

Report and Accounts
Thistledove Limited

25 November 2000



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Thistledove Limited

Registered No. 3649523

DIRECTORS

J Lancaster
A R Cox
D A R Saunders
D W Symondson
C M Masterson
M Dunfoy

JOINT SECRETARIES

A R Cox
S J Miller

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

BANKERS

National Westminster Bank PLC
250 Regent Street
London W1A 4RY

SOLICITORS

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

REGISTERED OFFICE

TM House
Ashwells Road
Brentwood
Essex CM15 9ST

Thistledove Limited

DIRECTORS' REPORT

The directors present their report and the group accounts for the period ended 25 November 2000.

RESULTS AND DIVIDENDS

The group profit for the period after taxation amounted to £1,973,000 (1999 - £3,693,000). After ordinary dividends of £11,000 (1999 - £12,000), there was a retained profit for the period of £1,962,000 (1999 - £3,681,000).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the group during the year continued to be the retailing of newspapers, tobacco and confectionery, and the sale of tobacco and beverages from vending machines.

The directors are pleased to report an increase of 10% in the operating profit of the group to £40.5 million on turnover down 3% to £871 million. Profits advanced strongly in the retail business and increased in the beverage vending business more than outweighing a decline in the profitability of the business of Mayfair Vending Limited. Operating profits on continuing activities rose by 20% to £33.4 million.

FUTURE DEVELOPMENTS

On 8 December 2000, the business of Mayfair Vending Limited, the cigarette vending operation, was sold to Sinclair Collis Limited, a subsidiary of Imperial Tobacco Group Plc. On the same date, a long term contract was entered into for the supply of tobacco gantries in the retail shops. Both transactions represent important and positive steps in the development of the Group. Consideration in aggregate for these transactions, including expected income under the long term contract, amounted to approximately £38 million.

The Group is well placed to take advantage of any opportunity to expand its operations that may arise.

EMPLOYMENT OF DISABLED PERSONS

Disabled persons are employed and trained by the group where their aptitudes and abilities allow and suitable vacancies are available. Where employees become disabled, the group endeavours to continue their employment, provided there are jobs which they can do, bearing in mind not only their handicap or disability, but also their experience and skills. The need to develop the careers of disabled people and ensure their continued safety at work is accepted throughout the group and the necessary steps are taken to train and promote disabled employees where this is in their own and the group's best interests.

EMPLOYEES

Information on matters of concern to employees is given through information bulletins, meetings and reports; the same means, reinforced by profit sharing and bonus schemes, are used to help employees achieve a common awareness of the financial and economic factors affecting the performance of the group.

DONATIONS

A total of £5,187 (1999 - £7,568) was paid during the year to United Kingdom charities. No political donations were made during the year.

Thistledove Limited

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

In addition to the directors listed on page 1, D Keen served as a director until 31 December 1999 when he retired, D Curzon served as a director until 13 October 2000 when he resigned and C Corby served as a director until 20 September when she resigned. D A R Saunders was appointed a director on 26 January 2000 and M Dunfoy was appointed non-executive director on 20 September 2000.

The directors at 25 November 2000 and their interests in the share capital of the company were as follows:

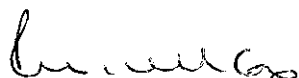
	At 25 November 2000			At 27 November 1999		
	'A' Ordinary Shares	'B' Ordinary Shares	'C' Ordinary Shares	'A' Ordinary Shares	'B' Ordinary Shares	'C' Ordinary Shares
J Lancaster (Chief Executive)	47,526	-	1,104	47,526	-	1,104
A R Cox	23,826	-	551	23,826	-	551
D W Symondson (Non-executive)	-	521	305	-	521	305
C M Masterson (Non-executive)	-	1,059	684	-	1,059	684

No director had an interest in the share capital or loan stock in any subsidiary.

AUDITORS

A resolution to re-appoint Ernst & Young auditors will be put to the members at the Annual General Meeting. Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the board



Secretary

16 May 2001

Thistledove Limited

STATEMENT OF 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 group and of the profit or loss of the group 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 disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS to the members of Thistledove Limited

We have audited the accounts on pages 6 to 35, which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 14.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of 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.

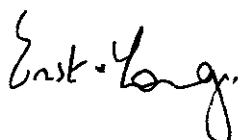
Basis of opinion

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 group'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 and of the group as at 25 November 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

16 May 2001

Thistle dove Limited

GROUP PROFIT AND LOSS ACCOUNT for the 52 week period ended 25 November 2000

	Notes	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000
TURNOVER	2		
Continuing operations		730,611	749,205
Discontinued operations		140,807	148,238
		<u>871,418</u>	<u>897,443</u>
Cost of sales		(639,878)	(660,537)
Gross profit		<u>231,540</u>	<u>236,906</u>
Selling, distribution and advertising costs		(166,692)	(174,682)
Administrative expenses		(24,372)	(23,773)
Exceptional items	4	-	(1,783)
		<u>(191,064)</u>	<u>(200,238)</u>
OPERATING PROFIT	3		
Continuing operations		33,423	27,755
Discontinued operations		7,053	8,913
		<u>40,476</u>	<u>36,668</u>
Net interest payable and similar charges	7	(37,916)	(33,525)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,560</u>	<u>3,143</u>
Tax on profit on ordinary activities	8	(587)	550
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,973</u>	<u>3,693</u>
DIVIDENDS	10	(11)	(12)
PROFIT/(LOSS) RETAINED FOR THE PERIOD		<u>1,962</u>	<u>3,681</u>

The group has no recognised gains or losses other than the profit shown in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented.

Thistledove Limited

GROUP BALANCE SHEET

at 25 November 2000

	Notes	25 November 2000 £000	27 November 1999 £000
FIXED ASSETS			
Intangible assets	11	5,751	2,502
Tangible assets	12	74,650	69,078
		<u>80,401</u>	<u>71,580</u>
CURRENT ASSETS			
Stocks	15	49,553	54,505
Debtors	16	29,183	29,795
Other current assets	17	10,603	3,256
Cash at bank and in hand		29,941	27,938
		<u>119,280</u>	<u>115,494</u>
CREDITORS: amounts falling due within one year	18	(121,606)	(126,499)
NET CURRENT LIABILITIES		<u>(2,326)</u>	<u>(11,005)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>78,075</u>	<u>60,575</u>
CREDITORS: amounts falling due after more than one year	19	(258,802)	(242,091)
PROVISIONS FOR LIABILITIES AND CHARGES	22	(5,302)	(6,475)
		<u>(186,029)</u>	<u>(187,991)</u>
CAPITAL AND RESERVES			
Called up share capital	23	7	7
Share premium	24	160	160
Other reserves	24	(59,892)	(59,892)
Profit and loss account	24	(126,304)	(128,266)
SHAREHOLDERS' FUNDS		<u>(186,029)</u>	<u>(187,991)</u>

Shareholders' funds includes non-equity interests which are disclosed in note 24.



