <p>Throughout 2021 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.</p> <p>ASDA customer complaints associated with products supplied by Forza are monitored by the Forza Board and used to drive quality improvements.</p> <p>We consider the demands of the ASDA customer in the products we sell, including rationalisation of our range and making amendments to pack sizes.</p>

Maintaining a reputation for high standards of business conduct

The Technical Manager and the Compliance team, under the direction of the Group Managing Director, ensures that Forza comply with relevant regulation and appropriate consideration is given to these regulations in Operational 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.	<p>All of our IPL, Forza and Kober sites are BRC (British Retail Consortium) accredited to AA* or above.</p> <p>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 of our operational sites, in order to engage with colleagues and impress the importance of health and safety.</p>

STRATEGIC REPORT (CONTINUED)

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.	<p>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.</p> <p>Forza Board are working with suppliers to reduce the amount of plastic packaging used on Forza products and improve recyclability.</p>

Key Principal Decisions

COVID-19

The COVID-19 pandemic began in early 2020 and led to high level of disruption to UK economic, social and political activity. The changing restrictions and guidelines imposed by the UK and other governments affected the business throughout the period. The directors announced several initiatives following the COVID-19 outbreak in 2020 to reduce the impact of the virus on the business and our colleagues and these continued throughout the 2021 period.

Colleagues

Throughout the period, colleague absence related to COVID-19 was excluded from the company's usual absence trigger calculations. This allowed colleagues to take leave and isolate as necessary when they or a member of their household displayed symptoms of COVID-19, without any risk of disciplinary action being taken by the business.

In line with government guidance all clinically extremely vulnerable colleagues continued to shield up to 31 March 2021. In order to continue to support these colleagues, any sick pay entitlement was 'topped up' to full pay for this duration.

Operations

To limit the possible spread of COVID-19 among colleagues, during the period all sites operated under risk assessed Covid guidelines, which included:

- The wearing of masks or visors in all areas of site.
- One way systems and shift separation measures were maintained, minimising contact between colleagues.
- The use of anti-bacterial fogging, and regular additional 'touch point' cleaning resources to sanitise high contact areas.
- Protocols were enforced by management, and also a team of 'Covid Marshals' who supported and drove compliance with the above measures.
- Non-critical site visits were prohibited at site.
- The implementation of occupancy limits in kitchens and meeting rooms.

Suppliers

In 2020, the Company confirmed it would pay small suppliers on shorter payment terms to support their cashflows. These measures reduced the adverse impact of the pandemic on stakeholders within the supply chain and provided the wider economic benefits of helping those businesses to keep operating. This continued throughout 2021.

STRATEGIC REPORT (CONTINUED)

Section 172 statement (continued)

Key Principal Decisions (continued)

Investment in financial system

The implementation of a new financial system across the IPL Group began in 2020 and was completed in Forza during the period. The new system, which replaced an existing system, improves the control framework through the introduction of automation, drives consistency of process and integrity of reporting. This investment decision was 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 implementation 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 utilises our colleagues' time more effectively.

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

Supplier engagement

During the period, the Forza Operational Board have continued to work collaboratively with our suppliers and have taken a number of significant steps to strengthen compliance controls, particularly with regard to the Groceries Supply Code of Practice. These steps included:

- Temporary reductions to invoice payment periods for appropriate suppliers to support them with their cash-flow during the pandemic.
- Temporary increases to contractually agreed prices to support appropriate suppliers with higher costs of airfreight, sea freight and road haulage.

Dividend

On 16 November 2021, the Company declared a cash dividend of £25,000,000. In the opinion of the directors the value of the dividend represented excess cash reserves held by the Company and will not impact the ability of the Company to satisfy its liabilities as they fall due.

Events since balance sheet date

For details of events since the Balance Sheet date see the Directors' Report.

STRATEGIC REPORT (CONTINUED)

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**

At the date of approval of the Accounts, the Directors recognise that there is still economic uncertainty due to potential future COVID-19 related restrictions. The risks to the business include operational impacts due to social distancing and other measures to protect colleagues, and changes in customer trends affecting demand for our products.

