

Iceland Frozen Foods Plc

Report and Accounts

1st January 2000

Registered Number: 1107406



Iceland Frozen Foods Plc

Contents

	<u>Page</u>
Directors & Advisers	1
Directors' Report	2
Statement of Directors' Responsibilities in Respect of the Accounts	7
Report of the Auditors	8
Profit and Loss Account	9
Balance Sheet	10
Accounting Policies	11
Notes to the Accounts	13

Iceland Frozen Foods Plc

Directors and Advisers

Directors

M C Walker CBE (Chairman)
R M Ford
A S Pritchard FCA
J G Berry
M Chatwin
T S Dhaliwal
N V Jones
J Marsden
M Powell
A Shepherd
T C Yates

Secretary

J G Berry

Registered Office

Second Avenue
Deeside Industrial Park
Deeside
Flintshire
CH5 2NW

Auditors

Ernst & Young
Silkhouse Court
Tithebarn Street
Liverpool
L2 2LE

Bankers

Barclays Bank Plc
19/21 Church Street
Flint
CH6 5AJ

Solicitors

Bullivant Jones & Company
State House
22 Dale Street
Liverpool
L2 4UR

Directors' Report

The directors present their report and the accounts for the 52 week period ended 1st January 2000.

Profit and dividends

The Company's profit after taxation and exceptional items amounted to £14,747,000 (1998 - £7,238,000).

The directors do not recommend the payment of a final dividend.

Review of the business

The Company is a multiple retailer of frozen food together with a range of groceries, chilled products, domestic freezers, fridges and microwave ovens. It also provides services to another group company, Iceland Foodstores Limited.

Community and the environment

Iceland is committed to achieving the highest standards of corporate citizenship and to minimising the impact of its operations on the environment.

Corporate citizenship

Iceland supports local charities and community projects throughout its operating territory. During 1999 our employees raised a total for £300,000 for charity, including £100,000 contributed to the Alder Hey Rocking Horse Appeal and other children's charities by head office staff.

In addition charitable donations totalling £89,754 were made by the Company during the year. Iceland does not make political contributions.

People

We are committed to supporting the people who work for us and supply us, and the customers we serve.

Employees. We aim to attract and retain high quality staff, and to provide personal and career development opportunities for all our 20,000 employees.

The provision of Legendary Customer Service is a key corporate objective, and we seek to ensure that employees fully understand and are committed to the delivery of our targets. This is achieved through a variety of training programmes, surveys and award schemes.

Communication with staff is accorded a high priority, and employees are kept informed of the Company's performance and activities through regular briefings and staff newspapers. They are also given the opportunity to communicate their ideas and opinions to all levels of management both directly and through attitude surveys.

Iceland is committed to ensuring genuine equality of opportunity for all employees, regardless of sex, colour, race, religion, ethnic origin or disability. All our recruitment, training and development policies reflect this commitment. In the event of an employee becoming disabled, every effort is made to continue their employment and, having due regard to their aptitude and abilities, opportunities are given for retraining or redeployment wherever possible.

Directors' Report (continued)

People (continued)

Training and development programmes are a high priority and are held throughout the business for staff at all levels to improve skills and contributions. Iceland was one of the first UK retailers to achieve Investors in People accreditation in 1996, and this status was re-awarded in 1999.

The Company provides employee share schemes and pension and life assurance benefits for both full and part time employees. Nearly 4,000 employees are members of the Company's pension scheme.

Suppliers. We work closely with our suppliers to ensure the delivery of our policies on product quality and integrity, health and safety, and the environment.

Customers. We seek to earn the loyalty of our customers by providing safe, wholesome food and environmentally friendly appliances and services, and by achieving legendary standards of customer service. Our home delivery and home shopping services provide real assistance to the elderly, disabled and families with young children who find it difficult to travel to our stores.

Health and safety

The health and safety of employees and customers alike is accorded the highest priority, and our policy is *to avoid all unnecessary risks through audits, assessments and training. Appropriate action is taken to enforce standards throughout the food chain whenever this is necessary.* Our actions to eliminate GM ingredients and other artificial colours and flavours from our own brand products reflect our commitment to achieving the highest standards of nutritional quality and safety, as well as our determination to provide genuine consumer choice.

The environment

Iceland has always been committed to achieving the highest standards of environmental responsibility.

