

**Iceland Frozen Foods plc**

**Report and Accounts**

**2nd January 1999**

**Registered Number: 1107406**



## **Iceland Frozen Foods Plc**

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## **Iceland Frozen Foods Plc**

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### **Directors and Advisers**

#### **Directors**

M C Walker CBE (Chairman)  
J B Leigh FCA  
A S Pritchard FCA  
J G Berry BA Barrister  
D C Brown  
M Chatwin  
T S Dhaliwal  
R M Ford  
N V Jones  
J Marsden  
M Powell  
T C Yates

#### **Secretary**

J G Berry BA Barrister

#### **Registered Office**

Second Avenue  
Deeside Industrial Park  
Deeside  
Flintshire  
CH5 2NW

#### **Auditors**

Ernst & Young  
Silkhouse Court  
Tithebarn Street  
Liverpool  
L2 2LE

#### **Bankers**

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

#### **Solicitors**

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

## **Iceland Frozen Foods Plc**

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### **Directors' Report**

The directors have pleasure in presenting their report and the accounts for the 52 week period ended 2nd January 1999.

#### **Profit and dividends**

The company's profit after taxation amounted to £7,238,000 (1997 - £12,206,000).

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

#### **Review of the business**

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

#### **Employment policies**

Iceland is an equal opportunity employer and recruitment, training and development policies give equal opportunity to all employees regardless of sex, colour, race, religion, ethnic origin or disability. In the event of an employee becoming disabled, every effort is made to continue their employment and having regard to their aptitude and abilities, opportunities are given for retraining or redeployment wherever possible.

Customer service is a key priority for the Company, and training programmes, surveys and awards seek to ensure that employees fully understand the Company's objectives and work to achieve them.

Communication with staff is considered an area of great importance, and employees are kept informed of the Group's performance and activities by regular briefings and staff newspapers and are given the opportunity to communicate their ideas and opinions to all levels of management, including through attitude surveys. Directors and executives visit stores frequently to brief staff and discuss matters of concern or interest.

The Group gives high priority to employee training and development, and has been accredited under the Investors in People programme. Training programmes are held throughout the Group for all levels of staff to increase skills and contribution.

The Group provides employee share schemes and pension and life assurance benefits for both full and part time employees.

#### **Supplier payment policy**

It is company policy to establish payment terms with suppliers when agreeing the terms of transactions and to ensure that suppliers are aware of such terms. All reasonable efforts are made to ensure payment is made in accordance with agreed terms. The average number of days credit taken for trade purchases at 2nd January 1999 was 37 days (1997 - 37 days).

## **Iceland Frozen Foods Plc**

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### **Directors' Report (continued)**

#### **Directors and their interests**

The directors as at 2nd January 1999 and their interests, including family interests, in the share capital of the Company's holding company Iceland Group plc (all held beneficially) were as follows:

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

#### **Ordinary shares**

	As at <u>2nd January 1999</u>	As at 3rd January 1998 or later date of <u>appointment</u>
J G Berry	5,622	5,622
D C Brown	1,680	1,680
M Chatwin	Nil	Nil
T Dhaliwal	1,373	1,373
N V Jones	1,313	1,313
J Marsden	1,427	1,427
M Powell	Nil	Nil
T C Yates	Nil	Nil

Mr J G Berry also held 10 convertible cumulative redeemable preference shares, at both dates.

M Powell was appointed as a director on 4th February 1998.

M Chatwin was appointed as a director on 6th July 1998.

T S Dhaliwal was appointed as a director on 11th September 1998.

G C Robinson resigned as a director on 3rd June 1998.

N M Broadhurst resigned as a director on 16th October 1998.

