

Financial statements Iceland Foods Limited

For the 52 week period ended 25 March 2022



Company No 01107406

Iceland Foods Limited
Financial statements for the 52 week period ended 25 March 2022

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Company information

Company number

01107406

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R M Walker OBE
P S Dhaliwal
R D Ewen

Secretary

D A Vaughan

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Strategic Report

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 of Iceland Foods Limited for the 52 week period to 25 March 2022 were £3,554.9m (2021: £3,715.3m), a reduction of 4.3% compared with a period of exceptional demand in the retail channel as a result of Covid lockdowns and restrictions in the prior year.

Iceland's UK grocery market share, as measured by Kantar, stood at 2.3% at the end of the year, compared with 2.4% in March 2021 and 2.1% prior to the onset of Covid-19 in March 2020. The reduction in share during 2021/22 principally reflected the contraction of the online grocery market, in which Iceland had achieved an overweight position during the pandemic.

Iceland enjoyed record-breaking Christmas sales in the third quarter and continued to trade well through the final quarter, with improving in-store transactions offsetting a reduction in Online demand.

Sales also benefited from the 16 new stores opened during the previous financial year, though there was a net reduction of two stores in the year under review.

British consumers began to revert towards pre-pandemic shopping habits more quickly than anyone had predicted, following the end of Covid restrictions, driving a progressive improvement in footfall on the high streets where so many of our core Iceland stores are located, though this was still estimated to be some 25% below pre-pandemic levels at the year-end. The Food Warehouse, located primarily on retail parks, continued to trade strongly throughout the year. We retained the increased share of the online market we had won during the pandemic, and were able to react swiftly to bring delivered sales capacity and operating costs into line with reduced consumer demand.

Adjusted EBITDA for the period was £127.1m (2021: £171.9m). Adjusted EBITDA is measured as EBITDA after adjusting for exceptional items. EBITDA performance versus the prior year improved progressively, after a substantial decline in the first quarter, and was broadly flat in the final 12 weeks. We would have achieved EBITDA growth in the final quarter but for the surge in fuel prices towards the end of the period as a result of the Russian invasion of Ukraine.

The Company's financial key performance indicators are sales and Adjusted EBITDA (see note 27). Other non-financial performance indicators are discussed within the body of this report, which include employee retention.

Net exceptional expenses totalled £30.0m and comprised impairment of intercompany loans, Covid costs, costs associated with the HGV driver shortage, business restructuring and property costs.

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.

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	52 week period ended 25 March 2022 £m	52 week period ended 26 March 2021 £m
Turnover	3,554.9	3,715.3
Adjusted profit before taxation *	31.3	69.3
Adjusted EBITDA *	127.1	171.9
Cash	151.5	124.3

* See note 27 for reconciliation to consolidated statement of income and retained earnings.

Finances

Iceland Foods has always been and remains consistently cash generative, driving an increase in cash of £27.2m to £151.5m at 25 March 2022 (26 March 2021: £124.3m) due to strong operating cash flow offset by continued capital investment.

Products, pricing and marketing

Iceland continues to lead the UK frozen food industry in product innovation, with a major ongoing programme of new product launches under both our own iconic Iceland brand and a growing range of famous exclusive brands.

New exclusive brand launches during the year included new ranges of Harry Ramsden's fish and chips, Del Monte frozen fruit, Ed's Easy Diner fast food, Cathedral City ready meals, Piccolino restaurant-quality pizzas and pasta meals, and Chiquito Mexican food. We also expanded many of our long-established exclusive brand ranges including Slimming World soups and prepared meals, TGI Fridays mains and desserts, McCoy's and Hula Hoops frozen potato snacks, and Barratt ice creams.

Cabinets of exclusively branded party food performed well over the Christmas period, offering ranges of savoury and sweet lines from Cathedral City, Ed's Easy Diner, Greggs, Harry Ramsden's, TGI Fridays, Barratt and Baileys.

We continued to take pride in our unique and extensive Iceland own label range of frozen food, and to invest in its development alongside the roll-out of new exclusive brands. An expanded Iceland Scarily Spicy range returned to stores for Halloween, and we continued to emphasise our value credentials with great bundle deals for National Curry Week in October and Bonfire Night in November. At Christmas, our 1p per pack offer on purchase of three packs or more of fresh and frozen vegetables beat all other supermarkets' seasonal veg deals.

In our The Food Warehouse stores, the roll-out of an extended alcohol range during the year produced very pleasing results.

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The Iceland Bonus Card was fully relaunched as an app in September 2021, following a soft launch to existing card holders in the first quarter, and had recorded more than 1.5m downloads by the year-end. The app provides access to exclusive Bonus Card prices, offering discounts of up to 50% on selected products, priority access to free home delivery, the chance to win prizes, and a market-leading savings rate of a £1 bonus on every £20 saved.

Stores

We opened 19 new stores in the UK during the year and closed 21, making a net reduction of two and giving us a total of 991 (2021: 993) UK stores at the year-end. The openings comprised 13 new The Food Warehouse stores, five core Iceland stores and one Swift convenience store, and the 21 closures were all of core Iceland stores. The UK estate at the year-end consisted of 833 (2021: 849) Iceland stores, two (2021: 2) Iceland 'dark store' Online pick centres, 154 (2021: 141) The Food Warehouses and two (2021: 1) Swift convenience stores.

Online

Just as Iceland's flexible business model allowed us to respond at pace to the huge increase in consumer demand for online deliveries during the Covid-19 pandemic in 2020/21, we had to react to the faster than expected switch back of consumer preferences to shopping in-store in 2021/22. We have retained the increased share of the online grocery market that we won during the pandemic, while successfully reducing the cost base of our delivered sales operation to reflect lower levels of demand for online shopping services as a whole.

Like other retailers, we were adversely affected in the second half by the surge in Covid-related sickness and self-isolation in the run-up to Christmas, with product availability issues and increased absence rates among our own home delivery drivers both creating significant challenges in making deliveries from stores during December.

We have developed a unique multi-channel Online offer which positions Iceland as the only UK food retailer offering free next day delivery of orders of £40 or more, but which can also offer same day delivery of orders for a flat fee, and delivery in as little as 20 minutes through an expanding partnership with Uber Eats. Demand for same day delivery grew strongly during the year, and the Uber Eats partnership had been extended to more than 200 stores by the year-end.

The high levels of customer satisfaction we continue to achieve were reflected in Iceland's endorsement as the UK's Favourite Online Grocery Service in the Good Housekeeping Food Awards 2021, for 'offering a wide range of both frozen and fresh produce at an incredibly reasonable price'.

