Iceland Foods Plc

Report and Accounts

52 weeks ended 29th March 2002

Registered Number: 1107406

Directors' Report

The directors present their report and the audited accounts for the 52 week period ended 29th March 2002.

Profit and dividends

The Company's profit after taxation and exceptional items amounted to £1.8 million (65 weeks ended 31st March 2001 – loss of £26.8 million).

The directors recommend the payment of a final dividend amounting to £7.0m (65 weeks ended 31st March 2001: £Nil).

Review of the business

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

Charitable donations

Iceland supports local charities and community projects throughout its operating territory.

In addition the Company made charitable donations totalling £50 during the year. Iceland does not make political contributions.

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 newspapers. They are also given the opportunity to communicate their ideas and opinions to all levels of management both directly and through attitude surveys.

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

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

Directors' Report (continued)

Suppliers

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

Customers

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

Health and safety

The health and safety of employees and customers alike is accorded the highest priority, and our policy is to avoid all unnecessary risks through audits, assessments and training. The Company has an annual plan to improve standards, which is proactively managed by directors and executives.

The environment

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

Refrigeration - We endeavour to maximise the life of all refrigeration equipment, and to minimise the risk of gas emissions, by ensuring high standards of maintenance throughout the organisation. All service engineers in our Expert Appliance Care business are equipped with CFC recovery equipment to recycle gases from customers' old fridges and freezers, and to protect against leakages during repairs.

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

Transport - We utilise the latest computerised planning systems to maximise the efficiency of store deliveries and minimise the number of lorry journeys and distances travelled. Vehicle emissions are reduced by optimising specifications and selecting fuel-efficient vehicles. Our home delivery and home shopping services provide a further opportunity to lower vehicle emissions by reducing the number of car journeys to stores.

Energy - Energy efficient lighting and automatic sensors to extinguish lighting in unoccupied areas are used to minimise energy consumption. Other measures include dock shelters to reduce heat loss when loading or unloading vehicles.

Directors' Report (continued)

Payment of suppliers

Payments to suppliers are made in accordance with terms and practices agreed with individual suppliers, provided suppliers carry out their obligations. The average number of days credit taken for trade purchases at 29th March 2002 was 37 days (1st April 2001 – 38 days).

Directors and their interests

The Directors during the period were.

W Grimsey	-	
WJ Hoskins	-	
SG Chase	-	appointed 4 September 2001
MA Coupe	-	appointed 5 November 2001
PA Curley	-	appointed 2 July 2001, resigned 2 April 2002
K Martin	-	appointed 14 May 2001
JP Grey	-	
SA Jamison	-	
NV Jones	-	
J Marsden	-	
TC Yates	-	
MR Yeo	-	
JG Berry	-	resigned 4 September 2001
MA Chatwin	-	resigned 31 December 2001
TS Dhaliwal	-	resigned 25 January 2002

The interests of W Grimsey, WJ Hoskins and MA Coupe, including family interests, in the share capital of group companies are disclosed in the Directors' Report of the ultimate holding company, The Big Food Group plc. The interests of the other directors at the beginning of the period or date of appointment if later, and at the period end were as follows:

Ordinary shares of The Big Food Group plc

	As at 1.4.01 or later date of appointment	As at 29.3.02
S G Chase	-	1,000
J P Grey	-	17,460
S A Jamison	233	233
N V Jones	11,313	11,313
J Marsden	1,427	1,427

Directors' Report (continued)

Ordinary share options and awards in respect of The Big Food Group plc

	Scheme	As at 1.4.01 or later date of appointment	Granted during the period	Exercised during the period	Surrendered during the period	As at 29.3.02
S G Chase	a)	-	-	-	-	-
	b)	-	-	-	-	-
	c)	-	75,867	-	-	75,867
K Martin	a)	-	883	-	-	883
	b)	70,000	-	-	70,000	-
	c)	-	67,452	-	-	67,452
J P Grey	a)	-	883	-	-	883
	b)	200,000	-	-	200,000	-
	c)	141,226	56,000	-	-	197,226
S A Jamison	a)	-	-	-	-	-
	b)	220,000	-	-	220,000	-
	c)	101,349	61,600	-	-	162,949
N V Jones	a)	-	-	-	-	-
	b)	385,000	-	-	385,000	-
	c)	187,484	107,800	-	-	295,284
J Marsden	a)	-	-	-	-	-
	b)	475,000	-	-	385,000	90,000
	c)	202,822	107,800	-	-	310,622
T C Yates	a)	-	-	-	-	-
	b)	385,000	-	-	385,000	-
	c)	187,484	107,800	-	-	295,284
M R Yeo	a)	-	833	-	-	833
	b)	250,000	-	-	250,000	-
	c)	101,349	70,000	-	-	171,349

