FORZA FOODS LIMITED

Reports and Financial Statements

31 December 2022

Registered Number: 07224571

REGISTERED NO. 07224571
COMPANY INFORMATION

DIRECTORS
J Berry
P Grover
V Rehal

SECRETARY
V Rehal

AUDITORS
Ernst & Young LLP
1 Bridgewater Place
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Leeds
West Yorkshire
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Unit 1 Foxbridge Way
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STRATEGIC REPORT

The Directors present their Strategic Report for the 52 week period ended 31 December 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.

Ownership

The Company is a wholly owned subsidiary of Bellis Finco PLC. Bellis Finco PLC is the holding company of the Asda group of businesses, including the group's principal trading entity ASDA Stores Limited. All references throughout this report to "Asda" or "the Group" refer to the group of companies consolidated within Bellis Finco PLC.

Asda and therefore Forza is jointly owned and controlled by the Issa Brothers (Mohsin and Zuber Issa) and TDR Capital LLP, a UK Limited Liability Partnership registered in England and Wales.

Business review

The results of the period show operating profit for the period of £4,535,000 (2021: £4,259,000) and revenue of £289,536,000 (2021: £284,256,000). The Company had net assets as at 31 December 2022 of £53,330,000 (2021: £48,844,000).

During the period the Company continued to deliver against its purpose: to provide Asda with the lowest cost, best quality, sustainable sourcing and supply chain solution. The Company continued to ensure prices paid for key product lines are competitive and to invest in supply chain and sustainability initiatives. In particular to improve production efficiency and reduce waste. The Company worked with Asda to support the launch of its Just Essentials range designed to support Asda customers with the increased cost of living.

The Company measures its performance against a balanced set of key performance indicators to ensure it is meeting this purpose.

Future strategic intention

The Company will continue to provide Asda with the lowest cost, best quality, sustainable sourcing and supply chain solution.

STRATEGIC REPORT *(continued)*

Capital management

Capital 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 is consistent with the requirements of the ultimate parent.

Asda is a highly cash generative business and has access to liquidity in the form of cash and a revolving credit facility. The directors of Bellis Finco PLC have provided a letter of support to the Company stating that Bellis Finco PLC 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 Directors' 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.

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 and Group Financial Director. The Operational Board of Forza is comprised of the Group Operations Director, Commercial Director, Site Director and the wider functional senior management team.

The Statutory Board meets on a monthly basis. In addition to the scheduled programme of Statutory Board meetings, the Operational Board meet weekly, during which feedback from various business units with particular focus on specific stakeholder groups is understood and actioned as appropriate, which could include escalation to the IPL Group Operations 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.

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 and Group Corporate Services Director all sit on the Operational Board of IPL.

Why we engage this stakeholder?	How we engage and key outcomes
Our parent company, IPL, is the provider of investor capital. Their investment enables Forza to fund growth and deliver long-term success.	The Forza Board engage with IPL on significant capital projects and contractual commitments. Principal investments in the 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.	Three 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, HR, Legal 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.

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.	The Forza Board promote the performance review and talent management process, which provides colleagues with both support and feedback in order to benefit their development. The Operational Board encourages Forza colleagues to model the Forza values. 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.
We believe in creating an inclusive culture and providing required support to our colleagues.	Forza is an equal opportunities employer and ensures that selection, training, development and promotion is accessible and inclusive to all. Colleague engagement initiatives are run across the operational sites to organise team events and improve colleague well-being.

Supplier engagement
The Procurement team, under the direction of the Managing 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
We aim to maintain trust and engagement with our supplier base. We have clear communication channels to ensure our suppliers' views are heard. Our suppliers are central to improving our logistical expertise and capability.	Forza complies with the 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.
We work with our suppliers to improve quality and cost of supplies and drive efficiency of supply chain.	The Forza Board have continued to focus on paying suppliers on time. 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.

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 purpose to bring brighter living within everyone's reach.