Director

16 May 2001

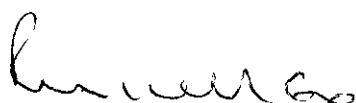
Thistledove Limited

BALANCE SHEET

for the 52 week period ended 25 November 2000

	Notes	25 November 2000 £000	27 November 1999 £000
FIXED ASSETS			
Investments	13	20,740	20,740
CURRENT ASSETS			
Debtors	16	3,473	2,066
Cash at bank and in hand		21	63
CREDITORS: amounts falling due within one year	18	3,494 (454)	2,129 (250)
NET CURRENT ASSETS		3,040	1,879
TOTAL ASSETS LESS CURRENT LIABILITIES		23,780	22,619
CREDITORS: amounts falling due after more than one year	19	(22,576)	(21,657)
		1,204	962
CAPITAL AND RESERVES			
Called up share capital	23	7	7
Share premium	24	160	160
Profit and loss account	24	1,037	795
SHAREHOLDERS' FUNDS		1,204	962

Shareholders' funds includes non-equity interests which are disclosed in note 24.



Director

16 May 2001

Thistledove Limited

GROUP STATEMENT OF CASH FLOWS

for the 52 week period ended 25 November 2000

	Notes	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	52,998	51,800
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		259	693
Interest paid		(26,535)	(27,233)
Interest element of finance lease rental payments		(54)	(165)
Non equity dividends paid		(5)	(2)
		(26,335)	(26,707)
TAXATION			
Corporation tax paid		(670)	(3,729)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(20,324)	(14,251)
Receipts from sales of tangible fixed assets		4,132	2,463
		(16,192)	(11,788)
ACQUISITIONS AND DISPOSALS			
Purchase of businesses	14	(6,867)	(4,170)
Expenses relating to acquisition of Tog Limited		-	(4,701)
		(6,867)	(8,871)
MANAGEMENT OF LIQUID RESOURCES			
Increase in short-term deposits	25	(600)	(6,783)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		2,334	(6,078)
FINANCING			
Redemption of preference share capital in subsidiary undertaking		-	(50)
Loans net of issue costs		-	(1,842)
Repayment of loans	25	(236)	(3,217)
Repayments of capital element of finance leases and hire purchase contracts	25	(695)	(1,081)
		(931)	(6,190)
INCREASE/(DECREASE) IN CASH (EXCLUDING SHORT TERM DEPOSITS)	25	1,403	(12,268)

Thistle dove Limited

GROUP STATEMENT OF CASH FLOWS

for the 52 week period ended 25 November 2000

		52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000
	Notes		
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN DEBT			
Increase/(Decrease) in cash (excluding short term deposits)		1,403	(12,268)
Increase in short term deposits		600	6,783
		2,003	(5,485)
Repayment of loans		236	3,217
Repayment of capital element of finance leases and hire purchase contracts		695	1,081
Change in net debt resulting from cashflows	25	2,934	(1,187)
Exchange differences		(16,000)	(2,811)
Amortised issue costs		(1,024)	(938)
MOVEMENT IN NET DEBT			
NET DEBT AT BEGINNING OF PERIOD	25	(211,809)	(206,873)
NET DEBT AT END OF PERIOD	25	(225,899)	(211,809)

NOTES TO THE ACCOUNTS

at 25 November 2000

1. **ACCOUNTING POLICIES**

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated group accounts for 2000 consolidate the accounts of Thistledove Limited and all its subsidiary undertakings (together, "the Group") drawn up on 25 November 2000.

The consolidated accounts have been prepared using merger accounting principles, reflecting the fact that the ownership and control of the Group remained with the same shareholders after the May and November 1998 Recapitalisations. Schedule 4A to the Companies Act 1985 and Financial Reporting Standard 6, Acquisitions and Mergers, require business combinations which include a substantial cash element to be accounted for using acquisition accounting principles. The use of acquisition accounting would give rise to goodwill on consolidation. As there was no arm's length acquisition price in the recapitalisation, the resulting goodwill would not be a meaningful amount. In addition, as there was no external acquiring party, such goodwill would in effect be self-generated goodwill. In the opinion of the directors, the acquisition method of accounting would not result in a true and fair view of either the results of operations or financial position of the Group. No quantification of this departure is given as to do so would be misleading. The reorganisation in November 1998 was a share for share exchange involving no cash consideration.

All subsidiaries acquired since November 1998 have been included in the consolidated financial statements using the acquisition method of accounting.

Goodwill

Goodwill arising on acquisitions prior to 28 November 1998 was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS10.

Positive goodwill arising on acquisitions since 28 November 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is reviewed for impairment and if such goodwill is not considered to be attached to the continuing business it is taken into account in determining the profit or loss on sale or closure.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. Principal rates used for this purpose are:

NOTES TO THE ACCOUNTS

at 25 November 2000

1. ACCOUNTING POLICIES (continued)

Land and buildings

Freehold

(including land where it is not separately identifiable)

– 50 years

Long leaseholds improvements

– 50 years

Short leaseholds improvements – shops

– 10 years

– other

– the term of the lease

Plant and machinery

Motor vehicles

– 4 years

Computer equipment

– between 3 and 6 years

Furniture and fittings

– between 7 and 10 years

Machinery and equipment

– between 5 and 10 years

The carrying value of tangible fixed assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Lottery income

Commission from the sale of on-line lottery tickets is recognised within turnover. Revenue from the sale of instant lottery tickets is recognised gross, as part of turnover.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost of goods for resale in the retail businesses is calculated for each category of stock by reducing the net selling price by the attributable average gross margin. Net realisable value is the price at which the stocks can be realised in the normal course of the business.

