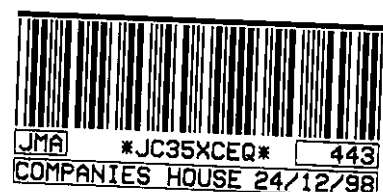


Report and Accounts
Woodward Foodservice Limited
31 December 1997

Registered number: 01786682



Woodward Foodservice Limited

Contents

	Page
Directors and Advisers	1
Directors' Report	2
Directors' Responsibilities	4
Report of the Auditors	5
Profit and Loss Account	6
Balance Sheet	7
Accounting Policies	8
Notes to the Accounts	10

Woodward Foodservice Limited

Directors and Advisers

Directors

A S Pritchard FCA (Chairman)

J A Woodward

E J Hyslop

J G Berry

Secretary

J G Berry BA Barrister

Registered Office

Second Avenue

Deeside Industrial Park

Deeside

Flintshire

CH5 2NW

Auditors

Ernst & Young

Silkhouse Court

Tithebarn Street

Liverpool

L2 2LE

Bankers

National Westminster Bank

17 Church Street

Oswestry

Shropshire

SY10 8JN

Solicitors

Bullivant Jones & Company

State House

Dale Street

Liverpool

L2 4UR

Directors' Report

The directors submit their Report and Accounts for the 14 month period from 1 November 1996 to 31 December 1997.

Principal activities and review of business

The Company's principal activity is that of the wholesale supply of frozen food to the catering industry.

The Company was acquired by Iceland Group plc on 24 March 1997.

The name of the Company was changed from Woodward Frozen Foods (Rhyl) Ltd to Woodward Foodservice Ltd on 2 August 1997.

The Company acquired the Foodservice Division of Coldmove Ltd in July 1997.

Results and dividends

The profit and loss account is set out on page 6 and shows the Company's profit for the period. The directors do not recommend the payment of a final dividend.

Directors and their interests

The directors at 31 December 1997 and their interests, including family interests, in the share capital of the company were as follows:

Ordinary Shares	At 31 December 1997	At 1 November 1996 or subsequent date of appointment
J G Berry	-	-
E J Hyslop	-	-
A S Pritchard	-	-
J A Woodward	-	2,240

A S Pritchard, E J Hyslop and J G Berry were appointed to the Board of Woodward Foodservice Ltd on 24 March 1997.

N Woodward and D Woodward resigned on the same date.

The directors at 31 December 1997 and their interests, including family interests, in the share capital of the Company's holding company, Iceland Group plc (all held beneficially) were as follows:

The interests of Mr A S Pritchard, including family interests, in the share capital of group companies, are stated in the Director's Report of the ultimate holding company, Iceland Group plc. The interests of the other directors are set out as follows:-

Ordinary Shares	At 31 December 1997	At 1 November 1996 or subsequent date of appointment
J G Berry	5,622	5,622
E J Hyslop	10,384	16,613
J A Woodward	-	-

Woodward Foodservice Limited

Directors Report - continued

Interest in options

Ordinary Shares	Scheme	At 1 November 1996 or subsequent date of appointment £	Granted during the period	At 31 December 1997 £
J G Berry	a)	16,575	-	2,265
	b)	285,000	-	285,000
	c)	180,000	-	180,000

The share options referred to above were granted under the following schemes:

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

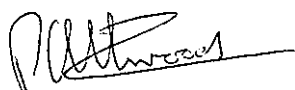
No options were exercised by a director during the period.

Options held at the beginning but not at the end of the period were surrendered by the holder during such period.

Auditors

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

On behalf of the board:



P G Attwood
Company Secretary

21 December 1998

Directors' Responsibilities

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

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

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

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

Report of the Auditors

To the members of Woodward Foodservice Limited

We have audited the accounts on pages 6 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

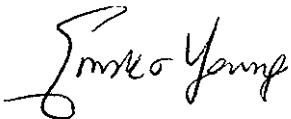
Basis of opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1997 and of the profit of the Company for the 14 months then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Liverpool

23 December 1998

**Profit and Loss Account
for the 14 months ended 31 December 1997**

	Notes	1997 £	1996 £
Turnover		17,885,494	12,635,272
Cost of sales		13,001,218	9,296,711
		<hr/>	<hr/>
Gross profit		4,884,276	3,338,561
Administrative expenses		4,588,826	3,161,093
		<hr/>	<hr/>
Operating profit	1	295,450	177,468
Interest payable	3	76,377	6,332
		<hr/>	<hr/>
Profit on ordinary activities before taxation		219,073	171,136
Tax on profit on ordinary activities	4	95,695	42,000
		<hr/>	<hr/>
Profit for the period		123,378	129,136
Retained profit brought forward		1,734,924	1,605,788
		<hr/>	<hr/>
Retained profit carried forward		1,858,302	1,734,924
		<hr/>	<hr/>