Why we engage this stakeholder?	How we engage and key outcomes
Providing Asda's customers with a good value, high quality product is critical to ensuring long term success for the Forza business.	The Forza Board monitors external data on the prices of key product lines and works to category-specific targets, agreed with Asda, for pricing against Asda's key competitors. This helps the Board identify areas to drive targeted value improvements. Throughout 2022 the Forza Board have invested in driving efficiency in our supply chain to ensure the time taken for product to get from the farmer to the Asda customer is as quick as possible. Asda customer complaints associated with products supplied by Forza are monitored by the Forza Board and used to drive quality improvements. We consider the demands of the Asda customer in the products we sell, including rationalisation of our range and making amendments to pack sizes.

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.	All of our IPL, Forza and Kober sites are BRC (British Retail Consortium) accredited. 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.

Section 172 statement *(continued)*

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

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

Key decisions

Launch of Just Essentials
In May 2022 Asda launched a new grocery opening price point range, Just Essentials by Asda. The range replaced the existing budget offering.

The Just Essentials range was rolled across Asda's categories, including those supplied by Forza, creating products designed to help customers keep to a household budget. The total Asda range experienced year on year growth of over 110% during FY22 compared to prior year sales in the opening price point range. It is a key part of Asda's strategy to make desirable product affordable, and Forza played an important part in giving customers the opportunity to reappraise Asda's quality and value offering.

Declared dividends

No dividends were declared during the period (2021: £25,000,000).

Events since the 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 GSCOP.

- **Economic risk**

The Company faces increasing challenges on product and supply chain cost inflation, and availability due to a number of factors. These include changing global weather patterns, energy prices and the ongoing war in the Ukraine and western sanctions on Russia. The business mitigates these risks through diversification of supply of goods and logistics routes.

- **Resourcing and capability risk**

The ability to recruit and retain labour in the current market is improving but still presents a challenge in some regions. Resource, talent and capability remain important for long term stability and success. The Forza Board continue to review pay and benefits to ensure we remain competitive in local markets.

- **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 relevant 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.

- **Systems and cyber security risk**

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

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 cyber security system in place which is closely linked to Asda's Cyber Security team, which provides insight and detailed analysis of current risks with remediations and are continually developing ways to mitigate potential risks.

STRATEGIC REPORT *(continued)*

Principal risks and uncertainties *(continued)*

- **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.

- **Data Protection risk**

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

- **Health and safety risk**

In the event of non-compliance with applicable Health and Safety laws there is a risk that colleagues are harmed which could lead to significant fines and reputational damage. Forza 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
28 July 2023

DIRECTORS' REPORT

The Directors present their report and financial statements for the period ended 31 December 2022.

Directors
The directors who served during the period to 31 December 2022 and to the date of the report were:

P Grover
V Rehal
M Snell (resigned 22 September 2022)
J Berry (appointed 19 January 2022)

Dividends
No dividends were paid during the period (2021: £25,000,000).

Political contributions
During the period, the Company did not make any political donations (2021: £nil).

Going concern and future outlook
The financial statements for the period ended 31 December 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 to 31 July 2024 ('the going concern period'). The directors of Bellis Finco PLC have provided a letter of support to the Company stating that Bellis Finco PLC will provide financial support to the Company to enable it to continue to meet its liabilities as they fall due from the date of approval of the financial statements up to 31 July 2024.

In assessing the Group's ability to adopt the going concern basis, the Directors of Bellis Finco PLC (the "Group Directors") have reviewed the Group's annual corporate planning process which includes profitability, cashflow and liquidity forecasting and have based their projections for the going concern period on the FY23 plan and the FY24 forecasts from the three-year planning process.

Furthermore, the Group Directors have considered the impact of the recent acquisition of Euro Garages (Jersey) Ltd ("EG"), including incremental capital and funding requirements, throughout the going concern period. The impact has been modelled based on the committed funding arranged for the initial investment and the Group Directors' best estimate of post-acquisition trading informed by the financial due diligence over the acquired business.