The share options and awards referred to were granted under the following schemes:-

a) SAYE Share Option Scheme
b) Executive Share Option Scheme
c) Long Term Incentive Plan (LTIP)

By order of the board

S G Chase
Secretary

Date: 18 June 2002

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial period that 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 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 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.

Independent auditors' report to the members of Iceland Foods plc

We have audited the accounts which comprise the profit and loss account, the balance sheet, and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. The other information comprises only the directors' report.

Basis of audit 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 the company's affairs at 29 March 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester

Date: 18 June 2002

Profit and Loss Account
For the 52 weeks ended 29th March 2002

	Note	52 weeks ended 29th March 2002 £m	65 weeks ended 31st March 2001 £m
Turnover		1,554.2	2,314.6
Cost of sales	3	(1,484.0)	(2,240.5)
Gross (loss)/profit		70.1	74.1
Administrative expenses	3	(81.1)	(85.6)
Operating loss	1	(10.9)	(11.5)
Income from shares in Group undertakings		30.0	-
Profit/(loss) before interest and taxation		19.1	(11.5)
Net interest payable	4	(11.8)	(19.8)
Profit/(loss) on ordinary activities before taxation		7.3	(31.3)
Tax on profit/(loss) on ordinary activities	5	(5.5)	4.5
Profit/(loss) for the financial period		1.8	(26.8)
Dividends	6	(7.0)	-
Retained loss for the period	16	(5.2)	(26.8)
Retained profit brought forward		8.2	35.0
Retained profit carried forward		3.0	8.2

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

Balance Sheet
At 29th March 2002

	Note	29th March 2002 £m	31st March 2001 £m
Fixed assets:			
Intangible assets	7	27.7	31.6
Tangible assets	8	330.6	285.3
Investment	9	-	-
		358.3	316.9
Current assets:			
Stock	10	9.7	12.0
Debtors	11	243.0	230.8
Cash at bank and in hand		29.0	32.8
		281.7	275.6
Creditors: due within one year	12	(465.0)	(440.9)
Net current liabilities		(183.3)	(165.3)
Total assets less current liabilities		175.0	151.6
Creditors: due after one year	13	(146.1)	(117.4)
Provisions for liabilities and charges	14	(25.8)	(25.9)
		3.1	8.3
Capital and reserves:			
Called up share capital	15	0.1	0.1
Profit and loss account		3.0	8.2
Shareholders' funds	16	3.1	8.3

Shareholders' funds above include £110,000 (31st March 2001 - £110,000) relating to non-equity shareholders.

The accounts on pages 7 to 22 were approved by the Board and signed on its behalf by:

W J Hoskins

W J Hoskins
Director

Date: 18 June 2002

Accounting Policies

Accounting principles

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

The company has adopted FRS 18 "Accounting policies" during the year. This has had no impact on the Accounts.

In November 2000, the Accounting Standards Board issued FRS 17 "Retirement Benefits". The Company has continued to account for pensions in accordance with SSAP 24. The phased transitional disclosures required by FRS 17 are presented in note 19. Full implementation of FRS 17 will be mandatory for the Company for the period ending 31 March 2004.

The Company is a wholly owned subsidiary undertaking of The Big Food Group plc, which is registered in England and Wales. It is therefore exempt from the obligation to prepare and deliver group accounts. Accordingly, these reports and accounts present information about the Company as an individual undertaking and not about its group.

Goodwill

For acquisitions made on or after 4th January 1998 goodwill arising in connection with the acquisition of subsidiary undertakings and businesses is capitalised and amortised over its estimated economic life to a maximum of 20 years.