Volume rebates

Volume discounts receivable from manufacturers are recognised as a credit to cost of sales in the period in which the stock to which the volume discounts apply is sold.

Taxation

Current and deferred taxation provisions are based on the results of the period and include all taxation liabilities accruing to the date of the accounts.

Deferred taxation is provided using the liability method in respect of all material timing differences to the extent that they are expected to reverse in the future without being replaced, with the exception of pension timing differences which are provided in full, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities, including the dollar denominated senior notes, denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences on translation are taken to the profit and loss account.

NOTES TO THE ACCOUNTS
at 25 November 2000

1. ACCOUNTING POLICIES (continued)

The Group manages its exposure to foreign currency fluctuation by the use of options and forward foreign currency contracts. Premiums paid on entering into options are marked to market at the end of each period and the resulting gain or loss is expensed in the profit and loss account.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Derivative instruments

The group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

- The instrument must be related to a foreign currency asset or liability that is likely to crystallise and whose characteristics have been identified,
- It must involve the same currency as the hedged item and,
- It must reduce the risk of foreign currency exchange movements on the group's operations

Interest rate swaps and caps

The group's criteria are:

- The instrument must be related to an asset or a liability and
- It must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing within net interest payable. Interest rate swaps and caps are not revalued to fair value or shown on the group balance sheet at the year end. If they are terminated early, the gain or loss is spread over the remaining maturity of the original instrument. Premiums paid on entering into swaps and caps are spread over the term of the instrument.

Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Lease agreements which transfer to the group substantially all the risks and rewards of ownership of an asset, are treated as if they had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

NOTES TO THE ACCOUNTS

at 25 November 2000

1. ACCOUNTING POLICIES (continued)

Pensions

The Group operates three defined benefit pension schemes, in addition to some small defined contribution schemes, which require contributions to be made to separately administered funds. The cost of contributions to the defined benefit schemes are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Group. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either accruals or prepayments in the balance sheet. Actuarial valuations are undertaken periodically.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the amounts receivable for goods and services sold in the period which fall within the group's principal activities, stated net of value added tax.

In the opinion of the directors, the group operates in three principal areas of activity, that of retailing of newspapers, tobacco, confectionery and stationery, cigarette vending, beverage and snack vending and related business. The geographical analyses of turnover by origin and by destination, which is almost entirely the United Kingdom, are not materially different.

Turnover, group profit on ordinary activities before tax and net assets are analysed as follows:

Area of activity

	Retail Business		Cigarette Vending Business		Beverage and Snack Vending Business		Total	
	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000
TURNOVER								
Continuing operations	672,197	691,181	-	-	58,414	58,024	730,611	749,205
Discontinued operations	-	-	140,807	148,238	-	-	140,807	148,238
							871,418	897,443
PROFIT								
Segment profit:								
Continuing operations	29,015	23,827	-	-	7,094	6,781	36,109	30,608
Discontinued operations	-	-	7,053	8,913	-	-	7,053	8,913
Common costs							(2,686)	(2,853)
							40,476	36,668
Net interest payable							(37,916)	(33,525)
Profit on ordinary activities before taxation							2,560	3,143

Thistledove Limited

NOTES TO THE ACCOUNTS at 25 November 2000

2. TURNOVER AND SEGMENTAL ANALYSIS (continued)

Area of activity

	Retail Business		Cigarette Vending Business		Beverage and Snack Vending Business		Total	
	25 November 2000	27 November 1999	25 November 2000	27 November 1999	25 November 2000	27 November 1999	25 November 2000	27 November 1999
	£000	£000	£000	£000	£000	£000	£000	£000
NET ASSETS								
Net assets by segment:								
Continuing operations	17,979	15,730	-	-	14,397	11,029	32,376	26,759
Discontinued operations	-	-	5,286	2,404	-	-	5,286	2,404
Unallocated net liabilities							(223,691)	(217,154)
Total net liabilities							(186,029)	(187,991)
Unallocated net liabilities comprise:								
Fixed assets							168	238
Pension liability							(1,821)	(1,806)
Other debtors							288	451
Other current assets							10,603	3,256
Cash at bank and in hand							29,941	27,938
Corporation tax							386	(284)
Other creditors and accruals							(6,602)	(6,973)
Bank and other loans							(255,840)	(239,747)
Deferred taxation							(814)	(227)
							(223,691)	(217,154)

3. OPERATING PROFIT

This is stated after charging/(crediting):

	52 weeks ended 25 November 2000	52 weeks ended 27 November 1999
	£000	£000
Auditors' remuneration - audit services	220	220
- non-audit services	278	172
Amortisation of goodwill	149	60
Depreciation of owned assets	14,090	14,180
Depreciation of assets held under finance leases	732	1,111
Operating lease payments - land and buildings	23,520	26,673
- plant and machinery	2,466	2,627
Operating lease income - land and buildings	(2,963)	(3,046)
Profit on disposal of tangible fixed assets	(1,509)	(305)

Thistledove Limited

NOTES TO THE ACCOUNTS at 25 November 2000

4. OPERATING EXCEPTIONAL ITEMS

	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000
Redundancies and relocations	-	660
Depot closures	-	840
Machine obsolescence	-	283
	<u>-</u>	<u>1,783</u>

5. DIRECTORS' EMOLUMENTS

	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000
Emoluments	<u>1,269</u>	<u>1,185</u>

Five directors were members of the group's defined benefit pension scheme during the period (1999 – five). The emoluments of the highest paid director, excluding pension contributions, were £454,000 (1999 - £356,000) and his accrued pension benefits were £174,000 (1999 - £131,000).

6. STAFF COSTS

	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000
Wages and salaries	92,115	96,002
Social security costs	5,652	5,861
Other pension costs	1,558	1,661
	<u>99,325</u>	<u>103,524</u>

The average monthly number of employees during the period was as follows:

	52 weeks ended 25 November 2000 No	52 weeks ended 27 November 1999 No
Retailing	11,806	12,706
Vending and related business	1,378	1,437
Central administration	8	9
	<u>13,192</u>	<u>14,152</u>

Thistledove Limited

NOTES TO THE ACCOUNTS

at 25 November 2000

6. STAFF COSTS (continued)

The Thistledove Limited Employee Benefit Trust (formerly the TM Group Holdings Limited Employee Benefits Trust), ("ESOP"), was established in January 1997. Shares held by the trust for TM Group Ltd (formerly TM Group Holdings Ltd) were exchanged for shares in TM Group Holdings PLC following a recapitalisation of the group on 15 May 1998. In a further reorganisation on 28 November 1998, shares held by the trust were exchanged for shares in Thistledove Limited. At 25 November 2000 the ESOP held 19,656 "A" Ordinary Shares and 552 "C" Ordinary Shares in Thistledove Limited.