The Group's Treasury function ensures that the Group continues to have sufficient funding by monitoring rolling forecasts of the Group's cash flows and maintaining a sufficient level of standby facilities via the Revolving Credit Facility ("RCF"). The Group has secured a £117m increase in the RCF on completion of the EG acquisition and a further £40m increase on repayment of a £200m loan which was drawn down to fund the acquisition of 132 grocery retail sites from The Co-operative Group on 30 October 2022. Any capital repayments of long-term financing are forecast in the cash flow model used in the going concern scenarios. The RCF remains undrawn at the period end and the maximum utilisation of the RCF forecast in the base case cash flow model is 5% which is repaid before the end of the going concern period.

In assessing the Group's ability to continue to adopt the going concern basis, the Group Directors have tested the ability of the Group to meet its liabilities as they fall due from the date of approval of the financial statements to 31 July 2024, in the event of various cash flow scenarios, including a severe but plausible downside scenario. This scenario applies severe but plausible economic downsides to our base case forecast, modelling the impact of a decline of the Group's participation in the UK grocery market compared to planned growth alongside the risk of fuel margin decline, inflationary pressures and risk of not achieving forecast levels of cost transformation activities. In relation to the acquisition of EG, the Directors have included a reduction in synergies achieved and post-acquisition trading within the severe but plausible scenario. Furthermore, the Group Directors have considered the likely impacts on the business of levels of geo-political instability and uncertainty arising out of external events which are ongoing at the date of approval of the financial statements. The Group Directors are satisfied that the potential economic impacts of these events are adequately taken into account in the severe but plausible downside scenario.

Going concern and future outlook *(continued)*

Mitigating actions that are in the control of management have been considered such as reducing non-essential capital expenditure and discretionary spend such as marketing and property costs. These mitigating actions are not required to be implemented to ensure sufficient headroom in the severe but plausible downside scenario.

In the severe but plausible downside scenario the maximum utilisation of the RCF is 23%. Where management do not implement any mitigating actions the maximum utilisation of the RCF is 51%. The Group Directors consider that a scenario with no mitigating actions is not realistic as all modelled mitigating actions are readily accessible.

The Group is subject to a maintenance covenant, whereby the senior secured net leverage ratio cannot exceed 4.90:1. This covenant is required to be tested if, as at the quarter end, drawings on the RCF exceed 40% of the facility. Under the above scenarios including both the base case and severe but plausible downside scenarios, testing of the maintenance covenant is not required.

The model has been reverse stress tested to determine the level of sales and margin decline that would lead to the Group breaching the level of available facilities or covenants. The Directors of the Group and the Company consider that the likelihood of such a significant deterioration of cash flows or profitability is remote.

Under all scenarios modelled, the Directors of the Group have concluded that the Group has sufficient resources and liquidity facilities to meet its liabilities as they fall due and that it is appropriate to adopt the going concern basis and are therefore in a position to provide a letter of support to subsidiaries.

As a result of the above assessment prepared by the Group Directors, the Company Directors are satisfied that they can rely on the letter of support and that financial statements of the Company should be prepared on a going concern basis.

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 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 has a disability, 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.

Streamlined energy and carbon reporting

The Company's UK energy use is consolidated and reported as part of Bellis Finco PLC's financial statements.

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
28 July 2023

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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), 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (and then apply them consistently);
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- State whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and Directors' Report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

Opinion

We have audited the financial statements of Forza Foods Limited for the period ended 31 December 2022 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21, 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" applicable in the UK (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 30 December 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 July 2024.

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.

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 period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 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.

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 determined that the most significant are 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 company's 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 noncompliance 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.

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.