The Range

We have continued to develop our successful partnership with The Range, launched in August 2018, which introduced 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 represented an opportunity to make our food available in a new type of location, with the aim of extending its appeal by reaching people who had not shopped at Iceland before. The Range added Iceland departments to 15 of its stores during year, to give a total of 101 (2021: 86) at the year-end. In 66 of these stores there is also an Iceland café that allows customers to sample our products before buying them.

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Supply chain

Our supply chain maintained a strong flow of goods to our Iceland and The Food Warehouse stores throughout the year, despite the challenges of the UK's HGV driver shortage, Covid-related absences from work, and the labour market changes brought about by Brexit. These costs have been treated as exceptional in the accounts.

Following the opening of our new Swindon depot towards the end of the last financial year, we have continued to invest in making Iceland's supply chain fit for the future by adding additional space to the frozen and chilled chambers in both our Livingston and Swindon depots, which will be fully operational by the middle of 2022.

In addition, we have agreed a deal to build a new 500k sq ft depot in North West England which will eventually replace our existing Warrington distribution centre and will be operated by our third party logistics provider GXO.

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 21 - 23. Our policies on the treatment of supplier income are set out in Note 4.11 on page 35. We are grateful to all our suppliers for their continued positivity in working with us on our initiatives to remove single-use plastic packaging from our own label product range, to reduce carbon emissions, and to cut food waste.

People

Iceland Foods was pleased to be able to create a number of new jobs for specialists to support new channel development within its head office near Chester during the year; overall, and as expected following the end of the pandemic, the average number of Iceland colleagues employed during the year decreased to 28,853 (2021: 30,256) as we responded to the normalisation of customer demand. This reduction was facilitated through natural attrition.

Iceland made a 3.2% pay award to all front-line retail colleagues in April 2021.

We continue to focus on talent development and internal succession enabled by our award-winning Apprenticeships at Level 2, Level 3 and Level 4. This has seen internal progression to the role of store manager more than double over recent years and this remains a focus, with benefits to manager retention and to diversity in age, ethnicity and gender, contributing to continual improvement in the published Gender Pay Gap.

During the year we re-doubled our focus on the colleague representative body Talking Shop, facilitating nationwide Listening Groups culminating in the Directors' Listening Group. This has delivered a number of key wins, including amongst other initiatives improved two-way communication and better employee relations training.

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 retail employees live within walking distance of their workplace, making Iceland truly rooted in the communities it serves and with a real understanding of their needs.

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Environmental, Social & Governance

For more than 50 years Iceland has been firmly committed to 'Doing It Right': reducing our impact on the global environment, providing high quality affordable food, respecting and properly rewarding our colleagues, supporting the communities where we operate, and ensuring high standards of corporate governance. We provided bondholders with a comprehensive update on all aspects of this strategy at an ESG Event held in London in October 2021, and intend to hold a similar event annually in the future.

Environmental. Iceland remains determined and on track to fulfil its carbon reduction obligations under the Courtauld Commitment, British Retail Consortium Climate Action Roadmap and The Climate Pledge, which include a 50% reduction in absolute greenhouse gas emissions by 2030 and the achievement of Net Zero Carbon by 2040. Our second annual Carbon Report, published in December, showed that our Scope 1 and 2 carbon emissions in the 2020/21 financial year were 70% lower than in our baseline year of 2011/12, ahead of the target we set ourselves at the beginning of the process. However, these emissions were higher than in the prior year as a result of the exceptional increase in sales and the quadrupling of home deliveries driven by the pandemic. We continue to buy 100% of our electricity from renewable sources, supported by green energy certificates, and have a rolling investment programme across our store estate to replace our freezers with more energy-efficient models that also use natural refrigerants. We are continuing our work with the Carbon Trust to measure Iceland's Scope 3 carbon footprint and to validate the methodology by which we have already measured and reported on our Scope 1 & 2 emissions.

Our 2020/21 Food Waste report, published in October, showed a 10.5% increase in our food waste year-on-year, reflecting the pandemic impact of substantially increased overall sales and changed shopping patterns, particularly the reduction in high street footfall that constrained our usual ability to clear stock nearing the end of its life through discounting. Nevertheless, our food waste showed a 19.2% reduction compared with our baseline in 2017/18 and we remain committed to our pledge to reduce this by 50% by 2030. Our 'Hello Taste, Goodbye Waste' scheme to give food reaching its 'best before' or 'use by' date to staff at the end of each trading day was rolled out across all stores in October 2020 and has been well received by our colleagues. In October 2021 we took action to further reduce food waste by offering Online customers short-dated stock free of charge where an item with the usual minimum of a two-day shelf life was not available.

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 have continued to work with our suppliers to remove plastic packaging from our own label range, with new trials of paper packaging for potatoes and fish products launched in May. Our plastic-free Christmas range was expanded to a total of 42 lines in 2021, with our Luxury Mince Pies becoming the first mince pies offered in any major UK supermarket without any plastic packaging.

Plastic recycling bins for flexible plastic film items (including carrier bags, bread bags, produce bags and magazine wraps, which are typically not accepted by local authority home recycling collections) were rolled out across The Food Warehouse estate in March, following a successful trial, and we also launched a plastic bag collection service for customers receiving home deliveries from these stores.

While our plastic reduction initiatives continue to make progress, and we remain committed to removing plastic packaging from our own label range in its entirety, it is now clear that we will be unable to achieve this by our original target date of 31 December 2023. The unexpected impacts of the cost-of-living crisis and the Russian invasion of Ukraine have also compelled us to defer our plan to make Iceland plastic neutral during 2022. We are pleased to note that other supermarkets have now moved away from their focus on improved recycling as the answer to the problem of plastic pollution, and set ambitious plastic reduction targets. This will facilitate the industry-wide move away from plastic that will enable us to achieve our own goal in due course.

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We remain committed to sustainable sourcing, and in November joined other leading retailers, food manufacturers and foodservice companies in signing the UK Soy Commitment, which aims to eliminate deforestation and habitat destruction from UK soy supply chains as quickly as possible, and by 2025 at the latest.

We have also continued to expand the range of plant-based food we offer to our customers through our investment in and partnership with the LiveKindly Collective. This has included the launch of some vegan lines within our exclusive brand ranges.

Social. Food redistribution within the community is an important part of our strategy to reduce food waste. We originally set a target of making the equivalent of one million meals available in our communities in 2021/22, and were pleased that we were able to report that we had substantially exceeded this by 24 December, with 1.4 million meals already provided, and to set an increased target of redistributing two million meals by the end of the financial year.

