
H. J. Heinz Frozen & Chilled Foods Limited

Annual Report and Financial Statements

for the year ended 28 April 2004





H. J. Heinz Frozen & Chilled Foods Limited

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H. J. Heinz Frozen & Chilled Foods Limited

General Company Information

Parent Company

Heinz Europe Limited
South Building
Hayes Park
Hayes
Middlesex UB4 8AL

Locations

Grimsby, North East Lincs.
Fakenham, Norfolk
Westwick, Norfolk
Luton, Bedfordshire
Leamington Spa, Warwickshire
Okehampton, Devon

Secretary and Registered Office

J. Leiper
South Building
Hayes Park
Hayes
Middlesex UB4 8AL

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
Harman House
1 George Street
Uxbridge
Middlesex UB8 1QQ



H. J. Heinz Frozen & Chilled Foods Limited

Report of the Directors

The Directors have pleasure in submitting their annual report to the shareholders together with the audited financial statements for the year ended 28 April 2004.

Company Activities and Future Developments

The Company's principal activities continued to be that of manufacturing and processing of frozen and chilled food products. These will remain the Company's principal activities, although future developments may include additions to product ranges, or entry, where appropriate, into new sectors and acquisitions within any of the Company's strategic product categories.

Review of Performance in the Year

The UK Marketplace

The Morrisons takeover of Safeway continued to dominate the market in FY04 with negotiations ongoing until the end of April. Tesco maintained its position as the UK's largest retailer, followed by Asda/Walmart in line with FY03. J Sainsbury's position declined during the year as a result of poor pricing perception with consumers.

Products and categories

Our Frozen business saw growth of the Weight Watchers from Heinz brand including the launch of new potato products. We launched a range of Heinz branded frozen desserts and benefited from continued success in Aunt Bessie's branded potato products.

Profits, Dividends and Movements on Reserves

The profit and loss account shows a profit on ordinary activities before taxation for the year of £11.2m (2003: loss £6.4m). Dividends were paid during the year of £9.2m (2003: £Nil). Details of the profits and the movements on reserves are shown in the profit and loss account and in the notes thereto.

Fixed Assets

The movements in fixed assets are set out in Notes 6 and 7 to the financial statements.

Research and Development

Research and development expenditure plays an essential part in the Company's commitment to product innovation and the development of more effective production and packaging technology.

Supplier payment policy

The Company does not operate a standard code in respect of payments to suppliers. The terms and conditions under which transactions with suppliers are conducted, including the terms of payment are agreed with individual suppliers and it is the Company's policy that payments to suppliers are made in accordance with these terms. Creditor days for the Company have been calculated at 72 days at 28 April 2004 (2003: 59 days).

Employee Involvement

Training & Development was made available to all employees to enable them to fulfill their full range of responsibilities. Further new initiatives were introduced to underpin the process by which employees develop their careers including, Sales Excellence, Management Excellence and European Development Programme for Senior Managers.



H. J. Heinz Frozen & Chilled Foods Limited

Report of the Directors (continued)

We have continued to run Sales, Marketing and Management Excellence and introduced Purchasing Excellence. We have continued to run EDP for senior managers and have introduced this programme at a more junior level in the form of the intermediate EDP and Management Development Centres.

Disabled Employees

The Company continues to recognise its social and statutory duty to employ disabled persons and does all that is practicable to meet this responsibility.

Full and fair consideration is given to the recruitment, training, career development and promotion of a disabled person bearing in mind the aptitude and ability of the individual concerned and future demographic labour availability.

Political and Charitable Donations

No donations were made by the Company for political purposes (2003: £Nil). Contributions by the Company for charitable purposes totalled £745 (2003: £738). Most of these payments were made to registered charities or to bodies which provide services of relevance to the Company.

Directors

The members of the Board of Directors all of whom held office for the full year (except as indicated below) were as follows:

William J Showalter	(resigned 28 January 2004)
Donal Linehan	(resigned 31 July 2003)
Mark Holdaway	
Steven C Bailey	(appointed 3 February 2004)

Directors' Interests

None of the Directors holds any shares or other interests required to be disclosed under Schedule 7 of the Companies Act 1985. The Directors are excepted from the obligation to notify the Company of interests in the shares of a body corporate incorporated outside Great Britain of which the Company is a wholly owned subsidiary.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the annual general meeting.