Refrigeration. Iceland was one of the first companies in the UK to implement the removal of environmentally harmful CFC gases from its depots, stores, vehicles and appliances. In October 1998 we launched the Kyoto range of domestic fridges and freezers, using environmentally friendly hydrocarbon refrigerants. These were the first products in the world ever to be endorsed by Greenpeace. We endeavour to maximise the life of all refrigeration equipment, and to minimise the risk of gas emissions, by ensuring high standards of maintenance throughout the organisation. All service engineers in our Expert Appliance Care business are equipped with CFC recovery equipment to recycle gases from customers' old fridges and freezers, and to protect against leakages during repairs.

Recycling. Iceland is strongly committed to the principle of recycling, and uses recycled material wherever possible in its stores, offices and distribution system. Packaging in our supply chain is re-used wherever possible, and facilities are provided at our depots for the recycling of cardboard and polythene.

Transport. We utilise the latest computerised planning systems to maximise the efficiency of store deliveries and minimise the number of lorry journeys and distances travelled. Our stores are located on the high street and in neighbourhoods with good public transport links, rather than in out-of-town centres designed for access by private car. Our home delivery and home shopping services provide a further opportunity to lower vehicle emissions by reducing the number of car journeys to stores.

Iceland Frozen Foods Plc

Directors' Report (continued)

Payment of suppliers

It is company policy to establish payment terms with suppliers when agreeing the terms of trade and to ensure that suppliers are aware of such terms. All reasonable efforts are made to ensure payment is made in accordance with agreed terms. The average number of days credit taken for trade purchases at 1st January 2000 was 37 days (1998 – 37 days).

Directors and their interests

The directors as at 1st January 2000 and their interests, including family interests, in the share capital of the Company's holding company Iceland Group plc (all held beneficially) were as follows:

The interests of Mr M C Walker, Mr R M Ford and Mr A S Pritchard, including family interests, in the share capital of group companies are disclosed in the Directors' Report of the ultimate holding company, Iceland Group plc. The interests of the other directors are set out as follows:

Ordinary shares

	As at <u>1.1.00</u>	As at 2.1.99 or later date of <u>appointment</u>
J G Berry	33,629	5,622
M Chatwin	-	-
T Dhaliwal	13,873	1,373
N V Jones	12,100	1,313
J Marsden	2,283	1,427
M Powell	-	-
A Shepherd	-	-
T C Yates	-	-

Mr J B Leigh retired as a director on 30th June 1999. Mr D C Brown resigned as a director on 18th October 1999.

Mr A Shepherd was appointed as a director on 1st January 2000. Mr S Archdeacon was appointed as a director on 17th March 2000.

Iceland Frozen Foods Plc

Directors' Report (continued)

Ordinary share options

	<u>Scheme</u>	<u>As at 3.1.99 or later date of appointment</u>	<u>Granted during the year</u>	<u>Exercised during the year</u>	<u>As at 1.1.00</u>
J G Berry	a)	2,265	-	-	2,265
	b)	235,000	65,000	-	300,000
	c)	-	-	-	-
	d)	90,000	-	90,000	-
M Chatwin	a)	-	-	-	-
	b)	55,000	65,000	-	120,000
	c)	-	-	-	-
	d)	-	-	-	-
T Dhaliwal	a)	14,894	-	-	14,894
	b)	170,000	65,000	-	235,000
	c)	-	-	-	-
	d)	-	-	-	-
N V Jones	a)	4,531	-	-	4,531
	b)	235,000	65,000	-	300,000
	c)	-	-	-	-
	d)	60,000	-	60,000	-
J Marsden	a)	2,265	-	-	2,265
	b)	235,000	65,000	-	300,000
	c)	-	-	-	-
	d)	-	-	-	-
M Powell	a)	-	-	-	-
	b)	155,000	65,000	-	220,000
	c)	-	-	-	-
	d)	-	-	-	-
A Shepherd	a)	-	-	-	-
	b)	-	-	-	-
	c)	-	-	-	-
	d)	-	-	-	-
T C Yates	a)	-	-	-	-
	b)	235,000	65,000	-	300,000
	c)	-	-	-	-
	d)	-	-	-	-

Directors' Report (continued)

The share options referred to on page 5 were granted under the following schemes:-

- a) SAYE Share Option Scheme
- b) Executive Share Option Scheme
- c) 1992 Executive Share Option Scheme
- d) Performance Related Share Option Scheme

Year 2000 and the Euro

Following the implementation of the detailed programme designed to ensure that all necessary information and operational systems were Year 2000 compliant, the Board is pleased to announce that there were no significant issues and all systems remained fully operational during the transition into the Year 2000. The cost of implementing the programme was approximately £2 million in 1999, following a similar level of expenditure in 1998.

