

FITZWILTON FINANCE (UK) PLC

Report and Accounts

31 December 2000



Fitzwilton Finance (UK) Plc

Registered No. 3194852

DIRECTORS

Sir R T S Macpherson
P W Kininmonth
L J P O'Hagan
D Roxburgh

SECRETARY

R J Crilly

AUDITORS

Ernst & Young
Bedford House
16 Bedford Street
Belfast
BT2 7DT

BANKERS

Allied Irish Bank plc
Berkeley Square
London

SOLICITORS

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

REGISTERED OFFICE

10 - 11 Grosvenor Court
Foregate Street
Chester CH1 1HG

Fitzwilton Finance (UK) Plc

DIRECTORS' REPORT

The directors present their report and the group accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The group loss for the financial year after taxation amounted to £3,487,000.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The group's principal activities during the year were the retailing of food and non-food products in Northern Ireland through its investment in an associate company. The associate company continued to trade from 12 stores in the Safeway format and continues to improve operating efficiency, store standards and stock availability. The associate company will continue to identify suitable sites for new stores.

DIRECTORS AND THEIR INTERESTS

The directors of the company at the year end were as listed on page 1. PJ Dowling resigned from the board on 1 March 2000. D Roxburgh was appointed to the board on the same date.

In accordance with Article 74 of the Company's Articles of Association the directors are to retire by rotation.

None of the directors have any direct interest in the share capital of the company.

No director had directly or indirectly a material interest in any contract significant to the group business during the year under review.

GOING CONCERN

After making enquiries, the directors expect that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

AUDITORS

Ernst & Young have expressed its willingness to continue in office as auditors and a resolution proposing its reappointment will be submitted at the annual general meeting.

Ernst & Young has stated that 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

10 June 2001

Fitzwilton Finance (UK) Plc

NON-EXECUTIVE DIRECTORS

SIR R T S MACPHERSON

Sir R T S Macpherson has been a director of the company since 14 August 1996. He is Chairman of Boustead PLC, Annington Holdings plc, Entuity Limited and XchangePoint Holdings Limited. He also holds several other directorships including Fitzwilton (UK) plc and Nexus Investments Limited.

P W KININMONTH

P W Kininmonth has been a director of the company since 14 August 1996. He is a director of Fitzwilton (UK) plc, P W Kininmonth (Holdings) Limited, P W Kininmonth Limited, Kininmonth Services Limited, Kininmonth Special Risks Limited, Ashmore Limited and Ashless Limited.

Fitzwilton Finance (UK) Plc

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:

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

Fitzwilton Finance (UK) Plc

REPORT OF THE AUDITORS to the shareholders of Fitzwilton Finance (UK) Plc

We have audited the accounts on pages 6 to 27 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of 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, the relevant Listing Rules of the UK Listing Authority and by our profession's ethical guidance.

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

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

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 31 December 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor

Belfast

21 June 2001

Fitzwilton Finance (UK) Plc

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

		2000	1999
		£000	£000
TURNOVER	<i>Notes</i> 3		
Group and share of associate company turnover		85,888	75,573
Less: share of associate company turnover		(85,888)	(75,573)
		-	-
Cost of sales		-	-
		-	-
Gross profit		-	-
Administration expenses		(1,633)	(1,283)
		(1,633)	(1,283)
Other operating income	4	5,131	5,281
		-	-
GROUP OPERATING PROFIT	4	3,498	3,998
Share of operating loss in associate company		(1,106)	(3,004)
		-	-
TOTAL OPERATING PROFIT: GROUP AND SHARE OF ASSOCIATE COMPANY		2,392	994
Share of associate company exceptional costs on disposal of operations	5	(2,881)	(2,076)
Loss on disposal of discontinued operations	5	-	(41)
Loss on disposal of fixed assets	5	(112)	-
Provision for loss on disposal of fixed assets	5	(1,900)	(1,100)
Net group exceptional items		(2,012)	(1,141)
		-	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(2,501)	(2,223)
Share of associate company bank interest payable		(4,445)	(3,347)
Interest receivable	8	8,774	8,744
Interest payable and similar charges	9	(8,374)	(8,153)
Net group interest credit		400	591
		-	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,546)	(4,979)
Taxation credit/(charge) on loss on ordinary activities	10	3,059	(456)
		-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(3,487)	(5,435)
		-	-
RETAINED LOSS FOR THE FINANCIAL YEAR	15&16	(3,487)	(5,435)
		-	-
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		2000	1999
		£000	£000
Profit for the financial year excluding share of losses of associate company		2,688	2,992
Share of associate company loss for the year		(6,175)	(8,427)
		-	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		(3,487)	(5,435)