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

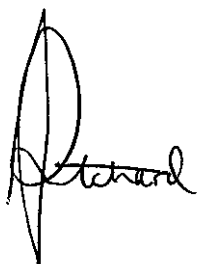
Woodward Foodservice Limited

Balance Sheet
at 31 December 1997


	Notes	1997 £	1996 £
Fixed assets:			
Intangible assets	5	1,888,000	-
Tangible assets	6	2,054,308	1,899,451
Investments	7	-	100
		<u>3,942,308</u>	<u>1,899,551</u>
Current assets:			
Stock	8	1,470,909	747,084
Debtors	9	2,682,809	1,178,035
Cash at bank and in hand		439,991	539
		<u>4,593,709</u>	<u>1,925,658</u>
Creditors: due within 1 year	10	<u>3,049,256</u>	<u>1,216,188</u>
Net current assets		<u>1,544,453</u>	<u>709,470</u>
Total assets less current liabilities		<u>5,486,761</u>	<u>2,609,021</u>
Creditors: due after 1 year	11	2,759,442	-
Deferred income - grants	12	101,415	106,495
		<u>2,625,904</u>	<u>2,502,526</u>
Capital and reserves:			
Called up share capital	13	8,000	8,000
Profit and loss account	15	1,858,302	1,734,924
Share premium account	15	759,602	759,602
		<u>2,625,904</u>	<u>2,502,526</u>
Shareholders' funds	14	<u>2,625,904</u>	<u>2,502,526</u>

Approved by the board of directors on 21 December 1998

Directors:



A S Pritchard
Director



E J Hyslop
Director

Accounting Policies

Accounting principles

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

Goodwill

Goodwill arising in connection with the acquisition of subsidiary undertakings and businesses is capitalised and written off over 20 years, which is its estimated economic useful life.

Turnover

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

Cost of Sales

Cost of sales represents all costs incurred up to the point of sale.

Stocks

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

Statement of cash flows

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

Tangible fixed assets and depreciation

Tangible assets, other than freehold land, are depreciated by equal annual instalments over their estimated useful lives, as follows:

Freehold buildings	-	2% straight line
Long leasehold buildings	-	2% straight line
Plant and machinery	-	10% straight line
Office equipment	-	20% straight line
Motor vehicles	-	20% straight line
Computer hardware	-	25% straight line
Computer software	-	25% straight line

Deferred taxation

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

Leasing commitments

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

Accounting Policies

Accounting principles - continued

Government Grants

Grants received in respect of the development of the leasehold property at Bodelwyddan are deferred and are to be included in the profit and loss account by instalments over the expected useful lives of the related assets, as follows:-

Buildings - 50 years

Plant and Machinery - 10 years

**Notes to the Accounts
at 31 December 1997**

1	Operating Profit	1997	1996
	This is stated after charging:	£	£
	Depreciation	278,194	206,665
	Staff Costs (see below)	2,405,629	1,648,262
	Auditor's Remuneration	19,822	11,981
		<u>2,405,629</u>	<u>1,648,262</u>
2	Staff Costs and directors' emoluments	1997	1996
		£	£
	(i) Staff costs		
	Wages and Salaries	2,173,743	1,489,097
	Social Security Costs	209,271	147,165
	Other Pension Costs	22,615	12,000
		<u>2,405,629</u>	<u>1,648,262</u>
	Average number of employees	1997 No	1996 No
	Coldstore and Distribution	78	60
	Administration and Marketing	49	38
		<u>127</u>	<u>98</u>
	(ii) Directors' emoluments	1997	1996
		£	£
	Emoluments	219,339	215,894
		<u>219,339</u>	<u>215,894</u>
	Company contributions paid to money purchase schemes	9,301	12,000
		<u>9,301</u>	<u>12,000</u>
	The amounts in respect of the highest paid director, are as follows:-	1997 £	1996 £
	Emoluments	127,416	121,750
	Pension	4,000	12,000
		<u>131,416</u>	<u>133,750</u>

Woodward Foodservice Limited

3 Interest Payable	1997	1996
	£	£
Bank interest and interest on loans wholly repayable within 5 years;		
Bank	3,357	6,332
Parent company loan	73,020	-
	<u>76,377</u>	<u>6,332</u>

4 Taxation on profit on ordinary activities	1997	1996
	£	£
Taxation charge is made up as:		
Corporation tax based on the profit for the period at 31.7% (1996 - 33%)	95,695	42,000
	<u>95,695</u>	<u>42,000</u>

The charge has been reduced by the effect of capital allowances and other timing differences. If full provision had been made for deferred tax the charge for the period would have been reduced by £10,000.

The full amount of deferred taxation calculated at 31% (1996 - 33%), none of which has been provided for in the accounts, is £191,000 (1996 - £181,000).

5 Intangible assets

Intangible assets represent goodwill arising on the acquisition of businesses.