By order of the Board


S.C. Bailey
Director

26/4/05



H. J. Heinz Frozen & Chilled Foods Limited

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are required to prepare the financial statements on the going concern basis, unless it is appropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 28 April 2004 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps to prevention and detection of fraud and other irregularities.



H. J. Heinz Frozen & Chilled Foods Limited

Independent auditors' report to the members of H. J. Heinz Frozen & Chilled Foods Limited

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 28 April 2004 and the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London

26/9/05



H. J. Heinz Frozen & Chilled Foods Limited

Profit & Loss Account

For the year ended 28 April 2004

	Notes	28 April 2004 £m	26 April 2003 £m
Turnover	2a	180.7	197.6
Cost of Sales			
Cost of Sales		(144.1)	(156.5)
Exceptional restructuring costs	4	-	(21.0)
		<u>(144.1)</u>	<u>(177.5)</u>
Gross Profit		36.6	20.1
Distribution, selling and marketing costs		(15.1)	(18.9)
Administrative expenses			
Administrative expenses		(12.3)	(9.6)
Exceptional restructuring costs	4	-	0.5
		<u>(27.4)</u>	<u>(28.0)</u>
Operating profit/(loss)	2a	9.2	(7.9)
Net interest receivable	2b	2.0	1.5
Profit/(loss) on ordinary activities before taxation	2c	11.2	(6.4)
Taxation	5	(3.0)	1.6
Profit/(loss) on ordinary activities after taxation		8.2	(4.8)
Dividends	6	(9.2)	-
Retained profit/(loss) transferred to reserves	16	<u>(1.0)</u>	<u>(4.8)</u>

The Company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 9 to 20 form part of these financial statements.




H. J. Heinz Frozen & Chilled Foods Limited

Balance Sheet

As at 28 April 2004

	Notes	28 April 2004 £m	26 April 2003 £m
Fixed Assets			
Intangible assets	7	3.4	3.6
Tangible assets	8	<u>37.2</u>	<u>40.8</u>
		40.6	44.4
Current Assets			
Stocks	9	14.1	13.7
Debtors	10	90.2	74.9
Cash at bank and in hand		<u>2.9</u>	<u>4.8</u>
		107.2	93.4
Creditors			
Amounts falling due within one year	11	<u>(70.4)</u>	<u>(54.4)</u>
Net current assets		36.8	39.0
Total Assets less current liabilities		77.4	83.4
 Provisions for liabilities and charges	 12	 <u>(4.1)</u>	 <u>(9.1)</u>
Net Assets		73.3	74.3
 Capital and Reserves			
Called up share capital	14	-	-
Other reserves	15	72.0	72.0
Profit & loss account	16	<u>1.3</u>	<u>2.3</u>
Equity shareholder's funds	17	73.3	74.3

The financial statements on pages 7 to 20 were approved by the Board of Directors on
and signed on its behalf by:


S.C. Bailey
Director

26/4/05

The notes on pages 9 to 20 form part of these financial statements.



H. J. Heinz Frozen & Chilled Foods Limited
Notes to the Financial Statements
For the year ended 28 April 2004

1. Principal Accounting Policies

- a) The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The accounting policies have been reviewed by the Board of Directors in accordance with Financial Reporting Standard ("FRS") 18 "Accounting policies". The transitional rules of FRS 17 "Retirement benefits" have continued to be applied.
- b) As the company is a wholly owned subsidiary of the ultimate parent company (see note 19), which produces consolidated financial statements, it is exempt under the terms of Financial Reporting Standard No. 1 from preparing a cash flow statement.
- c) Items which are of an exceptional nature by virtue of their size or incidence are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the group, or profits or losses on the disposal of fixed assets. In these cases, separate disclosure is provided in the profit and loss account after operating profit.
- d) Stocks are valued at the lower of cost and net realisable value. Cost in the case of raw materials and goods for resale is determined on a first-in, first-out basis. Cost, in the case of products manufactured by the Company, comprises direct material and labour cost together with appropriate factory overheads.
- e) Depreciation is calculated to write off the cost of tangible assets over their expected useful lives by equal annual instalments principally at the following rates:
- | | |
|------------------------|----------------------------|
| Land and buildings | 1½% unless short leasehold |
| Short leasehold | Over the life of the lease |
| Furniture and fittings | 10 - 33% |
| Plant and machinery | 3 - 15% |
- f) Turnover consists of sales to third parties after trade discounts and excludes value added tax. Turnover is recognised once delivery of goods has taken place.
- g) Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, all differences being taken to the profit and loss account.
- h) Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the primary lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.
- i) Expenditure on research and development is written off as incurred.
- j) Government grants are credited to the profit and loss account once the conditions specified in the grant offer letter are achieved



