Financial statements
Iceland Foods Limited

For the 52 week period ended 26 March 2021

Company No 01107406

Company information

Company number	01107406
Registered office	Second Avenue Deeside Industrial Park Deeside Flintshire CH5 2NW
Directors	Sir M C Walker T S Dhaliwal R M Walker P S Dhaliwal R D Ewen
Secretary	D A Vaughan
Bankers	HSBC Bank Plc 60 Queen Victoria Street London EC4N 4TR
Solicitors	Skadden, Arps, Slate, Meagher & Flom (UK) LLP 40 Bank Street Canary Wharf London E14 5DS Allen & Overy LLP One Bishops Square London E1 6AD Hill Dickinson LLP No 1 St Paul's Square Liverpool L3 9SJ
Auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Royal Liver Building Liverpool L3 1PS

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Business review

The Covid-19 pandemic changed consumer lifestyles and purchasing behaviour, creating challenges for both Iceland and the retail sector as a whole. Our diverse and flexible multi-channel business model enabled us to meet these unprecedented challenges and the resulting increases in both sales and Adjusted EBITDA demonstrate the benefits of our substantial past investments in expanding our store network, building our Online presence and strengthening our infrastructure. Outperformance of the growing food retail market throughout the year was rooted in the accessibility of both our smaller Iceland community shops and larger The Food Warehouse stores; the flexibility with which we were able to adapt our stores to function primarily as Online pick centres; and in our expanding range, outstanding value and long-established focus on frozen food.

Results

Sales for the 52 week period to 26 March 2021 grew by 16.4% to £3,715.3m (52 weeks to 27 March 2020: £3,191.5m), ahead of the UK grocery market as a whole, with Kantar data showing Iceland's market share for the period increasing to 2.4% (2020: 2.2%).

The growth of the total grocery market during the year was driven by heightened consumer demand for food in the retail channel in place of food-to-go and eating out. This structural shift reflected the increase in home working and reduced commuting, together with the loss of out-of-home eating opportunities for much of the year due to the series of Covid-19 national lockdowns and tiered restrictions.

Iceland gained share within this growing market because our focus on accessibility, value and frozen food proved a perfect match with consumer priorities during the pandemic. In addition, we extended our non-frozen product range. Although many of our core Iceland stores are on high streets or in shopping centres that were impacted by the decline in town centre footfall, our suburban Iceland community stores benefited from shoppers' desire to shop more locally, while The Food Warehouse stores were ideally placed to meet the needs of those inclined to shop less frequently; this format can provide everything a family might require from a weekly shopping trip in relatively compact stores with wide aisles ideally suited for social distancing. Across the business, we were able to move swiftly to expand the role of stores as online picking centres to meet the hugely increased consumer demand for home deliveries.

Sales also benefited from the net 16 new stores opened during the year, and from the net 35 new stores added in the previous financial year.

The strong growth in our sales drove a £42.6m rise in Adjusted EBITDA to £171.9m (2020: £129.3m), an increase of 32.9%. Adjusted EBITDA is measured as EBITDA after adjusting for exceptional items and as such excludes any benefits or costs associated with Covid-19. Staff costs increased as a result of a 4.1% pay award to front line colleagues in April, and we also invested to offer a special 20% 'thank you' discount to NHS staff in June.

The Company's financial and non-financial key performance indicators are discussed within the body of this report, the key ones being sales and Adjusted EBITDA.

We continued to incur substantial Covid-related costs throughout the period, including the retention on full pay of all colleagues recommended to self-isolate by the Government; an extension of the entitlement to Company sick pay; the recruitment and training of some 5,300 additional staff; increases in the number of store security personnel to enforce social distancing; the installation of shield screens at store checkouts; the provision of Personal Protective Equipment for colleagues; the payment of a bonus to all frontline staff and store managers in May; and expenditure on signage, floor markings and other measures to ensure the maintenance of two metre social distancing in stores. We also bore the running costs of an additional depot in Swindon, the opening of which was deferred until February 2021 as a result of Covid-19.

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These costs were offset by business rate relief which we were grateful to the Government for providing. Both the costs and the business rate relief have been treated as exceptional items and are excluded from Adjusted EBITDA.

In total, exceptional expenses showed a net cost of £3.3m (2020: cost of £25.7m). In the year under review these comprised Covid costs, offset by business rate relief, together with business restructuring and property costs primarily associated with the disposal of our stores in the Czech Republic.

Performance from continuing operations (excluding depreciation, amortisation of goodwill, amortisation of other intangibles, interest, exceptional administrative expenses and profit / (loss) on disposal of fixed assets and investments) is summarised below.

	52 week period ended 26 March 2021 £m	52 week period ended 27 March 2020 £m
Turnover	**3,715.3**	3,191.5
Adjusted profit before taxation *	**69.3**	27.1
Adjusted EBITDA	**171.9**	129.3

* See note 29 for reconciliation to consolidated statement of income and retained earnings.

Finances

Cash balances at 26 March 2021 were £124.3m (27 March 2020: £137.7m).

Products

Home working, and the prolonged closures of pubs, restaurants, schools, and many works and office canteens all boosted consumer demand within the food retail channel during the year, with demand for frozen food growing faster than the market as a whole as consumers sought to feed their families while reducing their number of shopping trips, focusing on good value and cutting waste. We have continued to emphasise that frozen food can be fresher, tastier, more nutritious and more authentic than the 'fresh' alternatives. It is also intrinsically cheaper to produce because of the economies generated by picking and freezing produce when it is most abundant, and making lines efficiently in bulk.

We continued to stimulate consumer interest in the frozen category through continuous, market-leading innovation throughout the year, achieving notable success with our range of exclusive brands, including Greggs, TGI Fridays, Barratt, and Slimming World. These have attracted many new customers into our stores, where we have also extended our appeal through expansion of the range we offer in all temperature categories.

In January we formed a new partnership with the LiveKindly Collective, which has taken ownership of our market-leading No Meat frozen vegan brand with the aim of accelerating its global development; we have entered into a distribution agreement with LiveKindly that will enable us to offer our customers a greatly expanded range in the fast-growing frozen vegan category.

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Stores

The Company opened 24 new stores in the UK during the year and closed eight, giving us a net addition of 16 and a total of 993 (2020: 977) UK stores at the year-end. The openings were mainly under The Food Warehouse fascia, where we added 20 new stores to give us a total of 141 at the end of the year. We also opened three core Iceland stores in the UK, and closed eight. One of these closed Iceland stores reopened in March 2021 as our first trial of a new convenience supermarket format under the Swift brand.

Online

Our flexible business model allowed us to respond at pace to the huge increase in consumer demand for Online deliveries following the onset of Covid-19, enabling us to achieve market-leading growth. We recruited thousands of additional store colleagues and home delivery drivers, increased the number of stores picking online orders, extended our picking and delivery hours, and expanded our vehicle fleet by 20%, enabling us to increase our Online delivery capacity to handle up to 1 million deliveries per week, serving 86% of UK postcodes. Our low minimum order value of £25, and free delivery of all Online orders of £35 or more, also give us an important competitive edge.

Our rapid expansion of capacity enabled us to continue offering priority access to vulnerable customers throughout the year, while also making Iceland one of the very few UK supermarkets with consistently good slot availability for non-priority customers. This has brought us many new customers who have never shopped at Iceland before. While next day delivery was available through our own website for most of the period, we also launched a trial in London of home delivery within 20 minutes via Uber Eats.

The Range

Our strategic alliance with The Range, launched in August 2018, introduces the Iceland food offer into The Range's home, garden and leisure stores with the aim of making these a true 'one stop shop'. For Iceland, this represents an opportunity to make our food available in a new type of location, with the aim of extending our appeal by reaching people who had not shopped at Iceland before. Although the originally planned roll-out was delayed by the onset of the Covid-19 pandemic, The Range added Iceland departments to 39 of its stores during the year, to give a total of 86 (2020: 47) at the year-end. In 59 of these stores there is also an Iceland café that allows customers to try our products before buying them. During the year we strengthened our commercial partnership with The Range and now supply the complete grocery range offered in those stores where a dedicated Iceland department has yet to be established.

Supply chain

The resilience of our supply chain, and its ability to cope with the substantial increase in demand during the year, underlined the benefits of past and continuing investment in our distribution infrastructure. We strengthened our network with the opening in February 2021 of a second depot in Swindon, providing additional capacity for ambient goods, complementing our established multi-temperature facility there and others in Livingston, Warrington, Deeside and Enfield. In January 2021 we renewed our successful partnership with XPO Logistics, which operates these depots and the Iceland distribution fleet on our behalf.