Goodwill arising on acquisition of subsidiary undertakings and businesses prior to 3rd January 1998 has been written off against reserves, and was not restated on implementation of FRS 10.

Goodwill is reviewed for impairment at the end of the first full year following the acquisition and in subsequent 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 was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Turnover

Turnover is the sales value of goods and services sold in the ordinary course of business, excluding sales incentives and value added tax. All turnover 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 using the retail method. Net realisable value is defined as selling price less further costs expected to be incurred to disposal.

Accounting Policies (continued)

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 translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Appliance repair and food insurance commission

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

Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

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

Freehold properties	2% per annum
Plant and equipment	4% to 20% per annum
Motor vehicles	25% per annum

Freehold land is not depreciated.

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.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, with the following exceptions:

- deferred taxation assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets

Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Accounting Policies (continued)

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 company, 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 defined benefit and defined contribution pension schemes to which it makes contributions on the advice of actuaries to fund the retirement benefits of employees within the schemes. The expected cost in respect of defined benefit schemes is charged against profit over the expected service lives of current employees in the schemes, based on the advice of independent actuaries.
Variations to the regular cost, arising from periodic actuarial valuations, are charged or credited to profit over the remaining service lives of scheme members. The cost in respect of defined contribution schemes is charged to profit in the period in which contributions become payable.

Notes to the Accounts
At 29th March 2002

1. Operating Loss

This is stated after charging/(crediting):

	52 weeks ended 29th March 2002 £m	65 weeks ended 31st March 2001 £m
Depreciation of owned assets	42.2	68.4
Depreciation of assets held under finance leases	5.1	6.7
Total depreciation charge	47.3	75.1
(Profit)/loss on disposal of fixed assets	(0.7)	2.4
Short leasehold payments	46.5	50.7
Operating lease – plant	6.2	2.8
Staff costs (see below)	192.7	250.9
Auditors' remuneration - audit services	0.2	0.2
- non audit services	0.1	0.1
Amortisation of goodwill	3.9	5.0

2. Staff costs and directors' emoluments

i) Staff costs

	52 weeks ended 29th March 2002 £m	65 weeks ended 31st March 2001 £m
Wages and salaries	174.2	227.2
Social security costs	11.9	13.8
Other pension costs	6.6	9.9
	192.7	250.9

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

	52 weeks ended 29th March 2002 No	65 weeks ended 31st March 2001 No
Total employed	19,884	20,816
Full time equivalent	12,875	11,652

Notes to the Accounts
At 29th March 2002 (continued)

		52 weeks ended 29th March 2002 £'000	65 weeks ended 31st March 2001 £'000
2.	**Staff costs and directors' emoluments (continued)**		
ii)	Directors' Emoluments	1,367	3,756
	Company contributions paid to money purchase schemes	332	56
	Compensation for loss of office	351	175

	52 weeks ended 29th March 2002 No	65 weeks ended 31st March 2001 No
Members of defined benefit schemes	12	12

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

	52 weeks ended 29th March 2002 £'000	65 weeks ended 31st March 2001 £'000
Emoluments	218	802
Total accrued pension	19	443

Shares in the holding company were awarded to the highest paid director under a LTIP scheme.

Notes to the Accounts
At 29th March 2002 (continued)

3. Exceptional items

	52 weeks ended 29th March 2002 £m	65 weeks ended 31st March 2001 £m
Organic foods	-	0.5
Property provisions	-	0.2
Stock valuation	-	0.6
Fixed asset write downs	-	0.3
Professional fees	-	1.1
Other	-	1.5
	-	4.2
Related to cost of sales	-	2.7
Related to administration costs	-	1.5
	-	4.2

4. Net interest payable

	52 weeks ended 29th March 2002 £m	65 weeks ended 31st March 2001 £m
Interest receivable:		
Intra-group interest receivable	(1.4)	(2.4)
Other interest receivable and similar income	-	(0.4)
	(1.4)	(2.8)
Interest payable:		
Interest on bank loans and overdrafts	2.7	6.0
Finance charges payable under finance leases	0.5	1.5
Intra-group interest payable	8.1	12.1
Other interest payable	1.9	0.3
	11.8	17.1
Exceptional costs:		
Bank fees related to the syndicated facility	-	2.7
	11.8	19.8

