Company Registration No. 00200801

SAFEWAY (OVERSEAS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 31 JANUARY 2021

SAFEWAY (OVERSEAS) LIMITED

COMPANY INFORMATION

Directors	J Burke M Gleeson
Secretary	J Burke
Company number	00200801
Registered office	Hilmore House Gain Lane Bradford West Yorkshire England BD3 7DL
Independent Auditors	PricewaterhouseCoopers LLP Central Square 29 Wellington Street Leeds West Yorkshire England LS1 4DL

SAFEWAY (OVERSEAS) LIMITED

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SAFEWAY (OVERSEAS) LIMITED

STRATEGIC REPORT

FOR THE 52 WEEKS ENDED 31 JANUARY 2021

The Directors present their Strategic report and the Company's audited financial statements for the 52 weeks ended 31 January 2021. These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The term 'Company' refers to Safeway (Overseas) Limited and the term 'Group' refers to Wm Morrison Supermarkets PLC and its subsidiary undertakings.

Principal activities and future developments
The principal activity of the Company is the operation of one retail store in Gibraltar under the Morrisons brand. As a subsidiary of Wm Morrison Supermarkets PLC the Company will benefit from the Group's commitment to investment, ensuring the Company's successful performance in future.

Results and dividends
The profit for the financial period amounted to £2,498,000 (2020: £6,475,000) following the absorption of £861,000 of COVID-19 related costs (2020: £nil). The supply chain was effectively managed, resulting in a minimal impact of Brexit for the period. The Directors have not authorised a dividend during the period (2020: £nil).

As at 31 January 2021 the Company had net assets of £105,980,000 (2020: £104,129,000).

Principal risks and uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 35 to 37 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2020/21, which does not form part of this report.

Key performance indicators (KPIs)
The KPIs of the Company are integrated with those of the Group and are not managed separately. The KPIs of the Group, which include those of the Company, are disclosed on pages 1, 7 and 22 to 25 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2020/21, which does not form part of this report.

S172 statement
The Board of Directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and having due regard to the requirements of section 172 of the Companies Act 2006, in the decisions taken during the period ended 31 January 2021.

In doing so, the Directors have regard (amongst other matters) to the likely consequences of any decision in the long term; the interests of employees; the need to foster relationships with suppliers, customers and others; the impact of its operations on the community and the environment; the maintaining of a reputation for high standards of business conduct; and the need to act fairly between members of the Company. Significant considerations during the period ended 31 January 2021 requiring specific consideration of the long-term consequences on stakeholders, of decisions made, included the Group's response to the COVID-19 pandemic which required significant investment in protective equipment and sanitiser in addition to guaranteed bonuses for colleagues. In addition, there were challenges to the supply chain as a result of Brexit.

The Strategic report was approved by the Board and signed on its behalf by:

J Burke	M Gleeson
Director	**Director**
14 October 2021	14 October 2021

DIRECTORS' REPORT

FOR THE 52 WEEKS ENDED 31 JANUARY 2021

The Directors present their Annual Report and the Company's audited financial statements for the 52 weeks ended 31 January 2021. These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The term 'Company' refers to Safeway (Overseas) Limited and the term 'Group' refers to Wm Morrison Supermarkets PLC and its subsidiary undertakings.

Matters discussed in the Strategic report
The Directors have chosen to present certain requirements of the Directors' report within the Strategic report on page 1 of the Annual report and financial statements, including the Company's principal activity, business review and details of proposed dividends.

Directors and their interests
The Directors who held office during the period and up to the date of signing of the financial statements were as follows:

J Burke	
M Gleeson	(Appointed 27 July 2020)
J Goff	(Resigned 27 July 2020)

The Company is ultimately wholly owned by Wm Morrison Supermarkets PLC and none of the Directors who held office at the period end held any interest in the shares of the Company or any of its subsidiaries. The interest in the shares of the ultimate parent undertaking held by Directors of that company is disclosed in the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2020/21, which does not form part of this report.