Conditional awards over the shares will vest for certain employees under certain circumstances from time to time.

7. NET INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000
Interest receivable	259	693
Interest payable:		
Bank loans and overdrafts	(4,362)	(5,834)
Other loans	(24,946)	(25,008)
Finance charges payable under finance leases	(54)	(165)
	<u>(29,362)</u>	<u>(31,007)</u>
Similar charges:		
Retranslation of senior notes	(16,000)	(2,811)
Revaluation of currency options	7,347	(400)
Unwinding of the discount included in provisions	(160)	-
	<u>(8,813)</u>	<u>(3,211)</u>
Net interest payable and similar charges	<u>(37,916)</u>	<u>(33,525)</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation (credit)/charge is made up as follows:

	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000
Based on the profit for the period:		
Deferred taxation charge/(credit)	1,024	(415)
Corporation tax overprovided in previous years	-	(135)
Deferred tax over provided in previous years	(437)	-
	<u>587</u>	<u>(550)</u>

The current year's corporation tax charge has been reduced due to the reversal of timing differences arising in prior periods.

The previous year's corporation tax charge was reduced due to the availability of losses brought forward.

NOTES TO THE ACCOUNTS

at 25 November 2000

9. **PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING**

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for the parent undertaking is not presented. The profit after taxation dealt with in the accounts of the company was £253,000 (1999 – £870,000).

10. **DIVIDENDS**

	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000
Non-equity dividends on "C" ordinary shares	11	12
	<u>11</u>	<u>12</u>

11. **INTANGIBLE FIXED ASSETS**

<i>Goodwill</i> <i>Group</i>	<i>Total</i> <i>£000</i>
Cost:	
At 28 November 1999	2,562
Additions	3,398
At 25 November 2000	<u>5,960</u>
Amortisation:	
At 28 November 1999	60
Provided during the year	149
At 25 November 2000	<u>209</u>
Net book value:	
At 25 November 2000	5,751
At 27 November 1999	<u>2,502</u>

Goodwill arising on acquisitions is being amortised evenly over the directors' estimate of the useful economic life of 20 years.

NOTES TO THE ACCOUNTS

at 25 November 2000

12. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
Cost:			
At 28 November 1999	21,702	66,051	87,753
Additions	1,738	18,586	20,324
Acquisitions	797	1,608	2,405
Disposals	(3,226)	(9,789)	(13,015)
At 25 November 2000	21,011	76,456	97,467
Depreciation:			
At 28 November 1999	1,853	16,822	18,675
Provided during the year	1,907	12,915	14,822
Net release of impairment provision	-	(288)	(288)
Disposals	(1,392)	(9,000)	(10,392)
At 25 November 2000	2,368	20,449	22,817
Net book value:			
At 25 November 2000	18,643	56,007	74,650
At 27 November 1999	19,849	49,229	69,078

The net book value of plant and machinery above includes an amount of £166,000 (1999 - £908,000) in respect of assets held under finance leases.

The net book value of land and buildings for the group is made up of:

	<i>Freehold £000</i>	<i>Long leasehold £000</i>	<i>Short Leasehold £000</i>	<i>Total £000</i>
At 25 November 2000	9,039	1,396	8,208	18,643
At 27 November 1999	9,835	1,568	8,446	19,849

Thistledove Limited

NOTES TO THE ACCOUNTS

at 25 November 2000

13. INVESTMENTS

Company	25 November 2000 £000	27 November 1999 £000
Subsidiary undertaking – cost and net book value	20,740	20,740

The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the group.

Name of company	Country of registration (or incorporation) and operation	Holding	Proportion of voting rights and shares held	Nature of business
All held by the company unless indicated.				
Bracklands Ltd*	England and Wales	Ordinary shares	100%	Property Co
Clark Retail Ltd*	Scotland	Ordinary shares	100%	Retailing
Forbuys Ltd*	England and Wales	Ordinary shares	100%	Retailing
Martin Retail Group Ltd*	Scotland	Ordinary shares	100%	Retailing
Mayfair Vending Ltd* (Note 30)	England and Wales	Ordinary shares	100%	Vending
TM Group Holdings Plc	England and Wales	Ordinary shares	100%	Predecessor Holding Co
TM Group Ltd *	England and Wales	Ordinary shares	100%	Predecessor Holding Co
Tog Ltd*	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Vendepac Ltd*	England and Wales	Ordinary shares	100%	Vending

*100% held by a subsidiary undertaking

14. ACQUISITIONS

During the year, the group made a number of small acquisitions none of which was considered material to the group. The cash consideration for these acquisitions was £6,867,000 and the assets acquired (to which no fair value adjustments were made) are summarised as follows:

	£000
Tangible fixed assets	2,405
Stocks	1,064
Goodwill	3,398
	<u>6,867</u>

NOTES TO THE ACCOUNTS
at 25 November 2000

15. STOCKS

	<i>Group</i>	
	25 November 2000 £000	27 November 1999 £000
Machinery and spares	2,132	1,863
Goods for resale	47,421	52,642
	<u>49,553</u>	<u>54,505</u>

The directors consider that the replacement value of stocks does not materially differ from the book value shown above.