During the year we began piloting an innovative ethical credit scheme, the Iceland Food Club. Operated in partnership with the well-respected not-for-profit organisation Fair For You, this offers short-term microloans of £25 to £75, uploaded to a dedicated Iceland Food Club card, and repaid at the rate of £10 per week. On a £75 loan, repaid over eight weeks, a Club member will pay interest of £2.89, comparable with the rate charged by a credit union. By the end of the financial year the scheme had been extended to nine areas in England, Wales and Scotland, was supporting some 3,500 customers and had advanced a total of £1.8m in microloans, with the support of HM Treasury and philanthropic funders. Social impact reports show excellent results in improving the diet of participants, reducing their dependence on food banks, and improving their mental health through the alleviation of stress, anxiety and depression.

We have continued our support for the England footballer Marcus Rashford's Child Poverty Taskforce, and our efforts to promote take-up of the UK Government's NHS Healthy Start scheme designed to help low income families access free milk, fruit and vegetables, pulses, baby formula and vitamins, and Scotland's parallel scheme called Best Start Foods. In February we announced that 90m Iceland milk bottles would carry a public service 'Could you get this milk for free?' message to raise awareness of the schemes, which are also being promoted on Iceland home delivery vans.

In December the Iceland Foods Charitable Foundation donated £300,000 to Action For Children, making each of our 30,000 employees a Secret Santa to provide a Christmas gift for a vulnerable child. During the year the charity also supported the launch of UK's biggest-ever Million Mile Beach Clean by Surfers Against Sewage, and has co-developed and co-funded an important new 'Sepsis Savvy' campaign, to raise business awareness of sepsis, in partnership with the UK Sepsis Trust. In February the Foundation announced a donation of £150,000 to the British Red Cross to support its relief efforts in Ukraine.

Governance. Larus Welding joined the Board as a Non-Executive Director on 17 February 2022. As a former senior banker, Larus has been closely involved in most of the Iceland Foods Group's major financial transactions since the Walker and Dhaliwal families renewed their involvement with the business in 2005; he also served as trading finance director of Iceland Foods from 2014-16. We are confident that the Board will benefit from his expertise, notably in the role of Chairman of the Audit Committee. As a private entity, whilst there is no requirement for an audit committee, we are committed to ensure good governance where the Board thinks it will add value and give greater confidence and comfort to all of our stakeholders.

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Outlook

Iceland Foods has continued to trade well in the opening weeks of the new financial year, achieving year-on-year sales growth: Nielsen data for the 12 weeks to 18 June 2022 showed Iceland sales growing 1.1% ahead of the UK grocery market as whole. High street footfall, although still below pre-pandemic levels, is showing encouraging signs of recovery, benefiting our core Iceland estate. In the week preceding the May Day bank holiday we ran our first-ever nationwide campaign designed to recruit new customers for The Food Warehouse, with £10 off £50 vouchers appearing in every major national newspaper title, and this proved very successful.

Our Online business is successfully holding the increased market share it secured during the pandemic, and provides a unique multi-channel proposition as the only UK food retailer offering the choice of free next day delivery, same day delivery for a fixed fee, or delivery in as little as 20 minutes through Uber Eats.

We have made it clear to our customers that we will do all we can to support them through the current cost-of-living crisis. We have pledged to freeze the price of our extensive £1 Iceland frozen value range until the end of 2022, and have reduced from £25 to £20 the threshold for free home delivery of in-store purchases. Other initiatives have included a 1p fresh and frozen vegetable offer over Easter, an increase from 10% to 15% in our colleague discount, and the introduction of a 10% off offer for over-60s every Tuesday, with no minimum purchase. Promotions, offers and deals for customers of all ages are an ongoing feature of our marketing, including in June a “3 for 3p” offer to online customers that allowed them to add to their order for just 1p each a range of basic foods including bread, milk and butter, and summer treats including fizzy drinks and ice cream.

The fundamentals of our market positioning mean that we are very strongly placed in the current testing environment for consumers. Iceland has always performed strongly in the past during periods when GDP has contracted and household incomes have been squeezed. Research has long demonstrated that frozen food offers families substantial savings in both spending and food waste compared to fresh food, and we expect to see growing numbers of consumers moving from fresh to frozen as household budgets come under increasing pressure. Our unique positioning as a specialist frozen food discounter, offering savings versus the market, provides us with a further competitive edge which we are already seeing reflected in outperformance of the sector: Kantar data for the 12 weeks to 12 June 2022 showed our frozen food sales growing by 3% more than the UK frozen food market as a whole. Finally, our ranges of exclusive brand restaurant-quality meals, under such well-known names as Chiquito, Harry Ramsden’s, Piccolino and TGI Fridays, allow us to meet the needs of customers who feel that they can no longer afford the luxury of eating out.

We continue to provide market-leading product innovation, with new exclusive brand launches in the year to date including Yo! Japanese and Korean food, Tabasco® and Levi Roots. Iceland and The Food Warehouse were official partners of the Big Jubilee Lunch in honour of the Queen’s Platinum Jubilee in June, for which we offered a Big Jubilee Lunch party food range together with a special £1 value range. For the summer we have launched a new TGI Fridays BBQ range and extensive new ranges of sweet shop ice creams and lollies including such famous names as Maltesers, Hershey, Skittles, Swizzles, Vimto, J20, Capri-Sun and Slush Puppie.

We plan to drive consumer loyalty by further increasing the appeal of our Bonus Card app in the course of the year, through a growing range of special price deals and other incentives.

The food retailing industry as a whole is currently facing unprecedented pressures on both input and operating costs. Like all our competitors, we are raising retail prices where this is essential to recover cost increases from our suppliers, while taking care to maintain Iceland’s reputation for outstanding value; based on the prices of the top 200 products, we remain cheaper than the Big Four UK food retailers. Within our own operations, we are pleased to report that we have been able to offset all cost increases to date – with

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the sole exception of energy – through early and decisive action to reduce costs in our stores, depots and delivered sales network.

We are working hard to offset the unavoidable and industry-wide increase in energy costs through increased sales. However, we must recognise that there is at present considerable uncertainty and volatility in global energy prices and, while we have forward cover for a proportion of our energy needs, in the absence of market stabilisation we – in common with other retailers – will be unable to avoid a temporary reduction in our profits in the current year. Our substantial cash reserves and strong liquidity profile provide us with an exceptionally strong platform during this period of turbulence, as does our long track record of consistent cash generation.

We will continue to invest in both the infrastructure of the business and the expansion and improvement of our retail estate. Since the beginning of the current financial year we have opened six new The Food Warehouse stores and two additional Swift convenience stores, as we continue the trial of this new format within the M25. The Range has also opened Iceland departments in a further three of its stores. We expect to open a total of some 25 new stores in the UK over the year as a whole, mainly under The Food Warehouse fascia. Total capital expenditure for the year is currently budgeted to be some £10m lower than in 2021/22, at around £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.