The Company has undertaken an impact analysis regarding the introduction of the single European currency. An action plan has been put in place, with good progress to date, to prepare the Company for the possible introduction of the single currency in the UK.

Auditors

Ernst and Young have indicated their willingness to continue in office as auditors and a resolution that they be reappointed will be proposed at the Annual General Meeting.

By order of the board



J. G. Berry
Secretary

21st March 2000

Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which 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 year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the accounts.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

Report of the Auditors

To the members of Iceland Frozen Foods Plc

We have audited the accounts on pages 9 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 7, the Company's directors are responsible for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

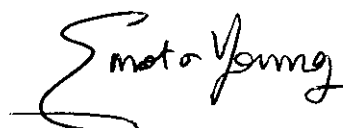
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 1st January 2000 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Liverpool

21st March 2000

Iceland Frozen Foods Plc

Profit and Loss Account For the year ended 1st January 2000

	<u>Note</u>	After exceptional items 1999 £'000	Exceptional items 1999 £'000	Before exceptional items 1999 £'000	1998 £'000
Turnover		1,825,185	-	1,825,185	1,660,522
Cost of sales		(1,731,971)	(4,142)	(1,727,829)	(1,575,312)
Gross profit		93,214	(4,142)	97,356	85,210
Administrative expenses		(54,507)	-	(54,507)	(53,086)
Operating profit	1	38,707	(4,142)	42,849	32,124
Provision for loss on disposal of fixed assets	3	(2,097)	(2,097)	-	-
		36,610	(6,239)	42,849	32,124
Interest payable	4	(12,597)	-	(12,597)	(17,770)
Profit on ordinary activities before taxation		24,013	(6,239)	30,252	14,354
Tax on profit on ordinary activities	5	(9,266)	1,253	(10,519)	(7,116)
Profit for the financial year		14,747	(4,986)	19,733	7,238
Dividends	6	-	-	-	(729)
Retained profit for the year		14,747	(4,986)	19,733	6,509
Retained profit brought forward		53,288	-	53,288	46,779
Retained profit carried forward		68,035	(4,986)	73,021	53,288

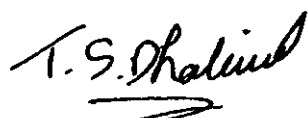
The Company has no material recognised gains or losses other than the profit for the current and previous financial periods.

Iceland Frozen Foods Plc

Balance Sheet At 1st January 2000

	Note	1999 £'000	1998 £'000
Fixed assets:			
Intangible assets	7	36,553	40,505
Tangible assets	8	382,647	365,678
Investment	9	5	5
		<u>419,205</u>	<u>406,188</u>
Current assets:			
Stock	10	17,488	21,604
Debtors	11	84,822	86,539
Cash at bank and in hand		33,667	26,730
		<u>135,977</u>	<u>134,873</u>
Creditors: due within one year	12	(279,033)	(244,171)
Net current liabilities		<u>(143,056)</u>	<u>(109,298)</u>
Total asset less current liabilities		<u>276,149</u>	<u>296,890</u>
Creditors: due after one year	13	(208,004)	(243,492)
		<u>68,145</u>	<u>53,398</u>
		=====	=====
Capital and reserves:			
Called up share capital	14	110	110
Profit and loss account		68,035	53,288
		<u>68,145</u>	<u>53,398</u>
Shareholders' funds	15	=====	=====

Shareholders' funds above include £110,000 (1998 - £110,000) relating to non-equity shareholders.



T S Dhaliwal
Director

21st March 2000

Iceland Frozen Foods Plc

Accounting Policies

Accounting principles

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Goodwill

Goodwill arising in connection with the acquisitions of subsidiary undertakings and businesses is capitalised and is amortised over its estimated economic life to a maximum of 20 years. It is reviewed for impairment at the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicated that the carrying value may not be recoverable. If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Turnover

Turnover is the sales value of goods and services sold in the ordinary course of business, excluding value added tax, and arises from continuing activities in the United Kingdom.

Cost of sales

Cost of sales represents all costs incurred up to the point of sale including the operating expenses of the trading outlets.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated by reference to purchase prices. Net realisable value is defined as selling price less further costs expected to be incurred to disposal.

Statement of cash flows

The Company is exempt from including a statement of cash flows in its accounts, as it is a wholly owned subsidiary of a company incorporated in the United Kingdom, which has included a consolidated statement of cash flows in its consolidated accounts.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Appliance repair and food insurance commission

The revenue from the sale of appliance repair and food insurance contracts entered into by customers is credited to the profit and loss account in instalments over the period of the contracts.