## Iceland Frozen Foods Plc

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### Directors' Report (continued)

#### Ordinary share options

	<u>Scheme</u>	<u>As at 4.1.98 or later date of appointment</u>	<u>Granted during the year</u>	<u>Exercised during the year</u>	<u>As at 2.1.99</u>
J G Berry	a)	2,265	-	-	2,265
	b)	285,000	55,000	105,000	235,000
	c)	-	-	-	-
	d)	180,000	-	90,000	90,000
D C Brown	a)	-	-	-	-
	b)	180,000	55,000	-	235,000
	c)	-	-	-	-
	d)	-	-	-	-
M Chatwin	a)	-	-	-	-
	b)	-	-	-	-
	c)	-	-	-	-
	d)	-	-	-	-
T Dhailwal	a)	-	-	-	-
	b)	-	-	-	-
	c)	-	-	-	-
	d)	-	-	-	-
N V Jones	a)	4,531	-	-	4,531
	b)	255,000	55,000	75,000	235,000
	c)	-	-	-	-
	d)	120,000	-	60,000	60,000
J Marsden	a)	2,265	-	-	2,265
	b)	285,000	55,000	105,000	235,000
	c)	-	-	-	-
	d)	210,000	-	210,000	-
M Powell	a)	-	-	-	-
	b)	100,000	55,000	-	155,000
	c)	-	-	-	-
	d)	-	-	-	-
T C Yates	a)	-	-	-	-
	b)	180,000	55,000	-	235,000
	c)	-	-	-	-
	d)	96,500	-	96,500	-

## **Iceland Frozen Foods Plc**

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### **Directors' Report (continued)**

The share options referred to on page 4 were granted under the following schemes:

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

### **Year 2000 and the EURO**

The Board is fully aware of the issues and implications connected to Year 2000 compliance requirements and is well advanced with a detailed programme designed to ensure that all necessary information and operational systems will be in a state of readiness.

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

### **Auditors**

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

By order of the board



**J G Berry**  
Company Secretary

23rd March 1999

**Statement of Directors' Responsibilities in Respect of the Accounts**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the accounts; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **Iceland Frozen Foods Plc**

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### **Report of the Auditors**

#### **To the members of Iceland Frozen Foods plc**

We have audited the accounts on pages 8 to 21 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 and 11.

#### **Respective responsibilities of directors and auditors**

As described on page 6, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

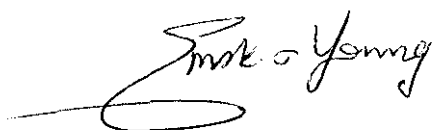
#### **Basis of opinion**

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

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

#### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 2nd January 1999 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
Liverpool

23rd March 1999

## Iceland Frozen Foods Plc

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### Profit and Loss Account for the year ended 2nd January 1999

	<u>Notes</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
<b>Turnover</b>		1,660,522	1,485,262
Cost of sales		1,575,312	1,403,493
		-----	-----
Gross profit		85,210	81,769
Administrative expenses		53,086	44,840
		-----	-----
<b>Operating profit</b>	1	32,124	36,929
Interest payable	3	17,770	15,313
		-----	-----
<b>Profit on ordinary activities before taxation</b>		14,354	21,616
Tax on profit on ordinary activities	4	7,116	9,410
		-----	-----
<b>Profit for the financial year</b>		7,238	12,206
Dividends	5	729	850
		-----	-----
<b>Profit for the year</b>		6,509	11,356
<b>Retained profit brought forward</b>		46,779	35,423
		-----	-----
<b>Retained profit carried forward</b>		53,288	46,779
		=====	=====

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

## Iceland Frozen Foods Plc

### Balance Sheet at 2nd January 1999

	<u>Notes</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
<b>Fixed assets:</b>			
Intangible assets	6	40,505	44,457
Tangible assets	7	365,678	378,504
Investments	8	5	5
		<u>406,188</u>	<u>422,966</u>
<b>Current assets:</b>			
Stock	9	21,604	16,700
Debtors	10	86,539	106,633
Cash at bank and in hand		26,730	26,715
		<u>134,873</u>	<u>150,048</u>
<b>Creditors: due within one year</b>	11	(244,171)	(226,094)
<b>Net current liabilities</b>		<u>(109,298)</u>	<u>(76,046)</u>
<b>Total assets less current liabilities</b>		<u>296,890</u>	<u>346,920</u>
<b>Creditors: due after one year</b>	12	(243,492)	(300,031)
		<u>53,398</u>	<u>46,889</u>
		<u>=====</u>	<u>=====</u>
<b>Capital and reserves:</b>			
Called up share capital	13	110	110
Profit and loss account		53,288	46,779
Shareholders' funds	14	<u>53,398</u>	<u>46,889</u>
		<u>=====</u>	<u>=====</u>

Shareholders' funds above include £110,000 (1997 - £110,000) relating to non-equity shareholders.