The war in the Ukraine and western sanctions on Russia has affected global commodity markets and supply of goods. This has resulted in additional risk to the business through potential supply problems and cost inflation. The business mitigates these risks through diversification of supply of goods and logistics routes.

- **Resourcing and capability risk**

The recruitment and retention of labour is challenging in the current post-brexit market and important for long term stability and success. The Forza Board continue to review pay and benefits to ensure we remain competitive in local markets. 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 liabilities to suppliers and colleagues as they fall due.

- **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. 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 are in place in respect of compliance with the UK Anti-Bribery Act.

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

- **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.

- **Cyber security risk**

There is a risk that Forza systems are vulnerable to cyber-attacks which could lead to significant limitations in ability to operate, loss of earnings, reputational damage and regulatory fines. Forza has a strong cyber security system in place which is closely linked to ASDA's Cyber Security team, which provides insight and detailed analysis of risks and remediations and are continually developing ways to mitigate potential risks.

- **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 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:



P Grover
Director
13 September 2022

Forza Foods Limited

DIRECTORS' REPORT

The Directors present their report and financial statements for the period ended 1 January 2022.

Directors

The Directors during the period are disclosed on page 1.

Dividends

Total dividends of £25,000,000 were paid during the period (2020: £nil).

Political and charitable contributions

During the period, the Company did not make any cash donations to charitable organisations or political donations (2020: £nil).

Going concern and future outlook

The financial statements for the period ended 1 January 2022 have been prepared on the going concern basis as the Directors have determined that the Company has sufficient resources and liquidity facilities to meet its liabilities as they fall due for the period from the date of approval of the accounts up to 31 December 2023.

The directors of ASDA Group Limited have provided a letter of support to the Company stating that ASDA Group Limited will provide financial support to the Company should it be required to enable it to continue to meet its liabilities as they fall due until 31 December 2023. Further details of the going concern assessment undertaken by the directors of ASDA Group Limited are provided in the annual report of ASDA Group Limited, for which copies are available on request from the registered office of that company.

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 Limited 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(3) (Employee Involvement) 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

During the period, the Directors were insured against liability in respect of proceedings brought by third parties, subject to the limitations set out in the Companies Act 2006. The insurance was controlled and paid centrally by the ultimate parent company during the period.

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

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

Forza Foods Limited

DIRECTORS' REPORT (continued)

Events since the balance sheet date

There have been no events occurring between the Balance Sheet date and the date of the approval of the financial statements which require disclosure.

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.

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



P Grover
Director
13 September 2022

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

In preparing these financial statements, the Directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORZA FOODS LIMITED

Opinion

We have audited the financial statements of Forza Foods Limited for the year ended 1 January 2022 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 including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 1 January 2022 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. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 13, 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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and wider ASDA Group of companies ("Group") and determined that the most significant frameworks directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice) and the relevant tax laws and regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to health and safety and employee matters.
- We understood how Forza Foods Limited is complying with those frameworks by making enquiries of company management, Group management, Group Legal, Group Ethics & Compliance, and Internal Audit. We corroborated our enquiries through our review of board minutes and papers and inspection of commentary in the group management accounts.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the wider Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud and error
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing on the full population of journals, with a focus on journals indicating large or unusual transactions based on our understanding of the business; enquiries of company management, Group Legal, Group Ethics & Compliance, and Internal Audit. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with the requirements of the relevant accounting standards, and UK legislation.

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

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

Use of our report

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

Ernst & Young LLP

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
13 September 2022

Forza Foods Limited

INCOME STATEMENT for the period ended 01 January 2022

		<i>Period Ended 01 January 2022 £000</i>	<i>Period Ended 26 December 2020 £000</i>
	<i>Note</i>		
Revenue		284,256	272,135
Cost of sales		(253,664)	(242,285)
Gross profit		30,592	29,850
Administrative expenses		(26,333)	(25,794)
Operating profit	2	4,259	4,056
Financial income	6	-	30
Finance costs	6	(6)	(9)
Profit before taxation		4,253	4,077
Income tax credit	7	177	194
Profit for the period		4,430	4,271

The overall result of £4,430,000 (2020: £4,271,000) is all attributable to continuing operations.

