

Woodward Foodservice Limited

Report and Accounts

1st January 2000



Woodward Foodservice Limited

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Woodward Foodservice Limited

Directors and Advisers

Directors

A S Pritchard FCA (Chairman)
J G Berry
E J Hyslop
J A Woodward

Secretary

P G Attwood

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

Woodward Foodservice Limited

Directors' Report

The directors present their report and accounts for the 52 week period ended 1st January 2000.

Principal activities and review of business

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

During the year the Company opened a new purpose-built distribution centre in Darlaston to service the Company's growing Midland operations.

In October 1999, the Company acquired Aberdeen based Deep Freeze Supplies Ltd, the leading foodservice operator in Scotland. This business is being integrated into the Company's existing operations.

Results and dividends

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

Directors and their interests

The Company is a wholly owned subsidiary of Iceland Group plc.

The directors at 1st January 2000 and their interests, including family interests, in the share capital of the Company's holding company, Iceland Group plc 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		As at <u>1.1.00</u>	As at <u>2.1.99</u>
J G Berry		33,629	5,622
E J Hyslop		10,384	10,384
J A Woodward		-	-

Ordinary share options

		As at <u>3.1.99</u>	Granted during <u>the year</u>	Exercised during <u>the year</u>	As at <u>1.1.00</u>
Scheme					
J G Berry	a)	2,265	-	-	2,265
	b)	235,000	65,000	-	300,000
	c)	90,000	-	90,000	-
E J Hyslop	b)	-	50,000	-	50,000
J A Woodward	b)	-	50,000	-	50,000

Director's Report (continued)

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

Post balance sheet event

On the 2nd January 2000, the trade, assets and liabilities of Caterfish Limited, a group company, were transferred to Woodward Foodservice Limited.

The transfer took place at net book value and Caterfish Limited ceased to trade on this date.

Employment policy

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Auditors

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

By order of the board



P G Attwood
Secretary

Date: 12 September 2000

Directors' Responsibilities in Respect of the Accounts

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the accounts.

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.

Woodward Foodservice Limited

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 preparing the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.


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 1st January 2000 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Liverpool

Date: 15 September 2000

Woodward Foodservice Limited

Profit and Loss Account For the year ended 1st January 2000

	<u>Note</u>	1999 £	1998 £
Turnover		28,710,523	24,137,291
Cost of sales		21,460,881	17,536,785
Gross profit		<u>7,249,642</u>	<u>6,600,506</u>
Administrative expenses		8,567,228	6,360,122
Operating (loss)/profit	1	<u>(1,317,586)</u>	<u>240,384</u>
Interest payable	3	949,773	244,901
Loss on ordinary activities before taxation		<u>(2,267,359)</u>	<u>(4,517)</u>
Tax on loss on ordinary activities	4	-	-
Loss for the financial year		<u>(2,267,359)</u>	<u>(4,517)</u>
Retained profit brought forward		<u>1,853,785</u>	<u>1,858,302</u>
Retained (loss)/profit carried forward		<u>(413,574)</u> =====	<u>1,853,785</u> =====

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 1st January 2000

	Note	1999 £	1998 £
Fixed assets:			
Intangible assets	5	1,998,830	1,785,044
Tangible assets	6	10,626,301	6,584,153
Investments	7	13,459,968	1,500,000
		<hr/>	<hr/>
		26,085,099	9,869,197
Current assets:			
Stock	8	2,908,960	2,269,246
Debtors	9	4,707,284	3,283,774
Cash at bank and in hand		550,061	747
		<hr/>	<hr/>
		8,166,305	5,553,767
Creditors: due within 1 year	10	(9,765,099)	(4,301,029)
		<hr/>	<hr/>
Net current (liabilities)/assets		(1,598,794)	1,252,738
		<hr/>	<hr/>
Total assets less current liabilities		24,486,305	11,121,935
		<hr/>	<hr/>
Creditors: due after 1 year	11	(23,994,667)	(8,346,489)
Deferred income - grants	12	(137,610)	(154,059)
		<hr/>	<hr/>
		354,028	2,621,387
		=====	=====
Capital and reserves:			
Called up share capital	13	8,000	8,000
Profit and loss account	15	(413,574)	1,853,785
Share premium account	15	759,602	759,602
		<hr/>	<hr/>
Shareholders' funds	14	354,028	2,621,387
		=====	=====