DocuSigned by:
Ernst & Young LLP
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Kate Jarman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

31 July 2023

INCOME STATEMENT
for the period ended 31 December 2022

	Note	*Period Ended 31 December 2022* *£000*	*Period Ended 1 January 2022* *£000*
Revenue	*2*	289,536	284,256
Cost of sales		(256,470)	(253,664)
Gross profit		33,066	30,592
Administrative expenses		(28,531)	(26,333)
Operating profit	*3*	4,535	4,259
Financial income	*7*	-	-
Finance costs	*7*	(10)	(6)
Profit before taxation		4,525	4,253
Income tax (charge)/credit	*8*	(39)	177
Profit for the period		4,486	4,430

All activities during the financial period are in respect of continuing operations.

There are no items of other comprehensive income in the period (2021: none)

BALANCE SHEET
as at 31 December 2022

Registration number: 07224571	Note	31 December 2022 £000	1 January 2022 £000
Assets			
Non-current assets			
Property, plant and equipment	9	12,959	14,826
Right-of-use-asset	10	425	194
Deferred tax asset	16	611	562
		13,995	15,582
Current assets			
Inventories	11	30,544	19,244
Trade and other receivables	12	29,974	29,023
Cash and cash equivalents		12,560	12,454
		73,078	60,721
Total assets		87,073	76,303
Equity and liabilities			
Equity attributable to the owners of the parent			
Called up share capital	13	10	10
Share Premium account	14	11,990	11,990
Retained earnings		41,330	36,844
Total equity		53,330	48,844
Liabilities			
Current liabilities			
Trade and other payables	15	33,312	27,264
Lease Liability	17	115	147
		33,427	27,411
Non current liabilities			
Lease Liability	17	316	48
		316	48
Total liabilities		33,743	27,459
Total equity and liabilities		87,073	76,303

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

P Grover
Director
28 July 2023

STATEMENT OF CHANGES IN EQUITY
for the period ended 31 December 2022

	Share premium £000	*Share capital £000*	*Retained earnings £000*	*Total equity £000*
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 1 January 2022	11,990	10	36,844	48,844

	Share premium £000	*Share capital £000*	*Retained earnings £000*	*Total equity £000*
Balance at 1 January 2022	11,990	10	36,844	48,844
Profit for the period	-	-	4,486	4,486
Dividends declared	-	-	-	-
Balance at 31 December 2022	11,990	10	41,330	53,330

1. ACCOUNTING POLICIES

Authorisation of financial statements and statement of compliance with FRS 101
The financial statements of Forza Foods Limited (the "Company") for the period ended 31 December 2022 were authorised for issue by the board of directors on 28 July 2023 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 52 weeks ended 31 December 2022 ('the period'). The comparative financial year is the 53 weeks ended 01 January 2022 ('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 Bellis Finco PLC. The results of the Company are included in the consolidated financial statements of Bellis Finco PLC, which are available from Waterside Head Office, Haslingden Road, Guide, Blackburn, Lancashire, BB1 2FA, UK. These financial statements are therefore separate financial statements of the Company only.

Going concern and future outlook
The financial statements for the period ended 31 December 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 to 31 July 2024 ('the going concern period'). The directors of Bellis Finco PLC have provided a letter of support to the Company stating that Bellis Finco PLC will provide financial support to the Company to enable it to continue to meet its liabilities as they fall due from the date of approval of the financial statements up to 31 July 2024.

In assessing the Group's ability to adopt the going concern basis, the Directors of Bellis Finco PLC (the "Group Directors") have reviewed the Group's annual corporate planning process which includes profitability, cashflow and liquidity forecasting and have based their projections for the going concern period on the FY23 plan and the FY24 forecasts from the three-year planning process.

Furthermore, the Group Directors have considered the impact of the recent acquisition of Euro Garages (Jersey) Ltd ("EG"), including incremental capital and funding requirements, throughout the going concern period. The impact has been modelled based on the committed funding arranged for the initial investment and the Group Directors' best estimate of post-acquisition trading informed by the financial due diligence over the acquired business.