T S Dhaliwal  
Director

23rd March 1999

## **Iceland Frozen Foods Plc**

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### **Accounting Policies**

#### **Accounting principles**

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

#### **Goodwill**

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

#### **Turnover**

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

#### **Cost of sales**

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

#### **Stocks**

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

#### **Statement of cash flows**

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

#### **Foreign currencies**

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

## **Iceland Frozen Foods Plc**

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### **Accounting Policies (continued)**

#### **Fixed assets**

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

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

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

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

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

#### **Deferred taxation**

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

#### **Leasing commitments**

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

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

#### **Pension costs**

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

## Iceland Frozen Foods Plc

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### Notes to the Accounts at 2nd January 1999

#### 1. Operating profit

This is stated after charging:

	1998 <u>£'000</u>	1997 <u>£'000</u>
Depreciation of owned assets	49,144	47,431
Depreciation of assets held under finance leases	3,713	2,098
	<u>-----</u>	<u>-----</u>
Total depreciation charge	52,857	49,529
Short leasehold payments	46,004	45,643
Operating plant leases	90	-
Staff costs (see below)	164,201	144,819
Auditors' remuneration - audit services	87	80
- non audit services	124	89
Amortisation of goodwill	3,952	2,736
	<u>=====</u>	<u>=====</u>

#### 2. Staff costs and directors' emoluments

##### (i) Staff costs

	1998 <u>£'000</u>	1997 <u>£'000</u>
Wages and salaries	151,338	133,746
Social security costs	9,904	8,343
Other pension costs	2,959	2,730
	<u>-----</u>	<u>-----</u>
	164,201	144,819
	<u>=====</u>	<u>=====</u>

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

	1998 <u>No.</u>	1997 <u>No.</u>
Total employed	20,175	18,450
Full time equivalent	11,545	10,778
	<u>=====</u>	<u>=====</u>

## Iceland Frozen Foods Plc

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### Notes to the Accounts at 2nd January 1999 (continued)

#### 2. Staff costs and directors' emoluments (continued)

##### (ii) Directors' emoluments

	1998 <u>£'000</u>	1997 <u>£'000</u>
Emoluments	2,714 =====	2,275 =====
Company contributions paid to money purchase schemes	8 =====	Nil =====
Compensation for loss of office	120 =====	62 =====
	1998 <u>No.</u>	1997 <u>No.</u>
Members of defined benefit schemes	11 =====	12 =====

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

	1998 <u>£'000</u>	1997 <u>£'000</u>
Emoluments	606 =====	433 =====
Total accrued pension	302 =====	212 =====

109,000 shares in the holding company were granted to the highest paid director under a LT1 scheme.

#### 3. Interest payable

	1998 <u>£'000</u>	1997 <u>£'000</u>
Bank interest and interest on loans	16,843	14,747
Finance charges payable under finance leases	1,224	624
Capitalised interest	(53)	(58)
Charged to group companies	(244)	-
	17,770 =====	15,313 =====

## Iceland Frozen Foods Plc

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### Notes to the Accounts at 2nd January 1999 (continued)

#### 4. Taxation on profit on ordinary activities

The taxation charge is made up as follows:

	1998	1997
	<u>£'000</u>	<u>£'000</u>
Corporation tax based on the profit for the year	7,116	9,410
	=====	=====

The charge has been reduced by the effect of capital allowances and other timing differences. If full provision had been made for deferred tax the charge for the year would have been reduced by £1,963,000 (1997 - a reduction of £1,493,000).

The full potential amount of deferred taxation, calculated at 31% (1997 - 31%), none of which has been provided for in the accounts, is as follows:

	1998	1997
	<u>£'000</u>	<u>£'000</u>
Capital allowances in advance of depreciation	20,427	22,478
Other timing differences	2,199	2,111
Capital gains deferred by rollover relief	1,792	1,792
	-----	-----
	24,418	26,381
	=====	=====

#### 5. Dividends

	1998	1997
	<u>£'000</u>	<u>£'000</u>
Ordinary dividend on equity shares - paid	729	850
- proposed	-	-
	-----	-----
	729	850
	=====	=====



## Iceland Frozen Foods Plc

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### Notes to the Accounts at 2nd January 1999 (continued)

#### 6. Intangible assets

Intangible assets represent goodwill arising on the acquisition of businesses.