A S Pritchard
Director

Date: 12 September 2000

E J Hyslop
Director

Date: 12 September 2000

Woodward Foodservice Limited

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 (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

Woodward Foodservice Limited

Notes to the Accounts At 1st January 2000

1. Operating (loss)/profit

	1999 £	1998 £
This is stated after charging/(crediting):		
Depreciation	457,103	298,497
Staff costs (see below)	4,508,151	3,552,957
Auditor's remuneration	10,000	10,000
Government grants released	(16,449)	(9,856)
	=====	=====

2. Staff costs and directors' emoluments

	1999 £	1998 £
(i) Staff costs		
Wages and salaries	4,051,802	3,233,113
Social security costs	376,258	286,547
Other pension costs	46,305	33,297
Other staff costs	33,786	-
	=====	=====
	4,508,151	3,552,957
	=====	=====

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

	1999 <u>No</u>	1998 <u>No</u>
Average number of employees		
Coldstore and distribution	159	136
Administration and marketing	125	83
	=====	=====
	284	219
	=====	=====

(ii) Directors' emoluments

	1999 £	1998 £
Emoluments	288,268	256,919
	=====	=====
Company contributions paid to money purchase schemes	19,350	9,000
	=====	=====

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

	1999 £	1998 £
Emoluments	148,290	138,142
Pension	8,500	-
	=====	=====
	156,790	138,142
	=====	=====

Woodward Foodservice Limited

Notes to the Accounts At 1st January 2000 (continued)

3. Interest payable	1999	1998
	£	£
Bank interest and interest on loans wholly repayable within 5 years:		
Bank	27,274	485
Parent company loan	880,601	244,416
Loan note	41,898	-
	<u>949,773</u>	<u>244,901</u>
	=====	=====
4. Tax on loss on ordinary activities	1999	1998
	£	£
Tax charge is made up as follows:		
Corporation tax based on the result for the period	-	-
	=====	=====

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 not have changed.

The full amount of deferred taxation calculated at 30% (1998 – 31%), none of which has been provided for in the accounts, is £240,000 (1998 – £240,000).

Woodward Foodservice Limited

Notes to the Accounts At 1st January 2000 (continued)

5. Intangible assets

Intangible assets represent goodwill, which is being amortised over 20 years.

	£
Cost:	
At 3rd January 1999	1,921,732
Additions	326,010
	=====
At 1st January 2000	2,247,742
	=====
Amortisation:	
At 3rd January 1999	136,688
Provided during year	112,224
	=====
At 1st January 2000	248,912
	=====
Net book value at 1st January 2000	1,998,830
	=====
Net book value at 2nd January 1999	1,785,044
	=====

6. Tangible fixed assets

	Land & Buildings		Plant and Equipment	Motor Vehicles	Capital W-I-P	Total
	Freehold £	Long Leasehold £	£	£	£	£
Cost:						
At 3rd January 1999	3,457,686	934,355	2,073,254	609,398	1,000,693	8,075,386
Additions	75,550	-	655,061	224,412	3,571,839	4,526,862
Disposals	-	-	(3,625)	(50,465)	-	(54,090)
	=====	=====	=====	=====	=====	=====
At 1st January 2000	3,533,236	934,355	2,724,690	783,345	4,572,532	12,548,158
	=====	=====	=====	=====	=====	=====
Depreciation:						
At 3rd January 1999	103,218	96,043	1,106,702	185,270	-	1,491,233
Provided during the Period	58,655	21,913	241,105	135,430	-	457,103
Disposals	-	-	(1,767)	(24,712)	-	(26,479)
	=====	=====	=====	=====	=====	=====
At 1st January 2000	161,873	117,956	1,346,040	295,988	-	1,921,857
	=====	=====	=====	=====	=====	=====
Net book value:						
At 1st January 2000	3,371,363	816,399	1,378,650	487,357	4,572,532	10,626,301
	=====	=====	=====	=====	=====	=====
At 2nd January 1999	3,354,468	838,312	966,552	424,128	1,000,693	6,584,153
	=====	=====	=====	=====	=====	=====

The cost of freehold properties includes land of £284,664 (1998 - £55,364) on which depreciation is not provided.