The Group's Treasury function ensures that the Group continues to have sufficient funding by monitoring rolling forecasts of the Group's cash flows and maintaining a sufficient level of standby facilities via the Revolving Credit Facility ("RCF"). The Group has secured a £117m increase in the RCF on completion of the EG acquisition and a further £40m increase on repayment of a £200m loan which was drawn down to fund the acquisition of 132 grocery retail sites from The Co-operative Group on 30 October 2022. Any capital repayments of long-term financing are forecast in the cash flow model used in the going concern scenarios. The RCF remains undrawn at the period end and the maximum utilisation of the RCF forecast in the base case cash flow model is 5% which is repaid before the end of the going concern period.

1. **ACCOUNTING POLICIES** *(continued)*

Going concern and future outlook (continued)

In assessing the Group's ability to continue to adopt the going concern basis, the Group Directors have tested the ability of the Group to meet its liabilities as they fall due from the date of approval of the financial statements to 31 July 2024, in the event of various cash flow scenarios, including a severe but plausible downside scenario. This scenario applies severe but plausible economic downsides to our base case forecast, modelling the impact of a decline of the Group's participation in the UK grocery market compared to planned growth alongside the risk of fuel margin decline, inflationary pressures and risk of not achieving forecast levels of cost transformation activities. In relation to the acquisition of EG, the Directors have included a reduction in synergies achieved and post-acquisition trading within the severe but plausible scenario. Furthermore, the Group Directors have considered the likely impacts on the business of levels of geo-political instability and uncertainty arising out of external events which are ongoing at the date of approval of the financial statements. The Group Directors are satisfied that the potential economic impacts of these events are adequately taken into account in the severe but plausible downside scenario.

Mitigating actions that are in the control of management have been considered such as reducing non-essential capital expenditure and discretionary spend such as marketing and property costs. These mitigating actions are not required to be implemented to ensure sufficient headroom in the severe but plausible downside scenario.

In the severe but plausible downside scenario the maximum utilisation of the RCF is 23%. Where management do not implement any mitigating actions the maximum utilisation of the RCF is 51%. The Group Directors consider that a scenario with no mitigating actions is not realistic as all modelled mitigating actions are readily accessible.

The Group is subject to a maintenance covenant, whereby the senior secured net leverage ratio cannot exceed 4.90:1. This covenant is required to be tested if, as at the quarter end, drawings on the RCF exceed 40% of the facility. Under the above scenarios including both the base case and severe but plausible downside scenarios, testing of the maintenance covenant is not required.

The model has been reverse stress tested to determine the level of sales and margin decline that would lead to the Group breaching the level of available facilities or covenants. The Directors of the Group and the Company consider that the likelihood of such a significant deterioration of cash flows or profitability is remote.

Under all scenarios modelled, the Directors of the Group have concluded that the Group has sufficient resources and liquidity facilities to meet its liabilities as they fall due and that it is appropriate to adopt the going concern basis and are therefore in a position to provide a letter of support to subsidiaries.

As a result of the above assessment prepared by the Group Directors, the Company Directors are satisfied that they can rely on the letter of support and that financial statements of the Company should be prepared on a going concern basis.

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 2 January 2022 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 Company financial statements in future.

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 (e) of IAS 16 'Property, Plant and Equipment'; and
  - Paragraph 118 (e) 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 Bellis Finco PLC, 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.

Accounting judgements

There are no significant accounting judgements involved in the preparation of the financial statements.

Critical accounting estimates

There are no significant accounting estimates involved in the preparation of the financial statements.

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

Revenue recognition
Income from sales to group companies
Revenue represents income received for the sale of produce to ASDA Stores Limited 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 and value added 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 and value added taxes.

The Company recognised revenue when performance obligations have been satisfied.

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.

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 are incurred.

1. ACCOUNTING POLICIES *(continued)*

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% per annum, straight line
- Plant and equipment - 10% to 20% per annum, straight line

Freehold land is not depreciated. All items of property, plant and equipment are reviewed for impairment in accordance with IAS 36 'Impairment of Assets'.