H. J. Heinz Frozen & Chilled Foods Limited
Notes to the Financial Statements
For the year ended 28 April 2004 (continued)

1. Principal Accounting Policies (continued)

- k) Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.
- l) Goodwill is amortised on a straight line basis over 20 years which is the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets.
- m) The pension scheme of the Company, which is a defined benefit scheme, is externally funded. Payments made to the fund comprise current service contributions and back service contributions which are estimates based on actuarial advice. The fund is independently valued every three years. Refer to note 18 for details of the latest actuarial valuation.

2. Details to the Profit and Loss Account

(a) Operating profit/(loss)

	28 April 2004			26 April 2003		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Turnover	180.7	-	180.7	168.0	29.6	197.6
Cost of sales	(144.1)	-	(144.1)	(129.5)	(27.0)	(156.5)
Exceptional restructuring costs	-	-	-	-	(21.0)	(21.0)
Gross profit	36.6	-	36.6	38.5	(18.4)	20.1
Distribution costs	(15.1)	-	(15.1)	(16.1)	(2.8)	(18.9)
Administrative expenses	(12.3)	-	(12.3)	(8.2)	(1.4)	(9.6)
Exceptional restructuring costs	-	-	-	1.3	(0.8)	0.5
Net operating expenses	(27.4)	-	(27.4)	(23.0)	(5.0)	(28.0)
Operating profit/(loss)	9.2	-	9.2	15.5	(23.4)	(7.9)

All of the Company's turnover in the opinion of the directors is in the same business segment relating to the manufacture of frozen and chilled food products. All of the company's turnover originates from the UK.

Analysis of turnover by geographical destination:

	28 April 2004 £m	26 April 2003 £m
United Kingdom	178.3	194.2
Europe	2.1	3.0
Middle/Far East	0.3	0.4
	<u>180.7</u>	<u>197.6</u>



H. J. Heinz Frozen & Chilled Foods Limited
Notes to the Financial Statements
For the year ended 28 April 2004 (continued)

2. Details to the Profit and Loss Account (continued)

(b) Net interest receivable

	28 April 2004 £m	26 April 2003 £m
Other interest payable	(0.1)	(0.2)
Interest receivable	2.1	1.7
	<u>2.0</u>	<u>1.5</u>

(c) Profit/(loss) on ordinary activities before taxation is stated after charging:

	28 April 2004 £m	26 April 2003 £m
Depreciation of tangible assets: Buildings	0.5	0.6
Plant and equipment	4.4	6.6
Goodwill amortisation	0.2	0.2
Research and development costs	0.4	0.4
Operating lease rentals: Plant and equipment	0.5	0.1
Land and buildings	0.6	0.6
Auditors' remuneration	0.1	0.1

3. Directors' and Employees' emoluments

D. Linehan, S. Bailey and M. Holdaway received salaries from other group companies for services to the group as a whole. W. J. Showalter was paid by the ultimate parent company which renders a management charge to the UK group for his services. It is not possible to make an accurate apportionment of the emoluments for the purpose of disclosure in these financial statements.

The average number of employees during the year, analysed between appropriate classes is shown below:

	28 April 2004	26 April 2003
	No.	No.
Operations	1,971	2,188
Sales, distribution and administration	173	245
	<u>2,144</u>	<u>2,433</u>



H. J. Heinz Frozen & Chilled Foods Limited
Notes to the Financial Statements
For the year ended 28 April 2004 (continued)

3. Directors' and Employees' emoluments (continued)

Employment costs - all employees including Directors:

	28 April 2004	26 April 2003
	£m	£m
Aggregate gross wages and salaries	27.1	32.0
Employers' national insurance contributions	1.7	1.6
Employers' pension contributions (see note 19)	5.3	2.9
	<u>34.1</u>	<u>36.5</u>

4. Exceptional Restructuring Charges

	28 April 2004	26 April 2003
	£m	£m
Cost of sales :		
Fixed asset revaluation	-	14.0
Severance and other	-	7.0
	<u>-</u>	<u>21.0</u>
Administrative expenses :		
Pizza factory severance and other	-	0.8
Severance and other	-	(1.3)
	<u>-</u>	<u>(0.5)</u>
	<u>-</u>	<u>20.5</u>

The company exited from the manufacture of frozen pizzas, with the manufacturing facility in Grimsby closing and production ceasing on 25 April 2003. The majority of these costs have been expended by the end of April 2004.