At no time during the period or subsequently did any Director have a material interest in any contract or arrangement with the Company or any of its subsidiaries which was significant in relation to the Group's business..

Directors' and Officers' liability insurance
The Group maintains insurance cover for the protection of Directors and senior management from personal liabilities and costs which may arise in the course of fulfilling their duties. This insurance was in force during the 52 weeks ended 31 January 2021 and to the date of approval of the Company financial statements.

Going concern
The Directors' assessment of the Company's ability to continue as a going concern is set out in note 1 of these financial statements.

The Company is a subsidiary undertaking of Wm Morrison Supermarkets PLC. The Company has obtained a letter of support from Wm Morrison Supermarkets PLC that confirms financial support will be provided where required, for the foreseeable future and at least twelve months from the date of signing the financial statements and, in particular, it will not demand repayment of any amounts currently outstanding.

The Directors have taken into consideration the effect that the current economic climate has on the Group and any implications this may have on the Company. In making their assessment of the Group's ability to continue as a going concern, the Directors have considered the projected performance of the Group and its financial resources, as well as the CD&R Final Offer (as defined in note 1), which the Directors have recommended to shareholders. Based on the Directors' assessment, these financial statements have been prepared on a going concern basis.

Internal control
The Board is responsible for the system of internal control within the Company and for reviewing its effectiveness. The control system is intended to manage rather than eliminate the risk of not meeting the Company's strategic objectives. Any such system can only provide reasonable, not absolute, assurance against material misstatement or loss.

Relationships with Customers
The Company is focussed on maintaining its relationships with its existing customer base, whilst attracting new customers in what is a competitive market. This is achieved through a relentless drive to improve the shopping trip by listening and responding to customers, providing them with what they want, when they want it. This includes investments in price and customer experience, and offering local solutions to customers. The Company is a wholly owned subsidiary of Wm Morrison Supermarkets PLC and as such, is aligned to the priorities and ways of working of the Group. For more information on how the Company and Group engage with its customers see the "Our Customers" section of the Group's Annual Report and Financial Statements which do not form part of this report.

Employee interests
The Company recognises the importance of having engaged and motivated colleagues, that share in the success of the business and receive a fair day's pay for a fair day's work. The Company's comprehensive employment policies cover recruitment, selection, retention, remuneration, education, development and equality.

Employee engagement
Employees have their say on what matters to them through monthly 'Your Say' forums and the annual 'Your Say' survey. They are kept as fully informed as possible about the activities of the business, through internal publications, communications programmes, notice boards, briefings and local, regional and national consultative committees. The Group recognises a number of trade unions and has a partnership agreement with USDAW.

The Group encourages employee involvement in the financial performance of the business through participation in either the Morrisons Group colleague bonus scheme, management bonus plan or the savings related share option schemes.

Equal opportunity
Equal opportunities are offered to all regardless of race, colour, nationality, religion, sex, marital status, disability or age. All applicants and employees are treated equally in respect of recruitment, promotion, training, pay and other employment policies and practices. All decisions are based on merit. Reasonable adjustments will be made to accommodate those with special needs. Under no circumstances will discrimination against any individual or group be tolerated. All employees have access to confidential counselling provided by trained counsellors as part of our special complaints procedure and occupational health team.

The Company is conscious of its responsibility to society and to the local community in particular and we aim to provide employment opportunities which are compatible with work and family responsibilities. Management is required to apply all of the Company's policies fully and diligently to ensure that the highest standards are maintained.

For more information of how the Group looks to operate in the best interests of its employees, see the "Our Colleagues" section of the Group's Annual Report and Financial Statements which do not form part of this report.

Relationships with suppliers
The Company looks to foster strong and lasting relationships with its suppliers, based on mutual respect and benefit. As such, the Directors consider it appropriate to operate in accordance with Group policies, which are described in the Group's Annual Report and Financial Statements which do not form part of this report. These policies look to ensure that the Company is working closely with its suppliers, listening and responding to them, paying them on time, simplifying terms and adhering to ways of working that comply with the Groceries Supply Code of Practice.