Woodward Foodservice Limited

Notes to the Accounts At 1st January 2000 (continued)

7. Investments	£
At 3rd January 1999	1,500,000
Acquisition of Caterfish Limited – deferred payments	497,510
Acquisition of Deep Freeze Supplies Limited	11,462,458
	<hr/>
At 1st January 2000	13,459,968
	<hr/>

The whole of the share capital of Deep Freeze Supplies Limited, which is registered in Scotland whose principal activity is the wholesale supply of food, was acquired during the year.

8. Stocks	1999	1998
	£	£
Good for resale	2,886,649	2,242,231
Consumables	22,311	27,015
	<hr/>	<hr/>
	2,908,960	2,269,246
	<hr/>	<hr/>

9. Debtors	1999	1998
	£	£
Trade debtors	2,898,723	2,632,002
Amounts owed by Group undertakings	854,880	-
Other debtors	160,738	4,659
Prepayments and accrued income	792,943	647,113
	<hr/>	<hr/>
	4,707,284	3,283,774
	<hr/>	<hr/>

10. Creditors: due within one year	1999	1998
	£	£
Bank overdraft	-	636,224
Loan notes	3,748,250	-
Trade creditors	4,184,235	2,975,094
Amounts owed to Group undertakings	162,666	-
Corporation tax	17,237	7,600
Other taxes and social security costs	374,416	87,194
Other creditors	935	834
Accruals	1,277,360	594,083
	<hr/>	<hr/>
	9,765,099	4,301,029
	<hr/>	<hr/>

Woodward Foodservice Limited

Notes to the Accounts At 1st January 2000 (continued)

11. Creditors: due after one year	1999	1998
	£	£
Loan from parent undertaking	23,840,047	8,346,489
Deferred acquisition costs	154,620	-
	<u>23,994,667</u>	<u>8,346,489</u>
	<u>=====</u>	<u>=====</u>

The loan from the parent undertaking bears interest at 7.5% 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 3rd January 1999	154,059
Released to revenue in period	(16,449)
	<u>-----</u>
At 2nd January 2000	137,610
	<u>=====</u>

13. Share capital	1999	1998
	£	£
Authorised:		
Ordinary shares of £1 each	10,000	10,000
	<u>=====</u>	<u>=====</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	8,000	8,000
	<u>=====</u>	<u>=====</u>

14. Reconciliation of movement in shareholders' funds	1999	1998
	£	£
Loss for the financial year	(2,267,359)	(4,517)
Shareholder' funds at the beginning of the year	2,621,387	2,625,904
	<u>-----</u>	<u>-----</u>
Shareholder' funds at the end of the year	354,028	2,621,387
	<u>=====</u>	<u>=====</u>

Woodward Foodservice Limited

Notes to the Accounts At 1st January 2000 (continued)

15. Reserves

	Share Premium £	Profit and loss account £
At 3rd January 1999	759,602	1,853,785
Loss for the financial year	-	(2,267,359)
	-----	-----
At 1st January 2000	759,602	(413,574)
	=====	=====

16. Financial commitments

	1999 £	1998 £
Operating leases		
The Company had operating lease commitments to pay during the next year as follows:-		
Ending within two to five years:		
Refrigerated vehicles	712,651	549,552
Fork lift trucks	202,056	117,416
	-----	-----
	914,707	666,968
	=====	=====

17. Pension costs

The assets of the Woodward Frozen Foods money purchase pension 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 during the year ended 1st January 2000 amounted to £46,305.

18. 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.

19. Post balance sheet event

On the 2nd January 2000, the trade, assets and liabilities of Caterfish Limited, a group company, were transferred to Woodward Foodservice Limited. The transfer took place at net book value and Caterfish Limited ceased to trade on this date.