5. Tax on profit/(loss) on ordinary activities

(a) Analysis of charge in year

	28 April 2004	26 April 2003
	£m	£m
Current tax :		
UK corporation tax on profit/(loss) for the year	1.7	1.3
Adjustments in respect of prior periods	<u>(0.5)</u>	<u>-</u>
Total current tax (note 5(b))	1.2	1.3
Deferred tax :		
Origination and reversal of timing differences	1.8	(3.0)
Adjustments in respect of previous periods	<u>-</u>	<u>0.1</u>
Total deferred tax	1.8	(2.9)
Tax on profit/(loss) on ordinary activities	<u>3.0</u>	<u>(1.6)</u>



H. J. Heinz Frozen & Chilled Foods Limited
Notes to the Financial Statements
For the year ended 28 April 2004 (continued)

5. Tax on profit/(loss) on ordinary activities (continued)

(b) Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	28 April 2004 £m	26 April 2003 £m
Profit/(loss) on ordinary activities before tax	<u>11.2</u>	<u>(6.4)</u>
Profit/(loss) on ordinary activities multiplied by standard rate in the UK 30% (2003: 30%)	3.4	(1.9)
Effects of :		
Expenses not deductible for tax purposes	0.1	0.2
Accelerated capital allowances and other timing differences	(1.3)	-
Other timing differences	(0.5)	-
Adjustments in respect of previous periods	<u>(0.5)</u>	<u>3.0</u>
Corporation tax charge (note 5(a))	<u>1.2</u>	<u>1.3</u>

The Company is not aware of any factors which may materially impact on the future tax charge.

6. Dividends

	28 April 2004 £m	26 April 2003 £m
Ordinary shares		
Paid	<u>9.2</u>	
Total dividends at £242.24 per share (2003 none)	<u>9.2</u>	<u>-</u>

7. Intangible Assets

	Goodwill
Cost	£m
At 26 April 2003 and at 28 April 2004	<u>4.1</u>
Amortisation	
At 26 April 2003	0.5
Amortisation during the year	<u>0.2</u>
At 28 April 2004	<u>0.7</u>
Net book value	
At 28 April 2004	<u>3.4</u>
At 26 April 2003	<u>3.6</u>



H. J. Heinz Frozen & Chilled Foods Limited
Notes to the Financial Statements
For the year ended 28 April 2004 (continued)

8. Tangible Assets

	Land & Buildings		Plant & equipment	Fixtures & fittings	Total
	Freehold £m	Leasehold £m	£m	£m	£m
Cost					
At 26 April 2003	18.4	10.3	92.9	9.0	130.6
Additions	0.1	-	4.1	-	4.2
Disposals	-	(0.1)	(2.2)	-	(2.3)
At 28 April 2004	18.5	10.2	94.8	9.0	132.5
Depreciation					
At 26 April 2003	7.0	3.8	71.7	7.3	89.8
Charge for the year	0.3	0.2	3.6	0.8	4.9
Disposals	-	-	(0.2)	-	(0.2)
Revaluation	-	-	0.8	-	0.8
At 28 April 2004	7.3	4.0	75.9	8.1	95.3
Net book value					
At 28 April 2004	11.2	6.2	18.9	0.9	37.2
Net book value					
At 26 April 2003	11.4	6.5	21.2	1.7	40.8

The net book value of leasehold properties includes £1.2m (2003: £1.3m) in respect of leases with under 50 years to run at 28 April 2004.

	28 April 2004 £m	26 April 2003 £m
Capital expenditure contracted for	0.5	0.1



H. J. Heinz Frozen & Chilled Foods Limited
Notes to the Financial Statements
For the year ended 28 April 2004 (continued)

9. Stocks

	28 April 2004 £m	26 April 2003 £m
Raw materials	2.7	2.3
Work in progress	0.3	0.2
Finished goods	11.1	11.2
	<u>14.1</u>	<u>13.7</u>

10. Debtors

Amounts falling due within one year:

	28 April 2004 £m	26 April 2003 £m
Trade debtors	15.4	15.4
Amounts owed by the ultimate parent company and fellow subsidiary undertakings	60.0	49.9
VAT receivable	1.2	1.2
Other debtors	11.3	5.6
Prepayments and accrued income	2.3	2.8
	<u>90.2</u>	<u>74.9</u>