Cost	£
At 31 October 1996	-
Additions	1,921,732
At 31 December 1997	<u>1,921,732</u>
Amortisation	£
At 31 October 1996	-
Provided	33,732
At 31 December 1997	<u>33,732</u>
Net book value at 31 December 1997	<u>1,888,000</u>
Net book value at 31 October 1996	<u>-</u>

6 Tangible fixed assets

	Land & Buildings		Plant and Equipment	Motor Vehicles	Total
	Freehold £	Long Leasehold £	£	£	£
Cost:					
At 31 October 1996	433,661	934,355	1,355,644	289,512	3,013,172
Additions	-	-	195,012	314,936	509,948
Disposals	-	-	(71,806)	(154,188)	(225,994)
At 31 December 1997	<u>433,661</u>	<u>934,355</u>	<u>1,478,850</u>	<u>450,260</u>	<u>3,297,126</u>
Depreciation:					
At 31 October 1996	79,715	52,439	863,318	118,249	1,113,721
Provided during the period	8,826	21,802	163,007	84,559	278,194
Disposals	-	-	(64,498)	(84,599)	(149,097)
At 31 December 1997	<u>88,541</u>	<u>74,241</u>	<u>961,827</u>	<u>118,209</u>	<u>1,242,818</u>
Net book value:					
At 31 December 1997	<u>345,120</u>	<u>860,114</u>	<u>517,023</u>	<u>332,051</u>	<u>2,054,308</u>
At 31 October 1996	<u>353,946</u>	<u>881,916</u>	<u>492,326</u>	<u>171,263</u>	<u>1,899,451</u>

The cost of freehold properties includes land of £55,364 (1996 - £55,364) on which depreciation is not provided.

7 Unlisted investments

	£
At 31 October 1996	100
Disposed	(100)
At 31 December 1997	<u>-</u>

8 Stocks

	1997 £	1996 £
Goods for resale	1,456,376	740,985
Consumables	14,533	6,099
	<u>1,470,909</u>	<u>747,084</u>

Woodward Foodservice Limited

9 Debtors	1997 £	1996 £
Trade debtors	2,315,570	1,120,929
Other debtors	755	1,105
Prepayments and accrued income	366,484	56,001
	<u>2,682,809</u>	<u>1,178,035</u>
10 Creditors: due within one year	1997 £	1996 £
Bank overdraft	-	197,302
Trade creditors	2,524,787	789,373
Corporation tax	95,000	41,985
Other taxes and social security costs	72,061	47,223
Other creditors	453	9,997
Accruals	356,955	130,308
	<u>3,049,256</u>	<u>1,216,188</u>
11 Creditors: due after one year	1997 £	1996 £
Loan from parent undertaking	2,759,442	-

The loan from the parent undertaking bears interest at 8% per annum.

12 Deferred income

This consists of government grants received in respect of the development of the leasehold property at Bodelwyddan, and is released to the profit and loss account in equal annual instalments over the expected useful lives of the related assets:

Building	50 years
Plant	10 years
	£
At 31 October 1996	106,495
Released to revenue in period	(5,080)
At 31 December 1997	<u>101,415</u>

13 Share capital

	1997 £	1996 £
Authorised:		
Ordinary shares of £1 each	10,000	10,000

Allotted, called up and fully paid:

Ordinary shares of £1 each	8,000	8,000
----------------------------	-------	-------

14 Reconciliation of movement in shareholders' funds

	1997 £	1996 £
Profit for the financial period	123,378	129,136
Shareholders' funds at the beginning of the period	2,502,526	2,373,390
Shareholders' funds at the end of the period	2,625,904	2,502,526

15 Reserves

	Share Premium	Profit and Loss Account
At 31 October 1996	759,602	1,734,924
Profit for the 14 month period	-	123,378
At 31 December 1997	759,602	1,858,302

16 Financial Commitments

	1997 £	1996 £
Operating leases		
The company had operating lease commitments to pay during the next year as follows:-		
Ending within two to five years:		
Refrigerated vehicles	508,041	390,924
Fork lift trucks	72,641	-
	580,682	390,924

17 Pension Costs

The assets of the non-contributory money purchase pension scheme operated by Woodward Frozen Foods (Rhyl) Ltd prior to its purchase by Iceland Frozen Foods plc on 23 March 1997 were held separately from those of the Company in a fund administered by Lower Sapey Pension Management. Contributions made to the scheme in the period 1 November 1996 to 23 March 1997 amounted to £4,000.

Members of the above scheme were invited to join the Woodward Frozen Foods money purchase pension scheme from 24 March 1997. The assets of this scheme are held separately from those of the Company in a fund administered by Mercury Asset Management. Contributions made by the Company to the scheme in the period 24 March to 31 December 1997 amounted to £18,615.

18 Coldmove Ltd

In July 1997 the Company acquired the net assets of Coldmove Ltd for a cash consideration of £2,409,330. The amount of goodwill arising on the acquisition has been included in the balance sheet as an intangible asset and amortised in line with the stated accounting policy.

The net assets acquired were:

	£
Fixed assets	46,505
Stocks	269,552
Debtors	794,872
Creditors	-623,331
	<hr/>
	487,598
	<hr/>

There were no material fair value adjustments.

19 Parent undertaking and controlling party

The Company's ultimate parent undertaking and controlling party is Iceland Group plc which is registered in England and Wales.

The parent undertaking of the smallest and largest group of which the Company is a member and for which group accounts are prepared is Iceland Group plc, group accounts for which may be obtained from the Registered Office of the Company.