

3649523

Report and Accounts
Thistledove Limited

27 November 1999



Thistledove Limited

Registered No. 3649523

DIRECTORS

J Lancaster
A R Cox
D J Curzon
D A R Saunders
D W Symondson
C F Corby
C M Masterson

JOINT SECRETARY

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

DIRECTORS' REPORT

The directors present their report and the group accounts for the period ended 27 November 1999.

RESULTS AND DIVIDENDS

The group profit for the year after taxation amounted to £3,693,000 (1998 - £6,761,000). After preference dividends of £NIL (1998 - £649,000) and ordinary dividends of £12,000 (1998 - £20,080,000), there was a retained profit for the period of £3,681,000 (1998 - loss of £13,968,000).

THE COMPANY

The company was incorporated on 14 October 1998. On 28 November 1998, in a reorganisation in connection with the acquisition of Tog Limited, the entire share capital of TM Group Holdings Plc was acquired by Thistledove Limited in a share for share exchange.

The company's immediate subsidiary, TM Group Holdings PLC, was incorporated on 7 November 1997 as Arrowfleet PLC and changed its name to TM Group Holdings PLC on 1 May 1998. On 15 May 1998, it became the parent company of the TM Group in a recapitalisation of TM Group Limited (formerly TM Group Holdings Limited). Under this recapitalisation, it acquired all of the issued share capital of TM Group Limited (formerly TM Group Holdings Limited) in exchange for shares in the company and cash payments.

Immediately prior to the recapitalisation, TM Group Limited (formerly TM Group Holdings Limited) declared a cash dividend of £20.0 million on its "A" ordinary shares with a scrip alternative which was satisfied by the issue of new preference shares. These preference shares were acquired for a cash consideration of £25.0 million and the existing preference shares in TM Group Limited (formerly TM Group Holdings Limited) were acquired for an aggregate cash payment of £24.5 million, representing their redemption price plus accrued dividends.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the group continue 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 51% in the operating profit of the Group to £36.7 million on turnover which increased from £541 million to £897 million. The results for the year include the profits of the newsagent Martin, which was acquired on 28 November 1998.

FUTURE DEVELOPMENTS

The directors consider the company to be well placed to take advantage of opportunities to expand its activities.

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.

DIRECTORS' REPORT

YEAR 2000 COMPLIANCE UPDATE

The group did not experience any material Year 2000 problems either internally or with significant suppliers and customers.

The total cost of Year 2000 compliance, which was estimated to be less than £800,000 is not expected to increase. On-going risks are not considered to be significant.

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 £7,568 (1998 - £2,005) was paid during the year to United Kingdom charities. No political donations were made during the year.

DIRECTORS AND THEIR INTERESTS

The directors at 27 November 1999 and their interests in the share capital of the company were as follows:

	At 27 November 1999			At 28 November 1998		
	'A'	'B'	'C'	'A'	'B'	'C'
	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
	Shares	Shares	Shares	Shares	Shares	Shares
J Lancaster (Chief Executive)	47,526	-	1,104	47,526	-	1,104
A R Cox	23,826	-	551	23,826	-	551
D J Keen (resigned on retirement 31 December 1999)	23,826	-	551	23,826	-	551
D J Curzon	9,927	-	368	9,927	-	368
D W Symondson (Non-executive)	-	521	305	-	521	305
C F Corby (Non-executive)	-	-	98	-	-	98
C M Masterson (Non-executive) (appointed 27 January 1999)	-	1,059	684	-	-	-

In addition to the directors listed above, P Mitchell served as a director until 31 March 1999 when he resigned and D Saunders was appointed as an executive director on 26 January 2000.

Thistledove Limited

DIRECTORS' REPORT

The directors interests in the share capital of TM Group Holdings PLC, a subsidiary company, were as follows:

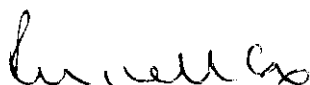
		At 27 November 1999	At 28 November 1998
		<i>Preference shares</i>	
J Lancaster	(Chief Executive)	-	20,000
A R Cox		-	10,000
D J Keen	(resigned on retirement 31 December 1999)	-	10,000

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

AUDITORS

A resolution to re-appoint Ernst & Young auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

20 SEP 2000

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 7 to 37, which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 15.

Respective responsibilities of directors and auditors

As described on page 5 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.

