

RNS Financial Serv. Auth ZZZZ FSA Disciplinary-Big Food Grp
Apr 26 2002 4:13

RNS Number:1352V
Financial Services Authority
26 April 2002

FSA Disciplinary Decision- The Big Food Group plc

26 April 2002

Decision

1. The FSA has decided that, on two occasions in the period December 2000 to January 2001, The Big Food Group plc (formerly known as Iceland Group Plc) (the "Company") contravened the requirements of paragraphs 9.2 and 9.3A of the Listing Rules. The Listing Rules in force throughout the relevant period were those published in May 2000. The contraventions were in respect of the timing and content of an announcement issued by the Company on 13 December 2000 via the London Stock Exchange's Regulatory News Service ("RNS") and the failure of the Company to make an announcement on or before 2 January 2001 in relation to a change in the Company's financial performance.

Paragraph 9.2

The Company failed, in two respects, to notify the Company Announcements Office without delay of changes in the performance of the Company's business and in the Company's expectation as to its performance, changes which, if made public, were likely to lead to substantial movement in the price of its listed securities: first, in relation to the Company's actual trading performance between September and December 2000, including the Christmas period; secondly, in relation to synergy benefit expectations arising from the acquisition of Booker Plc ("Booker") in June 2000 for the period to March 2001.

Paragraph 9.3A

The Company failed to take all reasonable care to ensure that the announcement which was issued via RNS on 13 December 2000 was not misleading and did not omit anything likely to affect the import of the announcement. This was in relation to both the Company's trading performance and the merger synergy benefit expectations.

2. The FSA considers that these failures constitute very serious breaches of the Listing Rules and accordingly that it is appropriate in

RNS Financial Serv. Auth ZZZZ FSA Disciplinary-Big Food Grp
Apr 26 2002 4:13

the circumstances for its decision and the reasons for it to be made public.

Summary of facts

Background

3. The Company is a food retailer and wholesaler in the UK market. The Company has a financial year end of 31 March.

4. The acquisition of Booker by the Company (the "Acquisition") was completed on 23 June 2000. Listing Particulars for the Acquisition, issued on 26 May 2000, included expected synergy benefits of à20 million for the period ending 31 March 2001 and à50 million for the year ending 31 March 2002.

5. Throughout the second half of 2000 market expectations as to the Company's profit before tax for the 15 month period to 31 March 2001 were between à137 million and à140 million. The market was expecting positive like for like ("LFL") sales growth for the second half of 2000. Market expectations were broadly in line with the Company's original budget for the 15-month period to 31 March 2001, which included budgeted profit before tax of à143 million. The Company had budgeted for LFL sales growth for Iceland Foods ("Iceland") of around 3% over that period.

6. On 5 September 2000 the Company announced its interim results for the 26 weeks ending 1 July 2000. This announcement stated that "Iceland's like for like food sales in the 9 weeks to 2 September (2000) have grown by 4.5 per cent, while Booker's like for like sales excluding tobacco are up 2.0 per cent." In addition the Company stated in this announcement that "all our work to date underpins our confidence in the delivery of cost savings and trading synergies of not less than à20 million in the current trading period to March 2001, and of at least à50 million in the year to March 2002."

The 13 December 2000 announcement

7. Throughout the period September 2000 to December 2000 the actual trading performance of the Company deteriorated significantly. By 13 December 2000 information available within the Company indicated that LFL sales for Iceland had shown a decreasing trend over a 22 week period and had been negative for 11 weeks. The FSA has concluded that, in addition, by 13 December 2000 the most up to date information available within the Company indicated that actual profit after interest before synergies and exceptional items was 51.6% below budget.

RNS

Financial Serv. Auth ZZZZ FSA Disciplinary-Big Food Grp
Apr 26 2002 4:13

8. By 13 December 2000 at the latest, therefore, an obligation had arisen under paragraph 9.2 of the Listing Rules to make an announcement informing the market as to a change in the performance of the Company's business. The Company's failure to make such an announcement was therefore in breach of paragraph 9.2 of the Listing Rules. This failure was not rectified until the Company released its announcements on 22 and 31 January 2001.