Investor
The Company is a wholly owned subsidiary of Wm Morrison Supermarkets PLC, providing a largely aligned service offer (albeit location relevant) to the Gibraltar food retail market. As such, there exists an effective balance of integration, governance and communication between the Company and Group, to ensure the Company is strategically aligned to the Morrisons brand and priorities.

Community and environment
The Company recognises the importance of its social and environmental responsibilities. As such, the Directors consider it appropriate to operate in accordance with Group policies, which are described in the Group's Annual Report and Financial Statements which do not form part of this report. These policies look to monitor the Group's impact on the environment and minimise any damage that might be caused by the impact of business activities. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption.

The Group reports on greenhouse gas emissions each calendar year in line with the requirements of the Streamlined Energy and Carbon Reporting (SECR). For further details of reporting in the 2020 calendar year, see pages 26 to 30 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2020/21.

Financial risk management
The financial risk management and policies of the Company are consistent with those of the Group. For further details, see pages 122 and 123 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2020/21, which does not form part of this report.

Political donations
There were no political donations for the period (2020: none) and the Company did not incur any political expenditure (2020: nil).

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations
In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board and signed on its behalf by:

J Burke	M Gleeson
Director	**Director**
14...... October 2021	14...... October 2021

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SAFEWAY (OVERSEAS) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Safeway (Overseas) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2021 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 January 2021; the Income Statement, the Statement of Other Comprehensive Income and the Statement of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Reporting on other information (continued)
With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 31 January 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit
Responsibilities of the Directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Responsibilities for the financial statements and the audit (continued)
Auditors' responsibilities for the audit of the financial statements (continued)
Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Pensions legislation, UK tax legislation, health and safety legislation, employment law and Grocery Supply Code of Practice, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to forgery or intentional misrepresentations, or through collusion. Audit procedures performed by the engagement team included:

- review of the financial statement disclosures to underlying supporting documentation;
- making enquiries of management and review of internal audit reports in so far as they related to the financial statements; and
- auditing the risk of management override of controls, including through testing manual adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

J Ellis

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
15 **October 2021**

SAFEWAY (OVERSEAS) LIMITED

INCOME STATEMENT

FOR THE 52 WEEKS ENDED 31 JANUARY 2021

	Note	52 Weeks ended 31 January 2021 £000	52 Weeks ended 2 February 2020 £000
Revenue	2	63,148	65,097
Cost of sales		(58,955)	(55,977)
Gross profit		4,193	9,120
Administrative expenses		(1,490)	(991)
Other operating income		376	121
Net impairment charge		(186)	(4)
Operating profit	4	2,893	8,246
Interest receivable and similar income	5	2	10
Finance costs	6	(11)	-
Profit on ordinary activities before taxation		2,884	8,256
Tax on profit on ordinary activities	7	(386)	(1,781)
Profit for the financial period		2,498	6,475

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 13 to 31 form part of these financial statements.

SAFEWAY (OVERSEAS) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 31 JANUARY 2021

	Note	52 Weeks ended 31 January 2021 £000	52 Weeks ended 2 February 2020 £000
Profit for the financial period		2,498	6,475
Other comprehensive expense:			
Items that will not be reclassified to profit or loss:			
Remeasurements on defined benefit pension schemes	**16**	(647)	(529)
Total comprehensive income for the financial period		1,851	5,946

The notes on pages 13 to 31 form part of these financial statements.