11. Creditors

Amounts falling due within one year:

	28 April 2004 £m	26 April 2003 £m
Trade creditors	27.4	23.3
Amounts owed to parent and other subsidiary undertakings	24.4	14.9
Taxation	1.8	1.8
Social security	0.7	0.8
Accruals and deferred income	14.3	12.3
Other creditors	1.8	1.3
	<u>70.4</u>	<u>54.4</u>



H. J. Heinz Frozen & Chilled Foods Limited
Notes to the Financial Statements
For the year ended 28 April 2004 (continued)

12. Provisions for liabilities and charges – more than one year

	28 April 2004 £m	26 April 2003 £m
Pension Provision		
At 26 April 2003	(5.5)	0.4
Credited to profit and loss account	(5.5)	(5.9)
At 28 April 2004 – transferred to other debtors	(11.0)	(5.5)
	28 April 2004 £m	26 April 2003 £m
Deferred Tax		
At 26 April 2003	1.5	4.4
Charged to profit and loss account	1.8	(2.9)
At 28 April 2004	3.3	1.5
	28 April 2004 £m	26 April 2003 £m
Restructuring provisions		
Severance and other at 26 April 2003	7.6	2.3
Charged to profit and loss account	-	6.5
Utilised in the year	(6.8)	(1.2)
At 28 April 2004	0.8	7.6
Total provision	4.1	9.1

Restructuring provisions in relation to severance costs were created in April 2003 to facilitate the company's exit from the manufacture of frozen pizzas. Most of the provision was expended in the year to April 2004.

13. Provisions for liabilities and charges – deferred taxation

	Amount Provided		Amount Unprovided	
	28 April 2004 £m	26 April 2003 £m	28 April 2004 £m	26 April 2003 £m
Accelerated capital allowances	2.8	1.5	-	-
Other timing differences	0.5	-	-	-
	3.3	1.5	-	-



H. J. Heinz Frozen & Chilled Foods Limited
Notes to the Financial Statements
For the year ended 28 April 2004 (continued)

14. Called up share capital

	Authorised		Allotted, called up and fully paid	
	28 April 2004 No	26 April 2003 No	28 April 2004 £	26 April 2003 £
Ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>	<u>37,978</u>	<u>37,978</u>

15. Other Reserves

	Share premium account £m	Capital reserve £m	Total other reserves £m
At 26 April 2003	<u>37.8</u>	<u>34.2</u>	<u>72.0</u>
At 28 April 2004	<u>37.8</u>	<u>34.2</u>	<u>72.0</u>

16. Profit and loss account

	28 April 2004 £m	26 April 2003 £m
Opening surplus	2.3	7.1
Retained profit/(loss) transferred to reserves	<u>(1.0)</u>	<u>(4.8)</u>
Closing surplus for the year	<u>1.3</u>	<u>2.3</u>

17. Reconciliation of movements in shareholder's funds

	28 April 2004 £m	26 April 2003 £m
Profit/(loss) for the financial year	8.2	(4.8)
Dividends (note 6)	(9.2)	-
Opening shareholder's funds	<u>74.3</u>	<u>79.1</u>
Closing shareholder's funds	<u>73.3</u>	<u>74.3</u>



H. J. Heinz Frozen & Chilled Foods Limited
Notes to the Financial Statements
For the year ended 28 April 2004 (continued)

18. Operating lease commitments

At 28 April 2004 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land & buildings		Other	
	28 April 2004	26 April 2003	28 April 2004	26 April 2003
	£m	£m	£m	£m
Leases expiring within:				
Two to five years	0.1	-	0.2	0.1
Over five years	0.5	0.6	0.3	-
Total	0.6	0.6	0.5	0.1

19. Pension Obligations

SSAP 24 disclosure

The Company operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the Company. The start date of the plan was 1 August 2000.

The pension cost for the Company was £5.3m (2003: £2.9m). The pension cost is assessed in accordance with the advice of an independent qualified actuary. The latest valuation, for which figures are available, was performed as at 31 December 2002. The charge for 2003 was calculated using the result of a previous valuation, which showed a more favourable funding position. The poor funding position of the Plan following the recent valuation is the main reason why the charge is much higher for 2004. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 6.0% per annum, that salary increases would average 3.8% per annum and pension increases would be 2.4% per annum.