Maintaining good relationships with our supplier partners remains critical to our own business performance, and we have robust procedures in place to ensure our compliance with the Groceries Supply Code of Practice ("GSCOP"), on which we report on pages 20 - 21. Our policies on the treatment of supplier income are set out in Note 4.11 on page 32, and in Note 3 Significant judgements and estimates on page 29. We are grateful to all our suppliers for the determined efforts they made and the flexibility they were able to show in working with us to feed the nation during the pandemic, particularly in the face of the unprecedented challenges caused by panic buying prior to and during the early stages of the first national lockdown in 2020. We also greatly appreciated their continued positivity in working with us on our

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initiatives to remove single-use plastic packaging from our own label product range by the end of 2023, to reduce carbon emissions, and to cut food waste.

People

We were pleased to create jobs for many new colleagues during the year, increasing the average number employed across the business to 30,256 (2020: 24,642). We recruited a total of 5,300 additional staff on temporary contracts during the pandemic, both to cover for our own colleagues who were shielding at home on Government advice, and to help us meet increased consumer demand in-store and in particular for home deliveries. We were pleased to be able to move a significant number of these temporary recruits onto standard Iceland contracts of 7.5 hours or more per week, and also retained on standard contracts a proportion of the temporary seasonal staff recruited to handle our usual Christmas sales peak. The resulting year on year increase in the average number employed by the Company was 5,614.

We made a 4.1% pay award to all front-line retail colleagues in April 2020 and paid a bonus to front-line colleagues and store managers in May, in recognition of their heroic efforts during the first phase of the pandemic. We maintained full pay to all employees in vulnerable groups who were recommended by the Government to self-isolate for 12 weeks, and also extended eligibility for company sick pay to all employees with at least one month's service.

It was our store colleagues' care for others and innovative thinking that led us to introduce the first priority shopping hours for elderly and vulnerable customers and for NHS workers in March 2020 – a move swiftly copied across the food retail sector – and there were many instances of both store assistants and home delivery drivers 'going the extra mile' to ensure that customers received the food and other supplies they needed during the pandemic. We were delighted that two of our home delivery drivers were recognised with awards of the British Empire Medal in the Queen's birthday honours list in October 2020, and that two of our store managers were similarly honoured for their leading roles in creating priority shopping hours for the elderly in the 2021 birthday honours list last month.

We remain committed to rewarding our people as well as we can and we continue to differentiate Iceland from many of our competitors by paying the same rate to employees of all ages, including new starters. Our focus on recruiting within the catchment of our stores means that almost 80% of our employees live within walking distance of their workplace, making us truly rooted in the communities we serve and with a real understanding of their needs.

Sustainability and corporate social responsibility

Iceland is proud to be an industry leader in taking action to safeguard and improve the global environment. In February 2021 we became the first food retailer in the world to join The Climate Pledge: a commitment to be Net Zero carbon by 2040, ten years ahead of the Paris Agreement's goal of 2050. Our first Carbon report, published in July 2020, showed that we were already on course to reach Net Zero by 2042, having achieved an actual reduction in Scope 1 & 2 carbon emissions of 74% since 2011, despite a 36% increase in Group turnover and the addition of a net 181 stores over the same period. This reduction, which exceeded our own targets, was mainly achieved by changes within our direct control that also delivered valuable cost savings, including a business-wide switch to LED lighting, investing in more efficient refrigeration, and maximising the efficiency of our distribution fleet. We are now working with the Carbon Trust to measure and seek to reduce the Scope 3 carbon emissions that our business causes indirectly throughout our supply chains.

Food waste is undesirable on multiple levels: social, economic and environmental, not least as a major contributor to greenhouse gas emissions. We were pleased, therefore, that our first Food Waste report published in May 2020 showed that we had been able to reduce our food waste by 23.2%, or almost 2,500 tonnes, over the previous two years. Although the impact of the pandemic on customer shopping patterns and store operations resulted in a regrettable increase food waste in 2020/21, from 0.57% to 0.63% of sales,

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waste remained 19% lower than in our base year in 2018, and we remain committed to halving operational food waste from that base by 2030. During the year we donated 264 tonnes of surplus food from our depots to people in need through our network of charity and community partners. Following a successful trial, in September we extended across our estate a policy of giving any surplus food given to store colleagues at closing time each day, giving them the option of taking it home for their own use or donating it to a local charity or cause; 105 tonnes of food were given to colleagues in this way during the second half of the year. We continue to emphasise the many advantages that frozen food can offer in cutting food waste throughout the supply chain, in stores and in the home: research by Manchester Metropolitan University has shown that a typical family can save £1,500 a year and almost halve its food waste by buying more frozen food.

We achieved a 29% reduction in our tonnage of own label plastic packaging in the first two years after making our pledge in January 2018 to eliminate plastic packaging from our own label range by the end of 2023, and to substantially reduce our overall plastic usage. We have continued to progress a range of initiatives designed to deliver our promise, with trials during the year including new plastic-free and reduced plastic packaging for bread, potatoes, apples, strawberries, blueberries and mushrooms. Our plastic-free Christmas range for 2020 comprised 23 lines, including the first plastic-free Christmas cake offered by any UK supermarket, and we also doubled the number of seasonal lines with significantly reduced plastic compared with 2019.

In March 2021 we joined the Global Ghost Gear Initiative to help protect marine life from the plastic pollution associated with lost and discarded fishing gear.

As with food waste we expect to report a negative impact from the pandemic on our overall plastic reduction progress during 2020 as significant volume growth and changing shopping patterns were a feature of the year.

In September 2020 we became the first UK supermarket to publish our full plastic footprint, and urged other businesses to adopt a similarly transparent approach. We also worked with four leading environmental charities to call on the Government to amend its Environment Bill to incorporate mandatory plastic packaging reporting and UK plastic pollution reduction targets within forthcoming legislation.

Also, in September we announced our participation in the England footballer Marcus Rashford's Child Poverty Taskforce and began offering a free bag of frozen vegetables to customers for each Healthy Start Voucher redeemed in our stores in England, Wales and Northern Ireland, with a similar offer being made to users of Best Start Food cards in Scotland. We donated 650 food parcels to families in need over the October half term.

In the early stages of the Covid pandemic the Iceland Foods Charitable Foundation made crisis donations of £150,000 each to Age UK and St John's Ambulance, and of over £37,000 to NHS Charities Together, while in December it donated £280,000 to Action for Children, making each of our Iceland colleagues a 'Secret Santa' giving £10 to help a vulnerable child at Christmas.

The Foundation has also continued its long-standing support for dementia and other medical charities, and has supported a range of important environmental initiatives including the Backyard Nature project, Surfers Against Sewage, the restoration of Welsh peatlands by Wales Wildlife Trusts and the planting of one million mangrove trees in Indonesia to mark Iceland's 50th anniversary.

Outlook

In the first quarter of the current year we face comparison with a period of exceptional sales growth in 2020, driven by the first national lockdown and the resulting concentration of consumer demand on the food retail channel. Across our industry, the change in consumer preferences back from online ordering to shopping in store has been larger and faster than expected, though we have substantially outperformed the online grocery market as a whole since 2019, and this year have seen a small recovery in demand for Home Delivery of in-store purchases. While industry data shows a substantial increase in consumer visits to stores compared with 2020, it should be noted that footfall in the high streets and shopping centres where so

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many of our core Iceland stores are located is still running some 30% below the level of the comparable period in 2019.

In this challenging and very uncertain environment our first quarter sales and profits will inevitably be lower than in the comparable period last year, although on a two-year view our sales growth has substantially outperformed the UK grocery market. We also see opportunities to make progress later in the year, when we are comparing performance with periods affected by Government initiatives such a 'Eat Out to Help Out' in August 2020.

The business has continued to incur some Covid-related costs, though there will be no offsetting business rate relief following our decision not to seek a continuation of this relief in the current financial year.

Substantial product innovation has continued, with introductions since the beginning of the year including new exclusive brand partnerships with KP Snacks in frozen potato snacks and with Del Monte in frozen fruit, extension of our established partnership with Barratt in ice lollies, the launch of our best-ever summer BBQ range, and the doubling of our offering in the fast-growing meat-free category through the introduction of LiveKindly's Oumph!, LikeMeat and Fry's brands.

After a successful trial we launched a same-day Online delivery service in 400 Iceland and The Food Warehouse stores in May, and plan to extend this across our entire estate in due course; we have also extended our Uber Eats delivery trial to 20 stores, including for the first time locations outside London.

Since the beginning of the year we have joined other retailers in lobbying the Brazilian government and major soy producers and traders to commit to a sustainable supply chain and stop deforestation in the Amazon, and banned the sale of peat-based compost in our stores, while the Iceland Foods Charitable Foundation has announced its support for the UK's biggest-ever beach clean by Surfers Against Sewage.

We have extended our plastic-free packaging trials and substantially increased the proportion of free range eggs we sell as we progress towards our commitment to end the sale of eggs from caged hens by 2025. We have made a significant effort to obtain MSC (Marine Stewardship Council) certification for an increasing number of fish and seafood products, with 60% certification across our range. Iceland is now a member of Sedex, one of the world's leading online platforms used to manage responsible and sustainable business practices, and responsible sourcing. This supports the oversight and improvement of working conditions in global supply chains. The business is also an active member of BiTC (Business in the Community), the Prince of Wales' responsible business charity, with a position on its Welsh Advisory Board.