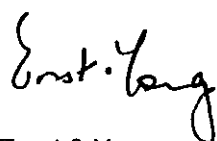
Basis of opinion

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 27 November 1999 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

21.9.00

Thistle dove Limited

GROUP PROFIT AND LOSS ACCOUNT

for the 52 week period ended 27 November 1999

	Notes	52 weeks ended 27 November 1999 £000	Restated 52 weeks ended 28 November 1998 £000
TURNOVER	2	897,443	541,052
Cost of sales		(660,537)	(396,765)
Gross profit		236,906	144,287
Selling, distribution and advertising costs		(174,682)	(105,270)
Administrative expenses		(23,773)	(14,263)
Exceptional items	4	(1,783)	(450)
		(200,238)	(119,983)
OPERATING PROFIT	3	36,668	24,304
Net interest payable and similar charges	7	(33,525)	(14,757)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,143	9,547
Tax on profit on ordinary activities	8	550	(2,786)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,693	6,761
DIVIDENDS	10		
Non-equity dividends on "C" ordinary shares		(12)	-
Ordinary dividends on non-equity shares		-	(80)
Preference dividends on non-equity shares		-	(649)
Equity dividend on "A" ordinary shares		-	(20,000)
PROFIT/(LOSS) RETAINED FOR THE PERIOD		3,681	(13,968)

The group has revised the classification of cost of sales, administrative and selling distribution and advertising expenses. The group has also reclassified the amortisation of loan issue costs from administrative expenses into net interest payable and similar charges. In both cases, comparative figures have been adjusted accordingly.

The company 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 27 November 1999

	Notes	27 November 1999 £000	Restated 28 November 1998 £000
FIXED ASSETS			
Intangible assets	11	2,502	-
Tangible assets	12	69,078	72,887
		<u>71,580</u>	<u>72,887</u>
CURRENT ASSETS			
Stocks	15	54,505	104,044
Debtors	16	29,795	31,785
Other current assets	17	3,256	3,725
Cash at bank and in hand		27,938	33,423
		<u>115,494</u>	<u>172,977</u>
CREDITORS: amounts falling due within one year	18	(126,499)	(196,564)
		<u>(11,005)</u>	<u>(23,587)</u>
NET CURRENT LIABILITIES			
		<u>(11,005)</u>	<u>(23,587)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>60,575</u>	<u>49,300</u>
CREDITORS: amounts falling due after more than one year	19	(242,091)	(236,730)
PROVISIONS FOR LIABILITIES AND CHARGES	22	(6,475)	(4,192)
		<u>(187,991)</u>	<u>(191,622)</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	(128,266)	(131,897)
		<u>(187,991)</u>	<u>(191,622)</u>
SHAREHOLDERS' FUNDS		<u>(187,991)</u>	<u>(191,622)</u>

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

The group has adopted FRS10 and accordingly the comparative figures for reserves have been restated.



Director

20 SEP 2000

Thistledove Limited

BALANCE SHEET

at 27 November 1999

	Notes	27 November 1999 £000	28 November 1998 £000
FIXED ASSETS			
Investments	13	20,740	20,740
CURRENT ASSETS			
Debtors	16	2,066	470
Cash at bank and in hand		63	-
CREDITORS: amounts falling due within one year	18	2,129 (250)	470 (696)
NET CURRENT ASSETS/(LIABILITIES)		1,879	(226)
TOTAL ASSETS LESS CURRENT LIABILITIES		22,619	20,514
CREDITORS: amounts falling due after more than one year	19	(21,657)	(20,410)
		962	104
CAPITAL AND RESERVES			
Called up share capital	23	7	7
Share premium	24	160	160
Profit and loss account	24	795	(63)
SHAREHOLDERS' FUNDS		962	104