SAFEWAY (OVERSEAS) LIMITED

BALANCE SHEET

AS AT 31 JANUARY 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	**8**	6	8
Property, plant and equipment	**9**	17,356	19,521
Right-of-use assets	**10**	2,783	2,805
Investments	**11**	15,494	15,494
Deferred tax asset	**17**	33	-
		35,672	37,828
Current assets			
Stock	**13**	2,727	2,518
Debtors	**14**	77,546	70,518
Current tax		872	-
Cash and cash equivalents		874	1,727
		82,019	74,763
Creditors: amounts falling due within one year	**15**	(10,402)	(7,675)
Net current assets		71,617	67,088
Total assets less current liabilities		107,289	104,916
Net pension liabilities due after more than one year	**16**	(1,309)	(452)
Deferred tax liabilities	**17**	-	(335)
		(1,309)	(787)
Net assets		105,980	104,129
Shareholders' equity			
Called-up share capital	**18**	15	15
Share premium account		425	425
Retained earnings		105,540	103,689
Total shareholders' funds		105,980	104,129

The notes on pages 13 to 31 form part of these financial statements. The financial statements on pages 9 to 31 were approved by the Board of Directors and authorised for issue on 14 October 2021 and are signed on its behalf by:

J Burke
Director

M Gleeson
Director

Company Registration No. 00200801

SAFEWAY (OVERSEAS) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 31 JANUARY 2021

	Note	Called-up share capital £000	Share premium account £000	Retained earnings £000	Total shareholders' funds £000
Balance at 4 February 2019		15	425	97,743	98,183
Profit for the financial period		-	-	6,475	6,475
Other comprehensive expense for the year - items that will not be reclassified to profit or loss:					
Remeasurement on defined benefit pension schemes	**16**	-	-	(529)	(529)
Total comprehensive expense for the period		-	-	(529)	(529)
Balance at 2 February 2020		15	425	103,689	104,129
Profit for the financial period		-	-	2,498	2,498
Other comprehensive expense for the year - items that will not be reclassified to profit or loss:					
Remeasurement on defined benefit pension schemes	**16**	-	-	(647)	(647)
Total comprehensive expense for the period		-	-	(647)	(647)
Balance at 31 January 2021		15	425	105,540	105,980

The notes on pages 13 to 31 form part of these financial statements.

1 Accounting policies

Company information

Safeway (Overseas) Limited is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 (Registration number 00200801). The Company is domiciled in Gibraltar and its registered address is Hilmore House, Gain Lane, Bradford, England, BD3 7DL. The financial statements are presented in pound sterling and the Company's functional currency is Euro.

Basis of preparation

These financial statements of the Company have been prepared in accordance with the Companies Act 2006 (the Act) as applicable to companies using Financial Reporting standard 101, 'Reduced Disclosure Framework' (FRS 101). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and presentation requirements of International Accounting Standards in conformity with the requirements of the Act, but make amendments where necessary in order to comply with the Act and take advantage of FRS 101 disclosure exemptions. The financial statements have been prepared on the historical cost basis.

The Company is a qualifying entity for the purposes of FRS 101 as it is a member of a group which prepares publicly available consolidated financial statements and it is included in the consolidation for that group.

Going concern

These financial statements, which have been prepared on a going concern basis, under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom, are presented as required by the Companies Act.

The Company is a subsidiary undertaking of Wm Morrison Supermarkets PLC. The Company has obtained a letter of support from Wm Morrison Supermarkets PLC that confirms financial support will be provided where required, for the foreseeable future and at least twelve months from the date of signing the financial statements and, in particular, it will not demand repayment of any amounts currently outstanding.

The Directors' assessment of the Company's ability to continue as a going concern has taken into consideration the effect that the current economic climate has on the Group and any implications this may have on the Company. In making their assessment of the Group's ability to continue as a going concern, the Directors have considered the projected performance of the Group and its financial resources, as well as the CD&R Final Offer (as defined below), which the Directors have recommended to shareholders.

The COVID-19 pandemic has continued to have an impact on customer behaviour during the period through to the approval of these financial statements. The Group continued to trade throughout the period although elements of the stores were restricted during periods of lockdown, with cafés closed for 15 weeks of the period and fuel sales affected by reduced demand from customers. Profit before tax and exceptionals continued to be impacted in the period by the direct costs associated with COVID-19, as expected.