Fitzwilton Finance (UK) Plc

GROUP BALANCE SHEET

at 31 December 2000

	Notes	2000 £000	1999 £000
ASSETS			
FIXED ASSETS			
Tangible assets	11	12,240	17,005
Investments:			
Investment in associate company	12	-	-
Unsecured loans due from associate	12	3,500	2,500
		3,500	2,500
CURRENT ASSETS			
Debtors : amounts falling due after one year	13	142	142
: amounts falling due within one year	13	112,933	90,810
Cash at bank and in hand		607	760
		113,682	91,712
		129,422	111,217
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	14	100,000	100,000
Merger reserve	15	(57,192)	(57,192)
Profit and loss account	15	(53,628)	(50,141)
SHAREHOLDERS' FUNDS			
(equity interests)	16	(10,820)	(7,333)
PROVISIONS FOR LIABILITIES AND CHARGES			
	17	16,519	11,247
CREDITORS: amounts falling due within one year	18	38,955	18,487
CREDITORS: amounts falling due after more than one year	19	84,768	88,816
		123,723	107,303
		129,422	111,217



Directors

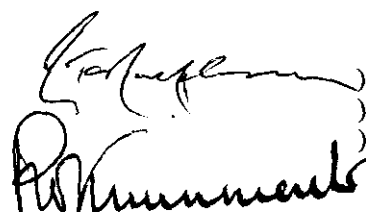
20 June 2001

Fitzwilton Finance (UK) Plc

BALANCE SHEET

at 31 December 2000

	Notes	2000 £000	1999 £000
ASSETS			
FIXED ASSETS			
Investments	12	49,272	49,272
CURRENT ASSETS			
Debtors: amounts falling due after one year	13	16,189	18,399
amounts falling due within one year	13	92,165	89,891
		108,354	108,290
Cash at bank		1	-
		108,355	108,290
		157,627	157,562
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	14	100,000	100,000
Profit and loss account	15	(60,789)	(58,357)
SHAREHOLDERS' FUNDS (equity interests)		39,211	41,643
CREDITORS: amounts falling due within one year	18	40,267	38,061
CREDITORS: amounts falling due after more than one year	19	78,149	77,858
		118,416	115,919
		157,627	157,562



Directors

20 June 2001

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

1. BASIS OF PREPARATION

The group accounts consolidate the accounts of Fitzwilton Finance (UK) Plc and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Fitzwilton Finance (UK) Plc as permitted by section 230 of the Companies Act 1985.

Entities in which the group has a participating interest and over whose operating and financial policies the group exercises significant influence are treated as associates. In the group accounts, associates are accounted for using the equity method.

The group has taken advantage of the exemption under the terms of FRS1 (revised) from publishing its own cashflow statement as the ultimate parent undertaking includes the group's cashflows in its consolidated cash flow statement

2. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of investment properties.

The accounts are prepared in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 1985 have been invoked, see 'investment properties' below.

Goodwill

Goodwill arising on acquisitions prior to 31 December 1997 has been eliminated against profit and loss account reserves.

Positive goodwill arising on acquisitions since 1 January 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 taken into account in determining the profit or loss on sale or closure.

Investment properties

Certain of the group's properties are held for long-term investment. Investment properties are accounted for in accordance with SSAP 19, as follows:

- (i) investment properties are revalued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year; and
- (ii) no depreciation is provided in respect of leasehold investment properties where the lease has over 20 years to run.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

NOTES TO THE ACCOUNTS

at 31 December 2000

2. ACCOUNTING POLICIES (continued)

Deferred taxation

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

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

Lease commitments

Assets held under finance leases which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under leases are included as liabilities in the balance sheet. The interest element of the rental obligations is charged to the profit and loss account over the periods of the leases and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Capitalisation of interest

Interest incurred on borrowing to finance specific property developments is capitalised gross of the related tax credit.