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



Director

20 SEP 2000

ThistleDove Limited

GROUP STATEMENT OF CASH FLOWS for the 52 week period ended 27 November 1999

		52 weeks ended 27 November 1999 £000	52 weeks ended 28 November 1998 £000
	Notes		
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	51,800	39,389
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		693	553
Interest paid		(27,233)	(13,309)
Interest element of finance lease rental payments		(165)	(3)
Non equity dividends paid		(2)	(90)
		(26,707)	(12,849)
TAXATION			
Corporation tax paid		(3,729)	(5,596)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(14,251)	(13,167)
Receipts from sales of tangible fixed assets		2,463	2,028
		(11,788)	(11,139)
ACQUISITIONS AND DISPOSALS			
Sale of business		-	492
Purchase of businesses	14	(4,170)	(83,066)
Expenses relating to acquisition of Tog Limited		(4,701)	-
		(8,871)	(82,574)
MANAGEMENT OF LIQUID RESOURCES			
(Increase)/Decrease in short-term deposits	25	(6,783)	2,783
NET CASH OUTFLOW BEFORE FINANCING		(6,078)	(69,986)
FINANCING			
Issue of ordinary share capital		-	162
Redemption of preference share capital in subsidiary undertaking		(50)	-
Loans net of issue costs		(1,842)	238,021
Repayment of loans	25	(3,217)	(37,905)
Recapitalisation		-	(107,519)
Repayments of capital element of finance leases and hire purchase contracts	25	(1,081)	(73)
Purchase of hedging instruments		-	(4,854)
		(6,190)	87,832
(DECREASE)/INCREASE IN CASH (EXCLUDING SHORT TERM DEPOSITS)	25	(12,268)	17,846

Thistle dove Limited

GROUP STATEMENT OF CASH FLOWS for the 52 week period ended 27 November 1999

		52 weeks ended 27 November 1999 £000	52 weeks ended 28 November 1998 £000
	Notes		
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN DEBT			
(Decrease)/Increase in cash (excluding short term deposits)		(12,268)	17,846
Increase/(Decrease) in short term deposits		6,783	(2,783)
		(5,485)	15,063
Repayment of loans		3,217	37,905
Issue of new loans		-	(238,021)
Repayment of capital element of finance leases and hire purchase contracts		1,081	73
Change in net debt resulting from cashflows	25	(1,187)	(184,980)
Exchange differences		(2,811)	(113)
Amortised issue costs		(938)	(280)
New finance leases		-	(1,835)
MOVEMENT IN NET DEBT			
NET DEBT AT BEGINNING OF PERIOD	25	(206,873)	(19,665)
NET DEBT AT END OF PERIOD	25	(211,809)	(206,873)

NOTES TO THE ACCOUNTS

at 27 November 1999

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 1999 consolidate the accounts of Thistledove Limited and all its subsidiary undertakings (together, "the Group") drawn up on 27 November 1999. 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 1998 Recapitalisation. 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.

Both the reorganisation in May and that in November have therefore been accounted for using merger accounting principles.

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 27 November 1999

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 27 November 1999

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.

The balance sheets of overseas subsidiary undertakings are translated at the rates of exchange ruling at the balance sheet date. The results of overseas subsidiary undertakings are translated at the average rates of exchange for the period. The exchange difference arising on the retranslation of opening net assets together with the differences between profit and loss accounts translated at average rates and at balance sheet rates are taken directly to reserves.

Interest rate risk management

The Group manages its exposure to interest rate fluctuation by the use of derivatives such as interest rate swaps and caps. These instruments are accounted for as hedges, with the profit and loss account reflecting the net interest payable or receivable under the instruments.

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 probable 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.

NOTES TO THE ACCOUNTS

at 27 November 1999

1. **ACCOUNTING POLICIES** (continued)

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.

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.

ThistleDove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

2. TURNOVER AND SEGMENTAL ANALYSIS

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 27 November 1999	52 weeks ended 28 November 1998	52 weeks ended 27 November 1999	52 weeks ended 28 November 1998	52 weeks ended 27 November 1999	52 weeks ended 28 November 1998	52 weeks ended 27 November 1999	52 weeks ended 28 November 1998
	£000	£000	£000	£000	£000	£000	£000	£000
TURNOVER								
Continuing operations	691,181	321,916	148,238	168,055	58,024	51,081	897,443	541,052
PROFIT								
Segment profit:								
Continuing operations	23,827	10,165	8,913	11,124	6,781	6,433	39,521	27,722
Common costs							(2,853)	(3,418)
Net interest payable							36,668	24,304
							(33,525)	(14,757)
Profit on ordinary activities before taxation							3,143	9,547

Area of activity

	Retail Business		Cigarette Vending Business		Beverage and Snack Vending Business		Total	
	52 weeks ended 27 November 1999	52 weeks ended 28 November 1998	52 weeks ended 27 November 1999	52 weeks ended 28 November 1998	52 weeks ended 27 November 1999	52 weeks ended 28 November 1998	52 weeks ended 27 November 1999	52 weeks ended 28 November 1998
	£000	£000	£000	£000	£000	£000	£000	£000
NET ASSETS								
Net assets by segment:								
Continuing operations	15,730	7,437	2,404	1,108	11,029	10,741	29,163	19,286
Unallocated net liabilities							(217,154)	(210,908)
Total net liabilities							(187,991)	(191,622)
Unallocated net liabilities comprise:								
Fixed assets							238	146
Pension liability							(1,806)	(855)
Other debtors							451	2,419
Other current assets							3,256	3,656
Cash at bank and in hand							27,938	33,423
Corporation tax							(284)	(4,148)
Other creditors and accruals							(6,973)	(6,885)
Bank and other loans							(239,747)	(238,022)
Deferred taxation							(227)	(642)
							(217,154)	(210,908)