As disclosed in the Group's interim financial results for the 26 weeks ended 1 August 2021, the Directors' assessment of the Group's ability to continue as a going concern includes consideration of cash flow forecasts for the Group and the committed borrowing and debt facilities of the Group that were in place as at 1 August 2021. The facilities remain in place as at the date of approval of these financial statements with the exception of the £200m revolving credit facilities which matured in September 2021. The forecasts include consideration of future trading performance in line with current guidance, working capital requirements and the wider economy and include the modelling of a number of downside scenarios. The scenarios considered take account of a number of severe, but plausible, downsides that the Group might experience by flexing the forecasts for a number of financial assumptions such as reductions in LFL sales and fuel volumes.

1 Accounting policies **(Continued)**

Basis of preparation (continued)

Going concern (continued)

The Group continues to maintain a robust financial position providing it with sufficient access to liquidity, through a combination of cash and committed facilities, to meet its needs in the short and medium term. The Group has a centralised treasury function which manages funding, liquidity and other financial risk in accordance with the Board-approved Treasury Policy, as detailed on page 122 of the 2020/21 Annual Report and Financial Statements.

At 1 August 2021, the Group had total committed facilities of £2,850m in place comprising £1,100m of bond debt with maturity dates between December 2023 and October 2031 and £1,750m of committed revolving credit facilities ('RCFs') of which £1,350m has a maturity date of June 2025, £100m in March 2022, £100m in July 2022 and £200m which matured in September 2021. At 1 August 2021, £970m of the committed RCFs remained undrawn. The Group's covenants in relation to its committed RCFs are net debt (excluding leases)/EBITDA ratio which at 1 August 2021 was 2.5x, and EBITDA/net interest expense ratio which was 4.6x, providing sufficient headroom against the covenant limits. The scenarios modelled demonstrate sufficient liquidity and financial covenant headroom being available. Whilst not a key factor in assessing the going concern position, the Group does also have other significant potential mitigations at its disposal to improve its short-term liquidity position should the need arise, including scaling back its capital investment programme, and deferring future dividends.

On 19 August 2021, the Directors of Wm Morrison Supermarkets PLC announced that they had reached an agreement on the terms of a recommended cash offer to be made by Market Bidco Limited (a newly incorporated entity formed by Clayton, Dubilier & Rice, LLP in its capacity as adviser to Clayton, Dubilier & Rice, LLC as CD&R Fund XI) ('CD&R') for the entire issued and to be issued share capital of Wm Morrison Supermarkets Plc (the 'CD&R Offer') to be implemented by means of a scheme of arrangement under Part 26 of the Companies Act 2006. On 2 October 2021, following an auction process, the Directors announced they were recommending a final offer of 287p per share ('the CD&R Final Offer'). The completion of the acquisition remains subject to the approval of Morrisons shareholders, scheduled for 19 October 2021, and the sanction of the High Court. The intentions of CD&R and their plans for the Group, should the acquisition complete, have been shared with the Group and published on the corporate website (www.morrisons-corporate.com/investor-centre/offer-from-cdr), along with CD&R's proposed funding structure. These published intentions, stated in accordance with the Takeover Code, confirm an alignment to the existing strategy and support of the management team and confirm that the committed funding structure comprises £3.5bn equity, £5.6bn term loans from banks with a 7-8 year maturity profile, as well as a £1bn RCF.

The Directors are satisfied that with the letter of support in place for the Company combined with the assessment of the Group's ability to continue as a going concern, which included consideration of both the current position of the Group as well as the CD&R Final Offer (including consideration of CD&R's intentions for the Group, the funding secured and related cash flow modelling), the going concern basis remains appropriate for the preparation of the Company financial statements as the Group is expected to be well funded, profitable and cash generative for a period of at least 12 months from the date of approval of the financial statements, regardless of whether the acquisition by CD&R completes.