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

3. TURNOVER

Turnover represents the share of the associate company's external sales of goods and services during the year, which fall within the group's ordinary activities and are stated net of value added tax.

4. OPERATING PROFIT

This is stated after charging/(crediting):

	2000	1999
	£000	£000
Auditors' remuneration		
- audit services	15	15
- non-audit services	15	20
Operating lease rentals		
- land and buildings	563	577
Rental income from properties	(2,066)	(2,332)

5. EXCEPTIONAL ITEMS

	2000	1999
	Total	Total
	£000	£000
Share of associate company exceptional costs on disposal of operations	(2,881)	(2,076)
Loss on disposal of discontinued operations, being redundancy and pension scheme costs, stock losses and professional fees arising on disposal	-	(41)
Loss on disposal of fixed assets	(112)	-
Provision for loss on disposal of fixed assets	(1,900)	(1,100)
Net group exceptional items	(2,012)	(1,141)

There is no effect on the taxation charge for the year of the exceptional items recognised below operating profit (1999 - Nil).

6. DIRECTORS' REMUNERATION

	2000	1999
	£000	£000
Emoluments	-	6

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS at 31 December 2000

7. STAFF COSTS

	2000 £000	1999 £000
Wages and salaries	41	70
Social security costs	1	5
	<u>42</u>	<u>75</u>

The average monthly number of employees during the year was 2 (1999 - 3).

8. INTEREST RECEIVABLE

	2000 £000	1999 £000
Interest receivable	1,513	2,260
Group interest receivable	7,222	6,484
Interest on ACT	39	-
	<u>8,774</u>	<u>8,744</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £000	1999 £000
Bank loans	574	748
Other loans - Bond	7,800	7,405
	<u>8,374</u>	<u>8,153</u>

10. TAXATION

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

	2000 £000	1999 £000
Based on profit for the period:		
Corporation tax at 30% (1999 - 31%)	-	19
Group relief charge	878	943
	<u>878</u>	<u>962</u>
Associated tax (over)/under provided in previous years	(2,257)	7
Group relief (over)/under provided in previous years	22	(513)
Corporation tax overprovided in previous years	(799)	-
Release of deferred tax provision	(903)	-
	<u>(3,059)</u>	<u>456</u>

The tax charge for the year is low primarily because of the non taxable share of the associate company losses.

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

11. TANGIBLE FIXED ASSETS

Group

	Investment properties £000	Plant, vehicles and equipment £000	Total £000
Cost:			
At 1 January 2000	18,105	7,804	25,909
Additions	135	-	135
Disposals	(4,100)	(7,804)	(11,904)
At 31 December 2000	14,140	-	14,140
Depreciation:			
At 1 January 2000	1,100	7,804	8,904
Provision for loss on disposal	1,900	-	1,900
Relating to disposals	(1,100)	(7,804)	(8,904)
At 31 December 2000	1,900	-	1,900
Net book value at 31 December 2000	12,240	-	12,240
Net book value at 1 January 2000	17,005	-	17,005

The net book value of land and buildings includes £650,000 of capitalised interest (1999 - £650,000).

In December 2000 the company entered into a conditional contract to dispose of a property which would give rise to a loss on disposal upon completion (February 2001) of £1,200,000. A further property is likely to be sold in the near future for £700,000 less than the company value.

The directors have reviewed their former valuation and have concluded that no further adjustment is required.

The net book value of land and buildings comprises:

	2000 £000	1999 £000
Long leasehold	8,940	8,770
Freehold	3,300	8,235
	12,240	17,005

The historical net book value of investment properties included at valuation is as follows:

	2000 £000	1999 £000
At 31 December	12,240	17,005

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

12. INVESTMENTS

Group

	<i>Share of net assets £000</i>	<i>Loans to Associate £000</i>
At 1 January 2000	-	2,500
Group share of loss retained by associate	6,175	-
Reclassification to provisions (note 17)	(6,175)	-
Movement in unsecured loans due from associate	-	1,000
At 31 December 2000	-	3,500