Thistle dove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

3. OPERATING PROFIT

This is stated after charging/(crediting):

	52 weeks ended 27 November 1999 £000	52 weeks ended 28 November 1998 £000
Auditors' remuneration - audit services	220	192
- non-audit services	172	133
Amortisation of goodwill	60	-
Depreciation of owned assets	14,180	10,181
Depreciation of assets held under finance leases	1,111	78
Operating lease payments - land and buildings	26,673	11,005
- plant and machinery	2,627	1,786
Operating lease income - land and buildings	(3,046)	(1,123)
Profit on routine disposal of tangible fixed assets	(305)	(886)
In addition:		
Auditors' remuneration for non-audit services not included in the above	-	1,237

4. OPERATING EXCEPTIONAL ITEMS

	52 weeks ended 27 November 1999 £000	52 weeks ended 28 November 1998 £000
Redundancies and relocations	660	-
Depot closures	840	-
Machine obsolescence	283	-
Aborted acquisition costs	-	144
Recapitalisation costs	-	700
Profit on sale of Pour over Coffee division	-	(394)
	1,783	450

5. DIRECTORS' EMOLUMENTS

	52 weeks ended 27 November 1999 £000	52 weeks ended 28 November 1998 £000
Emoluments	1,185	1,008

Five directors were members of the group's defined benefit Pension Scheme during the period (1998 - five). The emoluments of the highest paid director, excluding pension contributions, were £356,000 (1998 - £316,000) and his accrued pension benefits were £131,000 (1998 - £101,000).

Thistledove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

6. STAFF COSTS

	52 weeks ended 27 November 1999 £000	52 weeks ended 28 November 1998 £000
Wages and salaries	96,002	53,261
Social security costs	5,861	3,571
Other pension costs	1,661	730
	<u>103,524</u>	<u>57,562</u>

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

	52 weeks ended 27 November 1999 No	52 weeks ended 28 November 1998 No
Retailing	12,706	6,480
Vending and related business	1,437	1,415
Central administration	9	14
	<u>14,152</u>	<u>7,909</u>

The TM Group Holdings Limited Employee Benefit 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 27 November 1999 the ESOP held 19,656 "A" Ordinary Shares in Thistledove Limited purchased from former employees.

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

Thistledove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

7. NET INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 27 November 1999 £000	52 weeks ended 28 November 1998 £000
Interest receivable	693	553
Interest payable:		
Bank loans and overdrafts	(5,834)	(3,691)
Other loans	(25,008)	(10,305)
Finance charges payable under finance leases	(165)	(3)
	<u>(31,007)</u>	<u>(13,999)</u>
Similar charges:		
Retranslation of senior notes	(2,811)	(113)
Revaluation of currency options	(400)	(1,198)
	<u>(3,211)</u>	<u>(1,311)</u>
Net interest payable and similar charges	<u>(33,525)</u>	<u>(14,757)</u>

The group has reclassified the amortisation of loan issue costs from administrative expenses into net interest payable and similar charges. The comparative figures have been adjusted accordingly.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	52 weeks ended 27 November 1999 £000	52 weeks ended 28 November 1998 £000
Based on the profit for the period:		
Corporation tax	-	3,304
Deferred taxation credit	(415)	(322)
Corporation tax overprovided in previous years	(135)	(196)
	<u>(550)</u>	<u>2,786</u>

The corporation tax charge for the period has been reduced due to losses brought forward in respect of Martin Retail Group.

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 £870,000 (1998 – loss of £63,000).

Thistledove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

10. DIVIDENDS

	52 weeks ended 27 November 1999 £000	52 weeks ended 28 November 1998 £000
Non-equity dividends on "C" ordinary shares	12	-
Ordinary dividends on non-equity shares	-	80
Preference dividends on non-equity shares	-	649
Equity dividend on "A" ordinary shares	-	20,000
	<u>12</u>	<u>20,729</u>

The dividends payable in 1998 were for the period prior to the recapitalisation in May 1998. The equity dividend on the "A" shares was satisfied by the issue of 20 million new £1 preference shares in TM Group Limited.