Based on the Directors' assessment above these financial statements have been prepared on a going concern basis.

Disclosure exemptions

The disclosure exemptions adopted by the Company in preparation of these financial statements in accordance with FRS 101 are as follows:

a) IFRS 2, 'Share-based payment' (paragraphs 45(b) and 46 to 52) – details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined;

b) IFRS 7, 'Financial Instruments: Disclosures';

1 Accounting policies **(Continued)**

Basis of preparation (continued)
Disclosure exemptions (Continued)
c) IFRS 13, 'Fair value measurement' (paragraphs 91 to 99) – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities;

d) IFRS 16 'Leases':

- paragraph 52 (single disclosure note);
- paragraph 58 (maturity analyses); and
- the second sentence of paragraph 89, paragraphs 90-91, 93 (lessor disclosures);

e) IAS 1, 'Presentation of financial statements' (paragraph 38) – comparative information requirements in respect of:

- paragraph 79(a)(iv) of IAS 1;
- paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
- paragraph 118(e) of IAS 38, 'Intangible assets' – reconciliations between the carrying amount at the beginning and end of the period.

f) The following paragraphs of IAS 1, 'Presentation of financial statements':

- 10(d), (statement of cash flows);
- 111 (cash flow statement information); and
- 134-136 (capital management disclosures);

The Directors have chosen not to prepare consolidated financial statements for the Company in accordance with the provisions of section 400 of the Act. The results of the Company are included in the consolidated financial statements of Wm Morrison Supermarkets PLC.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are the same for the Company as they are for the Group. For further details, see pages 92 and 93 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2020/21, which does not form part of this report.

The Directors do not expect COVID-19 to have a material impact on the judgements and estimates impacting the balance sheet as at 31 January 2021.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

New accounting standards, amendments and interpretations adopted by the Company
The following changes are mandatory for the first time for the financial period ended 31 January 2021:

Amendments to the following standards:

IFRS 3 'Definition of a Business'
IFRS 7, IFRS 9 and IAS 39 'Interest rate benchmark reform'
IAS 1 and IAS 8 'Definition of Material'

Amendments to references to the conceptual framework in IFRS standards.

The Company has considered the above changes to published standards and has concluded that they are either not relevant to the Company or they do not have a significant impact on the Company's financial statements.

1 Accounting policies **(Continued)**

Accounting reference date
The accounting period of the Company ends on the Sunday falling between 29 January and 4 Feburary each year.

Revenue
Revenue is recognised when the Group has a contract with a customer and a performance obligation has been satisfied, at the transaction price allocated to that performance obligation.

The Company does not adjust any of the transaction prices for the time value of money due to the nature of the Company's transactions being completed shortly after the transaction is entered into with the customer.

a) Sale of goods in-store and fuel
For revenue from the sale of goods in-store and from fuel, the transaction price is the value of goods net of returns, colleague discounts, coupons, vouchers, 'More' points earned in-store, and the free element of multi-save transactions. It comprises cash from customers and excludes VAT. Sale of fuel is recognised net of VAT and 'More' points earned on fuel. Revenue is recognised when the customer obtains control of the goods, which is when the transaction is complete in-store or at the filling station.

b) Other revenue
Other revenue includes income from concessions and commissions based on the terms of the contract. Revenue collected on behalf of others is not recognised as revenue, other than the related commission which is based on the terms of the contract. Sales are recorded net of VAT and intra-group transactions.

c) 'More' points
For 'More' points, the fair value of the points is the value to the customer of the points issued, adjusted for factors such as the expected redemption rate. The Company continues to assess the appropriateness of the expected redemption rates against history of actual redemptions. The fair value is recognised once the performance obligation has been satisfied. The fair value is treated as a deferral from revenue, and is deferred until the rewards are redeemed by the customer in a future sale. At the point of issue the customer has a material right to acquire additional goods and services (but at a future date).