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.

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.

1. **ACCOUNTING POLICIES** *(continued)*

Leases *(continued)*

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.

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 Group 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.

1. **ACCOUNTING POLICIES** *(continued)*

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.

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.

2. REVENUE

The Company is engaged in a single reportable operating segment of business, being the sale of cooked meats. The Company is engaged in a single geographical segment, the United Kingdom.

3. OPERATING PROFIT

Operating profit is stated after charging:

	Period Ended 31 December 2022 £000	*Period Ended 1 January 2022 £000*
Depreciation of property, plant and equipment (note 9)	2,098	2,801
Depreciation on right-of-use assets (note 10)	160	221
Employment costs (note 5)	35,429	35,674

4. AUDITORS' REMUNERATION

	Period Ended 31 December 2022 £000	*Period Ended 1 January 2022 £000*
Fees payable to the Company's auditors for audit of the Company financial statements	44	41

There were no non-audit fees paid to the auditor in either year.

5. EMPLOYMENT COSTS

	Period Ended 31 December 2022 £000	Period Ended 1 January 2022 £000
Wages and salaries	34,615	34,847
Pension costs (note 19)	814	827
	35,429	35,674

	Period Ended 31 December 2022	Period Ended 1 January 2022
Total employees		
Production	1,212	1,341
Administrative	81	71
	1,293	1,412
Full time equivalents		
Production	1,142	1,272
Administrative	79	69
	1,221	1,341

6. DIRECTORS' REMUNERATION

No directors (2021: no directors) received any remuneration for the period in relation to qualifying services provided to the Company. The directors are all paid by International Procurement and Logistics Limited for their overall services to the Asda Group 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.

7. FINANCIAL INCOME AND COSTS

	Period Ended 31 December 2022 £000	Period Ended 1 January 2022 £000
Interest on bank deposits	-	-
Interest on lease liabilities	(10)	(6)

8. TAXATION

Tax charge / (credit) recognised in the income statement

	Period Ended 31 December 2022 £000	*Period Ended 1 January 2022 £000*
Current tax:		
UK corporation tax on profit for the period	-	-
Adjustments in respect of prior periods	(18)	-
Foreign taxation	106	-
Total current tax charge	88	-
Deferred tax:		
On profits for the period	2	(11)
Adjustments in respect of prior periods	(22)	(60)
Effect of rate change	(29)	(106)
Total deferred tax credit	(49)	(177)
Total tax charge/(credit) from continuing operations	39	(177)

Reconciliation of effective tax rate

Profit before tax	4,525	4,253
Tax using the UK corporation tax rate of 19% (Dec 2021: 19%)	860	808
Effects of:		
Non-deductible expenses	40	102
Adjustments in respect of prior periods	(40)	(60)
Group relief	(879)	(880)
Effect of rate change	(29)	(106)
Double tax relief	(12)	-
Enhanced capital allowance super deduction	(6)	(41)
Foreign taxation	105	-
Tax charge/(credit) for the period	39	(177)

The standard rate of corporation tax in the United Kingdom for the year is 19% (2021: 19%).

On 3 March 2021, it was announced in the UK Budget that the main rate of corporation tax in the United Kingdom would increase 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 at between 23.5% and 25%.

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land & buildings *£000*	*Plant and Equipment* *£000*	*Total* *£000*
Cost			
Balance at 1 January 2022	6,795	51,503	58,298
Additions for the period	28	203	231
Disposals	-	(3)	(3)
Balance at 31 December 2022	6,823	51,703	58,526
Accumulated depreciation			
Balance at 1 January 2022	1,485	41,987	43,472
Depreciation charge for the period	137	1,961	2,098
Depreciation on disposals	-	(3)	(3)
Balance at 31 December 2022	1,622	43,945	45,567
Net book value			
Balance at 1 January 2022	5,310	9,516	14,826
Balance at 31 December 2022	**5,201**	**7,758**	**12,959**

At 1 January 2022, the Company had entered into contractual commitments for the acquisition of plant and equipment amounting to £78,000 (2021: £29,000).