9. By 13 December 2000 information available within the Company also indicated that synergy benefits for the period to March 2001 were likely to be at least 25% below the Company's original forecast as well as market expectations of £20 million.

10. On 13 December 2000 the Company announced that it would be hosting a visit for investment analysts the following day. Notwithstanding the facts set out in paragraphs 7 and 9, this announcement included the following statement:

"Iceland's management remain positive on the Group's future prospects, and are confident that all the expected benefits of the merger with Booker are real and achievable."

11. In light of the facts set out in paragraphs 7 and 9, this statement was misleading and therefore in breach of paragraph 9.3A of the Listing Rules.

12. By 2 January 2001 information was available to the Company demonstrating that there had been a further deterioration in the performance of the Company's business, in particular indicating that Iceland's LFL sales over the Christmas period, regarded by the market as a key indicator of performance, were negative and significantly below budget.

13. As a result of that, therefore, a further obligation to make an announcement under paragraph 9.2 of the Listing Rules in relation to the Christmas trading figures had arisen. The Company took no immediate steps to consider whether such an announcement should be made and did not consult its financial advisers at that time. The Company's failure to make such an announcement without delay was again therefore in breach of paragraph 9.2 of the Listing Rules. This failure was not rectified until the Company released its announcement on 22 January 2001.

The 22 and 31 January 2001 announcements

14. On 22 January 2001 the Company issued a trading statement

RNS

Financial Serv. Auth ZZZZ FSA Disciplinary-Big Food Grp
Apr 26 2002 4:13

showing LFL sales for Iceland, Booker and the Company for the 26 weeks to 29 December 2000 and for the 4 weeks to 28 December 2000. This announcement included a statement that for the 4-week period to 28 December 2000, LFL sales were down by 1.5% for the Company and by 5.5% for Iceland. For the 26 weeks to 29 December 2000, LFL sales were down by 0.5% for the Company and by 1.5% for Iceland. This announcement also referred to a further statement to be made by the end of January. Following this announcement the share price fell by approximately 16% from 258.5p on 21 January 2001 to 218p on 22 January 2001.

15. A further announcement was made by the Company on 31 January 2001 in which it stated that the Company had completed its initial evaluation of the progress made following the Acquisition. This announcement included a statement that: "The Board's current expectation for the accounting period ending 31 March 2001 is that profit before tax, amortisation of goodwill and exceptional items, will be significantly below expectations and not likely to exceed à62 million." This compared with market expectations throughout the second half of 2000 of à137 to à140 million and the Company's original budget of à143 million. The announcement also included a revision of merger synergy benefits to the end of March 2001 from à20 million to à8 million. Following this announcement the share price fell by approximately 20.5% from 187.5p on 30 January 2001 to 149p on 31 January 2001, representing a 42.4% fall on the share price immediately prior to the 22 January 2001 announcement.

Conclusion

16. The Company has informed the FSA that, following significant senior management changes within the Company during January 2001, improved reporting procedures and internal controls have been introduced. The FSA has also noted the steps taken by present directors of the Company to ensure future compliance with the Listing Rules.

17. However, the FSA regards the continuing obligation requirements of Chapter 9 of the Listing Rules as a fundamental protection for shareholders. These requirements are designed to promote full disclosure to the market of all relevant information on a timely basis to ensure that all users of the market have simultaneous access to the same information. Observance of those continuing obligations is essential to the maintenance of an orderly market in securities and of confidence in the financial system. Accordingly, the FSA has decided that it is appropriate to publish this public statement stating its serious view of the Company's failures in this case.

18. A listed company, by its board, has a continuing obligation to consider carefully whether changes in its financial condition, in the

RNS Financial Serv. Auth ZZZZ FSA Disciplinary-Big Food Grp
Apr 26 2002 4:13

performance of its business or in its expectation as to its performance may be such that, if made public, they would be likely to lead to substantial movement in the price of its listed securities and so require disclosure without delay under the Listing Rules. This is an overriding obligation and, when such changes are under consideration, a listed company should consult its professional advisers as soon as possible.

 This information is provided by RNS
The company news service from the London Stock Exchange

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