Notes to the Accounts
At 29th March 2002 (continued)

5. Tax on profit on ordinary activities

	52 weeks ended 29th March 2002 £m	65 weeks ended 31st March 2001 £m
(a) Analysis of charge/(credit) in the period		
Current tax		
Adjustments in respect of prior periods	6.1	0.9
	6.1	0.9
Deferred Tax		
Origination and reversal of timing differences	(0.6)	(5.4)
Tax charge/(credit) for the period	5.5	(4.5)

(b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	52 weeks ended 29th March 2002 £m	65 weeks ended 31st March 2001 £m
Profit/(loss) before tax	7.3	(31.3)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 30% (30% for the period ended 31 March 2001)	2.2	(9.4)
Effects of:		
Expenses not deductible for tax purposes	0.4	2.0
Timing differences	0.6	5.4
Unrecognised tax losses	1.8	2.0
Group relief surrendered for no payment	4.0	-
Permanent difference on dividend received	(9.0)	-
Tax for prior periods	6.1	0.9
Current tax charge for the period	6.1	0.9

6. Dividends

	52 weeks ended 29th March 2002 £m	65 weeks ended 31st March 2001 £m
Final proposed to:		
Ordinary shares	6.4	-
"A" ordinary shares	0.6	-
1.0% non-cumulative preference shares	-	-
	7.0	-

Notes to the Accounts
At 29th March 2002 (continued)

7. Intangible fixed assets

Intangible assets represent goodwill arising on the acquisition of businesses.

	£m
Cost:	
At 29th March 2002 and 1st April 2001	68.5
Amortisation:	
At 1st April 2001	36.9
Provided during the period	3.9
At 29th March 2002	40.8
Net book value at 29th March 2002	27.7
Net book value at 1st April 2001	31.6

8. Tangible fixed assets

	Land and Buildings					
	Freehold £m	Long Leasehold £m	Short Leasehold £m	Plant & Equipment £m	Motor Vehicles £m	Total £m
Cost:						
At 1st April 2001	70.5	7.3	99.8	458.7	44.1	680.4
Additions	0.1	0.1	1.9	16.5	8.1	26.7
Transfers from group companies	69.1	-	-	-	-	69.1
Disposals	-	-	(0.4)	(5.2)	(5.2)	(10.8)
At 29th March 2002	139.7	7.4	101.3	470.0	47.0	765.4
Depreciation						
At 1st April 2001	1.4	2.0	43.5	329.2	19.0	395.1
Provided during the period	-	0.1	4.3	34.1	8.8	47.3
Transfers from group companies	-	-	-	-	-	-
Disposals	-	-	(0.3)	(3.2)	(4.1)	(7.6)
At 29th March 2002	1.4	2.1	47.5	360.1	23.7	434.8
Net book value:						
At 29th March 2002	138.3	5.3	53.8	109.9	23.3	330.6
At 1st April 2001	69.1	5.3	56.3	129.5	25.1	285.3

Notes to the Accounts
At 29th March 2002 (continued)

8. Tangible fixed assets (continued)

The cost of freehold properties includes land of £60,372,000 (2001 - £60,372,000) on which depreciation is not provided.

Interest capitalised during the period amounted to £Nil (2001 - £23,000), and accumulated to date is £6,644,000 (2001 - £6,644,000).

The net book value of plant and equipment, and motor vehicles above include amounts of £6,030,000 and £12,000 respectively (2001 - £9,137,000 and £2,029,000) in respect of assets held under finance leases.

9. Investments

	Subsidiary Undertakings shares £'000
Cost and net book value:	
At 29th March 2002 and 1st April 2001	5

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

10. Stocks

	29th March 2002 £m	31st March 2001 £m
Goods for resale	7.9	9.1
Consumables	1.8	2.9
	9.7	12.0

The difference between purchase price of stocks and their replacement cost is not material.