11. INTANGIBLE FIXED ASSETS

Goodwill Group	Total £000
Cost:	
At 28 November 1998	-
Additions	2,572
Disposals	(10)
At 27 November 1999	<u>2,562</u>
Amortisation:	
At 28 November 1998	-
Provided during the year	60
At 27 November 1999	<u>60</u>
Net book value:	
At 27 November 1999	<u>2,502</u>
At 28 November 1998	<u>-</u>

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

Thistledove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

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 1998	21,790	62,282	84,072
Additions	1,476	12,775	14,251
Acquisitions	329	574	903
Disposals	(1,893)	(9,580)	(11,473)
At 27 November 1999	21,702	66,051	87,753
Depreciation:			
At 28 November 1998	1,099	10,086	11,185
Reclassification from provisions	-	456	456
Provided during the year	1,834	13,457	15,291
Provision for impairment	-	1,068	1,068
Disposals	(1,080)	(8,245)	(9,325)
At 27 November 1999	1,853	16,822	18,675
Net book value:			
At 27 November 1999	19,849	49,229	69,078
At 28 November 1998	20,691	52,196	72,887

The net book value of plant and machinery above includes an amount of £908,000 (1998 - £2,082,000) 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 27 November 1999	9,835	1,568	8,446	19,849
At 28 November 1998	10,149	1,651	8,891	20,691

Thistledove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

13. INVESTMENTS

<i>Company</i>	<i>27 November 1999 £000</i>	<i>28 November 1998 £000</i>
Subsidiary undertaking – cost and net book value	<u>20,740</u>	<u>20,740</u>

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

<i>Name of company</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
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
Farthingmist Ltd*	England and Wales	Ordinary shares	100%	Purchase of and supply of tobacco products
Forbuoys Ltd*	England and Wales	Ordinary shares	100%	Retailing
Martin Retail Group Ltd*	Scotland	Ordinary shares	100%	Retailing
Mayfair Vending Ltd*	England and Wales	Ordinary shares	100%	Vending
Reliable Refreshments Ltd*	England and Wales	Ordinary shares	100%	Vending
TM Group Holdings Plc	England and Wales	Ordinary shares	100%	Predecessor Holding Co
TM Group Ltd* (formerly TM Group Holdings Ltd)	England and Wales	Ordinary shares Cum preference shares	100% 100%	Predecessor Holding Co
Tog Ltd*	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Vendcare Holdings Ltd*	England and Wales	Ordinary shares	100%	Vending
Vendepac Ireland Ltd*	Eire	Ordinary shares	100%	Vending
Vendepac Ltd*	England and Wales	Ordinary shares	100%	Vending

*100% held by a subsidiary undertaking

Thistledove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

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 £4,170,000 and can be summarised as follows:

	£000
Tangible fixed assets	903
Stocks	695
Goodwill	2,572
	<u>4,170</u>

15. STOCKS

	Group	
	27 November 1999 £000	28 November 1998 £000
Machinery and spares	1,863	1,120
Goods for resale	52,642	102,924
	<u>54,505</u>	<u>104,044</u>

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

16. DEBTORS

	Group		Company	
	27 November 1999 £000	28 November 1998 £000	27 November 1999 £000	28 November 1998 £000
Trade debtors	9,099	11,221	-	-
Amounts due from subsidiary undertakings	-	-	1,516	-
Group relief receivable	-	-	550	-
Other debtors	17,818	16,792	-	470
Prepayments	2,878	3,772	-	-
	<u>29,795</u>	<u>31,785</u>	<u>2,066</u>	<u>470</u>

Thistle dove Limited

NOTES TO THE ACCOUNTS at 27 November 1999

17. OTHER CURRENT ASSETS

	Group		Company	
	27 November 1999 £000	28 November 1998 £000	27 November 1999 £000	28 November 1998 £000
Currency options	3,256	3,656	-	-
Current asset investment	-	69	-	-
	<u>3,256</u>	<u>3,725</u>	<u>-</u>	<u>-</u>

18. CREDITORS: amounts falling due within one year

	Group		Company	
	27 November 1999 £000	28 November 1998 £000	27 November 1999 £000	28 November 1998 £000
Loans (note 20)	235	3,217	-	-
Obligations under finance leases (note 20)	694	1,076	-	-
Trade creditors	89,546	146,699	-	-
Corporation tax	284	4,148	-	-
Taxation and social security	1,700	3,787	-	-
Other creditors	18,309	18,531	41	696
Accruals	15,721	19,106	199	-
Dividends	10	-	10	-
	<u>126,499</u>	<u>196,564</u>	<u>250</u>	<u>696</u>

The presentation of comparatives relating to unamortised finance costs and movements on exchange in notes 18, 19 and 20 have been amended for consistency with the current year.