Additional disclosures are given in respect of Safeway Stores (Ireland) Limited, which exceeds certain thresholds under Financial Reporting Standard No 9, Associates and Joint Ventures, as follows:

	<i>2000 £000</i>	<i>1999 £000</i>
Group share of turnover	85,888	75,573
Group share of loss before taxation	8,432	8,427
Group share of taxation	(2,257)	-
Group share of loss after taxation	6,175	8,427
<i>Group share of associate:</i>		
	<i>2000 £000</i>	<i>1999 £000</i>
Fixed assets	58,552	60,808
Current assets	3,993	4,385
Share of gross assets	62,545	65,193
Liabilities due within one year	10,064	13,037
Liabilities due after more than one year	69,000	62,500
Share of gross liabilities	79,064	75,537
Share of net liabilities	(16,519)	(10,344)

The associate company prepares its annual accounts to 31 March each year. Accordingly the results are based on accounts prepared by management up to 31 December 2000.

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

12. INVESTMENTS (continued)

Company

	<i>Associate</i>	<i>Subsidiary undertakings</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 January 2000 and 31 December 2000	10,000	102,680	112,680
Provision for Diminution in Value			
At 1 January 2000 and 31 December 2000	-	(63,408)	(63,408)
Carrying Value			
At 31 December 2000	10,000	39,272	49,272
Carrying Value			
At 31 December 1999	10,000	39,272	49,272

In the company's balance sheet the carrying value of the investment in the associate company has not been written down notwithstanding the fact that its balance sheet has excess liabilities over assets. The directors of the associate have secured funding of £220 million in bank loan and overdraft facilities up to September 2002 and have prepared cashflow forecasts for the next three years indicating that funding of £150 million will be required to meet its liabilities as they fall due. The directors of the associate are therefore satisfied that the company has sufficient headroom to meet its liabilities as they fall due and anticipate that the company ought to be profitable in the medium term.

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

12. INVESTMENTS (continued)

Details of the investments in which the group or the company holds more than 20% of the nominal value of any class of share capital are as follows:

<i>Name of company</i> <i>Subsidiary undertakings</i>	<i>Country of</i> <i>incorporation</i> <i>or registration</i>	<i>Holding</i>	<i>Proportion</i> <i>held</i>	<i>Nature of</i> <i>business</i>
Erne Holdings Limited	England	Ordinary shares	100%	Holding company
		A & B preferred		
		ordinary shares	100%	
		C shares	100%	
		A&B cumulative		
		redeemable		
		preference shares	100%	
		Deferred ordinary		
		shares	100%	
		Management shares	0%	
F A Wellworth & Co Limited	NI	Ordinary	100% *	Service company
Wellworth Properties Limited	NI	Ordinary	100% *	Property company
Wellworths Limited	NI	Ordinary	100% *	Dormant
Broad-Fields Limited	NI	Ordinary	100% *	Dormant
Corndrive Limited	England	Ordinary	100% *	Non trading
Bene Pretium Limited	England	Ordinary	100%	Property company
Roanne Investments Limited	NI	Ordinary	100% *	Dormant
<i>Associate</i>				
Safeway Stores (Ireland) Limited		B Ordinary	100% **	Retail of food products

* held by a subsidiary undertaking

** equivalent to a 50% equity stake

13. DEBTORS

Amounts falling due within one year:

	<i>2000</i>	<i>Group</i>	<i>Company</i>
	<i>2000</i>	<i>1999</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts owed by ultimate parent undertaking	77,286	77,066	8,042
Amount owed by other parent undertakings	33,704	12,053	-
Amounts owed by subsidiary undertakings	-	-	80,210
Corporation tax recoverable	-	653	-
ACT recoverable	307	268	-
Prepayments and accrued income	261	181	-
Other debtors	1,375	589	1,000
Group relief recoverable	-	-	2,913
	<u>112,933</u>	<u>90,810</u>	<u>92,165</u>
			<u>89,891</u>

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

13. DEBTORS (continued)

Amounts falling due after one year:

	<i>Group</i>		<i>Company</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>
Amounts owed by subsidiary undertakings	-	-	16,047	18,257
Other debtors	142	142	142	142
	<u>142</u>	<u>142</u>	<u>16,189</u>	<u>18,399</u>