We remain committed to our Doing It Right strategy and to the targets we have set for carbon, food waste and plastic reduction. The war in Ukraine has created particular challenges in the supply of sunflower oil, and at the beginning of the new financial year we announced with regret that we would temporarily revert to using certified sustainable palm oil in a limited number of Iceland own label lines where processing or taste issues mean that there is no viable alternative to palm while sunflower oil is unavailable.

We are continuing to invest in our UK supply chain, with expansion of our Swindon and Livingston depots now nearing completion. Our continued focus on cost reduction includes beginning a trial of autonomous mobile robots to increase the efficiency of both inbound and outbound goods flows at our new Swindon depot.

Looking beyond the challenges of the current year, we have a very clear and comprehensive strategy in place to increase the profitability of the Company by protecting our core Iceland retail business while simplifying the operation of its smaller and quieter stores; maximising the potential of The Food Warehouse; building our multi-channel Online presence; increasing efficiencies throughout all our operations; and driving increasing returns from our ancillary interests including our The Range and Uber Eats partnerships.

It remains our firm belief that 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 provide the strongest possible foundation for achieving sustainable, profitable long term growth for the benefit of all our stakeholders, while Doing It Right for our colleagues, communities and the planet.

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.

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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.

Supply chain risk is an issue of increasing relevance in the light of both Brexit and the uncertain international situation, particularly following the Russian invasion of Ukraine and the resulting disruption to global supplies of key commodities including wheat and sunflower oil. We adopt a balanced and flexible approach to sourcing products from suppliers in the UK, the EU, and the wider world, to ensure that we can move to alternative sources of supply in the event of disruption. Where an important input becomes effectively unavailable, as sunflower oil did in 2022, we and our suppliers have the proven ability to switch to other ingredients. Increased paperwork and delays at the ports are a risk for all supplies, particularly of perishable foodstuffs, following Britain's withdrawal from the EU. The major impact to date has been on the flow of goods from the UK to our stores in the Republic of Ireland and to franchisee customers within the EU, which we have been able to mitigate by opening an additional depot within the EU Single Market.

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 reviews and monitors 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 25 March 2022.

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.

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

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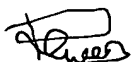
obtaining accelerated payment through our supplier portal. More than 1,500 suppliers, accounting for nearly half of our supplier base, are on payment terms of 14 days or less. We respond quickly and fully to queries from regulators, bankers, insurers and bondholders, providing the last with quarterly 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 on the environment by reducing our food waste and our use of plastics and carbon, as reported on pages 18-20.

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 16-18.

APPROVED BY AND SIGNED ON BEHALF OF THE BOARD OF DIRECTORS



R D Ewen
Director

5 July 2022

Report of the directors

The directors present their report together with the audited financial statements for the 52 week period ended 25 March 2022.

Profit and dividends

The company's loss for the period after tax amounted to £3.6m (26 March 2021: profit of £60.2m). No dividends were authorised in the period (2021: £149.2m).

Future developments and subsequent events

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

There are no adjusting or non-adjusting subsequent events.

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.

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

Report of the directors

representatives. Complaints may be raised with the directors by email or through a confidential telephone hotline. Any issues are considered as part of future decisions taken by the Group.

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.

Pay is reviewed annually and we increased the pay of all front line colleagues in both April 2021 and April 2022; 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 have traditionally offered a 10% employee discount at Iceland and The Food Warehouse stores throughout the year – recently increased to 15% in response to the cost-of-living crisis – with periodic 20% double discount weeks timed to encourage our colleagues to try new seasonal products, including our Christmas range. We also offer colleagues discounts with more than 150 other retailers, and on holidays and insurance, through Reward Gateway, together with access to low-cost loans and competitive savings rates through the credit union retailCURE.

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. There have been no key decisions on which to consult with various stake holders but when this occurs the Directors will disclose this in their Annual Report.

Directors

The directors who held office were as follows:

Sir M C Walker CBE
T S Dhaliwal
R M Walker OBE
P S Dhaliwal
R D Ewen

Report of the directors

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 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 period ended 25 March 2022, under The Companies (Miscellaneous Reporting) Regulations 2018, the Group 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). We have set out below how the Principles would have applied over the past financial period.

Principle 1: Purpose and leadership

The Group'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 Group'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 Pulse attitude surveys, and through employee-nominated Talking Shop and Deeside Voice representatives.

The Group'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 development of our Online business and Bonus Card app, the continuation of our store refit programme, the launch of our new Swift convenience supermarket format 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 CBE) and Chief Executive Officer (Tarsem Dhaliwal) to ensure that responsibilities, accountabilities and decision making are balanced effectively across the Group. The Board comprises a Chairman, Chief Executive Officer, Chief Financial Officer and two additional Executive directors, who are both fully involved in the day to day running of the business. On 17 February 2022 the Board was further strengthened by the appointment as a Non-Executive Director of Larus Welding, who brings to us many years of financial expertise as a senior international banker. The wider trading board of Iceland Foods Limited 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 Iceland Foods, 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 boards, at both Group and trading 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.

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

Report of the directors

the Groceries Supply Code of Practice (GSCOP)), considers and addresses business issues and meets on a bi-annual basis.

The Audit Committee has been chaired since his appointment by our Non-Executive Director Larus Welding, and we are confident that it 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 high ranking in external surveys of employees, including the Sunday Times survey of Best Big Companies to Work For in the UK.

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.

	1 April 2021 to 31 st March 2022	1 April 2020 to 31 st March 2021
Energy consumption used to calculate emissions (kWh)	777,878,608	813,202,632
Emissions from combustion of gas (Scope 1) tCO ₂ e	1,804	2,322
Emissions from combustion of fuel for transport purposes (Scope 1) tCO ₂ e	71,320	77,155
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) tCO ₂ e	-	-
Emissions from purchased electricity (Scope 2, location-based) tCO ₂ e	99,871	112,777
Emissions from purchased electricity (Scope 2, market-based) tCO ₂ e	-	-
Total gross tCO ₂ e based on above (location based)	172,995	192,254
Total gross tCO ₂ e based on above (market based)	73,124	79,477
Intensity ratio (kgCO ₂ e/sales revenue £m) (location based)	0.048664	0.050881
Intensity ratio (kgCO ₂ e/sales revenue £m) (market based)	0.020570	0.021034

Report of the directors

Energy Efficiency Action Summary Year to 31 March 2022

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.
- 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 compliant vehicles with lower tailpipe emissions.
- Continue the upgrade programme of refrigerated cabinets and air conditioning systems to improve energy efficiency and reduce emissions across the portfolio.