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

	Group		Company	
	27 November 1999 £000	28 November 1998 £000	27 November 1999 £000	28 November 1998 £000
Loans (note 20)	238,711	235,197	20,554	20,410
Obligations under finance leases (note 20)	107	806	-	-
Other creditors	3,273	727	1,103	-
	<u>242,091</u>	<u>236,730</u>	<u>21,657</u>	<u>20,410</u>

ThistleDove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

20. BORROWINGS

	<i>Group</i>		<i>Company</i>	
	<i>27 November</i>	<i>28 November</i>	<i>27 November</i>	<i>28 November</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Borrowings and finance leases falling due after more than one year				
Bank and other loans repayable by instalments				
Between one and two years	1,691	235	-	-
Between two and five years	28,788	30,479	-	-
Bank and other loans repayable otherwise than by instalments				
11% US Dollar Senior Notes 2008	109,001	106,190	-	-
12.25% Senior Subordinated Notes 2008	55,000	55,000	-	-
Unsecured Mezzanine Loan	-	30,000	-	-
Senior Floating Rate Notes 2008 (Libor + 7%)	30,000	-	-	-
Unsecured 7% Loan Notes 2008	21,838	21,838	21,838	21,838
	<u>246,318</u>	<u>243,742</u>	<u>21,838</u>	<u>21,838</u>
Less: unamortised issue costs	(7,607)	(8,545)	(1,284)	(1,428)
Finance leases repayable				
Between two and five years	107	806	-	-
	<u>238,818</u>	<u>236,003</u>	<u>20,554</u>	<u>20,410</u>
Borrowings and finance leases falling due within one year				
Bank and other loans	235	3,217	-	-
Finance leases	694	1,076	-	-
	<u>929</u>	<u>4,293</u>	<u>-</u>	<u>-</u>
Total borrowings	<u>239,747</u>	<u>240,296</u>	<u>20,554</u>	<u>20,410</u>

NOTES TO THE ACCOUNTS

at 27 November 1999

20. **BORROWINGS (continued)**

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

	<i>Group</i>		<i>Company</i>	
	<i>27 November</i>	<i>28 November</i>	<i>27 November</i>	<i>28 November</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
\$175 million 11% Senior Notes due 15 May 2008	109,001	106,190	-	-
£55 million 12.25% Senior Subordinated Notes due 15 May 2008	55,000	55,000	-	-
£30 million Unsecured Mezzanine Loan	-	30,000	-	-
£30 million Senior Floating Rate Notes due 28 November 2008	30,000	-	-	-
Unsecured 7% Loan Notes due 31 December 2008	21,838	21,838	21,838	21,838
	<u>215,839</u>	<u>213,028</u>	<u>21,838</u>	<u>21,838</u>
Less: unamortised issue costs	(6,539)	(7,210)	(1,284)	(1,428)
	<u>209,300</u>	<u>205,818</u>	<u>20,554</u>	<u>20,410</u>

The \$175,000,000 Senior Notes due in May 2008 have been translated at the rate of \$1.6055 (1998: \$1.6480) 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 Unsecured Mezzanine Loan was redeemed on 26 February 1999 by the issue of Senior Floating Rate Notes due in one instalment on 28 November 2008. These Notes are redeemable on or after 27 November 2000 at the option of TM Group Holdings PLC. This Note ranks 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.

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 will be paid and 3% will accrue. 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 27 November 1999

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. At the year end, 60% 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>
<i>£000</i>					
30,000	December 1998	May 1999	November 2000	5.65	5.34
714	October 1998	October 1998	May 2003	6.31	5.76
10,000	February 1999	May 1999	November 2001	6.50	5.35

NOTES TO THE ACCOUNTS

at 27 November 1999

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 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>

	<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	9.04	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.

NOTES TO THE ACCOUNTS

at 27 November 1999

21. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk profile of financial assets

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	-	27,938	30,173	58,111

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.

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 58% 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 a working capital facility of £20,000,000 available at 27 November 1999 (reduced to £17,500,000 on 30 November 1999) of which £5,000,000 was allocated as an overdraft facility (reduced to £4,550,000) on 30 November 1999.