16. DEBTORS

	<i>Group</i>		<i>Company</i>	
	25 November 2000 £000	27 November 1999 £000	25 November 2000 £000	27 November 1999 £000
Trade debtors	8,944	9,099	-	-
Amounts due from subsidiary undertakings	-	-	2,389	1,516
Corporation tax	386	-	1,084	550
Other debtors	16,112	17,818	-	-
Prepayments	3,741	2,878	-	-
	<u>29,183</u>	<u>29,795</u>	<u>3,473</u>	<u>2,066</u>

17. OTHER CURRENT ASSETS

	<i>Group</i>		<i>Company</i>	
	25 November 2000 £000	27 November 1999 £000	25 November 2000 £000	27 November 1999 £000
Currency options	10,603	3,256	-	-

18. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	25 November 2000 £000	27 November 1999 £000	25 November 2000 £000	27 November 1999 £000
Loans (note 20)	1,691	235	-	-
Obligations under finance leases (note 20)	104	694	-	-
Trade creditors	89,857	89,546	-	-
Corporation tax	-	284	-	-
Taxation and social security	1,579	1,700	-	-
Other creditors	11,015	18,309	-	41
Accruals	17,344	15,721	438	199
Dividends	16	10	16	10
	<u>121,606</u>	<u>126,499</u>	<u>454</u>	<u>250</u>

NOTES TO THE ACCOUNTS

at 25 November 2000

19. **CREDITORS:** amounts falling due after more than one year

	Group		Company	
	25 November 2000 £000	27 November 1999 £000	25 November 2000 £000	27 November 1999 £000
Loans (note 20)	254,043	238,711	20,696	20,554
Obligations under finance leases (note 20)	2	107	-	-
Other creditors	4,757	3,273	1,880	1,103
	<u>258,802</u>	<u>242,091</u>	<u>22,576</u>	<u>21,657</u>

20. **BORROWINGS**

	Group		Company	
	25 November 2000 £000	27 November 1999 £000	25 November 2000 £000	27 November 1999 £000
Borrowings and finance leases falling due after more than one year				
Bank and other loans repayable by instalments				
Between one and two years	4,691	1,691	-	-
Between two and five years	24,097	28,788	-	-
Bank and other loans repayable otherwise than by instalments				
11% US Dollar Senior Notes 2008	125,000	109,001	-	-
12.25% Senior Subordinated Notes 2008	55,000	55,000	-	-
Senior Floating Rate Notes 2008 (Libor + 7%)	30,000	30,000	-	-
Unsecured 7% Loan Notes 2008	<u>21,838</u>	<u>21,838</u>	<u>21,838</u>	<u>21,838</u>
	260,626	246,318	21,838	21,838
Less: unamortised issue costs	(6,583)	(7,607)	(1,142)	(1,284)
Finance leases repayable				
Between one and two years	2	104	-	-
Between two and five years	-	3	-	-
	<u>254,045</u>	<u>238,818</u>	<u>20,696</u>	<u>20,554</u>
Borrowings and finance leases falling due within one year				
Bank and other loans	1,691	235	-	-
Finance leases	104	694	-	-
	<u>1,795</u>	<u>929</u>	<u>-</u>	<u>-</u>
Total borrowings	<u>255,840</u>	<u>239,747</u>	<u>20,696</u>	<u>20,554</u>

NOTES TO THE ACCOUNTS
at 25 November 2000

20. **BORROWINGS (continued)**

Details of loans not wholly repayable otherwise than by instalments are as follows:

	<i>Group</i>		<i>Company</i>	
	<i>25 November</i>	<i>27 November</i>	<i>25 November</i>	<i>27 November</i>
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
\$175 million 11% Senior Notes due 15 May 2008	125,000	109,001	-	-
£55 million 12.25% Senior Subordinated Notes due 15 May 2008	55,000	55,000	-	-
£30 million Senior Floating Rate Notes due 28 November 2008	30,000	30,000	-	-
Unsecured 7% Loan Notes due 31 December 2008	21,838	21,838	21,838	21,838
	<u>231,838</u>	<u>215,839</u>	<u>21,838</u>	<u>21,838</u>
Less: unamortised issue costs	<u>(5,782)</u>	<u>(6,539)</u>	<u>(1,142)</u>	<u>(1,284)</u>
	<u>226,056</u>	<u>209,300</u>	<u>20,696</u>	<u>20,554</u>

The \$175,000,000 Senior Notes due in May 2008 have been translated at the quoted year end rate of \$1.4000 (1999: \$1.6055) to £1.

Interest on the Senior and Senior Subordinated Notes is payable half-yearly. These Notes are redeemable in whole or in part at the option of TM Group Holdings PLC and are unsecured and rank pari passu with any existing and future senior unsecured indebtedness of that company and senior to all existing and future subordinated debt of that company but are subordinate to all liabilities in the subsidiaries of that company.

The Senior Floating Rate Notes are redeemable on or after 27 November 2000 at the option of TM Group Holdings PLC. These Notes rank pari passu with the Senior Notes and Senior Subordinated Notes. The rate of interest payable on the loan is 7% above LIBOR of which LIBOR + 4% is payable half yearly and the remaining 3% is payable on maturity of the Notes.

Interest on the unsecured 7% loan notes is payable half yearly. From the issue of the notes until 31 December 1999, 2% of the interest was paid and 5% accrued. From 1 January 2000 until 31 December 2000, 4% of the interest was paid and 3% accrued. Thereafter, interest will be paid at 7%. Accrued interest will be paid on redemption. The notes are redeemable on 31 December 2008.

The Senior Term Loan and the loan drawn down under the Revolving Credit Facility are secured by fixed and floating charges over the assets and undertakings of certain subsidiaries of the Company.

NOTES TO THE ACCOUNTS

at 25 November 2000

21. FINANCIAL RISK MANAGEMENT

Derivatives and other financial instruments

The group's principal financial instruments, other than derivatives, comprise loans, finance leases, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

The group also enters into derivative transactions (principally interest rate swaps and caps and forward currency contracts). The purpose is to manage the interest rate and currency risks arising from the group's operations and its sources of finance.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The disclosures below include short term debtors and creditors and exclude unamortised finance costs.

Interest rate risk

The group borrows in desired currencies at both fixed and floating rates of interest and then uses interest rate swaps and caps to generate the desired interest profile and to manage the group's exposure to interest fluctuations. These interest rate swaps and caps are accounted for as hedges in accordance with the group's accounting policy. At the year end, 62% of the group's financial liabilities were at fixed rates after taking account of interest rate swaps and caps.