14. SHARE CAPITAL

Authorised:

	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	100,000	100,000

Allotted, called up and fully paid:

	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>No.</i>	<i>No.</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	100,000,000	100,000,000	100,000	100,000

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

15. RESERVES

Group

	<i>Merger reserve £000</i>	<i>Profit and loss account £000</i>
At 1 January 1999	(57,192)	(44,706)
Retained loss for the year	-	(5,435)
At 31 December 1999	(57,192)	(50,141)
Retained loss for the year	-	(3,487)
At 31 December 2000	(57,192)	(53,628)
Share of associate company reserves	-	(16,519)
Group companies	(57,192)	(37,109)
	(57,192)	(53,628)

Cumulative goodwill written off to reserves at 31 December 1999 and 2000 amounted to £42,212,000.

Company

	<i>Profit and loss account £000</i>
At 1 January 1999	(56,235)
Retained loss for the year	(2,122)
At 31 December 1999	(58,357)
Retained loss for the year	(2,432)
At 31 December 2000	(60,789)

The loss attributable to members of the parent company dealt with in the accounts of the company was £2,432,000 (1999 - loss £2,122,000).

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

16. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2000 £000	1999 £000
Total recognised gains and losses	(3,487)	(5,435)
Total movements during the year	(3,487)	(5,435)
Equity shareholders' funds at 31 December 1999	(7,333)	(1,898)
Equity shareholders' funds at 31 December 2000	(10,820)	(7,333)

17. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Investments in associate £000</i>	<i>Deferred taxation £000</i>	<i>Total £000</i>
At 1 January 2000	10,344	903	11,247
Reclassification from investments (note 12)	6,175	-	6,175
Release of deferred tax provision	-	(903)	(903)
At 31 December 2000	16,519	-	16,519

There are no deferred taxation movements during the year in respect of the company.

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

Group

	2000 £000	<i>Provided 1999 £000</i>
Capital allowances in advance of depreciation	-	-
Other timing differences	-	903
	-	903

There is no unprovided deferred taxation.

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

18. CREDITORS: amounts falling due within one year

		<i>Group</i>		<i>Company</i>	
		2000	1999	2000	1999
	<i>Notes</i>	£000	£000	£000	£000
Bank overdrafts		783	809	746	746
Bank loans	20	556	486	-	-
Trade creditors		16	13	-	-
Accruals		3,552	4,860	3,845	4,126
Current corporation tax		-	456	-	-
Group relief payable		4,301	3,040	705	705
Other taxes and social security costs		197	138	197	350
Amounts due to parent undertaking		28,531	8,620	24,998	20,701
Amounts owed to other group companies		821	-	9,751	11,418
Other creditors		198	65	25	15
		<u>38,955</u>	<u>18,487</u>	<u>40,267</u>	<u>38,061</u>

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

		<i>Group</i>		<i>Company</i>	
		2000	1999	2000	1999
	<i>Notes</i>	£000	£000	£000	£000
9.75% Senior Secured					
Guaranteed Eurobonds 2006	20	78,149	77,858	78,149	77,858
Amounts owed to group undertaking	20	5,750	5,750	-	-
Bank loan	20	869	5,208	-	-
		<u>84,768</u>	<u>88,816</u>	<u>78,149</u>	<u>77,858</u>

The amounts owed to group undertakings are interest free.

The bank loan and Eurobonds are secured by way of a bank guarantee of not more than £66.3 million and first fixed charges over certain properties held by the group (see note 20). The bank loan is also secured by a floating charge over the assets and undertakings of certain subsidiary undertakings. The bond is secured by a first fixed charge over all the group's freehold and long leasehold store properties.