Accounting Policies (continued)

Fixed assets

Depreciation is provided on a straight-line basis at rates which write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Plant and equipment	4% to 20% per annum
Motor vehicles	25% per annum

Freehold stores, which are mainly in high street locations, are maintained and regularly refurbished to a high standard, and are of a size which means that they have a wide range of alternative users. As a result, in the opinion of the directors, the difference between the residual values of such properties based upon prices prevailing at their date of acquisition and their cost is immaterial. Accordingly, no provision for depreciation has been made. All other freehold property, other than freehold land, is depreciated over 50 years.

Leasehold premiums and improvements are depreciated in equal annual instalments over the lesser of the unexpired term of the lease and 50 years. However, that element of leasehold premium paid to acquire a beneficial rental is written off over the period to the first open market rent review.

Interest incurred on borrowings to finance the construction and development of freehold properties is capitalised net of the tax relief applicable, up to the date of completion.

Deferred taxation

Deferred taxation is provided by the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that the tax will be payable.

Leasing commitments

Assets held under finance leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under the leases is included as a liability in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pension costs

The Company operates a number of defined benefit pension schemes to which it makes contributions on the advice of actuaries to fund the retirement benefits of employees within the schemes. Amounts are charged to the profit and loss account to reflect the cost of providing pensions over the expected service lives of current employees in the schemes.

**Notes to the Accounts
At 1st January 2000**

1. Operating profit

This is stated after charging:	1999 <u>£'000</u>	1998 <u>£'000</u>
Depreciation of owned assets	47,577	49,144
Depreciation of assets held under finance leases	4,567	3,713
	-----	-----
Total depreciation charge	52,144	52,857
(Profit)/loss in sale of fixed assets	(365)	-
Short leasehold payments	46,356	46,004
Operating lease – plant	991	90
Staff costs (see below)	176,589	164,201
Auditors' remuneration - audit services	83	87
- non audit services	118	124
Amortisation of goodwill	3,952	3,952
	=====	=====

2. Staff costs and directors' emoluments

	1999 <u>£'000</u>	1998 <u>£'000</u>
i) Staff costs		
Wages and salaries	162,674	151,338
Social security costs	10,252	9,904
Other pension costs	3,663	2,959
	-----	-----
	176,589	164,201
	=====	=====

The average monthly number of persons employed by the Company during the year was as follows:

	1999 <u>No.</u>	1998 <u>No.</u>
Total employed	19,841	20,175
Full time equipment	11,188	11,545
	=====	=====
ii) Directors' emoluments	2,863	2,714
	=====	=====
Company contributions paid to money purchase schemes	20	8
	=====	=====
Compensation for loss of office	-	120
	=====	=====

Iceland Frozen Foods Plc

Notes to the Accounts At 1st January 2000 (continued)

2. Staff costs and directors' emoluments (continued)	1999 No.	1998 No.
Members of defined benefit schemes	10	11
	=====	=====

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

	1999 £'000	1998 £'000
Emoluments	663	606
	=====	=====
Total accrued pension	344	302
	=====	=====

80,000 shares in the holding company were granted to the highest paid director under a LTIP scheme.

3. Exceptional items	1999 £'000	1998 £'000
Redundancy costs	4,142	-
Provision for loss on disposal of fixed assets	2,097	-
	-----	-----
	6,239	-
	=====	=====

The above costs relate to the reorganisation of the distribution network.

4. Interest payable	1999 £'000	1998 £'000
Interest on bank loans and overdrafts	12,941	16,843
Finance charges payable under finance leases	1,846	1,224
Capitalised interest	(1,137)	(53)
Charges to group companies	(1,053)	(244)
	-----	-----
	12,597	17,770
	=====	=====

Iceland Frozen Foods Plc

Notes to the Accounts At 1st January 2000 (continued)

5. Tax on profit on ordinary activities	1999 £'000	1998 £'000
The corporation tax charged is based on the profit for the year	10,519	7,116
Tax on operating exceptional items	(1,253)	-
	<u>9,266</u>	<u>7,116</u>
	=====	=====

There is no tax benefit on the non operating exception items.

The charge has been reduced by the effect of capital allowances and other timing differences. If full provision has been made for deferred tax the charge for the year would have been increased by £587,000 (1998 – a reduction of £1,963,000).