Our free frozen vegetable giveaway to Healthy Start Voucher and Best Start Foods users has been extended until the end of August 2021. Following a successful pilot in Yorkshire and North Wales, we are extending a trial of ethical credit for families in need to selected areas of North West England and Wales. Iceland and The Food Warehouse have committed to partner The Big Lunch community event in both 2021 and the Platinum Jubilee year 2022.

We continue to invest in both the infrastructure of the business and the expansion and improvement of our retail estate. In the financial year to date we have opened three new core Iceland stores in the UK and four new The Food Warehouse stores enabling us to reach the historic milestone of 1,000 UK stores. The Range has also opened Iceland departments in a further three of its stores. We expect to open a total of some 20 new The Food Warehouse stores over the year as a whole, and for our total capital expenditure to be in the region of £50m although this is not committed to and, as ever, we remain disciplined with regard to cash management and have the ability to flex this spend as required.

Our family ownership and culture, robust capital structure, strong cash generation, iconic brand, ready accessibility, value heritage, focus on frozen food and continuing leadership in product innovation all give us confidence in our ability to achieve sustainable, profitable long term growth for the benefit of all our stakeholders, while Doing It Right for our communities and the environment.

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Principal risks and uncertainties

The company maintains a register identifying all risks and threats to the business. The principal risks and uncertainties facing the company are as follows:

Our IT systems and infrastructures are fundamental to ensuring the normal continuity of trading in our stores. If a major incident occurred, affecting this infrastructure, it could have a detrimental impact on the business's ability to operate effectively. To reduce the chances of this happening and also to reduce the impact of such an event if it were to happen, we have developed robust recovery plans and invested in the creation of a remote IT disaster recovery site.

The continued success of the company is dependent on levels of engagement of our store staff. This is a key element of our customer service in store. We conduct regular staff surveys, which measure both management and engagement indexes. We also have an internal communication forum (Talking Shop) with a representative in every store. These help to ensure that the Directors are aware of all issues affecting stores and store staff.

As a food retailer, product quality and food safety are very important to us. If we fail to deliver to our customers' satisfaction in term of quality or safety, this has the potential to damage our business reputation. To maintain and develop our standards we have robust procedures and policies in place. Our Supplier Technical Policies communicate the standards we expect in relation to food safety and quality. We require that each supplier is certificated to the British Retail Consortium Global Standard of Food Safety and that all suppliers adhere to relevant aspects of EU legislation. Robust specifications define our quality standards including the verification of the safety of our cooking instructions. Thereafter the products are monitored for adherence to quality standards by our Quality Assurance teams.

The company operates in an environment governed by strict regulations to ensure the safety and protection of customers, shareholders, staff and other stakeholders. These regulations include alcohol licensing, health and safety, data protection and competition law. In all cases, the Board take its responsibilities very seriously, and recognises that breach of regulation can lead to reputational and financial damage to the company. There is a clear, ultimate accountability with Directors for compliance with all areas of regulation. The business designs its policies and procedures to accord with relevant laws and regulations and regularly review and monitor these including anti-bribery and Grocery Supply Code of Practice.

Statement by the directors on performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Board of directors of Iceland Foods Limited consider, both individually and collectively, that they have acted in ways that they believe in good faith to be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and other matters set out in s172(1) of the Act) in the decisions they made during the year ended 26 March 2021.

We recognise our colleagues as our most important asset and aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and wellbeing of our colleagues are of the highest importance and ensuring these is one of our primary considerations in the way we do business.

Caring for our customers is fundamental to the success of our business and we endeavour to serve them to the very best of our ability both in our stores and in their own homes through our Home Delivery and Online operations. We are committed to ensuring that all the food we sell is safe to eat and that our own label products offer customers both high quality and great value.

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We also aim to act responsibly and fairly in our engagement with suppliers, regulators, bankers, insurers and bondholders. All suppliers are paid in accordance with their agreed terms, and have the option of obtaining accelerated payment through our supplier portal. More than 1,500 suppliers, accounting for nearly half of our supplier base, are on payment terms of 14 days or less. We respond quickly and fully to queries from regulators, bankers, insurers and bondholders, providing the last with quarterly updates on our performance and the opportunity to ask questions of our Chief Executive Officer and Chief Financial Officer.

Iceland's commitment to Doing It Right enshrines a holistic approach to the health and wellbeing of the communities in which we operate, and to the wider environment and society as a whole. We have worked hard during the year to reduce our impact in the environment by reducing our food waste and our use of plastics and carbon, as reported on pages 17-19.

As the Board of Directors, our intention is always to behave responsibly and to ensure that the business operates in a responsible manner, adhering to high standards of business conduct and good governance. We recognise that the maintenance of our good reputation, founded on responsible behaviour, is fundamental to our continuing ability to achieve profitable growth for the benefit of all our stakeholders in the future.

Further detail is provided in our Corporate Governance statement on pages 14 – 16.

APPROVED BY AND SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

R D Ewen
Director

2 July 2021

Report of the directors

The directors present their report together with the audited financial statements for the 52 week period ended 26 March 2021.

Profit and dividends

The company's profit for the period after tax amounted to £60.2m (27 March 2020: £2.0m).

The company declared and paid a dividend of £149.2m in the period to its parent, Iceland Midco Limited. This was subsequently paid up through the Group to Lannis Limited which loaned the monies to the ultimate holding company, WDFF Limited, to enable them to pay the consideration agreed with Brait SE in order to return the business to full family ownership, £108.5m; an £8.6m share buyback was also executed as part of this process. In addition, a further £31.0m was advanced to WDFF Limited in November 2020, to enable them to purchase the trading business and assets of 28 restaurants trading under the Restaurant Bar & Grill and Piccolino brands in a pre-pack administration that secured the future of some 1,300 jobs.

Future developments and subsequent events

For future developments and subsequent events, see details contained in the Strategic Report.

Financial risk management objectives and policies

The company uses various financial instruments including cash, trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous policies of the company.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The company policy throughout the period has been to ensure that cash balances are maintained and ensure that a sufficient return is earned on these.

Credit risk

The company's principal financial asset is cash. The risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

The company has significant intercompany balances owed. Recoverability of the intercompany balances are assessed on a periodic basis through the financial year.

Going concern

See management comments on 'Going concern' in Note 2 of the notes to the financial statements.

Report of the directors

Employees

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 updates including monthly area and head office newsletters. They are also given the opportunity to communicate their ideas to all levels of management, both directly, through regular attitude surveys, and via employee-nominated Talking Shop and Deeside Voice representatives. Complaints may be raised with the directors by email or through a confidential telephone hotline.

The directors are committed to delivering a positive working environment that protects all colleagues' physical and mental health. We offer a range of options and benefits to enhance our employees' lives including Company sick pay, career breaks, compassionate leave, enhanced maternity and paternity leave, flexible working, and discounted gym memberships. Help with legal or financial advice, counselling, stress, bereavement, relationships or career support is made available to employees through the retailTRUST.

At the onset of the coronavirus pandemic we extended Company sick pay to all employees with more than one month's service, instead of the previous one year, and maintained full pay for all those vulnerable and extremely colleagues advised by HM Government to 'shield' at home for 12 weeks. We invested heavily to provide Personal Protective Equipment for all our retail colleagues, and to install shield screens at checkouts in all stores. In May 2020 we paid a special bonus to all store managers and front line colleagues in recognition of their heroic work to continue serving our customers despite the many challenges created by Covid-19.

Pay is reviewed annually and we increased the pay of all front line colleagues in both April 2020 and April 2021; we are committed to paying all our employees as well as the business can afford.

All employees are automatically enrolled into our workplace pension scheme, and we also offer life assurance benefits for both full and part time employees.

We offer a 10% employee discount at Iceland and The Food Warehouse stores throughout the year, with periodic 20% double discount weeks. A double discount was provided to all regular employees for six weeks during the Covid-19 pandemic. Christmas vouchers are also provided each year to all employees with more than six months' service.

The company is committed to ensuring genuine equality of opportunity for all employees, regardless of age, gender, sexual orientation, colour, race, ethnic origin, religion, or disability. All our recruitment, training and development policies reflect this commitment. We make it explicitly clear that prejudice and intolerance, in any form, have no place in our business, and have a policy of zero tolerance towards any acts of discrimination, bullying or harassment within the workplace. 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 deployment wherever possible.

Directors' Responsibility under Section 172 and Statement of engagement with suppliers, customers and others in a business relationship with the company

The Directors welcome the requirement under Section 172 and Sch. 7.11B(1) to Companies Act 2006. Comments on how the Directors have had a regard for the interests of various stake holders whilst making key decisions are contained on pages 9 and 10.