	<u>£'000</u>
<b>Cost:</b>	
At 2nd January 1999 and 3rd January 1998	68,452 =====
<b>Amortisation:</b>	
At 4th January 1998	23,995
Provided during the year	3,952
	-----
At 2nd January 1999	27,947 =====
<b>Net book value at 2nd January 1999</b>	40,505 =====
<b>Net book value at 3rd January 1998</b>	44,457 =====

The directors have revised the estimated useful life of existing goodwill from 25 years to 20 years. The effect on the goodwill amortised in 1998 is an increase of £1,216,000.

## Iceland Frozen Foods Plc

### Notes to the Accounts at 2nd January 1999 (continued)

#### 7. Tangible fixed assets

	<u>Land and Buildings</u>			Plant and Equipment £'000	Motor Vehicles £'000	Total £'000
	Freehold £'000	Long Leasehold £'000	Short £'000			
<b>Cost:</b>						
At 4th January 1998	114,119	6,252	91,472	409,655	38,791	660,289
Additions	5,227	150	4,106	45,885	5,252	60,620
Transfers to group companies	-	-	-	(16,454)	-	(16,454)
Disposals	(1,097)	-	(948)	(10,044)	(3,528)	(15,617)
At 2nd January 1999	118,249	6,402	94,630	429,042	40,515	688,838
<b>Depreciation:</b>						
At 4th January 1998	5,755	947	30,320	231,007	13,756	281,785
Provided during the year	1,030	200	4,761	40,684	6,182	52,857
Transfer to group companies	-	-	-	(2,002)	-	(2,002)
Disposals	-	-	(543)	(6,609)	(2,328)	(9,480)
At 2nd January 1999	6,785	1,147	34,538	263,080	17,610	323,160
<b>Net book value:</b>						
At 2nd January 1999	111,464	5,255	60,092	165,962	22,905	365,678
At 3rd January 1998	108,364	5,305	61,152	178,648	25,035	378,504

The cost of freehold properties includes £76,001,000 (1997 - £76,608,000) on which depreciation is not provided.

Interest capitalised during the period amounted to £53,000 (1997 - £58,000), and accumulated to date is £5,832,000 (1997 - £5,779,000).

The net book value of plant and equipment, and motor vehicles above include amounts of £1,289,000 and £11,047,000 respectively (1997 - £2,194,000 and £14,396,000) in respect of assets held under finance leases.

## Iceland Frozen Foods Plc

### Notes to the Accounts at 2nd January 1999 (continued)

#### 8. Investments

Subsidiary  
Undertakings  
Shares  
£'000

##### Cost and net book value:

At 2nd January 1999 and 3rd January 1998

5

=====

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

#### 9. Stocks

	1998 £'000	1997 £'000
Goods for resale	18,971	13,909
Consumables	2,633	2,791
	-----	-----
	21,604	16,700
	=====	=====

#### 10. Debtors

	1998 £'000	1997 £'000
Trade debtors	6,712	5,554
Amount owed by group undertaking	37,583	59,073
Other debtors	-	1,403
Prepayments and accrued income	42,244	40,603
	-----	-----
	86,539	106,633
	=====	=====

#### 11. Creditors: due within one year

	1998 £'000	1997 £'000
Obligations under finance leases	4,381	2,254
Trade creditors	171,906	171,458
Corporation tax	3,760	2,548
Other taxes and social security costs	2,928	4,874
Other creditors	21,892	19,062
Accruals	39,304	25,898
	-----	-----
	244,171	226,094
	=====	=====

## Iceland Frozen Foods Plc

### Notes to the Accounts at 2nd January 1999 (continued)

12. Creditors: due after one year	1998 £'000	1997 £'000
Loan from parent undertaking (a)	165,593	210,604
Loan from fellow subsidiary undertakings (a)	65,585	74,944
Obligations under finance leases (b)	12,314	14,483
	<u>243,492</u>	<u>300,031</u>
	=====	=====

(a) The loans from fellow subsidiary undertakings are interest free. Part of the loan from the parent undertaking which at 2nd January 1999 amounted to £74,554,000 (1997 - £74,554,000), bears interest based on bank base rates. The remaining part of the loan from the parent undertaking is interest free.