Certain of the group's floating rate financial instruments are subject to interest rate swaps and caps as follows:

<i>Principal Amount</i>	<i>Transaction Date</i>	<i>First Interest Payment Date</i>	<i>Final Interest Payment Date</i>	<i>Fixed Interest Rate payable %</i>	<i>Variable Rate Swapped %</i>
£000					
30,000	December 1998	May 1999	November 2000	5.65	6.20
714	October 1998	October 1998	May 2003	6.31	6.13
10,000	February 1999	May 1999	November 2001	6.50	6.16

NOTES TO THE ACCOUNTS

at 25 November 2000

21. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the group as at 25 November 2000 was as follows:

	<i>Fixed rate financial liabilities £000</i>	<i>Floating rate financial liabilities £000</i>	<i>Financial liabilities on which no interest is paid £000</i>	<i>Total £000</i>
Sterling	117,423	20,000	127,477	264,900
US dollar	125,000	-	-	125,000
	<u>242,423</u>	<u>20,000</u>	<u>127,477</u>	<u>389,900</u>

The interest rate profile of the financial liabilities of the group as at 27 November 1999 was as follows:

	<i>Fixed rate financial liabilities £000</i>	<i>Floating rate financial liabilities £000</i>	<i>Financial liabilities on which no interest is paid £000</i>	<i>Total £000</i>
Sterling	118,353	20,000	133,107	271,460
US dollar	109,001	-	-	109,001
	<u>227,354</u>	<u>20,000</u>	<u>133,107</u>	<u>380,461</u>

As at 25 November 2000

	<i>Fixed rate financial liabilities</i>		<i>Financial liabilities on which no interest is paid</i>
<i>Currency</i>	<i>Weighted average interest rate %</i>	<i>Weighted average period for which rate is fixed years</i>	<i>Weighted average period until maturity years</i>
Sterling	9.07	7.34	0.50
US dollar	11.00	7.50	-
	<u>10.06</u>	<u>7.42</u>	<u>0.50</u>

NOTES TO THE ACCOUNTS

at 25 November 2000

21. FINANCIAL RISK MANAGEMENT (continued)

As at 27 November 1999

Currency	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate %	Weighted average period for which rate is fixed years	Weighted average period until maturity years
Sterling	9.04	8.29	0.54
US dollar	11.00	8.50	-
	<u>9.98</u>	<u>8.39</u>	<u>0.54</u>

The amounts shown in the tables above take into account various interest rate swaps used to manage the interest rate profile of financial liabilities. The floating rate financial liabilities comprise sterling denominated bank loans and overdrafts that bear interest at commercial rates.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the group as at 25 November 2000 was as follows:

	Fixed rate financial assets	Floating rate financial assets	Financial assets on which no interest is earned	Total
	£000	£000	£000	£000
Sterling	<u>-</u>	<u>29,941</u>	<u>35,659</u>	<u>65,600</u>

The interest rate profile of the financial assets of the group as at 27 November 1999 was as follows:

	Fixed rate financial assets	Floating rate financial assets	Financial assets on which no interest is earned	Total
	£000	£000	£000	£000
Sterling	<u>-</u>	<u>27,938</u>	<u>30,173</u>	<u>58,111</u>

Floating rate financial assets comprise cash deposits on money market deposit at call that earn interest at commercial rates. The weighted average period for financial assets on which no interest is earned is 0.3 years.

NOTES TO THE ACCOUNTS

at 25 November 2000

21. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and finance leases. 67% of the group's financial liabilities at the year end will mature in more than two years and 61% will mature in more than five years.

Short term flexibility is achieved by borrowing facilities in the operating subsidiaries. Under this arrangement, the company's subsidiaries had an undrawn Revolving Credit Facility of £17,500,000 available at 25 November 2000 (reduced to £15,000,000 on 30 November 2000) of which £4,550,000 was allocated as an overdraft facility (reduced to £3,900,000 on 30 November 2000).

Foreign currency risk

As a result of US dollar denominated borrowings of \$175,000,000 and interest payments thereon, the group's balance sheet and profit and loss account can be significantly affected by movements in the US dollar/sterling exchange rates. The group has partially mitigated the effect of this currency exposure by purchasing options to buy US dollars. In managing its currency exposures, the group's objectives are to maintain a low cost of borrowing and to retain some potential for currency-related appreciation while partially hedging against currency depreciation.

Since May 1998, the group has acquired a series of options, exercisable on 13 May 2003, to purchase US dollars at the rate of \$1.55 = £1.00. Each of these options is subject to automatic termination on an earlier date if the exchange rate between the US dollar and the pound sterling exceeds a specific rate varying from \$1.70 = £1.00 to \$1.81 = £1.00, depending on the option. Due to an increase in the value of the dollar, two of these options were automatically terminated. One of these options was subsequently replaced, exercisable on 13 May 2003, to purchase US dollars at the rate of \$1.60 = £1.00 but which excluded an automatic termination right. The level of US borrowings covered by the options is \$150,000,000.

The group has also entered into a foreign exchange forward contract for the purchase, at rates varying from \$1.5891 = £1.00 to \$1.6177 = £1.00, of US dollar amounts equal to the total of the first ten half-yearly interest payments on the senior notes, for settlement on each interest payment date between November 1998 and May 2003. These forward foreign currency contracts are accounted for as hedges in accordance with the group's accounting policy.

Maturity of financial liabilities

The maturity profile of the group's financial liabilities at 25 November 2000 was as follows:

	25 November 2000 £000	27 November 1999 £000
In one year or less, or on demand	121,194	126,139
In more than one year but not more than two	6,539	4,089
In more than two years, but not more than five	24,725	29,770
In more than five years	237,442	220,463
	<u>389,900</u>	<u>380,461</u>

NOTES TO THE ACCOUNTS

at 25 November 2000

21. FINANCIAL RISK MANAGEMENT (continued)

Borrowing facilities

The group has various borrowing facilities available to it under the Senior Credit Agreement. The committed facilities available of which £20,000,000 was drawn at 25 November 2000 (1999 - £20,000,000) expire as follows:

	25 November 2000 £000	27 November 1999 £000
In one year or less, or on demand	2,500	2,500
In more than one year but not more than two	5,000	2,500
In more than two years	30,000	35,000
	<u>37,500</u>	<u>40,000</u>

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all the group's financial assets and financial liabilities as at 25 November 2000;