There are no items of other comprehensive income in the period (2020: none)

Forza Foods Limited

STATEMENT OF CHANGES IN EQUITY for the period ended 01 January 2022

	<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 28 December 2019		11,990	10	53,143	65,143
Profit for the period	13	-	-	4,271	4,271
Balance at 26 December 2020		<u>11,990</u>	<u>10</u>	<u>57,414</u>	<u>69,414</u>
		<i>Share premium £000</i>	<i>Share capital £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
Balance at 26 December 2020		11,990	10	57,414	69,414
Profit for the period	13	-	-	4,430	4,430
Dividends declared	13			(25,000)	(25,000)
Balance at 01 January 2022		<u>11,990</u>	<u>10</u>	<u>36,844</u>	<u>48,844</u>

Forza Foods Limited

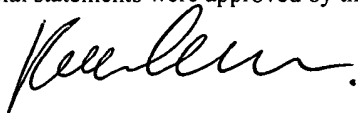
BALANCE SHEET

as at 01 January 2022

		01 January 2022	26 December 2020
	Note	£000	£000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	8	14,826	16,549
Right-of-use-asset	9	194	415
Deferred Tax Asset	15	562	385
		<u>15,582</u>	<u>17,349</u>
<i>Current assets</i>			
Inventories	10	19,244	27,537
Trade and other receivables	11	29,023	26,532
Cash and cash equivalents		12,454	29,512
		<u>60,721</u>	<u>83,581</u>
Total assets		<u>76,303</u>	<u>100,930</u>
Equity and liabilities			
<i>Equity attributable to the owners of the parent</i>			
Called up share capital	12	10	10
Share Premium account	13	11,990	11,990
Retained earnings	13	36,844	57,414
Total equity		<u>48,844</u>	<u>69,414</u>
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	14	27,264	31,095
Lease Liability	16	147	226
		<u>27,411</u>	<u>31,321</u>
<i>Non current liabilities</i>			
Lease Liability	16	48	195
		<u>48</u>	<u>195</u>
Total liabilities		<u>27,459</u>	<u>31,516</u>
Total equity and liabilities		<u>76,303</u>	<u>100,930</u>

Registration number: 07224571

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


P Grover
Director
13 September 2022

Forza Foods Limited

NOTES TO THE ACCOUNTS for the period ended 01 January 2022

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 01 January 2022 were authorised for issue by the board of directors on 13 September 2022 and the balance sheet was signed on behalf of the directors by P Grover. The Company is a private company limited by shares, incorporated and domiciled in England under the Companies Act 2006 (registration number 07224571).

Statement of compliance

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

Basis of preparation

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

The financial statements of the Company are made up to a Saturday close to 31 December each year. The current financial year is the 53 weeks ended 01 January 2022 ('the period'). The comparative financial year is the 52 weeks ended 26 December 2020 ('the prior period').

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.

Going concern

The financial statements for the period ended 01 January 2022 have been prepared on the going concern basis as the Directors have determined that the Company has sufficient resources and liquidity facilities to meet its liabilities as they fall due for the period from the date of approval of the accounts up to 31 December 2023.

The directors of ASDA Group Limited have provided a letter of support to the Company stating that ASDA Group Limited will provide financial support to the Company should it be required to enable it to continue to meet its liabilities as they fall due until 31 December 2023. Further details of the going concern assessment undertaken by the directors of ASDA Group Limited are provided in the annual report of ASDA Group Limited, for which copies are available on request from the registered office of that company.

Summary of significant accounting policies and key accounting estimates

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

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 27 December 2020 have had a material impact on the financial statements.

New standards, interpretations and amendments not yet effective

There are no issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, that will or may have a material impact on the Group financial statements in future.