Report of the directors

Directors

The directors who held office were as follows:

Sir M C Walker
T S Dhaliwal
R M Walker
N M Broadhurst (resigned 10 July 2020)
P S Dhaliwal (appointed 9 June 2020)
R D Ewen (appointed 9 June 2020)

Directors' responsibilities statements

The directors are responsible for preparing the Strategic report, the Report of the directors and the financial statements in accordance with applicable 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to 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 2 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors 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 are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the directors

Corporate Governance statement

For the year ended 26 March 2021, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council ('FRC') in December 2018 and available on the FRC website). These new corporate governance reporting requirements will apply to company reporting for financial years starting on or after 1 January 2019 and companies are able to adopt the Wates principles as an appropriate framework when making a disclosure regarding corporate governance arrangements. We have set out below how the Principles would have applied over the past financial year.

Principle 1: Purpose and leadership

The Company's purpose is to deliver sustainable, profitable long-term growth for the benefit of all its stakeholders.

The directors engage in daily dialogue with colleagues at head office and through frequent visits to stores throughout the country. Employees are kept informed of the Company's purpose, performance and activities through regular briefings and staff updates including monthly area and head office newsletters. Colleagues are also given the opportunity to communicate their ideas to all levels of management, both directly, through regular Straight Talk attitude surveys, and through employee-nominated Talking Shop and Deeside Voice representatives.

The Company's purpose has helped guide and develop the strategy and decision-making of the business over the last 12 months, through the expansion of our increasingly popular The Food Warehouse operation, the expansion of our online business, the continuation of our store refit programme and the growth of our partnership with The Range "store in store" operations. These investments will help us achieve long-term sustainable success.

Principle 2: Board composition

The Group has a separate Chairman (our founder, Sir Malcolm Walker) and Chief Executive (Tarsem Dhaliwal) to ensure that responsibilities, accountabilities and decision making are balanced effectively across the Group. The Board comprises a Chairman, Chief Executive, Chief Financial Officer and two additional directors, who are both fully involved in the day to day running of the business. The wider trading board of the Company, includes our Legal Director and other department Heads (such as IT, e-commerce, Supply Chain, Buying, Retail Operations, HR, Marketing and Central Services).

Group Board directors meet at least four times per year, at fixed board meetings, supplemented by additional board meetings or teleconferences as and when required. The wider trading board of the Company, however, meets on a regular weekly basis. All such meetings are conducted behind closed doors and are used as forums for raising or discussing successes, views, ideas and challenges that present themselves, on an open basis. Group board directors and the wider trading board are presented with appropriate information packs in advance of those meetings, including updates on trading, store information, financial performance, marketing information and strategy.

We think the size and composition of our board, at both Group and Company level, is appropriate to our large yet family-owned and oriented business. Individual directors make sufficient time available to their respective teams, and then to the trading board, to ensure valuable contributions are made.

Report of the directors

The Audit Committee (a committee appointed by the Board, that deals with all material questions concerning auditing and accounting policy of the group, and its financial controls and systems, and other operational matters such as overseeing stock loss in stores, data protection compliance, and regulatory compliance with the Groceries Supply Code of Practice (GSCOP)), considers and addresses business issues and meets on a bi-annual basis.

The Audit Committee provides an adequate level of objectivity and independence.

Principle 3: Director responsibilities

In terms of accountability, our CEO ultimately takes responsibility for most business decisions, except those, which are reserved to our shareholders, under the Group shareholders' agreement. Our CEO uses the information reported to him weekly during our wider trading board meetings, with any updates needed or provided, during the ensuing week.

Our Chairman oversees the role and responsibilities of the CEO.

Whilst the wider trading board is able to view business performance holistically on a weekly basis, decisions may be made on a daily basis by senior management and heads of departments, using their extensive knowledge and industry experience. Such members of staff have a clear understanding of the limits of their authority, have clear lines of accountability to their more senior reports, and know when decisions need to be escalated for Board approval.

Principle 4: Opportunity and Risk

The experience gained and lessons learned from 50 years in the grocery retail sector, mean that our Chairman, and thus in turn, our CEO and Board, understand the importance of establishing and exploiting opportunities to grow, whilst also keeping an eye on risk. The business operation is constantly under review by the Board (and our Chairman and CEO, in particular), knowing that standing still can lead to a downturn in success.

In terms of addressing risk, be it financial, reputational or otherwise, the business relies heavily on its legal department and external professional advisers, who are predominantly commissioned to support across Legal, Finance, IT and public relations.

We are confident that our internal control systems allow the Board to make informed decisions on material environmental, social and governance issues. Everything we do is driven by our long-standing commitment to Doing It Right and operating in a sustainable and socially responsible manner.

In terms of reporting risk to the Board, the regular trading board meetings and Group board meetings, together with the robust reporting lines within departments that ultimately report to the members of the trading board, ensures that risks and threats are identified and escalated promptly, to be addressed as appropriate.

Principle 5: Remuneration

There are remuneration structures in place for directors which provide rewards based on both the Group's overall performance and individual success stories.

The company believes strongly in equal opportunities, and takes a zero tolerance approach to discrimination and/or victimisation, promoting equal treatment regardless of age, gender, nationality, ethnic origin, religion, disability, marital status or sexual orientation.

Report of the directors

Principle 6: Stakeholder relationship and engagement

We aim to deliver high quality, affordable food to our customers, provide secure and safe employment for our colleagues, and create sustainable long-term growth for the benefit of all our stakeholders. We seek to minimise our impact on the environment and have, as noted above, delivered substantial reductions in our carbon emissions, food waste and plastic packaging usage in recent years. Food waste is a significant contributor to climate change and our focus on frozen food is proven to reduce waste substantially at all stages of the supply chain, in stores, and in customers' homes.

The business believes strongly in its communications with its stakeholders, to promote the company's brand, reputation and the relationships it has with them, in order to further its purpose.

The stakeholders in our business comprise our shareholders, bondholders, colleagues (our employees), customers, suppliers, landlords, regulators, governments and local authorities, pensioners, creditors, charity partners and community groups in the areas where we operate. We refer to section 172(1) statement in the directors' report (directors' duty to promote the success of the company for the benefit of its members as a whole, having regard to its other stakeholders).

Maintaining a happy and committed workforce is critical to the success of our business. The overall satisfaction of our employees is reflected in our prolonged and consistent ranking among the Best Big Companies to Work For in the UK in the annual Sunday Times survey.

Report of the directors

Streamlined Energy and Carbon Reporting

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

	1st April 2020 to 31st March 2021	1st April 2019 to 31st March 2020
Energy consumption used to calculate emissions (kWh)	813,202,632	749,450,721
Emissions from combustion of gas (Scope 1) tCO_2e	2,322	2,467
Emissions from combustion of fuel for transport purposes (Scope 1) tCO_2e	77,155	66,196
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) tCO_2e	-	-
Emissions from purchased electricity (Scope 2, location-based) tCO_2e	112,777	121,065
Emissions from purchased electricity (Scope 2, market-based) tCO_2e	-	-
Total gross tCO_2e based on above (location based)	192,254	189,728
Total gross tCO_2e based on above (market based)	79,477	68,663
Intensity ratio ($kgCO_2e$/sales revenue £m) (location based)	0.050881	0.058285
Intensity ratio ($kgCO_2e$/sales revenue £m) (market based)	0.021034	0.021093

Energy Efficiency Action Summary
Year to 31 March 2021

Iceland Foods Limited continues to achieve direct savings in energy and associated carbon emissions, through operational and technological improvements, including;

- Continuous improvements across the portfolio to reduce energy demand, increase the use of gases with lower environmental impacts, and minimise food and packaging waste.
- Collaboration with external partners, such as WRAP (Waste and Resources Action Programme) and the British Retail Consortium Environmental Policy Action Group, to identify further, innovative ways to reduce energy consumption and carbon emissions.
- Rollout of ongoing LED upgrade projects.
- Installation of automatic lighting controllers throughout the portfolio, to improve energy management.

Report of the directors

- Voluntary participation in Phase 1 and 2 of the UK Government's Climate Change Agreement (CCA) scheme, meeting a 12% energy reduction target across the distribution sites in March 2013, with further annual reduction targets up until 2023.
- Implementing a fleet renewal policy for company-owned heavy goods vehicles, designed to incentivise the procurement of more fuel-efficient and less carbon-intensive options.
- On-going replacement of HGV fleet with Euro-6 complaint vehicles with lower tailpipe emissions.
- Continue to upgrade programme of refrigerated cabinets and air conditioning systems to improve energy efficiency and reduce emissions across the portfolio.