	At 25 November 2000		At 27 November 1999	
	Book Value £000	Fair Value £000	Book value £000	Fair value £000
Primary financial instruments				
Financial liabilities				
Short term borrowings and current portion				
of long term borrowings	(1,795)	(1,795)	(929)	(929)
Short term creditors	(118,232)	(118,232)	(123,586)	(123,586)
Long term borrowings	(260,628)	(239,428)	(246,425)	(243,430)
Long term creditors	(4,757)	(4,757)	(3,273)	(3,273)
Provisions	(4,488)	(4,488)	(6,248)	(6,248)
	<u>(389,900)</u>	<u>(368,700)</u>	<u>(380,461)</u>	<u>(377,466)</u>
Financial assets				
Currency Options	10,603	10,603	3,256	3,256
Short term debtors	25,056	25,056	26,917	26,917
Cash and short term deposits	29,941	29,941	27,938	27,938
	<u>65,600</u>	<u>65,600</u>	<u>58,111</u>	<u>58,111</u>

Derivative financial instruments held to manage the interest rate profile

	At 25 November 2000		At 27 November 1999	
	£000	£000	£000	£000
Interest rate swaps and caps	-	(2)	-	425

Derivative financial instruments held to hedge currency exposure

	At 25 November 2000		At 27 November 1999	
	£000	£000	£000	£000
Forward foreign currency contracts	-	3,788	-	(268)

NOTES TO THE ACCOUNTS

at 25 November 2000

21. FINANCIAL RISK MANAGEMENT (continued)

Market values have been used to determine the fair value of interest rate swaps, caps, forward foreign currency contracts, \$175 million 11% Senior Notes and £55 million 12.25% Senior Subordinated Notes and currency options. For all other instruments, any differences between fair value and book value are not considered to be material.

Hedges

Unrecognised gain and losses on financial instruments used for hedging as at 25 November 2000 are as follows:

	Gains £000	Losses £000	Total £000
Gains and losses unrecognised at 25 November 2000	3,788	(2)	3,786
Gains and losses expected to be recognised in the profit and loss account in the period to 24 November 2001	1,586	-	1,586
Gains and losses included in the profit and loss account that arose in previous years	91	(303)	(212)

Unrecognised gain and losses on financial instruments used for hedging as at 27 November 1999 are as follows:

	Gains £000	Losses £000	Total £000
Gains and losses unrecognised at 27 November 1999	425	(268)	157
Gains and losses expected to be recognised in the profit and loss account in the period to 25 November 2000	363	(51)	312
Gains and losses included in the profit and loss account that arose in previous years	-	(118)	(118)

22. PROVISIONS FOR LIABILITIES AND CHARGES

Group

	Deferred taxation £000	Dilapid- ations £000	Onerous contracts £000	Other £000	Total £000
At 28 November 1999	227	1,989	4,148	111	6,475
Utilised during the period	-	(301)	(663)	(85)	(1,049)
Unwinding of the discount included in provisions	-	60	100	-	160
Charged/(Released) to the profit and loss account	587	(471)	(383)	(17)	(284)
At 25 November 2000	814	1,277	3,202	9	5,302

NOTES TO THE ACCOUNTS

at 25 November 2000

22. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Onerous contracts

A provision is recognised for the net rent due until the anticipated disposal of a vacant property. In addition, provision has been made for excess rent over market rent on leasehold properties as part of fair value assessments made on acquisition. It is expected that most of these costs will be incurred during the next five years.

Dilapidations

A provision is recognised for the expected cost of dilapidation that has occurred in respect of leasehold properties. It is expected that most of these costs will be incurred after five years.

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	<i>Provided</i>		<i>Not provided</i>	
	<i>25 November 2000 £000</i>	<i>27 November 1999 £000</i>	<i>25 November 2000 £000</i>	<i>27 November 1999 £000</i>
Capital allowances in advance of depreciation	437	528	(251)	927
Other timing differences	377	(301)	(28)	(589)
	<u>814</u>	<u>227</u>	<u>(279)</u>	<u>338</u>

23. SHARE CAPITAL

	<i>25 November 2000 £</i>	<i>27 November 1999 £</i>
<i>Authorised</i>		
Equity shares - "A" ordinary shares of 1p each	1,787	1,787
- "B" ordinary shares of 1p each	4,595	4,595
Non-equity shares		
- "C" ordinary shares of 1p each	1,618	1,618
	<u>8,000</u>	<u>8,000</u>

	<i>25 November 2000 No</i>	<i>25 November 2000 £</i>	<i>27 November 1999 No</i>	<i>27 November 1999 £</i>
<i>Allotted, called up and fully paid:</i>				
Equity shares - "A" ordinary shares of 1p each	178,697	1,787	178,697	1,787
- "B" ordinary shares of 1p each	321,303	3,213	321,303	3,213
Non-equity shares				
- "C" ordinary shares of 1p each	161,765	1,618	161,765	1,618
	<u>661,765</u>	<u>6,618</u>	<u>661,765</u>	<u>6,618</u>

NOTES TO THE ACCOUNTS

at 25 November 2000

23. SHARE CAPITAL (continued)

The "A" and "B" ordinary shares have no fixed right to a dividend. The "C" ordinary shares have the right to a fixed cumulative dividend of 7% per annum. Until 31 December 1999, 2% of that dividend was paid and 5% accrued. From 1 January 2000 until 31 December 2000, 4% of the dividend will be paid and 3% will accrue. Thereafter, dividends will be paid at 7%. Accrued dividends will not be paid until immediately before the earlier of a listing or a sale except to the extent that the company has already paid such amount in its discretion at any time after 31 December 2002.

The "A", "B" and "C" ordinary shares rank *pari passu* for voting rights and on a winding up.

24. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group	Share capital £000	Share premium account £000	Profit and loss account £000	Other reserves £000	Total £000
At 28 November 1998	7	160	(131,897)	(59,892)	(191,622)
Redemption of Preference share Capital in subsidiary Undertaking	-	-	-	(50) (i)	(50)
Capital Redemption Reserve Transfer	-	-	(50)	50	-
Profit for the period	-	-	3,693	-	3,693
Dividends	-	-	(12)	-	(12)
At 27 November 1999	7	160	(128,266)	(59,892)	(187,991)
Profit for the period	-	-	1,973	-	1,973
Dividends	-	-	(11)	-	(11)
At 25 November 2000	7	160	(126,304) (ii)	(59,892)	(186,029)

(i) A capital redemption reserve of £50,000 was created within other reserves during the period ended 27 November 1999 following the redemption of £50,000 of cumulative preference shares at par in a subsidiary undertaking.