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

20. LOANS

9.75% Senior Secured Guaranteed Eurobonds 2006

	<i>Group</i>		<i>Company</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>
Not wholly repayable within five years	80,000	80,000	80,000	80,000
Less issue costs	(1,851)	(2,142)	(1,851)	(2,142)
Amount due after more than one year	<u>78,149</u>	<u>77,858</u>	<u>78,149</u>	<u>77,858</u>

Bank loan

	<i>Group</i>		<i>Company</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>
Wholly repayable within five years	1,425	5,694	-	-
Less amount due within one year	(556)	(486)	-	-
Amount due after more than one year	<u>869</u>	<u>5,208</u>	<u>-</u>	<u>-</u>

Details of loans not wholly repayable within five years are as follows:

	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
9.75% Senior Secured Guaranteed Eurobonds 2006	80,000	80,000
Bank loan	-	-
	<u>80,000</u>	<u>80,000</u>

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

20. LOANS (continued)

The 9.75% Senior Secured Guaranteed Eurobonds 2006 were issued to refinance the Erne Holdings Limited group and to provide funds to finance new store developments. They are repayable entirely on 11 October 2006 at par. The bond is secured by a first fixed charge over all the group's freehold and long leasehold store properties.

The bank loan is secured inter-alia by way of bank guarantee of not more than £66.3 million and a first fixed charge over certain properties owned by a subsidiary undertaking of the company; a legal assignment of all rental income arising from each of the relevant properties and a first floating charge over the remainder of that subsidiary undertaking's property, assets and undertakings.

Amounts due at 31 December 2000 are repayable as follows:

Loans

	<i>Group</i>		<i>Company</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>
Amounts falling due:				
In one year or less or on demand	556	486	-	-
Between one and two years	635	555	-	-
Between two and five years	234	4,653	-	-
In five years or more	80,000	80,000	80,000	80,000
	81,425	85,694	80,000	80,000
Less issue costs	(1,851)	(2,142)	(1,851)	(2,142)
	79,574	83,552	78,149	77,858

Group loan

	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
At 1 January	5,750	5,750
At 31 December	5,750	5,750
Creditors: amounts falling due after more than one year	5,750	5,750
	5,750	5,750

The terms of the group loan are reviewed each year and at 31 December 2000 can be regarded as due between one and two years.

NOTES TO THE ACCOUNTS

at 31 December 2000

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The group's principal financial instruments comprise bank loans, a Eurobond, 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.

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 and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the period is detailed in the note below.

Interest rate risk

The group borrows in desired currencies at both fixed and floating rates of interest. At the year end, the Eurobond was a fixed rate and the other borrowings were at variable rate.

Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and bank loans and funding from its parent undertaking. The group's policy is that the bond will mature in 2006 and that short term flexibility is achieved through its parent undertaking who will provide sufficient short term funding to enable the group to meet its liabilities as they fall due.

The disclosures below include short term debtors and creditors:

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the group as at 31 December was as follows:

Currency	Total	Fixed rate financial liabilities	Floating rate liabilities	Financial liabilities on which no interest is paid
2000	£000	£000	£000	£000
Sterling	117,796	78,149	2,208	37,439
1999				
Sterling	93,127	77,858	6,503	8,766
Punt	8,012	-	-	8,012
	101,139	77,858	6,503	16,778

NOTES TO THE ACCOUNTS
at 31 December 2000

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

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
2000			
Sterling	9.75	4.8	0.4
1999			
Sterling	9.75	5.8	0.4
Punt	-	-	0.8
	9.75	5.8	0.5

The floating rate financial liabilities comprise sterling denominated bank loans and overdrafts that bear interest rates based on 1 - 6 months LIBOR.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the group as at 31 December was as follows:

Currency	Total £000	Fixed rate financial assets	Floating rate financial assets	Financial assets on which no interest is earned
		£000	£000	£000
2000				
Sterling	108,572	69,244	423	38,905
Punts	8,042	8,042	-	-
	116,614	77,286	423	38,905

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

<i>Currency</i>	<i>Total</i>	<i>Fixed rate financial assets</i>	<i>Floating rate financial assets</i>	<i>Financial assets on which no interest is earned</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>1999</i>				
Sterling	85,098	69,054	395	15,649
Punts	8,012	8,012	-	-
	<u>93,110</u>	<u>77,066</u>	<u>395</u>	<u>15,649</u>

Floating rate financial assets comprise cash deposits on money market deposit at call and on deposit for variable terms up to 6 months. The interest on the sterling fixed rate financial asset is 6.15% (1999 – 6%) which matures in October 2001 and 7% (1999 – 7%) for the punt fixed rate financial asset which matures in August 2001. The weighted average period for financial assets on which no interest is paid is 0.8 years (1999 – 0.8).