Methodology Notes

Reporting Period	**1st April 2020 – 31st March 2021**
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Iceland Food's annual accounts made up to 31 March 2021
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2020 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Other relevant information on calculation	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors. Transport data was calculated from litres to kWh and GHG emissions using the method above. In absence of the exact engine sizes of the vehicles average conversion factors were used to calculate emissions.
Reason for the intensity measurement choice	Based on the nature of our business, as well as following the recommendations of the SECR legislation we chose the following intensity metric: Sales revenue (£m). This metric reflects the total tCO_2e emitted in line with the sales revenue. Through the comparison of the coming financial years this metric will show a trend of Iceland Foods Limited's energy efficiency.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions (no more than 1%). The results in the table are expressed in tons CO2e and may not add up precisely to the totals due to rounding.
Amount of renewable electricity (kWh) imported from the grid and it is backed by REGOs.	487,190,638

Report of the directors

Information on renewable electricity	Iceland Foods Limited has purchased electricity generated by wind and hydro assets matched to Renewable Energy Guarantees of Origin (REGOs) and independently verified by CDP accredited provider, EcoAct. However, in accordance with the current SECR legislation Scope 2 GHG emissions have been calculated using the DEFRA grid conversion factor.
Estimation	The report contains estimated electric power and natural gas consumption. Depending on the nature of the missing data the following estimation methods were used: Average value of +/-2 surrounding months; Average value from past 3 months; Value from same month of prior year.

The Streamlined Energy and Carbon Report has been prepared for the year to 31 March 2021. There is no material difference from this and our reporting period of the 52 weeks to 26 March 2021.

Report of the directors

GSCOP summary of annual compliance 2020-2021

Annual Compliance Report

An annual compliance report, as required by the Groceries (Supply Chain Practices) Market Investigation Order 2009 (the "Order"), for the financial year 2020/21 (which ran from 30 March 2020 to 27 March 2021), is currently being drafted and will be submitted to, and approved by, Iceland's Audit Committee upon completion.

Iceland believes that is has materially complied with the Groceries Supply Code of Practice ("GSCOP") during the reporting period, and it has had no formal disputes under the Code, during the reporting period.

Report Matters

The report contains all complaints that have been received from suppliers which, if not resolved by the Buyers, are escalated to the Category Managers, Trading Directors and occasionally, if required, the Code Compliance Officer. The report confirmed that we had five reported breaches, potential breaches, or formal complaints, made against the business, or reported within the business as a pre-emptive measure within the reporting period, under GSCOP.

All five of these potential breaches were reported where necessary to the GCA as part of our quarterly progress meeting reports and have been resolved and closed. Whenever we receive a complaint, we promptly work with the relevant supplier to investigate and resolve the matter to the satisfaction of both parties. Full details of the matters are reported annually to the CMA (Competition and Markets Authority) and the GCA (Groceries Code Adjudicator).

Training

All members of our Buying Team have been given a copy of GSCOP and receive bi-annual refresher e-learning training, as well as ad-hoc one-to-one training if required. All new members of the Buying Team receive a copy of GSCOP and one to one training as part of their induction. All relevant teams, which have contact with suppliers, have received e-learning training, as part of our bi-annual training programme. Our e-learning training is updated regularly to reflect: (i) key issues that have arisen in compliance with GSCOP; and (ii) any feedback we have received from suppliers. This year, we are in the process of updating the e-learning training to make it more interactive, with breach-based scenarios, to help educate the colleagues on what to do, and what not to do, in their day-to-day roles.

Internal Compliance

In our efforts to improve internal compliance, we appreciate all feedback from suppliers, whether made directly to Iceland or through the GCA, which helps us to improve our understanding of any issues which the suppliers may have. Where the relevant supplier consents, any matters which have been raised with Iceland have been shared with the relevant senior teams, and we have taken on board this feedback, and aim to continue to improve our long-term relationships with suppliers.

We continue to hold bi-annual steering group meetings to ensure all supplier-facing departments communicate to each other with any concerns which may have been raised, and to discuss any projects which might involve GSCOP compliance.

Report of the directors

We continue to work on our supplier database, however other projects, including depot delivery system payments and credits (for late deliveries and late unloading respectively), are currently on hold due to COVID-19.

We continue to work on our forecasting system, which should enable Iceland and the suppliers to communicate forecasts, and changes of these forecasts transparently, and easily, via a new system. We are working hard to finalise this system as soon as we can.

We have undertaken our annual internal audit to assess our colleagues' understanding of GSCOP and to ensure ongoing compliance. This is part of the annual compliance report and will be disclosed in accordance with GSCOP.

Actions

Our plans to invest in the way we work with suppliers have focused on several key projects within the reporting period. These include:

- continued work on the new forecasting system;
- continued work on the new supplier database to improve access to our terms and conditions, financial agreements, and policies which together form our supply agreement;
- continued ongoing commitment to entering into longer term agreements with our key suppliers, to build long term partnerships with those suppliers; and
- an emphasis on improving our de-listing process with suppliers, where we need to reduce significantly the volume of goods, or no longer need the goods at all.

Forward Looking

With the unprecedented demands faced by retailers and suppliers over the reporting period, we look forward to a more normal 12 months in working with our suppliers in 2021.

Auditors

Grant Thornton UK LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

APPROVED BY AND SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

R D Ewen
Director

2 July 2021

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Independent auditor's report to the members of Iceland Foods Limited

Opinion

We have audited the financial statements of Iceland Foods Limited (the 'company') for the 52 week period ended 26 March 2021 which comprise the statement of income and retained earnings, the balance sheet and notes to the financial statements, 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 Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland. (United Kingdom Generally accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 March 2021 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included an assessment of management's forecasts and consideration of certain downside scenarios, which management consider reasonable. Based on the group's liquid assets at the date of assessment, and future projected operating cash flows, we agree with management's conclusion that the group is a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Grant Thornton

Independent auditor's report to the members of Iceland Foods Limited

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 of at least twelve months from when the financial statements are authorised for issue.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and the Report of the Directors set out on pages 3-21, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 Report of the directors' for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Report of the directors has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 the Report of the directors.

Matters on which we are required to report by exception

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

GrantThornton

Independent auditor's report to the members of Iceland Foods Limited

- 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 for the financial statements

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.

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

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 material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and industry in which it operates through our general commercial and sector experience and discussions with management. We determined that the following laws and regulations were most significant: FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland and Companies Act 2006. In addition, we concluded that there are certain laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements such as GSCOP and Health and Safety.

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Independent auditor's report to the members of Iceland Foods Limited

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
    - Assessing the design and implementation of controls management has in place to prevent and detect fraud;
    - Challenging assumptions and judgments made by management in its significant accounting estimates;
    - Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
    - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the group engagement team's knowledge of the industry in which the client operates, and the understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and

- The engagement team's discussions in respect of potential non-compliance with laws and regulations and fraud included the risk of fraud in revenue recognition.

- In assessing the potential risk of material misstatement, we obtained an understanding of the company's operations, including the nature of its revenue sources to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in material misstatement, and the company's control environment, including the adequacy of procedures for the authorisation of transactions.

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.

Grant Thornton UK LLP

Carl Williams FCCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool

2 July 2021

Statement of income and retained earnings

	Note	52 week period ended 26 March 2021 £'m	52 week period ended 27 March 2020 £'m
Turnover	5	**3,715.3**	3,191.5
Cost of sales before exceptional items		**(3,507.5)**	(3,033.1)
Exceptional cost of sales	6	**4.2**	-
		(3,503.3)	(3,033.1)
Gross profit		**212.0**	158.4
Administrative expenses before exceptional items		**(93.2)**	(89.7)
Exceptional administrative expenses	6	**(7.5)**	(25.7)
Administrative expenses		**(100.7)**	(115.4)
Operating profit	8	**111.3**	43.0
Loss on disposal of a joint venture	9	**(9.0)**	-
Profit on disposal of a subsidiary undertaking	10	**14.7**	-
Fair value movement of unlisted investments	16	**1.4**	-
Profit on ordinary activities before interest and taxation		**118.4**	43.0
Net interest payable	11	**(45.3)**	(41.6)
Profit on ordinary activities before taxation		**73.1**	1.4
Taxation on profit on ordinary activities	12	**(12.9)**	0.6
Profit and total comprehensive income for the financial period		**60.2**	2.0
Retained profit at the beginning of the period		**775.7**	775.7
Dividends paid	13	**(149.2)**	(2.0)
Retained profit at the end of the period		686.7	775.7

All activities relate to continuing operations.

The accompanying accounting policies and notes on pages 28 to 47 form an integral part of these financial statements.

Balance Sheet

	Note	26 March 2021 £'m	27 March 2020 £'m
Fixed assets			
Intangible assets	14	**14.7**	16.7
Tangible assets	15	**194.4**	211.1
Investments	16	**17.1**	3.6
		226.2	231.4
Current assets			
Stocks	17	**179.6**	112.8
Debtors	18	**2,244.0**	2,374.1
Cash at bank and in hand		**124.3**	137.7
		2,547.9	2,624.6
Creditors: amounts falling due within one year	19	**(1,997.4)**	(2,000.3)
Net current assets		**550.5**	624.3
Total assets less current liabilities		**776.7**	855.7
Creditors: amounts falling due after more than one year	20	**(17.8)**	(30.8)
Provisions for liabilities	21	**(37.2)**	(14.2)
Net assets		**721.7**	810.7
Capital and reserves			
Called up share capital	22	**35.0**	35.0
Profit and loss account	23	**686.7**	775.7
Shareholder's funds		**721.7**	810.7

These financial statements were approved and authorised for issue by the Board of Directors on 2 July 2021.