NOTES TO THE ACCOUNTS
for the period ended 01 January 2022

1. ACCOUNTING POLICIES (*continued*)

Summary of disclosures exemption

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

- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The 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';
- The requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures';
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'.

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

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.

IFRS 16 discount rate

IFRS 16 requires that lease liabilities are discounted at the interest rate implicit in a lease, or where this isn't available, the Company's incremental borrowing rate. None of the Company's leases include an interest rate implicit in the lease, and therefore the incremental borrowing rate is utilised to discount these leases. The incremental borrowing rate is considered a key judgement and under IFRS 16 reflects the rate of interest a lessee would have to borrow over a similar term, with similar security, the funds necessary to obtain an asset of a similar value in a similar economic environment.

IPL utilises incremental borrowing rates determined by ASDA who consider the following factors in determining the incremental borrowing rate:

- The risk free rate of return in the UK market; and,
- The credit risk spread which reflects the additional risks associated with lending specifically to the ASDA Group Limited Group ("the Group"), taking account of factors such as the Group credit rating, the term of the lease, and the geographic location.

The Group ensures that the incremental borrowing rates rate used remain relevant, current and materially correct by updating them on a quarterly basis.

Forza Foods Limited

NOTES TO THE ACCOUNTS

for the period ended 01 January 2022

1. ACCOUNTING POLICIES *(continued)*

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) and the likelihood that tax assets can be realised (note 15). Actual results may differ from these estimates.

Revenue recognition

Income from sales to group companies

Revenue represents income received for the sale of produce to ASDA Stores Limited on both an agency net and gross basis. Sales where Forza 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.

Financial 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.

Forza Foods Limited

NOTES TO THE ACCOUNTS

for the period ended 01 January 2022

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.

NOTES TO THE ACCOUNTS
for the period ended 01 January 2022

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.

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 a credit in the income statement immediately.

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). 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.

Forza Foods Limited

NOTES TO THE ACCOUNTS for the period ended 01 January 2022

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 primary non-lease components recognised within lease payments are property costs (service charges and insurances) paid to landlords and included within the terms of lease contracts. These costs are included within the lease payments at commencement date if fixed, or within variable rent expense as incurred if not. The majority of these payments are variable and therefore not included in the lease liability.

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

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 party to such provisions.

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.

NOTES TO THE ACCOUNTS

for the period ended 01 January 2022

1. ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing inventories to their present location and condition. Cost is calculated using the 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.

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.

Forza Foods Limited

NOTES TO THE ACCOUNTS for the period ended 01 January 2022

2. OPERATING PROFIT

Operating profit is stated after charging:

	<i>Period Ended 01 January 2022 £000</i>	<i>Period Ended 26 December 2020 £000</i>
Depreciation of property, plant and equipment (note 8)	2,801	3,417
Depreciation on right-of-use assets (note 9)	221	228
Employment costs (note 4)	35,674	34,930
	<hr/>	<hr/>

3. AUDITORS' REMUNERATION

	<i>Period Ended 01 January 2022 £000</i>	<i>Period Ended 26 December 2020 £000</i>
Fees payable to the company's auditors for audit of the Company financial statements	41	44
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Forza Foods Limited

NOTES TO THE ACCOUNTS for the period ended 01 January 2022

4. EMPLOYMENT COSTS

	<i>Period Ended 01 January 2022 £000</i>	<i>Period Ended 26 December 2020 £000</i>
Wages and salaries	34,847	34,127
Pension costs (note 18)	827	803
	<u>35,674</u>	<u>34,930</u>

	<i>Period Ended 01 January 2022</i>	<i>Period Ended 26 December 2020</i>
Total employees		
Production	1,341	1,396
Administrative	71	74
	<u>1,412</u>	<u>1,470</u>

Full time equivalents		
Production	1,272	1,375
Administrative	69	72
	<u>1,341</u>	<u>1,447</u>

5. DIRECTORS' REMUNERATION

No directors (2020: no directors) received any 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.