Maturity of financial liabilities.

The maturity profile of the group's financial liabilities at 31 December was as follows:

	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
In one year or less or on demand	30,923	12,023
In more than one year, but not more than two	6,385	6,221
In more than two years, but not more than five	234	4,609
In more than five years	80,254	78,286
	<u>117,796</u>	<u>101,139</u>

Borrowing facilities

The group does not have undrawn borrowing facilities available at 31 December 2000 (1999 – nil).

Fair values of financial assets and financial liabilities.

The fair value of the Eurobond is derived from its market value. In the opinion of the directors the fair value of each category of financial assets and financial liabilities does not materially differ from the book values.

Hedges

There are no unrecognised or deferred gains and losses at 31 December 2000 (1999 – nil).

NOTES TO THE ACCOUNTS

at 31 December 2000

22. FINANCIAL COMMITMENTS

The commitments under non-cancellable operating leases are as follows:

Group

	<i>Land and buildings</i>	
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire: beyond 5 years	600	577

23. CONTINGENT LIABILITIES AND GUARANTEES

Group

On 11 October 1996 the group entered into a security instrument with Prudential Trustee Company Limited granting a first fixed charge over all the group's freehold and long leasehold store properties and to guarantee the punctual payment of the principal and interest on £80,000,000 9.75% senior secured guaranteed bonds due 2006 issued by the company. The group is unconditionally jointly and severally liable to the Prudential Trustee Company Limited, as security trustee for the bondholders in the event of default by the company.

The group has guaranteed the loan and interest on the bank borrowings of a subsidiary undertaking, Bene Pretium Limited. At 31 December 2000 the amount outstanding amounted to approximately £1.5m.

24. PENSIONS

The group operated a separate final salary pension scheme for its employees that commenced on 1 November 1992. The assets of the scheme were held under trust separately from those of the group. The scheme was closed to new entrants in July 1997 and the last active member left service on 31 December 1998.

The market value of the assets of the scheme amounted to £8,942,244 as at 31 March 2000.

The group contributions to the scheme were determined with the advice of an independent qualified actuary on the basis of actuarial valuations using the projected unit credit method in relation to future service benefits. The last actuarial assessment of the assets and liabilities of the scheme was carried out as at 31 December 1999 and indicated that the capitalised value of the liabilities of the scheme including the value of additional liabilities that arose from the sales of certain stores to SuperValu & Centra Distribution (Northern Ireland) Limited ('SuperValu') and Safeway Stores (Ireland) Limited ('Safeway') exceeded the value of the assets of the scheme by £1,317,000.

In May 2000 the actuarial value of the liabilities for members whose employment transferred to Safeway was transferred to the Safeway Pension Scheme following a group contribution to the scheme of £306,000 in respect of the funding deficit for such employees. In August 2000, the portion of the scheme's assets relating to members whose employment transferred to SuperValu was transferred to the pension arrangements established by SuperValu for the purpose and the funding deficit for these members was made good separately by the group and SuperValu.

The actuarial value of the residual liabilities can only be estimated as the actuarial calculations have not been finalised. The liabilities are estimated at £510,000.

Additional liabilities exist under unfunded contract entitlements of certain former senior executives. These liabilities are estimated at £750,000

Fitzwilton Finance (UK) Plc

NOTES TO THE ACCOUNTS

at 31 December 2000

24. PENSIONS (continued)

The pension charge to the group for the year amounted to £nil (1999 - £10,000). An amount of £1,260,000 (1999 - £1,512,000) relating to pension costs accrued is included in the accruals at the year end.

25. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Fitzwilton Investments PLC, a company incorporated in England. The ultimate parent undertaking is Stoneworth Investment Limited, a company incorporated in the British Virgin Islands and controlled by Sir Anthony O'Reilly and P J Gouldandris. Fitzwilton Limited the parent undertaking of Fitzwilton Investments PLC is registered in the Republic of Ireland and it is the parent undertaking of the largest group which consolidates these financial statements. Copies of that company's accounts are available from the Company Secretary, Fitzwilton Limited, 1 - 2 Upper Hatch Street, Dublin 2.

26. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are part of the Fitzwilton Limited group or investees of the group.