Signed on behalf of the Board of Directors:

R D Ewen
Director

Company registration no: 01107406

The accompanying accounting policies and notes on pages 28 to 47 form an integral part of these financial statements.

Notes to the financial statements

1. Company information

Iceland Foods Limited, incorporated in the United Kingdom, Registered office being Second Avenue, Deeside Industrial Park, Deeside, Flintshire, CH5 2NW.

The principal activity of the company is that of retail grocers.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in the company's functional currency, Sterling (£), using round millions (£m).

The financial statements of Iceland Foods Limited are drawn up to 26 March 2021 (2020: 27 March 2020).

The individual accounts of Iceland Foods Limited have also adopted the following disclosure exemptions:
- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
    - categories of financial instruments,
    - items of income, expenses, gains or losses relating to financial instruments, and
    - exposure to and management of financial risks.

Going concern

The company is part of a group that enjoys considerable advantages in its private ownership, stable capital structure, and long and consistent record of strong cash generation.

The directors have reviewed the forecasts and projections and finance facilities in place through the bond placings, at a group and company level.

These forecasts include the projected impact post Covid-19. Forecasts include a prudent view of sales and a fully loaded approach to potential costs.

The current bond holding falls due for repayment in 2025 and 2028.

Management have performed various sensitivities which demonstrate that the group, and all individual companies within it, has sufficient cash resources to continue in operational existence for the foreseeable future.

The directors have at the time of approving these financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future being a period of not less than 12 months from the date of approval of these financial statements. Thus, the company therefore continues to adopt the going concern basis in preparing its financial statements.

Notes to the financial statements

3. Significant judgements and estimates

Preparation of the financial statements requires management to make significant estimates; management have not been required to make any significant judgements. The items in the financial statements where these estimates have been made include:

Provisions (note 21)
Provisions have been made in relation to properties, primarily related to the expected future costs of vacant leasehold properties, current leases considered to be onerous, asbestos removal from older properties and dilapidations on leasehold properties. The timing in relation to the utilisation of these provisions is dependent on the lease terms and the discount rate used on property provisions is 8%.

The other provisions principally relate to business restructuring initiatives, onerous contracts and statutory and contractual disputes.

These provisions are estimates and the actual costs and timings for future cash flows are dependent on future events.

Other unlisted investments
Investments in unlisted equity instruments are measured at fair value, estimated using the most recent transaction price as an anchoring point, adjusted for risks of minority holding and different voting rights (note 16). There is inherent estimation uncertainty in these valuations. The transaction price referred to above was a fund-raising by Live Kindly inc. which was completed in March 2021 and the details are in the public domain. Changes in fair value are recognised in the income statement.

4. Principal accounting policies

4.1 Tangible assets
Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

Freehold buildings	2% per annum
Leasehold buildings	Amortised on a straight line basis over the life of the lease
Plant and equipment	4% to 20% per annum
Motor Vehicles	10% to 25% per annum

Freehold land is not depreciated.

Notes to the financial statements

4.2 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years. The rates applicable are:

Computer software	2 – 10 years

4.3 Investments

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements, where in the opinion of the directors, there has been a diminution in the value of the investments.

Investments in unlisted equity instruments are measured at fair value, estimated using the most recent transaction price as an anchoring point, adjusted for risks of minority holding and different voting rights. There is inherent estimation uncertainty in these valuations. Changes in fair value are recognised in the income statement.

4.4 Stocks

Stock is stated at the lower of cost and net realisable value after making allowances for obsolete and slow moving items. Cost is determined at the latest purchase price of the goods, using a first in, first out (FIFO) basis. Net realisable value is the estimated selling price less all further costs to completion and all marketing, selling and distribution costs.

4.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

4.6 Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Notes to the financial statements

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

4.7 Taxation
Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:
- the company is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Deferred tax assets and deferred tax liabilities are offset only if:
- the company has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.8 Turnover
Turnover represents the value of goods sold in the ordinary course of business, stated net of sales incentives and Value Added Tax.

Notes to the financial statements

- Sale of goods – retail

The company operates retail shops for the sale of groceries. Turnover is recognised when the risks and rewards of the transaction have been transferred which is considered to be at the point of sale within stores.

- Sale of goods – online

The company sells goods via its website for delivery to the customer. Turnover is recognised when the risks and rewards of the transaction have been transferred which is considered to be the point at which the goods are picked in store.

- Sale of goods – wholesale

The company sells goods in the wholesale market. Sale of goods are recognised on delivery to the wholesaler. Delivery occurs when the goods have been shipped to the location specified by the wholesaler, the risks of obsolescence or loss have been transferred to the wholesale and the wholesaler has accepted the products in accordance with the sales contract.

The company does not operate any loyalty programmes.

4.9 Employee benefits
Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

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

4.11 Supplier income
Supplier income is recognised as a deduction from cost of sales on an accruals basis, calculated based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract.

The accrued incentives, received at year end are included within accrued income. Where amounts are received in the expectation of future events, these are recognised in the statement of income and retained earnings in line with that future business after the performance obligation is met.

4.12 Exceptional items
Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

4.13 Interest income
Interest income is recognised in the income statement using the effective interest method.

4.14 Foreign currency translation
The company's financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position are presented in Sterling (£).

Transactions and balances
Transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate

Notes to the financial statements

approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit and loss in the period which they arise.

4.15 Dividends
Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

4.16 Financial instruments
The Company enters into basic and non-basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in Profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

For financial instruments carried at amortised cost, any repurchase of debt and payments of premiums are recalculated using the effective interest rate at inception, with any resulting gain or loss being recognised in profit or loss.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired and the entity has transferred its rights to receive cash flows in full and either (a) the entity as transferred substantially all the risks and rewards of the asset or (b) the entity has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Notes to the financial statements

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Debtors
Short term debtors are measured at transaction price, less any impairment, and are measured subsequently at amortised cost using the effective interest method.

Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Cash
Cash comprises cash in hand and deposits repayable within three months or less from inception, less overdrafts payable on demand.

4.17 Covid-19 costs
The Company has considered whether there are any indicators of impairment which have arisen on the back of the Covid-19 pandemic. The company has incurred significant additional costs to ensure our employees and customers were protected during this time. Any that were temporary have been presented as exceptional and offset against the business rates relief, for which we were grateful to the Government for providing. Any costs deemed to be part of our underlying cost base moving forward have been included in EBITDA. Despite this, the Company has proved resilient, and management concluded that the there is no indicator of significant impairment.

5. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company. All turnover arises from activities in the United Kingdom.

Notes to the financial statements

6. Exceptional expenses

	52 week period ended 26 March 2021 £'m	52 week period ended 27 March 2020 £'m
Business rates relief	**46.7**	-
Transfer pricing adjustment- Iceland Manufacturing Limited	**(2.5)**	(6.7)
Property provisions	**(4.1)**	(3.8)
Business restructuring	**(4.4)**	(10.9)
Compliance	**(3.8)**	(4.1)
Other (see note below)	**(35.2)**	(0.2)
	(3.3)	(25.7)
Split		
Cost of sales	**4.2**	-
Administrative expenses	**(7.5)**	(25.7)
	(3.3)	(25.7)

Business rates relief relates to the costs that would normally be incurred by the business but that were absent for the 52 weeks period ended 26 March 2021 due to a temporary abolishment by the UK Government. This absent cost has been highlighted to aid the users of the financial statements and to give comparable comparisons to prior period and future period gross margins.

Exceptional expenses relate to direct and indirect costs associated with the Covid 19 global pandemic. Examples of direct costs include PPE, other health and safety costs and additional temporary staff. Examples of indirect costs include provision for bad debts and closure costs of operations (not material enough to be disclosed separately). All of which were made as a consequence of the global pandemic and its impact on the amounts carried in the balance sheet of the Company.

7. Directors and employees

The aggregate payroll costs of these persons were as follows:

	52 week period ended 26 March 2021 £'m	52 week period ended 27 March 2020 £'m
Wages and salaries	**391.1**	322.6
Social security costs	**22.9**	18.9
Other pension costs	**5.9**	5.9
	419.9	347.4

The company operates a stakeholder defined contribution pension scheme for the benefit of employees and directors. The assets of the scheme are administered by an independent pension provider. Pension payments recognised as an expense during the year amount to £5.9m (2020: £5.9m).