(ii) Profit and loss account includes £134,559 (1999 - £134,559) goodwill written off.

Group shareholders' funds comprise the following interests:

	25 November 2000 £000	27 November 1999 £000
Equity	(186,191)	(188,153)
Non-equity	162	162
	<u>(186,029)</u>	<u>(187,991)</u>

NOTES TO THE ACCOUNTS

at 25 November 2000

24. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES
(continued)

Company	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 28 November 1998	7	160	(63)	104
Profit for the period	-	-	870	870
Dividends	-	-	(12)	(12)
At 27 November 1999	7	160	795	962
Profit for the period	-	-	253	253
Dividends	-	-	(11)	(11)
At 25 November 2000	7	160	1,037	1,204

Shareholders' funds comprise the following interests:

	25 November 2000 £000	27 November 1999 £000
Equity	1,042	800
Non-equity	162	162
	1,204	962

25. NOTES TO THE STATEMENT OF CASHFLOWS

(a) Reconciliation of operating profit to net cash inflow from operating activities

	52 weeks ended 25 November 2000 £000	52 weeks ended 27 November 1999 £000
Operating profit	40,476	36,668
Depreciation and amortisation charges	14,971	15,351
Movement in provisions included in fixed assets	(288)	1,524
Profit on disposal of tangible fixed assets	(1,509)	(305)
Decrease in debtors	998	1,990
Decrease in stocks	6,016	50,234
Decrease in creditors	(5,746)	(55,945)
Increase/(Decrease) in provisions	(1,920)	2,283
Net cash inflow from operating activities	52,998	51,800

Cash flows relating to operational exceptional items

Net cash inflow from operating activities in 1999 include cash outflows of £660,000 in respect of redundancies as part of the integration of the retail business.

NOTES TO THE ACCOUNTS
at 25 November 2000

25. NOTES TO THE STATEMENT OF CASHFLOWS (continued)

(b) Analysis of net debt

	At 27 November 1999 £000	Cashflow £000	Exchange Differences	Other Non-cash Movements	At 25 November 2000 £000
Cash at bank and in hand	14,938	1,403	-	-	16,341
Short term deposits*	13,000	600	-	-	13,600
Loans	(238,946)	236	(16,000)	(1,024)	(255,734)
Finance leases	(801)	695	-	-	(106)
	<u>(211,809)</u>	<u>2,934</u>	<u>(16,000)</u>	<u>(1,024)</u>	<u>(225,899)</u>

*Short term deposits are included within cash at bank and in hand in the balance sheet.

26. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £3,107,000 (1999 - £3,382,000) for the group.

27. OPERATING LEASE COMMITMENTS

At 25 November 2000, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	25 November 2000 £000	27 November 1999 £000	25 November 2000 £000	27 November 1999 £000
Operating leases which expire:				
within one year	573	526	901	337
within two to five years	5,557	5,416	888	2,036
in over five years	16,329	16,965	-	-
	<u>22,459</u>	<u>22,907</u>	<u>1,789</u>	<u>2,373</u>

28. CONTINGENT LIABILITY

The group did not have any material contingent liabilities at 25 November 2000.

Certain subsidiaries of the company have assigned UK property leases in the normal course of business. Should the assignees fail to fulfil any obligations in respect of these leases, members of the group may be liable for those defaults. The number of such claims arising to date have been small, and the liability, which is charged to the profit and loss as it arises, has not been material.

NOTES TO THE ACCOUNTS

at 25 November 2000

29. PENSION COMMITMENTS

The group operates three defined benefit pension schemes covering a significant number of its permanent employees (in addition to some small defined contribution schemes), all of which are funded by the payment of contributions to separate trustee administered funds.

The contributions to the schemes during the year were determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method. The principal assumptions made for the most recent valuations for the purpose of determining pension costs are:

	<i>Vendepac Ltd</i> (% per annum)	<i>Vendcare Ltd</i> (% per annum)	<i>Martin Retail Group Ltd</i> (% per annum)
Rate of return on investments	7.0	9.0	7.0
Rate of salary increases	4.5	7.0	4.5
Rate of pension increases	1.5 – 2.75	3.4 – 4.5	2.75
Rate of growth in dividends	4.0	4.5	4.0
Date of latest valuation	31 March 1999	17 April 1998	30 April 1999
Market value of schemes' assets at latest valuation	£66.68m	£3.6m	£26.27m

Using the above assumptions, the actuarial value of the schemes' assets at the latest valuation date represented the following percentages of the benefits for each scheme that had accrued to the members based on service to that date allowing for assumed future salary increases:

	<i>Vendepac Ltd</i> (%)	<i>Vendcare Ltd</i> (%)	<i>Martin Retail Group Ltd</i> (%)
Percentage of benefits	111%	106%	95%

The excess in the Vendepac Ltd scheme was used to finance a temporary reduction in the company's contributions to 30 November 1999. On 1 December 1999, the company recommenced paying contributions, at the rate of 9% of salaries of scheme members. This rate has increased to 16.3% of salaries from 1 December 2000, following actuarial advice.

Further contributions, in addition to the employer's current contribution of 8.3% of pensionable earnings, are being made in order to eliminate the deficiency in the Martin Retail Group Limited scheme.

Movements in the group pension (liability)/asset throughout the period may be summarised as follows:

	<i>25 November</i> <i>2000</i> <i>£000</i>	<i>27 November</i> <i>1999</i> <i>£000</i>
Balance at the beginning of the period	(1,806)	(855)
Funding	1,543	710
Charged during the period	(1,558)	(1,661)
Liability	<u>(1,821)</u>	<u>(1,806)</u>

The increase in funding was primarily due to the recommencement of company contributions in the Vendepac Limited scheme.

NOTES TO THE ACCOUNTS

at 25 November 2000

30. POST BALANCE SHEET EVENT

On 8 December 2000, the business of Mayfair Vending Limited, the cigarette vending operation, was sold to Sinclair Collis Limited, a subsidiary of Imperial Tobacco Group Plc. On the same date, a long term contract was entered into for the supply of tobacco gantries in the retail shops. Consideration in aggregate for these transactions, including expected income under the long term contract, amounted to approximately £38 million.