Methodology Notes

Reporting Period	1 st of April 2021 – 31 st of March 2022
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Iceland Foods Limited annual accounts made up to 31 st March 2022.
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2021 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption

Report of the directors

Other relevant information on calculation	<p>Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors.</p> <p>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.</p>
Reason for the intensity measurement choice	<p>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 tCO₂e 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.</p>
Rounding	<p>Due to rounding there might be a minor difference compared to the actual GHG emissions (no more than 1%).</p>
Amount of renewable electricity (kWh) imported from the grid and it is backed by REGOs.	470,358,602
Information on renewable electricity	<p>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.</p>
Estimation	<p>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.</p>

The Streamlined Energy and Carbon Report has been prepared for the year to 31 March 2022. There is no material difference from this and our reporting period of the 52 weeks to 25 March 2022.

Report of the directors

GSCOP summary of annual compliance 2021-2022

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 2021/22 (which ran from 27 March 2021 to 25 March 2022), is currently being drafted and will be submitted to, and approved by, Iceland’s Audit Committee upon completion.

Iceland believes that it has materially complied with the Groceries Supply Code of Practice (“GSCOP”) during the reporting period, and it has had one formal dispute 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 confirms that Iceland had five (5) 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 of these potential breaches were reported, where necessary, to the GCA as part of Iceland’s progress meeting reports. Three (3) have been resolved and closed, and two (2) have been carried over into the next reporting period to resolve. Whenever Iceland receives a complaint, it promptly works 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 the Buying Team have been given a copy of GSCOP, and have access to an online copy of GSCOP at all times via Iceland’s online training resource. All members of the Buying Team also receive bi-annual refresher GSCOP e-learning training each financial year, 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 in the business, which have contact with suppliers, have received GSCOP e-learning training, as part of Iceland’s bi-annual training programme. This is a total of 165 employees trained during the reporting period.

Iceland’s e-learning training is updated regularly to reflect: (i) key issues that have arisen in Iceland’s compliance with GSCOP; (ii) any training feedback provided by the GCA, and (iii) any feedback Iceland receives from its suppliers. In this reporting period, Iceland has updated its e-learning training to make it more interactive, and it has included a knowledge base check, so that the colleagues are tested on their understanding of the Code for their day to day roles. Iceland encourages feedback on the training from all colleagues so that it can continually provide the most up to date and effective refresher training on GSCOP.

Report of the directors

Internal Compliance

Iceland continues to hold bi-annual GSCOP steering group meetings to enable all supplier-facing departments to communicate any compliance concerns which may have been raised, or forthcoming projects that might affect suppliers, and Iceland's compliance with GSCOP.

Iceland held its annual GSCOP compliance audit in March, to measure the business' compliance with the Code, and to address any future changes that may be required. Any feedback from this audit is shared with the Trading Directors, the CCO and the Code team so that any changes can be agreed and implemented. This may include changes to the e-learning training, or specific department assistance to ensure GSCOP compliance in relation to certain projects within the business. Iceland will include a copy of this report in its annual report submitted to the CMA and GCA.

Iceland has launched its supplier database for new suppliers, to assist the banking set up on its accounting system, and to enable the supplier to have access to the supply agreement via the database. This ensures that any queries a supplier may have on the standard terms and conditions, which forms the supply agreement, can be explained to them by the Legal team, from the outset of the trading relationship.

Iceland offers extended depot delivery windows to assist suppliers to deliver goods into its depots. Iceland acknowledges that the trading environment continues to be tough for its suppliers, and Iceland aims to be as flexible as possible to ensure that it receives the goods to get them into its stores for its customers. In light of this, Iceland continues to put on hold the late payment and supplier credit system (for late deliveries and late unloading respectively). When Iceland plans to implement this system, it will communicate it to all of its suppliers, with reasonable notice, as required under GSCOP.

Iceland has updated its supplier de-listing policy during the reporting period, to provide additional guidance to its Buyers on how to conduct the de-listing process in line with GSCOP. This includes an updated precedent written notice to provide to its suppliers, and an updated de-listing policy to ensure better cross departmental communication of de-listed lines.

Iceland aims for continual improvement to its internal compliance, and therefore appreciates all feedback from suppliers, whether made directly to Iceland or through the GCA, both of which help it to improve its 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 team, and Iceland has taken on board this feedback, and aims to continue to improve its long-term relationships with its suppliers

Work with the GCA

Iceland continually works with the GCA to monitor its GSCOP compliance, and to receive from, and share with, the GCA any feedback on GSCOP and on Code-related activities. Iceland has ensured that it is working in compliance with the GCA's Best Practice statement on forensic auditing. It is working to ensure that its transition to its new Northern Ireland depot is seamless for its suppliers (and with all reasonable notice given, as required by GSCOP, for any changes to the suppliers' delivery and payment arrangements). Iceland works with the GCA to respond to any queries the GCA may raise at its progress meetings, or to respond to any feedback that is shared from its suppliers within these meetings.

Report of the directors

Actions

Iceland has invested in the way it works with its suppliers during the reporting period, and has focused on several key projects, which include:

- updated GSCOP e-learning training;
- the launch of its supplier database to improve access to its terms and conditions, supplier handbook and financial agreements, which together form the supply agreement;
- continued ongoing commitment to enter into longer term agreements with its key suppliers, to build long term partnerships with those suppliers; and
- continued improvement on its de-listing process with suppliers, where Iceland needs to reduce significantly the volume of goods, or to de-list those goods completely.

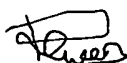
Forward Looking

With the implementation of the new deposit return scheme in Scotland in 2022, the implementation of the new HFSS legislation, and the unprecedented demands faced by retailers and suppliers over the reporting period (including increases in inflation, fuel costs, energy costs, and raw material costs), Iceland aims to continue to balance all of these factors, and to continue to foster mutually beneficial relationships with its suppliers in 2022-2023.

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

5 July 2022



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 25 March 2022 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 25 March 2022 and of its loss 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.



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 3-23, 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.



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

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
- 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 15, 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



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

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.

- 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.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- 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.