The full potential amount of deferred taxation, calculated at 30% (1998 – 31%), none of which has been provided for in the accounts, is as follows:-

	1999 £'000	1998 £'000
Capital allowances in advance of depreciation	20,862	20,427
Other timing differences	2,408	2,199
Capital gains deferred by rollover relief	1,735	1,792
	<u>25,005</u>	<u>24,418</u>
	=====	=====

6. Dividends	1999 £'000	1998 £'000
Ordinary dividend on equity shares - paid	-	729
- proposed	-	-
	<u>-</u>	<u>729</u>
	=====	=====

Iceland Frozen Foods Plc

Notes to the Accounts At 1st January 2000 (continued)

7. Intangible assets

Intangible assets represent goodwill arising on the acquisition of businesses.

£'000

Cost:

At 1st January 2000 and 2nd January 1999

68,452

=====

Amortisation:

At 3rd January 1999

27,947

Provided during the year

3,952

At 1st January 2000

31,899

=====

Net book value at 1st January 2000

36,553

=====

Net book value at 2nd January 1999

40,505

=====

**Notes to the Accounts
At 1st January 2000 (continued)**

8. Tangible fixed assets

	Land and Buildings			Plant &	Motor	Total
	Freehold	Long Leasehold	Short Leasehold	Equipment	Vehicles	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
At 3rd January 1999	118,249	6,402	94,630	429,042	40,515	688,838
Additions	26,978	747	2,694	50,661	8,893	89,973
Transfers to group Companies	-	-	-	(9,416)	-	(9,416)
Disposals	(8,660)	-	(1,458)	(6,835)	(2,378)	(19,331)
At 1st January 2000	136,567	7,149	95,866	463,452	47,030	750,064
Depreciation						
At 3rd January 1999	6,785	1,147	34,538	263,080	17,610	323,160
Provided during the year	1,253	478	4,313	39,750	6,350	52,144
Transfer to group Companies	-	-	-	(403)	-	(403)
Disposals	(31)	-	(1,102)	(4,509)	(1,842)	(7,484)
At 1st January 2000	8,007	1,625	37,749	297,918	22,118	367,417
Net book value:						
At 1st January 2000	128,560	5,524	58,117	165,534	24,912	382,647
At 2nd January 1999	111,464	5,255	60,092	165,962	22,905	365,678

The cost of freehold properties includes £76,530,000 (1998 - £76,001,000) on which depreciation is not provided.

Interest capitalised during the period amounted to £789,000 (1998 - £53,000), and accumulated to date is £6,621,000 (1998 - £5,832,000).

The net book value of plant and equipment, and motor vehicles above include amounts of £11,136,000 and £6,368,000 respectively (1998 - £1,289,000 and £11,047,000) in respect of assets held under finance leases.

Iceland Frozen Foods Plc

Notes to the Accounts At 1st January 2000 (continued)

9. Investments

Subsidiary
undertakings
shares
£'000

Cost and net book value:

At 1st January 2000 and 2nd January 1999

5

=====

The Company's principal subsidiary undertaking is Iceland Foodstores Limited, which is wholly owned and registered in England and Wales.

10. Stocks

	1999 <u>£'000</u>	1998 <u>£'000</u>
Goods for resale	14,575	18,971
Consumables	2,913	2,633
	<u>17,488</u>	<u>21,604</u>
	=====	=====

11. Debtors

	1999 <u>£'000</u>	1998 <u>£'000</u>
Trade debtors	7,992	6,712
Amount owed by group undertaking	27,591	37,583
Other debtors	4,741	-
Prepayments and accrued income	44,498	42,244
	<u>84,822</u>	<u>86,539</u>
	=====	=====

12. Creditors: due within one year

	1999 <u>£'000</u>	1998 <u>£'000</u>
Obligations under finance leases	7,585	4,381
Trade creditors	187,642	171,906
Corporation tax	1,480	3,760
Other taxes and social security costs	3,503	2,928
Other creditors	30,917	21,892
Accruals	47,906	39,304
	<u>279,033</u>	<u>244,171</u>
	=====	=====

Iceland Frozen Foods Plc

Notes to the Accounts At 1st January 2000 (continued)

13. Creditors: due after one year	1999	1998
	£'000	£'000
Loan from parent undertaking	128,085	165,593
Loan from fellow subsidiary undertakings	66,347	65,585
Obligations under finance leases	13,572	12,314
	<u>208,004</u>	<u>243,492</u>
	=====	=====

a) The loans from fellow subsidiary undertakings are interest free. Part of the loan from the parent undertaking which at 1st January 2000 amounted to £74,554,000 (1998 - £74,554,000), bears interest based on bank base rates. The remaining part of the loan from the parent undertaking is interest free.