(b) Obligations under finance leases:	1998 £'000	1997 £'000
Amounts falling due:		
In one year or less	5,383	3,402
Between one and two years	5,453	4,612
Between two and five years	7,681	11,592
	<u>18,517</u>	<u>19,606</u>
	=====	=====
Less: finance charges allocated to future periods	(1,822)	(2,869)
	<u>16,695</u>	<u>16,737</u>
	=====	=====
Due within one year	4,381	2,254
Due after one year	12,314	14,483
	<u>16,695</u>	<u>16,737</u>
	=====	=====

## Iceland Frozen Foods Plc

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### Notes to the Accounts at 2nd January 1999 (continued)

#### 13. Share capital

	1998 £	1997 £
<b>Authorised:</b>		
100 Ordinary shares of £1 each	100	100
10 'A' ordinary shares of £1 each	10	10
110,000 1.0% non-cumulative preference shares of £1 each	110,000	110,000
	<u>110,110</u>	<u>110,110</u>
	=====	=====
<b>Allotted, called up and fully paid:</b>		
100 Ordinary shares of £1 each	100	100
10 'A' ordinary shares of £1 each	10	10
110,000 1.0% non-cumulative preference shares of £1 each	110,000	110,000
	<u>110,110</u>	<u>110,110</u>
	=====	=====

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

#### 14. Reconciliation of movement in shareholders' funds

	1998 £'000	1997 £'000
Profit for the financial year	7,238	12,206
Dividends paid and proposed	729	850
	<u>6,509</u>	<u>11,356</u>
Net increase in shareholders' funds	6,509	11,356
Shareholders' funds at the beginning of the year	46,889	35,533
	<u>53,398</u>	<u>46,889</u>
	=====	=====
Shareholders' funds at the end of the year	53,398	46,889

**Notes to the Accounts  
at 2nd January 1999 (continued)**

**15. Lease commitments**

At 2nd January 1999 the minimum lease payments due during the ensuing year under operating leases of land and buildings to which the company was committed were as follows:

	1998 <u>£'000</u>	1997 <u>£'000</u>
Leases due to expire:		
within 1 year	619	507
within 2 - 5 years	4,616	2,218
in more than 5 years	39,555	41,318
	<u>44,790</u>	<u>44,043</u>

In addition to the above, the Company was also committed to minimum lease payments of £646K relating to an operating lease for plant which expires within 2 - 5 years (1997 - £nil).

**16. Capital commitments**

	1998 <u>£'000</u>	1997 <u>£'000</u>
Contracted	1,458	Nil
	<u>=====</u>	<u>=====</u>

**17. Pension schemes**

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

The latest actuarial valuations of all the schemes were carried out by Messrs Punter Southall & Co., consulting actuaries, as at 1st April 1995. The results of those valuations have been used for the purpose of these accounts.

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

These assumptions are identical to those adopted for funding purposes. They produce a total pension cost for the Group as shown in note 2 of £2,959,000 (1997 - £2,730,000). A provision of £nil (1997 - £100,000) is included in accruals representing outstanding contributions at 2nd January 1999.

## **Iceland Frozen Foods Plc**

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### **Notes to the Accounts at 2nd January 1999 (continued)**

#### **17. Pension schemes (continued)**

Aggregating the results for all schemes the actuarial value of the assets on the funding basis was sufficient to cover 109% of the benefits accrued to members after allowing for full pensionable salary projection and pension increases on the stated assumptions. The market value of the schemes' assets at the valuation date was £38.2 million.

#### **18. Related party transactions**

The Company recharges its pension schemes with the costs of administration and independent advisers borne by the Company. The total amount recharged during the period was £0.5m (1997 - £0.4m).

#### **19. Parent undertaking**

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

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

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