Foreign currency risk

As a result of US dollar denominated borrowings of \$175,000,000 and interest payments thereon, the group's balance sheet 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.

NOTES TO THE ACCOUNTS

at 27 November 1999

21. FINANCIAL RISK MANAGEMENT (continued)

Maturity of financial liabilities

The maturity profile of the group's financial liabilities at 27 November 1999 was as follows:

	£000
In one year or less, or on demand	126,139
In more than one year but not more than two	4,089
In more than two years, but not more than five	29,770
In more than five years	220,463
	<u>380,461</u>

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 27 November 1999 expire as follows:

	£000
In one year or less	2,500
In more than one year but not more than two years	2,500
In more than two years	35,000
	<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 27 November 1999;

	Book value £000	Fair value £000
<i>Primary financial instruments</i>		
Financial liabilities		
Short term borrowings and current portion of long term borrowings	(929)	(929)
Short term creditors	(123,586)	(123,586)
Long term borrowings	(246,425)	(243,430)
Long term creditors	(3,273)	(3,273)
Provisions	(6,248)	(6,248)
	<u>(380,461)</u>	<u>(377,466)</u>
Financial assets		
Currency Options	3,256	3,256
Short term debtors	26,917	26,917
Cash and short term deposits	27,938	27,938
	<u>58,111</u>	<u>58,111</u>

ThistleDove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

21. FINANCIAL RISK MANAGEMENT (continued)

Derivative financial instruments held to manage the interest rate profile

Interest rate swaps and caps	-	425
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Derivative financial instruments held to hedge currency exposure

Forward foreign currency contracts	-	(268)
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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. 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 27 November 1999 are as follows:

	<i>Gains £000</i>	<i>Losses £000</i>	<i>Total £000</i>
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

	<i>Disposal of Branches £000</i>	<i>Deferred taxation £000</i>	<i>Dilapid- ations £000s</i>	<i>Onerous contracts £000</i>	<i>Other £000</i>	<i>Total £000</i>
At 28 November 1998	1,102	642	700	1,733	15	4,192
Reclassification from creditors	148	-	387	285	238	1,058
Reclassification to fixed assets	(754)	-	249	112	(63)	(456)
Utilised during the period	(128)	-	(142)	(341)	(6)	(617)
Charged/(Released) to the Profit and loss account	(368)	(415)	795	2,359	(73)	2,298
At 27 November 1999	-	227	1,989	4,148	111	6,475

Thistledove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

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>27 November 1999 £000</i>	<i>28 November 1998 £000</i>	<i>27 November 1999 £000</i>	<i>28 November 1998 £000</i>
Capital allowances in advance of depreciation	528	588	927	1,246
Other timing differences	(301)	54	(589)	(31)
	<u>227</u>	<u>642</u>	<u>338</u>	<u>1,215</u>

23. SHARE CAPITAL

	<i>27 November 1999 £</i>	<i>28 November 1998 £</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>27 November 1999 No</i>	<i>27 November 1999 £</i>	<i>28 November 1998 No</i>	<i>28 November 1998 £</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>

Thistle dove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

23. SHARE CAPITAL (continued)

The company was incorporated on 14 October 1998. On 28 November 1998, the company became the parent company of TM Group Holdings PLC following a recapitalisation. Under the recapitalisation, the company acquired all of the issued share capital of TM Group Holdings PLC through a share for share exchange and subscribed for a further 20,734,550 "B" shares.

On incorporation, the authorised ordinary share capital of the company was £100 and the issued ordinary share capital was £2. On 28 November 1998, the authorised ordinary share capital of the company was sub-divided and reclassified into 10,000 ordinary shares of 1p each. In addition, the authorised ordinary share capital of the company was increased by 790,000 ordinary shares of 1p each. These shares were reclassified into 178,697 "A" ordinary shares of 1p each, 459,538 "B" ordinary shares of 1p each and 161,765 "C" ordinary shares of 1p each. All the "A" and "C" ordinary shares and 321,303 "B" ordinary shares were issued on 28 November 1998.