As at the date of the interim actuarial valuation, the market value of the plan's assets was £64.9m. The market value of the assets was sufficient to cover 102% of the benefits which had accrued to members of the plan, after allowing for expected future increases in earnings.

In accordance with Statement of Standard Account Practice 24 a prepayment of £11.0m (2003: £5.5m) is included in Other Debtors, being the excess of the accumulated pension cost over the amount funded.

FRS 17 disclosure

The Company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out as at 31 March 2004 and has been updated to 30 April 2004 by a qualified independent actuary. The major assumptions used by the actuary were:

	30 April 2004	31 March 2003	31 March 2002
	% pa	% pa	% pa
Rate of increases in salaries	3.8	3.8	3.8
Rate of increase in pensions	2.5	2.5	2.5
Discount rate	5.5	5.5	6.0
Inflation assumption	2.5	2.5	2.5



H. J. Heinz Frozen & Chilled Foods Limited
Notes to the Financial Statements
For the year ended 28 April 2004 (continued)

19. Pension Obligations (continued)

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

	Long-term rate of return expected at 30 April 2004	Value at 30 April 2004 £m	Long-term rate of return expected at 31 March 2003	Value at 31 March 2003 £m	Long-term rate of return expected at 31 March 2003	Value at 31 March 2003 £m
Equities	8.75%	51.9	8.75%	36.7	9.0%	50.7
Bonds	5.50%	13.0	5.50%	0.7	6.0%	-
Other	5.50%		5.50%	5.7	6.0%	-
Total market value of assets		64.9		43.1		50.7
Present value of scheme liabilities		(63.7)		(59.1)		(46.8)
Surplus/(deficit) in the scheme		1.2		(16.0)		3.9
Related deferred tax (liability)/asset		(0.4)		4.8		(1.2)
Net pension asset/(liability)		0.8		(11.2)		2.7

The Company contributions over the year to 30 April 2004 were £10.8m (2003: £8.9m). The Company has agreed to continue paying contributions at a rate of 17.9% of members' Pensionable Pay. If the above amounts had been recognised in the financial statements, the Company's net assets and profit and loss reserve at 28 April 2004 would be as follows:

	30 April 2004 £m	As % of assets / liabilities	31 March 2004 £m	As % of assets / liabilities
Service cost	3.9		3.7	
Curtailment gain	(0.4)		-	
Past service cost	-		-	
Charge to operating profit	3.5		3.7	
Interest cost of pension scheme liabilities	3.5		2.8	
Expected return of pension scheme assets	(3.9)		(4.7)	
Charge to financing cost	(0.4)		(1.9)	
Surplus/(deficit) in scheme at beginning of the year	(16.0)		4.0	
Current service cost	(3.5)		(3.7)	
Contributions	10.6		8.9	
Other finance income	0.5		1.9	
Actuarial gain	9.6		(27.1)	
Surplus/(Deficit) in scheme at end of year	1.2		(16.0)	
Actual return less expected return on scheme assets	8.5	13.2%	(20.9)	48.6%
Experience gains and losses arising on the scheme liabilities	1.1	1.7%	(0.8)	1.3%
Change in assumptions underlying the present value of the scheme liabilities	-	-	(5.4)	9.2%
Actuarial gain/(loss) recognised in the STRGL	9.6		(27.1)	



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19. Pension Obligations (continued)

	30 April 2004 £m	26 April 2003 £m
Net assets		
Net assets excluding pension asset/(liability)	65.8	68.8
Pension asset/(liability)	0.8	(11.2)
Net assets including pension asset/(liability)	<u>66.6</u>	<u>57.6</u>
Reserves		
Profit and loss reserve excluding pension asset/(liability)	(6.2)	(3.2)
Pension asset/(liability)	0.8	(11.2)
Profit and loss reserve including pension asset/(liability)	<u>(5.4)</u>	<u>(14.4)</u>

20. Immediate and Ultimate Parent Undertaking and Related Parties

The Directors regard Heinz Europe Limited, a Company registered in England and Wales, as being the Company's immediate parent company and H J Heinz Company, incorporated in the United States, as being the Company's ultimate parent Company. Copies of the annual report of H J Heinz Company may be obtained from the following address:

H J Heinz Company
PO Box 57
Pittsburgh
Pennsylvania

The Company has taken advantage of the exemptions conferred by Financial Reporting Standard No. 8, paragraph 3c not to make disclosures concerning transactions with entities that are part of the H.J. Heinz group.