Notes to the financial statements

7. Directors and employees (continued)

The average number (actual) of persons employed by the company (including directors) during the period was as follows:

	Number of employees	
	52 week period ended 26 March 2021	52 week period ended 27 March 2020
Sales and distribution	**29,257**	23,629
Office and administration	**999**	1,013
	30,256	24,642

The average number (full time equivalents) of persons employed by the company (including directors) during the period was as follows:

	Number of employees	
	52 week period ended 26 March 2021	52 week period ended 27 March 2020
Sales and distribution	**18,555**	14,414
Office and administration	**939**	638
	19,494	15,052

Directors' emoluments:

	52 week period ended 26 March 2021 £'m	52 week period ended 27 March 2020 £'m
Directors' emoluments	**7.6**	7.7
Pension contributions	**-**	-
Amounts in respect of the highest paid director		
Emoluments	**3.8**	3.8

Notes to the financial statements

8. Operating profit

The operating profit is stated after:

	52 week period ended 26 March 2021 £'m	52 week period ended 27 March 2020 £'m
Depreciation charge (note 15)	**54.7**	57.8
Loss on disposal of fixed assets	**-**	0.6
Amortisation charge (note 14)	**2.6**	2.2
Operating lease charges	**123.8**	119.4
Auditor remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	**0.2**	0.2

9. Loss on disposal of a joint undertaking

After considering the impact of Brexit and Covid-19, the company disposed of its investment in the Czech Republic, Iceland Czech a.s. in October 2020.

The following table summarises the transaction.

	£'m
Cash proceeds	0.3
Investment disposal	(0.2)
Other costs of disposal including loan / trade receivables written off as part of sale	(9.1)
Loss on disposal	**(9.0)**

10. Profit on disposal of a subsidiary undertaking

During the year, Iceland Foods Limited was deemed to have a controlling interest in a company, No Meat Limited. No Meat Limited was subsequently disposed of in March 2021. The profit on disposal equates to proceeds of £20.0m cash and £13.1m minority investment in the acquiring company, Live Kindly, net of fees and a provision for contractual commitments.

	£'m
Cash proceeds	20.0
Shares	13.1
Gross consideration	**33.1**
Provision for contractual commitments	(17.4)
Net consideration	**15.7**
Net assets disposed of	-
Transaction costs	(1.0)
Profit on disposal	**14.7**

Notes to the financial statements

11. Net interest payable

	52 week period ended 26 March 2021 £'m	52 week period ended 27 March 2020 £'m
Interest receivable at amortised cost		
Other interest receivable and similar income	**0.4**	0.5
	0.4	0.5
Interest payable		
Interest payable on finance leases	**(1.7)**	(1.4)
Amortisation of bond fees	**(0.8)**	(0.9)
Other interest at amortised cost	**(2.0)**	(0.9)
Bond redemption penalty	**(3.8)**	-
Bond interest (intercompany interest)	**(37.4)**	(38.9)
Interest at amortised cost	**(45.7)**	(42.1)
Net interest payable	**(45.3)**	(41.6)

Bond interest, bond payment penalties and amortisation of bond fees are recharged from another group company who hold the bonds.

12. Taxation on profit on ordinary activities

	52 week period ended 26 March 2021 £'m	52 week period ended 27 March 2020 £'m
UK Corporation Tax		
Current tax on profit for the period	**17.9**	4.9
Adjustments re: prior periods	**(1.7)**	(1.8)
Total current tax	**16.2**	3.1
Deferred tax		
Origination and reversal of timing differences	**(3.3)**	(3.2)
Adjustments in respect of previous periods	-	-
Effect of changes in tax rates	-	(0.5)
Total deferred tax	**(3.3)**	(3.7)
Tax charge for the period	**12.9**	(0.6)

Notes to the financial statements

12. Taxation on profit on ordinary activities (continued)

The current tax charge for the period is lower (2020: lower) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	52 week period ended 26 March 2021 £'m	52 week period ended 27 March 2020 £'m
Total tax reconciliation		
Profit on ordinary activities before tax	**73.1**	1.4
Current tax at 19% (2020: 19%)	**13.9**	0.3
Effects of		
Expenses not deductible for tax purposes	**1.8**	1.1
Income not taxable	**(1.4)**	-
Adjustments in respect of prior periods	**(1.6)**	(1.8)
Transfer pricing adjustments	**0.2**	0.3
Tax rate changes	**-**	(0.5)
Tax (credit)/charge for the period	**12.9**	(0.6)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to decrease the tax expense for the period by £3.1m, on account of an increase in the net deferred tax asset by that amount.

There is no unprovided deferred tax at the year end. A deferred tax asset of £11.0m (2020: £7.7m) has been recognised within other debtors.

13. Dividends

	52 week period ended 26 March 2021 £'m	52 week period ended 27 March 2020 £'m
Dividends paid £4.26 per share (2020: £0.0.6 per share)	**149.2**	2.0

The company declared and paid a dividend of £149.2m in the period to its parent, Iceland Midco Limited. This was subsequently paid up through the Group to Lannis Limited which loaned the monies to the ultimate holding company, WDFF Limited, to enable them to pay the consideration agreed with Brait SE in order to return the business to full family ownership, £108.5m; an £8.6m share buyback was also executed as part of this process. In addition, a further £31.0m was advanced to WDFF Limited in November 2020, to enable them to purchase the trading business and assets of 28 restaurants trading under the Restaurant Bar & Grill and Piccolino brands in a pre-pack administration that secured the future of some 1,300 jobs.

Notes to the financial statements

14. Intangible assets

	Goodwill £'m	Computer software £'m	Total £'m
Cost			
At the beginning of the period	3.3	26.8	30.1
Additions	-	0.6	0.6
At end of period	**3.3**	**27.4**	**30.7**
Amortisation			
At the beginning of the period	3.3	10.1	13.4
Charge for the year	-	2.6	2.6
At end of period	**3.3**	**12.7**	**16.0**
Net book value			
At end of period	**-**	**14.7**	**14.7**
At beginning of period	-	16.7	16.7

15. Tangible assets

	Land and buildings					
	Freehold £'m	Long leasehold £'m	Short leasehold £'m	Plant and equipment £'m	Motor vehicles £'m	Total £'m
Cost						
At beginning of period	10.9	9.5	194.2	474.7	7.4	696.7
Additions	-	-	11.4	26.4	0.5	38.3
Intra-group transfers	-	-	0.1	0.2	-	0.3
Disposals	-	-	(1.3)	(1.4)	(0.4)	(3.1)
At end of period	**10.9**	**9.5**	**204.4**	**499.9**	**7.5**	**732.2**
Depreciation						
At beginning of period	2.3	4.0	137.8	334.4	7.1	485.6
Charge for the year	0.2	0.4	10.4	43.6	0.1	54.7
Intra-group transfers	-	-	0.1	0.2	-	0.3
Disposals	-	-	(0.9)	(1.6)	(0.3)	(2.8)
At end of period	**2.5**	**4.4**	**147.4**	**376.6**	**6.9**	**537.8**
Net book value						
At end of period	**8.4**	**5.1**	**57.0**	**123.3**	**0.6**	**194.4**
At beginning of period	8.6	5.5	56.4	140.3	0.3	211.1

Notes to the financial statements

15. Tangible fixed assets (continued)

Included in the above amounts (plant and equipment and motor vehicles) are the following in respect of assets held under finance leases and similar hire purchase contracts.

	Net book value as at 26 March 2021 £'m	**Depreciation period to 26 March 2021 £'m**	Net book value as at 27 March 2020 £'m	Depreciation period to 27 March 2020 £'m
Total	49.2	10.1	52.5	5.5

16. Investments

	Subsidiary undertakings £'m	**Other unlisted investments £'m**	**Total £'m**
Cost			
At beginning of period	5.2	-	5.2
Additions	0.2	13.1	13.3
Fair value movement	-	1.4	1.4
Disposals	(1.2)	-	(1.2)
At end of period	**4.2**	**14.5**	**18.7**
Depreciation			
At beginning of period	1.6	-	1.6
Charge for the year	-	-	-
Disposals	-	-	-
At end of period	**1.6**	**-**	**1.6**
Net book value			
At end of period	**2.6**	**14.5**	**17.1**
At beginning of period	3.6	-	3.6

Other unlisted investments relate to a minority stake (3.4%) in Live Kindly inc. and is measured at fair value.

The company's group undertakings are set out below.