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

<i>Group</i>	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Goodwill reserve £000</i>	<i>Other reserves £000</i>	<i>Total £000</i>
At 28 November 1997	235	23,292	16,630	(47,813)	-	(7,656)
Arising on acquisition of businesses	-	-	-	(86,746)	-	(86,746)
Recapitalisation	(180)	(23,292)	(20,000)	-	(59,942)	(103,414)
Profit for the period	-	-	6,761	-	-	6,761
Dividends	-	-	(729)	-	-	(729)
Arising on share issue	2	160	-	-	-	162
Reorganisation	(50)	-	-	-	50	-
At 28 November 1998	7	160	2,662	(134,559)	(59,892)	(191,622)
FRS 10 Transfer	-	-	(134,559)	134,559 (i)	-	-
As restated	7	160	(131,897)	-	(59,892)	(191,622)
Redemption of Preference share Capital in subsidiary Undertaking	-	-	-	-	(50)	(50)
Capital Redemption Reserve Transfer	-	-	(50)	-	50 (ii)	-
Profit for the period	-	-	3,693	-	-	3,693
Dividends	-	-	(12)	-	-	(12)
At 27 November 1999	7	160	(128,266)	-	(59,892)	(187,991)

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NOTES TO THE ACCOUNTS

at 27 November 1999

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

- (i) The FRS10 transfer relates to goodwill previously eliminated against reserves which has not been reinstated on implementation of FRS10.
- (ii) A capital redemption reserve of £50,000 has been created within other reserves during the period following the redemption of £50,000 of cumulative preference shares at par in a subsidiary undertaking.

Group shareholders' funds comprise the following interests:

	27 November 1999 £000	28 November 1998 £000
Equity	(188,153)	(191,784)
Non-equity	162	162
	<u>(187,991)</u>	<u>(191,622)</u>

Company	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
On incorporation	-	-	-	-
Arising on share issue	7	160	-	167
Loss for the period	-	-	(63)	(63)
At 28 November 1998	<u>7</u>	<u>160</u>	<u>(63)</u>	<u>104</u>
Profit for the period	-	-	870	870
Dividends	-	-	(12)	(12)
At 27 November 1999	<u>7</u>	<u>160</u>	<u>795</u>	<u>962</u>

Shareholders' funds comprise the following interests:

	27 November 1999 £000	28 November 1998 £000
Equity	800	(58)
Non-equity	162	162
	<u>962</u>	<u>104</u>

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at 27 November 1999

25. NOTES TO THE STATEMENT OF CASHFLOWS

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

	52 weeks ended 27 November 1999 £000	52 weeks ended 28 November 1998 £000
Operating profit	36,668	24,304
Depreciation and amortisation charges	15,351	10,259
Movement in provisions included in fixed assets	1,524	-
Profit on disposal of tangible fixed assets	(305)	(886)
Decrease/(increase) in debtors	1,990	(266)
Decrease in stocks	50,234	18,422
Decrease in creditors	(55,945)	(11,600)
Increase/(Decrease) in provisions	2,283	(844)
Net cash inflow from operating activities	<u>51,800</u>	<u>39,389</u>

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.

(b) Analysis of net debt

	At 28 November 1998 £000	Cashflow £000	Exchange Differences	Other Non-cash Movements	At 27 November 1999 £000
Cash at bank and in hand	27,206	(12,268)	-	-	14,938
Short term deposits*	6,217	6,783	-	-	13,000
Loans	(238,414)	3,217	(2,811)	(938)	(238,946)
Finance leases	(1,882)	1,081	-	-	(801)
	<u>(206,873)</u>	<u>(1,187)</u>	<u>(2,811)</u>	<u>(938)</u>	<u>(211,809)</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 £3,382,000 (1998 - £3,862,000) for the group.

NOTES TO THE ACCOUNTS

at 27 November 1999

27. OPERATING LEASE COMMITMENTS

At 27 November 1999, the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>27 November</i>	<i>28 November</i>	<i>27 November</i>	<i>28 November</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
within one year	526	1,151	337	935
within two to five years	5,416	4,562	2,036	1,135
in over five years	16,965	16,885	-	-
	<u>22,907</u>	<u>22,598</u>	<u>2,373</u>	<u>2,070</u>

28. CONTINGENT LIABILITY

The group did not have any material contingent liabilities at 27 November 1999.

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.

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

Thistle dove Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

29. PENSION COMMITMENTS (continued)

The excess in the Vendepac Ltd scheme has been 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 will increase to 16.3% of salaries from 1 December 2000, subject to 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:

	27 November 1999 £000	28 November 1998 £000
Balance at the beginning of the period	(855)	677
Fair value adjustment in respect of		
Acquisitions	-	(870)
Funding	710	66
Charged during the period	(1,661)	(728)
Liability	<u>(1,806)</u>	<u>(855)</u>

The increase in funding has arisen mainly due to the inclusion of the Martin Retail Group for the first full year.