11. Debtors

	29th March 2002 £m	31st March 2001 £m
Trade debtors	8.6	17.4
Amount owed by group undertaking	190.4	179.4
Other debtors	14.3	5.1
Prepayments and accrued income	29.7	28.9
	243.0	230.8

Notes to the Accounts
At 29th March 2002 (continued)

12. Creditors: due within one year

	29th March 2002 £m	31st March 2001 £m
Bank overdraft	0.6	28.2
Bank Loan	-	25.0
Obligations under finance leases	2.2	8.1
Trade creditors	145.5	151.0
Amount owed to group undertakings	238.5	129.8
Corporation tax	8.7	0.5
Other taxes and social security costs	3.3	2.6
Other creditors	12.0	32.3
Accruals and deferred income	54.2	63.4
	465.0	440.9

13. Creditors: due after one year

	29th March 2002 £m	31st March 2001 £m
Loan from parent undertaking	144.7	111.7
Obligations under finance leases - due after one and within two years	1.4	3.1
Accruals and deferred income	-	2.6
	146.1	117.4

14. Provisions for liabilities and charges

	Property provisions £m	Deferred taxation £m	Total £m
At 1st April 2001	7.0	18.9	25.9
Provided/(released) in period	0.5	(0.6)	(0.1)
At 31st March 2002	7.5	18.3	25.8

Notes to the Accounts
At 29th March 2002 (continued)

14. Provisions for liabilities and charges (continued)

The actual and potential provisions for deferred tax comprise:

	29th March 2002		31st March 2001	
	Actual £m	Potential £m	Actual £m	Potential £m
Accelerated capital allowances	19.7	19.7	20.6	20.6
Other timing differences	(1.4)	(1.4)	(1.7)	(1.7)
	18.3	18.3	18.9	18.9

15. Share capital

	29th March 2002 £	31st March 2001 £
Authorised:		
100 Ordinary shares of £1 each	100	100
10 "A" ordinary shares of £1 each	10	10
110,000 1.0% non-cumulative preference shares of £1 each	110,000	110,000
	110,110	110,110
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	100	100
10 "A" ordinary shares of £1 each	10	10
110,000 1.0 % non-cumulative preference shares of £1 each	110,000	110,000
	110,110	110,110

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.

16. Reconciliation of movement in shareholders' funds

	29th March 2002 £m	31st March 2001 £m
Profit/(loss) for the financial period	1.8	(26.8)
Dividends paid and proposed	(7.0)	-
Net decrease in shareholders' funds	(5.2)	(26.8)
Shareholders' funds at the beginning of the period	8.3	35.1
Shareholders' funds at the end of the period	3.1	8.3

Notes to the Accounts
At 29th March 2002 (continued)

17. Lease commitments

At 29th March 2002 the minimum lease payments due during the ensuing year under operating leases of land and buildings and of plant and machinery to which the company was committed were as follows:

	Plant and equipment		Land and buildings	
	29th March 2002 £m	31st March 2001 £m	29th March 2002 £m	31st March 2001 £m
Leases due to expire:				
Within 1 year	0.1	0.2	1.3	0.4
Within 2 – 5 years	3.0	3.0	4.7	4.0
In more than 5 years	-	-	38.0	40.0
	3.1	3.2	44.0	44.4

18. Capital commitments

	29th March 2002 £m	31st March 2001 £m
Contracted	1.2	1.0

19. Pension schemes

The company provides pension benefits to eligible employees through pension schemes operated by its ultimate parent company, The Big Food Group plc. With effect from 1 April 2001 all defined benefit schemes within the Group were merged and renamed the Iceland Group Pension Scheme. The assets of the schemes are held separately from those of the Group and are invested by independent fund managers appointed by the trustees.

Defined Benefit
The latest actuarial valuation of the defined benefit scheme was carried out by Messrs Punter Southall & Co., consulting actuaries, as at 30 June 2001. The results of the valuation have been used for the purposes of calculating the pension cost up to 31 December 2001. Thereafter an updated interim valuation has been adopted to reflect the major drop in equity values and switch of the fund portfolio towards bonds.

For the purposes of assessing pension costs under SSAP 24 the principal actuarial assumptions adopted for the periods from I April to 30 June 2001, 1 July to 31 December 2001 and 1 January to 29 March 2002 were respectively: a long-term rate of return on investments of 6.0%, 6.7%, 6.4% per annum pre-retirement and 6.0%, 5.2%, 5.8% post-retirement, increases to pensions in payment of 3.0%, 2.6%, 2.5% per annum and salary growth of 4.5%, 4.1%, 4.0% per annum.