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

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

5 July 2022

Iceland Foods Limited
Financial statements for the 52 week period ended 25 March 2022

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Statement of income and retained earnings

	Note	52 week period ended 25 March 2022 £'m	52 week period ended 26 March 2021 £'m
Turnover	5	3,554.9	3,715.3
Cost of sales before exceptional items		(3,401.6)	(3,507.5)
Exceptional cost of sales	6	(8.6)	4.2
		<u>(3,410.2)</u>	<u>(3,503.3)</u>
Gross profit		144.7	212.0
Administrative expenses before exceptional items		(86.4)	(93.2)
Exceptional administrative expenses	6	(21.4)	(7.5)
Administrative expenses		<u>(107.8)</u>	<u>(100.7)</u>
Operating profit	8	36.9	111.3
Loss on disposal of a joint venture		-	(9.0)
Profit on disposal of a subsidiary undertaking		-	14.7
Fair value movement of unlisted investments		-	1.4
		<u>36.9</u>	<u>118.4</u>
Profit on ordinary activities before interest and taxation		36.9	118.4
Net interest payable	9	(41.0)	(45.3)
(Loss) / profit on ordinary activities before taxation		(4.1)	73.1
Taxation on loss / profit on ordinary activities	10	0.5	(12.9)
		<u>(3.6)</u>	<u>60.2</u>
(Loss) / profit and total comprehensive income for the financial period		(3.6)	60.2
Retained profit at the beginning of the period		686.7	775.7
Dividends paid	11	-	(149.2)
		<u>683.1</u>	<u>686.7</u>
Retained profit at the end of the period		683.1	686.7
All activities relate to continuing operations.			

The accompanying accounting policies and notes on pages 31 to 50 form an integral part of these financial statements.

Iceland Foods Limited
Financial statements for the 52 week period ended 25 March 2022

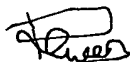
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Balance Sheet

	Note	25 March 2022 £'m	26 March 2021 £'m
Fixed assets			
Intangible assets	12	13.8	14.7
Tangible assets	13	182.7	194.4
Investments	14	17.1	17.1
		<u>213.6</u>	<u>226.2</u>
Current assets			
Stocks	15	197.4	179.6
Debtors	16	2,188.2	2,244.0
Cash at bank and in hand		151.5	124.3
		<u>2,537.1</u>	<u>2,547.9</u>
Creditors: amounts falling due within one year	17	<u>(1,981.8)</u>	<u>(1,997.4)</u>
Net current assets		<u>555.3</u>	<u>550.5</u>
Total assets less current liabilities		768.9	776.7
Creditors: amounts falling due after more than one year	18	(17.8)	(17.8)
Provisions for liabilities	19	(33.0)	(37.2)
Net assets		<u>718.1</u>	<u>721.7</u>
Capital and reserves			
Called up share capital	20	35.0	35.0
Profit and loss account	21	<u>683.1</u>	<u>686.7</u>
Shareholder's funds		<u>718.1</u>	<u>721.7</u>

These financial statements were approved and authorised for issue by the Board of Directors on 5 July 2022.

Signed on behalf of the Board of Directors:



R D Ewen
Director

Company registration no: 01107406

The accompanying accounting policies and notes on pages 31 to 50 form an integral part of these financial statements.

Notes to the financial statements

1. Company information

Iceland Foods Limited, incorporated in England and Wales, 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 25 March 2022 (2021: 26 March 2021).

The individual accounts of Iceland Foods Limited have also adopted the following disclosure exemptions which are included in the accounts of WD FF Limited:

- 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, to ensure that these are sufficient at both 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 such as cost of living and inflation, and fuel and utility prices which have become more volatile following the Russian invasion of Ukraine.

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 judgements and estimates.

The items in the financial statements where these judgements have been made include:

Other unlisted investments

Investments in unlisted equity instruments are initially 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. In the current year, the Directors have made a key judgement that a reliable measure of fair value was no longer available, due to the lack of available financial information, and as such the carrying amount at the last date was reliably measurable becomes its deemed cost. The investment is now measured at cost less impairment until a future reliable measure of fair value becomes available.

Any future changes in fair value are recognised in the income statement.

The items in the financial statements where these estimates have been made include:

Provisions (note 19)

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.

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 improvements	Amortised on a straight line basis over the life of the lease
Plant and equipment	10% 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
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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 initially 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. In the current year, the Directors have made a key judgement that a reliable measure of fair value was no longer available, due to the lack of available financial information, and as such the carrying amount at the last date was reliably measurable becomes its deemed cost. The investment is now measured at cost less impairment until a future reliable measure of fair value becomes available.

Any future 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.

Notes to the financial statements

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.

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.

In a business combination, market rent provisions are recognised which represent the difference between the passing rent charged and the market rent at the time of the acquisition, over the remaining term of the lease. This unwinds over the remaining lease term and is not reassessed annually.

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 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 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.

Notes to the financial statements

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.

- 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. By doing so, it allows the readers of the accounts to get a better view of the underlying performance of the business in year and year on year. Costs include business restructuring, compliance and property provisions.

4.13 Interest income

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

Notes to the financial statements

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 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 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 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 has transferred substantially all the

Notes to the financial statements

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.

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 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 25 March 2022 £'m	52 week period ended 26 March 2021 £'m
Business rates relief	-	46.7
Transfer pricing adjustment- Iceland Manufacturing Limited	-	(2.5)
Property provisions	(2.5)	(4.1)
Business restructuring	(3.1)	(4.4)
Compliance	0.7	(3.8)
Impairment of intercompany loans	(16.0)	-
Other (see note below)	(9.1)	(35.2)
	<u>(30.0)</u>	<u>(3.3)</u>
<u>Split</u>		
Cost of sales	(8.6)	4.2
Administrative expenses	(21.4)	(7.5)
	<u>(30.0)</u>	<u>(3.3)</u>

Other exceptional expenses include costs associated with the ongoing Covid 19 global pandemic such as PPE, other health and safety costs and additional temporary staff. It also includes the exceptional costs incurred in relation to the nationwide HGV driver shortage in the summer of 2021.

An impairment of £16.0m has been recognised in respect of certain intercompany balances where an impairment indicator has been identified at the year end.

7. Directors and employees

The aggregate payroll costs of these persons were as follows:

	52 week period ended 25 March 2022 £'m	52 week period ended 26 March 2021 £'m
Wages and salaries	393.7	391.1
Social security costs	22.7	22.9
Other pension costs	6.0	5.9
	<u>422.4</u>	<u>419.9</u>

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 £6.0m (2021: £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 25 March 2022	52 week period ended 26 March 2021
Sales and distribution	27,789	29,257
Office and administration	1,064	999
	<u>28,853</u>	<u>30,256</u>

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 25 March 2022	52 week period ended 26 March 2021
Sales and distribution	17,303	18,555
Office and administration	1,012	939
	<u>18,315</u>	<u>19,494</u>

Directors' emoluments:

	52 week period ended 25 March 2022 £'m	52 week period ended 27 March 2021 £'m
Directors' emoluments	<u>7.5</u>	<u>7.6</u>
Amounts in respect of the highest paid director		
Emoluments	<u>3.8</u>	<u>3.8</u>

During the year, retirement benefits were accruing to two directors (2021: two) in respect of defined contribution pension scheme.