6. FINANCIAL INCOME AND COSTS

	<i>Period Ended 01 January 2022 £000</i>	<i>Period Ended 26 December 2020 £000</i>
Interest on bank deposits	-	30
Interest on lease liabilities	(6)	(9)
	<u>-</u>	<u>(9)</u>

Forza Foods Limited

NOTES TO THE ACCOUNTS for the period ended 01 January 2022

7. TAXATION

Tax credit recognised in the income statement

	<i>Period Ended 01 January 2022 £000</i>	<i>Period Ended 26 December 2020 £000</i>
Current tax:		
UK corporation tax on profit for the period	-	-
Total current tax credit	-	-
Deferred tax:		
On profits for the period	11	174
Adjustments in respect of prior periods	60	-
Effect of rate change	106	20
Total deferred tax credit	177	194
Total tax credit from continuing operations	177	194

Reconciliation of effective tax rate

Profit before tax	4,253	4,077
Tax using the UK corporation tax rate of 19% (Dec 2020: 19%)	(808)	(775)
Effects of:		
Non-deductible expenses	(102)	(30)
Adjustments in respect of prior periods	60	-
Group relief	880	979
Effect of rate change	106	20
Enhanced capital allowance super deduction	41	-
Tax credit for the period	177	194

The standard rate of corporation tax in the United Kingdom for the period is 19% (2020: 19%).

On the 3 March 2021, it was announced in the UK Budget that the standard rate of corporation tax in the United Kingdom will increase from 19% to 25% on 1 April 2023, and this rate change was substantively enacted in May 2021. The deferred tax asset is calculated using the tax rate at which it is expected to unwind of between 19% and 25%.

Forza Foods Limited

NOTES TO THE ACCOUNTS for the period ended 01 January 2022

8. PROPERTY, PLANT AND EQUIPMENT

	<i>Freehold Land & buildings £000</i>	<i>Plant and Equipment £000</i>	<i>Total £000</i>
Cost			
Balance at 26 December 2020	6,810	50,410	57,220
Additions for the period	-	1,078	1,078
Reclassification	(15)	15	-
Balance at 01 January 2022	6,795	51,503	58,298
Accumulated depreciation			
Balance at 26 December 2020	1,344	39,327	40,671
Depreciation charge for the period	141	2,660	2,801
Balance at 01 January 2022	1,485	41,987	43,472
Net book value			
Balance at 26 December 2020	5,466	11,083	16,549
Balance at 01 January 2022	5,310	9,516	14,826

At 01 January 2022, the Company had entered into contractual commitments for the acquisition of plant and equipment amounting to £29,000 (2020: £238,000).

Forza Foods Limited

NOTES TO THE ACCOUNTS for the period ended 01 January 2022

9. RIGHT-OF-USE ASSETS

	<i>Plant & Equipment</i> <i>£000</i>
Cost	
At 26 December 2020	795
Additions	-
Disposals	(111)
	<hr/>
At 01 January 2022	684
	<hr/>
Accumulated depreciation	
At 26 December 2020	380
Charge for the period	221
Eliminated on disposal	(111)
	<hr/>
At 01 January 2022	490
	<hr/>
Net book value	
At 26 December 2020	415
	<hr/>
At 01 January 2022	194
	<hr/>

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 1 year.

For further details of lease liabilities see note 16.

10. INVENTORIES

	<i>01 January</i> <i>2022</i> <i>£000</i>	<i>26 December</i> <i>2020</i> <i>£000</i>
Produce and raw materials	15,466	24,227
Packaging	1,461	1,460
Engineering	2,317	1,850
	<hr/>	<hr/>
	19,244	27,537
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Forza Foods Limited

NOTES TO THE ACCOUNTS for the period ended 01 January 2022

11. TRADE AND OTHER RECEIVABLES

	<i>01 January 2022 £000</i>	<i>26 December 2020 £000</i>
Amounts receivable from trade customers	519	381
Other Debtors	7,782	2,980
Amounts receivable from group undertakings	19,847	21,962
Prepayments and accrued income	875	1,209
	<hr/>	<hr/>
	29,023	26,532
	<hr/>	<hr/>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Amounts receivable from group and subsidiary undertakings are non-interest bearing and generally on 21 day terms.