Pension costs have been determined using the projected unit method. The surplus/deficit disclosed by the calculations is being amortised over employees' anticipated service lives as a level percentage of pensionable salaries.

The pension charge for the defined benefit scheme for the company was £5.3m (2001 : £8.6m) including a credit of £1.0m (2001 : £2.9m) in respect of variations from regular cost. A provision of £0.3m (2001 : £0.8m) is included in accruals representing outstanding contributions at 29 March 2002 and there is a SSAP 24 creditor of £5.6m (2001 : £3.4m) at that date.

Notes to the Accounts
At 29th March 2002 (continued)

19. Pension schemes (continued)

The June valuation results show the market value of the assets of the defined section of the Iceland Group Pension Scheme was £580m and were sufficient to cover 102% of the benefits accrued to members after allowing for full pensionable salary projection and pension increases on the stated assumptions. The interim valuation showed a decline in cover to 89% and a market value of assets of £510m. The next valuation will be carried out in June 2004.

Benefits will cease to accrue under the defined benefit section of the scheme in respect of service after 31 July 2002 and employees will be provided with defined contribution arrangements. It is not expected that this will result in a significant change to pension costs in the year ended 31 March 2003.

FRS 17 Disclosures for the year to 29 March 2002
The Group has continued to account for pensions in accordance with SSAP 24. FRS 17 "Retirement Benefits" will not be mandatory for the Group until the year ending March 2004. However, the following transitional disclosures are required.

Independent qualified actuaries have updated the results of the most recent actuarial valuations for the defined benefit scheme from 30 June 2001 to 29 March 2002.

The main financial assumptions used in the valuation of the liabilities of the company's pension schemes under FRS 17 are:

	At 29 March 2002
Rate of increase in salaries	4.0%
Rate of increase in pensions in payment	2.5%
Discount rate	5.8%
Retail prices inflation assumption	2.5%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected	Value at 29 March 2002 £m
Equities	6.75%	365
Bonds	5.50%	147
Other	4.75%	12
Total		524

The following amounts at 29 March 2002 were measured in accordance with the requirements of FRS 17:

	At 29 March 2002 £m
Total market value of assets	524
Present value of scheme liabilities	(560)
Deficit in the scheme	(36)
Related deferred tax asset	11
Net pension liability	(25)

Notes to the Accounts
At 29th March 2002 (continued)

19. Pension schemes (continued)

FRS 17 Disclosures for the year to 29 March 2002 (continued)

Net assets and reserves

	At 29 March 2002
	£m
Net assets excluding net pension liability under SSAP 24	416
Pension liability	(25)
Net assets including net pension liability under FRS 17	391
Profit and loss reserve excluding net pension liability under SSAP 24	15
Pension liability	(25)
Profit and loss account including net pension reserve under FRS 17	(10)
Contributions to the scheme by the Group	7

The company is, in practice, unable to identify its share of the underlying assets and liabilities in the scheme on a reasonable and consistent basis and will be treating the scheme as a defined contribution scheme when FRS 17 becomes effective.

20. Post Balance Sheet events

Following the year end, the company has entered into a sale and leaseback agreement for 2 of its properties, with Axa Sun Life plc, for a cash value of £51.4m generating a profit after costs of approximately £3.1m. This transaction will replace the yearly charge of approximately £0m of depreciation and £2.8m of interest expense with annual rent charges of £3.2m increasing at 3% per annum.

The Group has also obtained a new senior credit facility of £300m. Together with other members of the Group, the company is a guarantor to the facility on a joint and several basis.

21. Related party transactions

The company is a wholly owned subsidiary of The Big Food Group plc. In accordance with paragraph 3(c) of FRS 8 'Related Party Transactions' the company is exempt from disclosing details of arrangements with other companies in The Big Food Group plc.

22. Parent undertaking

At 29 March 2002, the ultimate parent undertaking was The Big Food Group plc, a company registered in England and Wales. The Big Food Group plc was the parent undertaking of the only group, of which the company was a member, to consolidate these financial statements. Copies of the group financial statements for the year ended 29 March 2002 are available from The Big Food Group plc, Second Avenue, Deeside Industrial Park, Deeside, Flintshire, CH5 2NW.