Notes to the financial statements

8. Operating profit

The operating profit is stated after:

	52 week period ended 25 March 2022 £'m	52 week period ended 26 March 2021 £'m
Amortisation of intangible assets (note 12)	3.1	2.6
Depreciation charge (note 13)	50.1	54.7
Loss on disposal of fixed assets	1.6	-
Operating lease charges	128.3	123.8
Auditor remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	0.3	0.2

9. Net interest payable

	52 week period ended 25 March 2022 £'m	52 week period ended 26 March 2021 £'m
Interest receivable at amortised cost		
Other interest receivable and similar income	0.4	0.4
	0.4	0.4
Interest payable		
Interest payable on finance leases	(1.2)	(1.7)
Amortisation of bond fees	(2.2)	(0.8)
Other interest at amortised cost	(1.4)	(2.0)
Bond redemption penalty	-	(3.8)
Bond interest (intercompany interest)	(36.6)	(37.4)
Interest at amortised cost	(41.4)	(45.7)
	(41.0)	(45.3)
Net interest payable		

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

Notes to the financial statements

10. Taxation on (loss) / profit on ordinary activities

	52 week period ended 25 March 2022 £'m	52 week period ended 26 March 2021 £'m
UK Corporation Tax		
Current tax on profit for the period	(6.8)	(17.9)
Adjustments re prior periods	0.2	1.7
Total current tax	(6.6)	(16.2)
Deferred tax		
Origination and reversal of timing differences	2.7	3.3
Adjustments in respect of previous periods	0.1	-
Effect of changes in tax rates	4.3	-
Total deferred tax	7.1	3.3
Tax credit / (charge) for the period	0.5	(12.9)

The current tax credit / (charge) for the period is lower (2021: lower) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	52 week period ended 25 March 2022 £'m	52 week period ended 26 March 2021 £'m
Total tax reconciliation		
(Loss) / profit on ordinary activities before tax	(4.1)	73.1
Current tax at 19% (2021: 19%)	0.8	(13.9)
Effects of		
Expenses not deductible for tax purposes	(4.5)	(1.8)
Income not taxable	-	1.4
Adjustments in respect of prior periods	0.1	1.6
Transfer pricing adjustments	(0.3)	(0.2)
Tax rate changes	4.4	-
Tax credit / (charge) for the period	0.5	(12.9)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase from 19% to 25%. This increase was substantively enacted as part of Finance Act 2021 on 24 May 2021. Therefore any deferred tax timing differences held at 25 March 2022 have been measured at 25% to the extent that they are expected to unwind after 1 April 2023.

There is no unprovided deferred tax at the year end. A deferred tax asset of £18.1m (2021: £11.0m) has been recognised within other debtors.

Notes to the financial statements

11. Dividends

	52 week period ended 25 March 2022 £'m	52 week period ended 26 March 2021 £'m
Dividends paid £Nil per share (2021: £4.26 per share)	-	149.2

12. Intangible assets

	Goodwill £'m	Computer software £'m	Total £'m
Cost			
At the beginning of the period	3.3	27.4	30.7
Additions	-	2.2	2.2
At end of period	<u>3.3</u>	<u>29.6</u>	<u>32.9</u>
Amortisation			
At the beginning of the period	3.3	12.7	16.0
Charge for the year	-	3.1	3.1
At end of period	<u>3.3</u>	<u>15.8</u>	<u>19.1</u>
Net book value			
At end of period	<u>-</u>	<u>13.8</u>	<u>13.8</u>
At beginning of period	<u>-</u>	<u>14.7</u>	<u>14.7</u>

Notes to the financial statements

13. Tangible assets

	Land and buildings			Plant and equipment	Motor vehicles	Total
	Freehold £'m	Long leasehold £'m	Short leasehold £'m	£'m	£'m	£'m
Cost						
At beginning of period	10.9	9.5	204.4	499.9	7.5	732.2
Additions	-	1.5	12.6	25.3	0.3	39.7
Disposals	(0.9)	-	(3.0)	(6.0)	(0.1)	(10.0)
At end of period	<u>10.0</u>	<u>11.0</u>	<u>214.0</u>	<u>519.2</u>	<u>7.7</u>	<u>761.9</u>
Depreciation						
At beginning of period	2.5	4.4	147.4	376.6	6.9	537.8
Charge for the year	0.2	0.4	11.2	38.1	0.2	50.1
Disposals	(0.2)	-	(2.8)	(5.6)	(0.1)	(8.7)
At end of period	<u>2.5</u>	<u>4.8</u>	<u>155.8</u>	<u>409.1</u>	<u>7.0</u>	<u>579.2</u>
Net book value						
At end of period	<u>7.5</u>	<u>6.2</u>	<u>58.2</u>	<u>110.1</u>	<u>0.7</u>	<u>182.7</u>
At beginning of period	<u>8.4</u>	<u>5.1</u>	<u>57.0</u>	<u>123.3</u>	<u>0.6</u>	<u>194.4</u>

Long leasehold and short leasehold represent improvements to such leased properties.

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

	Net book value as at 25 March 2022 £'m	Depreciation period to 25 March 2022 £'m	Net book value as at 26 March 2021 £'m	Depreciation period to 26 March 2021 £'m
Total	<u>52.2</u>	<u>10.0</u>	<u>49.2</u>	<u>10.1</u>

Notes to the financial statements

14. Investments

	Subsidiary undertakings £'m	Other unlisted investments £'m	Total £'m
Cost			
At beginning and end of period	4.2	14.5	18.7
Impairment			
At beginning of period	1.6	-	1.6
Charge for the year	-	-	-
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	2.6	14.5	17.1

Investments in unlisted equity instruments are initially 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. In the current year, the Directors have made a key judgement that a reliable measure of fair value was no longer available, due to a lack of available financial information, and as such the carrying amount at the last date was reliably measurable becomes its deemed cost. The investment is now measured at cost less impairment until a future reliable measure of fair value becomes available.

Any future changes in fair value are recognised in the income statement.

Notes to the financial statements

14. Investments (continued)

The company's group undertakings are set out below.

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 Czech SRO	Czechoslovakia	Retail grocers	100% ordinary
Iceland Foods Ltd (Gibraltar)	Gibraltar	Dormant	100% ordinary
Iceland International Distribution Limited	England and Wales	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

All of the above companies incorporated in England and Wales are registered at Second Avenue, Deeside Industrial Park, Deeside, Flintshire, CH5 2NW.