NOTES TO THE ACCOUNTS
for the period ended 31 December 2022

10. RIGHT-OF-USE-ASSETS

	Plant & Equipment *£000*
Cost	
At 1 January 2022	684
Additions	402
Disposals	(439)
At 31 December 2022	647
Accumulated depreciation	
At 1 January 2022	490
Charge for the period	160
Eliminated on disposal	(428)
At 31 December 2022	222
Net book value	
At 1 January 2022	**194**
At 31 December 2022	**425**

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 3 years.

For further details of lease liabilities see note 17.

11. INVENTORIES

	31 December 2022 *£000*	*1 January 2022* *£000*
Produce and raw materials	26,584	15,466
Packaging	1,704	1,461
Engineering	2,256	2,317
	30,544	19,244

The inventory balance is inclusive of inventory provisions totalling £271,000 (2021: £544,000).

12. TRADE AND OTHER RECEIVABLES

	31 December 2022	*1 January 2022*
	£000	*£000*
Amounts receivable from trade customers	85	519
Other debtors	1,948	7,782
Amounts receivable from group undertakings	27,225	19,847
Prepayments and accrued income	715	875
	29,973	29,023

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.

13. CALLED UP SHARE CAPITAL

	No.	*£000*
Allotted, called up & fully paid at 1 January 2022 and 31 December 2022		
Ordinary shares of 10p each	100,010	10

14. RESERVES

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

15. TRADE AND OTHER PAYABLES

	31 December 2022 £000	*1 January 2022 £000*
Trade payables	27,954	15,398
Amounts owed to group undertakings	86	257
Other taxation and social security costs	2,780	2,883
Accruals and deferred income	2,492	8,726
	33,312	27,264

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

16. DEFERRED TAXATION

	31 December 2022 £000	*1 January 2022 £000*
Deferred tax asset		
Accelerated capital allowances	392	354
Short term timing differences	219	208
Deferred tax asset	611	562

Deferred tax has been provided at between 23.5% and 25% (2021: 19% to 25%).

Movement in deferred tax asset

At beginning of period as previously stated	562	385
Tax credit during the period recognised in the income statement	49	177
At the end of the period	611	562

17. LEASE LIABILITIES

	31 December 2022 £000	1 January 2022 £000
Current lease liability	115	147
Non-current lease liability	316	48
	431	195

Future minimum lease payments are due as follows:

	31 December 2022 £000	1 January 2022 £000
No later than one year	139	150
Later than one year and no later than two years	99	49
Later than two years and no later than three years	96	-
Later than three years and no later than four years	96	-
Later than four years and no later than five years	71	-
Later than five years	-	-
	501	199
Lease finance charges allocated to future periods	(70)	(4)
	431	195

Total lease cash outflow in the year was £170,000 (2021: £232,000).

There are no instances at 31 December 2022 where future rental payments have been committed but not yet included in the lease liability.

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:

	Period Ended 31 December 2022 £000	Period Ended 1 January 2022 £000
Depreciation - plant and equipment right-of-use assets	160	221
Interest expense related to lease liabilities	10	6
Total amount recognised in Income Statement	170	227

18. 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 Bellis Finco PLC.

19. 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 £814,000 (2021: £827,000).

As at 31 December 2022, contributions of £131,000 (2021: £139,000) due in respect of the current reporting period had not been paid over to the schemes.

20. 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, South Bank, Great Wilson Street, Leeds, LS11 5AD.

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.

At 31 December 2022 and at the date of approval of the financial statements, the ultimate parent company and controlling party was Bellis Topco Limited, which is incorporated in Jersey and is jointly controlled by the Issa brothers and TDR Capital LLP.

21. 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.