12. CALLED UP SHARE CAPITAL

	<i>No.</i>	<i>£000</i>
Allotted, called up & fully paid at 26 December 2020 and 01 January 2022		
Ordinary shares of 10p each	100,010	10
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Forza Foods Limited

NOTES TO THE ACCOUNTS for the period ended 01 January 2022

13. RESERVES

	<i>Share premium £000</i>	<i>Share capital £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
Balance at 28 December 2019	11,990	10	53,143	65,143
Profit for the period	-	-	4,271	4,271
Balance at 26 December 2020	11,990	10	57,414	69,414
	<i>Share premium £000</i>	<i>Share capital £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
Balance at 26 December 2020	11,990	10	57,414	69,414
Profit for the period	-	-	4,430	4,430
Dividends declared	-	-	(25,000)	(25,000)
Balance at 01 January 2022	11,990	10	36,844	48,844

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

	<i>01 January 2022 £000</i>	<i>26 December 2020 £000</i>
Trade payables	15,398	19,518
Amounts owed to group undertakings	257	1,821
Other taxation and social security costs	2,883	3,011
Accruals and deferred income	8,726	6,745
	<u>27,264</u>	<u>31,095</u>

Amounts owed to group undertakings are non-interest bearing and generally on 30 day terms.

Forza Foods Limited

NOTES TO THE ACCOUNTS for the period ended 01 January 2022

15. DEFERRED TAXATION

	<i>01 January 2022 £000</i>	<i>26 December 2020 £000</i>
Deferred tax asset		
Accelerated capital allowances	354	302
Short term timing differences	208	83
	<hr/>	<hr/>
Deferred tax asset	562	385
	<hr/> <hr/>	<hr/> <hr/>
Deferred tax has been provided at 25% (2020: 19%)		
Movement in deferred tax asset/(provision)		
At beginning of period as previously stated	385	191
Provision credited to the income statement attributable to operating profit	177	194
	<hr/>	<hr/>
At the end of the period	562	385
	<hr/> <hr/>	<hr/> <hr/>

16. LEASE LIABILITIES

Future minimum lease payments are due as follows:

	<i>01 January 2022 £000</i>	<i>26 December 2020 £000</i>
No later than one year	150	232
Later than one year and no later than two years	49	150
Later than two years and no later than three years	-	50
Later than three years and no later than four years	-	2
Later than four years and no later than five years	-	-
	<hr/>	<hr/>
	199	434
	<hr/>	<hr/>
Lease finance charges allocated to future periods	(4)	(13)
	<hr/>	<hr/>
	195	421
	<hr/> <hr/>	<hr/> <hr/>

There are no instances at 01 January 2022 where future rental payments have been committed but not yet included in the lease liability.

Forza Foods Limited

NOTES TO THE ACCOUNTS for the period ended 01 January 2022

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:

	<i>Period Ended 01 January 2022 £000</i>	<i>Period Ended 26 December 2020 £000</i>
Depreciation - plant and equipment right-of-use assets	221	228
Interest expense related to lease liabilities	6	9
Total amount recognised in Income Statement	227	237

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 ASDA Group Limited.

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 paid into both plans during the period was £827,000 (2020: £803,000).

As at 01 January 2022, contributions of £139,000 (2020: £126,000) 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.

The ultimate parent undertaking and controlling party is Bellis Topco Limited which is incorporated in Jersey.

The largest group at which consolidated financial statements are prepared is Bellis Finco PLC, a company incorporated in England and Wales. Bellis Finco PLC's registered office is Waterside Head Office, Haslingden Road, Guide, Blackburn, BB1 2FA.

20. EVENTS SINCE THE BALANCE SHEET DATE

There have been no events occurring between the Balance Sheet date and the date of the approval of the financial statements which require disclosure.