Registered addresses for companies incorporated outside of England and Wales are as follows:

Iceland Foods Limited (Gibraltar), PO Box 489, Haven Court, 5 Library Ramp, Gibraltar
Iceland Foods Czech s.r.o., Praha 1, Na Porici 1079/3a, PSC 11000
Iceland India Private Limited, 404, Aranya-II, Opp. Yogivadan Flats, Harinagar Gotri Road, Vadodara, Gujarat, India
Iceland Stores Ireland Limited, 6th Floor, South Bank House, Barrow Street, Dublin 4

15. Stocks

	25 March 2022 £'m	26 March 2021 £'m
Goods for resale	195.9	178.4
Consumables	1.5	1.2
	<u>197.4</u>	<u>179.6</u>

Notes to the financial statements

16. Debtors

	25 March 2022 £'m	26 March 2021 £'m
Due within one year:		
Trade debtors	30.9	53.2
Amounts owed by group undertakings	2,075.8	2,124.4
Amounts owed to related party undertakings	0.2	3.3
Other debtors	24.0	17.7
Other taxes and social security costs	1.6	4.7
Corporation tax	2.5	0.8
Accrued income	37.6	30.5
Prepayments	15.6	9.4
	<u>2,188.2</u>	<u>2,244.0</u>

Included within Trade Debtors are net amounts of £0.5m (2021: £Nil) which have been transferred under a non-recourse factoring arrangement, with a gross balance of £8.7m (2021: £Nil).

Other debtors include amounts of £18.1m (2021: £11.0m) in relation to deferred tax assets (see note 19).

Amounts owed by group undertakings are held at amortised cost and are unsecured, interest free, have no fixed date of repayment and can be recalled on demand.

17. Creditors: amounts falling due within one year

	25 March 2022 £'m	26 March 2021 £'m
Shares classified as liabilities	0.1	0.1
Amounts owed to group undertakings	1,249.5	1,279.2
Trade creditors	583.5	563.4
Other taxes and social security costs	6.3	6.6
Other creditors	15.5	13.3
Accruals	114.7	116.0
Finance lease creditors	12.2	18.8
	<u>1,981.8</u>	<u>1,997.4</u>

Amounts owed to group undertakings are held at amortised cost and 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 5.9% (2021: 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

18. Creditors: amounts falling after more than one year

	25 March 2022 £'m	26 March 2021 £'m
Finance lease creditor	17.8	17.8

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

	25 March 2022 £'m	26 March 2021 £'m
Within one year	12.2	18.8
In the second to fifth year	17.8	17.8
Greater than the fifth year	-	-
	30.0	36.6

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

19. Provisions for liabilities

	Other provisions £'m	Trading obligations £'m	Property provisions £'m	Total £'m
At beginning of period	7.8	17.4	12.0	37.2
Provided in period	13.1	-	4.3	17.4
Utilised	(13.7)	(2.6)	(1.9)	(18.2)
Released in period	(3.4)	-	-	(3.4)
At end of period	3.8	14.8	14.4	33.0

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% (2021: 8%).

Analysis of deferred tax asset

	25 March 2022 £'m	26 March 2021 £'m
Accelerated capital allowances	17.5	9.9
Short term timing differences	0.6	1.1
	18.1	11.0

Notes to the financial statements

19. Provisions for liabilities (continued)

	£'m
Deferred tax asset at beginning of period	11.0
Charge in period	7.1
Deferred tax asset at end of period (included in debtors)	<u>18.1</u>

A deferred tax asset amounting to £18.1m (2021: £11.0m) 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 £0.7m (2021: £1.1m), relating to the reversal of existing timing differences on tangible fixed assets and short term timing differences.

20. Called up share capital

	25 March 2022 £	26 March 2021 £
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	<u>35,110,110</u>	<u>35,110,110</u>
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	<u>35,110,110</u>	<u>35,110,110</u>
Shares classified as liabilities	110,000	110,000
Shares classified in shareholders' funds	<u>35,000,110</u>	<u>35,000,110</u>

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.

21. 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

22. Capital commitments

The company had capital commitments for plant and machinery of £Nil (2021: £Nil).

23. Leasing commitments

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

	Plant and equipment		Land and buildings	
	25 March 2022	26 March 2021	25 March 2022	26 March 2021
	£'m	£'m	£'m	£'m
Within one year	18.5	17.2	108.9	108.8
Between one and five years	40.5	32.3	359.9	359.6
In more than five years	4.7	1.1	224.8	272.2
	<u>63.7</u>	<u>50.6</u>	<u>693.6</u>	<u>740.6</u>

24. 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 (2021: in respect of bonds £800.0m). The bonds are secured by fixed and floating charges over assets of the companies within the restricted bond group.

25. Transactions with related parties

Balances owed by Individual Restaurants (IRC) Limited and Gino Worldwide Restaurants Limited (2021: £3.3m) were reclassified as amounts owed by group undertakings following the acquisition of the assets and certain liabilities of these companies by WD FF Limited, the ultimate parent company of Iceland Foods Limited.

During the period, the company advanced a loan to Bywater Properties Limited, a company related by virtue of common shareholders. At the end of the financial year, the loan of £0.2m remained outstanding. The loan was settled in full in April 2022.

During the period, donations of £498,832 (2021: £119,495) were made to The Iceland Foods Charitable Foundation, a related party by virtue of common trustees/officers.

Notes to the financial statements

26. 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 smallest and largest group in which the results of the company are consolidated is headed by WD FF Limited. The consolidated financial statements of this company will be available to the public and may be obtained from Companies House. No other group accounts include the results of this company.

27. Reconciliations

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

	52 week period ended 25 March 2022 £'m	52 week period ended 26 March 2021 £'m
Adjusted profit before taxation per Strategic Report	31.3	69.3
Exceptional expenses (note 6)	(30.0)	(3.3)
Transfer pricing adjustment	(5.4)	-
Profit on sale of subsidiary	-	14.7
Fair value movement of unlisted investments	-	1.4
Loss on sale of joint venture	-	(9.0)
(Loss) / profit on ordinary activities before taxation per Statement of income and retained earnings	<u>(4.1)</u>	<u>73.1</u>

Reconciliation of adjusted EBITDA to business review (page 4)

	52 week period ended 25 March 2022 £'m	52 week period ended 26 March 2021 £'m
Profit on ordinary activities before interest and tax	36.9	118.4
Add:		
Depreciation and amortisation of assets (note 8)	53.2	57.3
Exceptional expenses (note 6)	30.0	3.3
Transfer pricing adjustment	5.4	-
Profit on sale of subsidiary	-	(14.7)
Fair value movement of unlisted investments	-	(1.4)
Loss on sale of joint venture	-	9.0
Loss on disposal of fixed assets (note 8)	1.6	-
Adjusted EBITDA	<u>127.1</u>	<u>171.9</u>