b) Obligations under finance leases:

Due within one year	7,585	4,381
Due after one and within two years	9,704	4,737
Due after two and within five years	3,868	7,577
Due after five years	-	-
	<u>21,157</u>	<u>16,695</u>
	=====	=====

14. Share capital	1999	1998
	£	£
Authorised:		
100 Ordinary shares of £1 each	100	100
10 "A" ordinary shares of £1 each	10	10
110,000 1.0% non-cumulative preference shares of £1 each	110,000	110,000
	<u>110,110</u>	<u>100,110</u>
	=====	=====
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	100	100
10 "A" ordinary shares of £1 each	10	10
110,000 1.0 % non-cumulative preference shares of £1 each	110,000	110,000
	<u>110,110</u>	<u>110,110</u>
	=====	=====

The preference shares carry one vote per share at general meetings of the Company. On a winding up of the Company, the preference shareholders have a right to receive, in preference to ordinary shareholders, £1 per share.

**Notes to the Accounts
At 1st January 2000 (continued)****15. Reconciliation of movement in shareholders' funds**

	1999 <u>£'000</u>	1998 <u>£'000</u>
Profit for the financial year	14,747	7,238
Dividends paid and proposed	-	(729)
	<u>-----</u>	<u>-----</u>
Net increase in shareholders' funds	14,747	6,509
Shareholders' funds at the beginning of the year	53,398	46,889
	<u>-----</u>	<u>-----</u>
Shareholders' funds at the end of the year	<u>68,145</u>	<u>53,398</u>
	<u>=====</u>	<u>=====</u>

16. Lease commitments

At 1st January 2000 the minimum lease payments due during the ensuing year under operating leases of land and buildings to which the company was committed were as follows:

	1999 <u>£'000</u>	1998 <u>£'000</u>
Leases due to expire:		
Within 1 year	1,631	619
Within 2 – 5 years	4,832	4,616
In more than 5 years	39,032	39,555
	<u>-----</u>	<u>-----</u>
	<u>45,495</u>	<u>44,790</u>
	<u>=====</u>	<u>=====</u>

17. Capital commitments

	1999 <u>£'000</u>	1998 <u>£'000</u>
Contracted	<u>2,762</u>	<u>1,458</u>
	<u>=====</u>	<u>=====</u>

**Notes to the Accounts
At 1st January 2000 (continued)**

18. Pension schemes

The Company operates a number of pension schemes providing benefits based on both final salary and defined contribution to full-time and part-time staff. The assets of the schemes are held separately from those of the Company and are invested by independent fund managers appointed by the trustees.

Defined benefit

The latest actuarial valuations of the defined benefit schemes were carried out by Messrs Punter Southall & Co., consulting actuaries, as at 1st April 1998. The results of those valuations have been used for the purposes of these accounts.

For the purposes of assessing pensions costs under SSAP 24 the principal actuarial assumptions adopted were a long term rate of return on investments less general salary inflation of 2% per annum, increases to pensions in payment of 3% per annum and dividend growth of 4.5% per annum. Pension costs have been determined using the projected unit method in the principle scheme and the attained age method in three smaller arrangements. The surplus disclosed by the calculation is being amortised over employees' anticipated service lines as a level percentage of pensionable salaries.

These assumptions are identical to those adopted for funding purposes. They produce a pension cost for the Company of £3.1m (1998 - £2.9m). A provision of £0.3m (1998 - £nil) is included in accruals representing outstanding contributions at 1st January 2000.

Aggregating the results for all schemes the actuarial value of the assets on the funding basis was sufficient to cover 100% of the benefits accrued to members after allowing for full pensionable salary projection and pension increases on the stated assumptions. The market value of the schemes' assets at the valuation date was £55.5m.

Defined contribution

The assets of the defined contribution scheme are held separately from the Company. The pensions cost of £0.6m in the year (1998 - £0.2m) represents contributions payable. There were no material amounts outstanding at the year end.

19. Related party transactions

The Company recharges its pension schemes with the costs of administration and independent advisers borne by the Company. The total amount recharged during the year was £0.4m (1998 - £0.5m).

20. Parent undertaking

The ultimate parent undertaking is Iceland Group plc which is registered in England and Wales.

Transactions with other entities within the group have not been disclosed as the company is wholly owned subsidiary and is included in the consolidated accounts of Iceland Group plc.

The accounts of Iceland Group plc are available from the Company's registered office.