Notes to the financial statements

16. Investments (continued)

Name of company	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Ice and Easy Ltd	England and Wales	Non-trading	100% ordinary
Iceland Frozen Foods Limited	England and Wales	Dormant	100% ordinary
Beech House Deeside Limited	England and Wales	Property management	100% ordinary
Iceland Foods Hungary KFT	Hungary	Retail grocers	100% ordinary
Iceland Foods Czech SRO	Czechoslovakia	Retail grocers	100% ordinary
Iceland Foods Ltd (Gibraltar)	Gibraltar	Dormant	100% ordinary
Iceland Stores Ireland Limited	Ireland	Retail grocers	100% ordinary
Loxton Frozen Foods Limited	England and Wales	Dormant	100% ordinary
Iceland Manufacturing Limited	England and Wales	Food production	100% ordinary
The Food Warehouse Limited	England and Wales	Dormant	100% ordinary
Iceland Foods India Private Limited	India	Retail grocers	100% ordinary
Swift Stores Limited	England and Wales	Retail grocers	100% ordinary
Newkeeco Limited	England and Wales	Wholesale	72.5% ordinary
Associated undertakings			
Ramsgate Flat Management Company Limited	England and Wales	Dormant	25% ordinary

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

17. Stocks

	26 March 2021 £'m	27 March 2020 £'m
Goods for resale	**178.4**	111.1
Consumables	**1.2**	1.7
	179.6	112.8

Notes to the financial statements

18. Debtors

	26 March 2021 £'m	27 March 2020 £'m
Due within one year:		
Trade debtors	**53.2**	43.2
Amounts owed by group undertakings	**2,124.4**	2,268.6
Amounts owed to related party undertakings	**3.3**	1.4
Other debtors	**18.5**	22.0
Other taxes and social security costs	**4.7**	1.2
Corporation tax	**-**	3.8
Accrued income	**30.5**	20.2
Prepayments	**9.4**	13.7
	2,244.0	2,374.1

Trade debtors includes £Nil (2020: £Nil) falling due after more than one year.

Other debtors include amounts of £11.0m (2020: £7.7m) in relation to deferred tax assets. (See note 21).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19. Creditors: amounts falling due within one year

	26 March 2021 £'m	27 March 2020 £'m
Shares classified as liabilities	**0.1**	0.1
Amounts owed to group undertakings	**1,279.2**	1,376.3
Trade creditors	**563.4**	474.8
Corporation tax	**-**	-
Other taxes and social security costs	**6.6**	11.9
Other creditors	**13.3**	12.5
Accruals	**116.0**	102.9
Finance lease creditors	**18.8**	21.8
	1,997.4	2,000.3

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Included in trade creditors above is amounts in relation to a supplier finance facility that is available to a small portion of the supplier population as is common practice across the industry. It makes up just 5.4% of the total creditors balance, a similar proportion as prior year. This facility enables suppliers to accelerate their payments and give them a short term working capital benefit. The working capital benefit from this facility was realised by Iceland when the facility was put in place in the financial year to March 2016.

Notes to the financial statements

20. Creditors: amounts falling after more than one year

	26 March 2021 £'m	27 March 2020 £'m
Finance lease creditor	**17.8**	30.8

The maturity of the company's obligations under finance lease and hire purchase contracts is as follows:

	26 March 2021 £'m	27 March 2020 £'m
Within one year	**18.8**	21.8
In the second to fifth year	**17.8**	30.8
Greater than the fifth year	**-**	-
	36.6	52.6

Amounts due under finance leases are secured on the assets to which they relate.

21. Provisions for liabilities

	Other provisions £'m	Property provisions £'m	Total £'m
At beginning of period	5.4	8.8	**14.2**
Provided in period	16.5	4.5	**21.0**
Utilised	3.3	(0.9)	**2.4**
Released in period	-	(0.4)	**(0.4)**
At end of period	**25.2**	**12.0**	**37.2**

The other provisions principally relate to business restructuring initiatives, onerous contracts and statutory and contractual disputes.

The property provisions primarily relate to the expected future costs of vacant leasehold properties, asbestos removal from older properties and dilapidations on leasehold properties. The timing in relation to the utilisation of these provisions is dependent on the lease terms.

The discount rate used on property provision is 8% (2020: 8%).

Analysis of deferred tax asset

	26 March 2021 £'m	27 March 2020 £'m
Accelerated capital allowances	**9.9**	7.9
Short term timing differences	**1.1**	0.5
Revaluations/fair value adjustments	**-**	(0.7)
	11.0	7.7

Notes to the financial statements

21. Provisions for liabilities (continued)

	£'m
Deferred tax asset at beginning of period	7.7
Charge in period	3.3
Deferred tax asset at end of period (included in debtors)	**11.0**

A deferred tax asset amounting to £11.0m (2020: £7.7m) in respect of timing differences has been recognised on the basis that it is likely that there will be sufficient taxable profits arising in the future from which the reversal of the underlying asset could be deducted.

The amount of the net reversal of deferred tax expected to occur next year is £1.1m (2020: £Nil), relating to the reversal of existing timing differences on tangible fixed assets and short term timing differences.

22. Called up share capital

	26 March 2021 £	27 March 2020 £
Authorised		
35,000,100 ordinary shares of £1 each	**35,000,100**	35,000,100
10 "A" ordinary shares of £1	**10**	10
110,000 1.5% non-cumulative preference shares of £1 each	**110,000**	110,000
At beginning and end of period	**35,110,110**	35,110,110
Allotted, called up and fully paid		
35,000,100 ordinary shares of £1 each	**35,000,100**	35,000,100
10 "A" ordinary shares of £1 each	**10**	10
110,000 1.5% non-cumulative preference shares of £1 each	**110,000**	110,000
At beginning and end of period	**35,110,110**	35,110,110
Shares classified as liabilities	**110,000**	110,000
Shares classified in shareholders' funds	**35,000,110**	35,000,110

The holders of "A" ordinary shares have no rights to receive notice of, attend or vote at any general meeting of the company. In all other respects, "A" ordinary shares and ordinary shares rank equally.

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.

23. Reserves

Called-up share capital - represents the nominal value of shares that have been issued.

Profit and loss account - includes all current and prior period retained profits and losses.

Notes to the financial statements

24. Capital commitments

The company had capital commitments for plant and machinery of £Nil (2020: £Nil).

25. Leasing commitments

The company's future minimum operating lease payments are as follows:

	Plant and equipment		Land and buildings	
	26 March 2021	27 March 2020	**26 March 2021**	27 March 2020
	£'m	£'m	**£'m**	£'m
Within one year	**17.2**	17.4	**108.8**	107.1
Between one and five years	**32.3**	34.3	**359.6**	355.6
In more than five years	**1.1**	2.5	**272.2**	305.1
	50.6	54.2	**740.6**	767.8

26. Contingent liabilities

The company is party to a cross-guarantee between certain fellow group undertakings in respect of bonds. The amount outstanding at the end of the period was £800.0m (2020: in respect of bonds £760.2m).

27. Transactions with related parties

During the period, Iceland Foods Limited, sold goods, recharged amounts and wrote off balances from and to companies related by virtue of common shareholders of Lannis Limited. These companies were Individual Restaurants Group Limited, Individual Restaurants (IRC) Limited, H2H Alternative Energy Solutions Limited, Mode Hair Salon Limited and DD Clinical. The value of goods sold and recharged, net of amounts written off, was £2.0m and the balance outstanding at the end of the year was £3.3m. The majority of this balance was due from Individual Restaurants (IRC) Limited.

During the period, donations of £119,495 (2020: £1,675,205) were made to The Iceland Foods Charitable Foundation, a related party by virtue of common trustees/officers.

28. Ultimate parent undertaking and parent undertaking

The immediate parent undertaking of the company is Iceland Midco Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and ultimate controlling related party of the company is WD FF Limited, a company incorporated in England and Wales.

The largest group in which these financial statements are consolidated is headed by Lannis Limited. The consolidated financial statements of Lannis Limited are available to the public and may be obtained from Companies House.

Notes to the financial statements

28. Ultimate parent undertaking and parent undertaking (continued)

WD FF Limited acquired a controlling interest in Lannis Limited on 29 January 2021. WD FF Limited is preparing consolidated financial statements for the period ending 26 March 2021 and these will be available to the public in due course and may be obtained from Companies House. These results will include the results of the Lannis Group from the date of acquisition to the year-end.

29. Reconciliations

Reconciliation of adjusted profit before taxation per Strategic Report (page 4) to Statement of income and retained earnings:

	52 week period ended 26 March 2021 £'m	52 week period ended 27 March 2020 £'m
Adjusted profit before taxation per Strategic Report	**69.3**	27.1
Exceptional expenses (note 6)	**(3.3)**	(25.7)
Profit on sale of subsidiary (note 10)	**14.7**	-
Fair value movement of unlisted investments (note 16)	**1.4**	-
Loss on sale of joint venture (note 9)	**(9.0)**	-
Profit on ordinary activities before taxation per Statement of income and retained earnings	**73.1**	1.4

Reconciliation of adjusted EBITDA to business review (page 4)

	52 week period ended 26 March 2021 £'m	52 week period ended 27 March 2020 £'m
Profit on ordinary activities before interest and tax	**118.4**	43.0
Add:		
Depreciation and amortisation of assets (note 8)	**57.3**	60.0
Exceptional expenses (note 6)	**3.3**	25.7
Profit on sale of subsidiary (note 10)	**(14.7)**	-
Fair value movement of unlisted investments (note 16)	**(1.4)**	-
Loss on sale of joint venture (note 9)	**9.0**	-
Loss on disposal of fixed assets (note 8)	**-**	0.6
Adjusted EBITDA	**171.9**	129.3