Cost of sales
Cost of sales consists of all costs of the goods being sold to the point of sale, net of promotional funding and commercial income, and includes warehouse and transportation costs. Store depreciation, store overheads and store-based employee costs are also allocated to cost of sales.

Promotional funding
Promotional funding refers to investment in the customer offers by suppliers by the way of promotion. The calculation of funding is mechanical and system generated based on a funding level agreed in advance with the supplier. Funding is recognised as units sold and invoiced in accordance with the specific supplier agreement. Funding is recorded effectively as a direct adjustment to the cost price of the product in the period. Funding is invoiced and collected throughout the year, shortly after promotions have ended.

Commercial income
Commercial income is recognised as a deduction from cost of sales, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The Company only recognised commercial income where there is documented evidence of an agreement with an individual supplier and when associated performance conditions are met.

Other operating income
Other operating income consists of income not directly related to the operating of supermarkets, mainly staff canteen income and recycling income.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets, other than those at Fair Value through Profit or Loss (FVTPL), are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Current taxation
The current income tax charge is calculated on the basis of the tax laws in effect during the period and any adjustments to tax payable in respect of previous periods. Taxable profit differs from the profit as reported in the profit for the period as it is adjusted both for items that will never be taxable or deductible, and temporary differences. Current tax is charged to profit for the period, except when it relates to items charged or credited directly in other comprehensive income or equity in which case the current tax is reflected in other comprehensive income or equity as appropriate.

Deferred taxation
Deferred tax is recognised using the balance sheet method. Provision is made for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised for temporary differences that arise on the initial recognition of goodwill or the initial recognition of assets and liabilities that are not a business combination and that affects neither accounting nor taxable profits.

Deferred tax is calculated based on tax law that is enacted or substantively enacted at the reporting date and provided at rates expected to apply when the temporary differences reverse. Deferred tax is charged or credited to profit for the period except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is reflected in other comprehensive income or equity as appropriate.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the asset can be utilised. Deferred tax assets recognised are reviewed at each reporting date as judgement is required to estimate the availability of future taxable income. Deferred tax assets and liabilities are offset where amounts will be settled on a net basis as there is a legally enforceable right to offset.

Accruals for tax contingencies require management to make judgements and estimates of the probable outcome of tax compliance issues. All accruals are included in current liabilities.

Software development costs
Costs that are directly attributable to the creation of identifiable software, which meet the development asset recognition criteria as laid out in IAS 38 'Intangible assets' are recognised as intangible assets.

Direct costs include consultancy costs, the employment costs of internal software developers, and borrowing costs. All other software development and maintenance costs are recognised as an expense as incurred. Software development assets are held at historic cost less accumulated amortisation and impairment, and are amortised over their estimated useful lives (3 to 10 years) on a straight-line basis (through 'cost of sales').

1 Accounting policies **(Continued)**

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Costs include directly attributable costs. Annual reviews are made of estimated useful lives and material residual values.

Depreciation rates used to write off cost less residual value on a straight line basis are:

Leasehold property improvements	2.5% or the lease term if shorter
Plant, equipment, fixtures and vehicles	10 to 33%

Depreciation expense is primarily charged in cost of sales with an immaterial amount in administration expenses.

Right-of-use assets

Right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include the initial amount of the lease liability, any initial direct costs incurred, and an estimate of any applicable dilapidations costs. Also included are the costs of lease payments made, less any lease incentives received, at or before the commencement date.

Depreciation is charged from the commencement date which is when the underlying asset is made available for use. Depreciation rates used to write off cost on a straight line basis:

Leasehold land	The lease term
Leasehold buildings	2.5% or the lease term if shorter

Depreciation expense is primarily charged in cost of sales with an immaterial amount in administration expenses.

Subsequent to initial measurement, the right-of-use asset is also adjusted for certain remeasurements of the associated lease liability and provision for dilapidations, details of which are provided in the Lease liabilities accounting policy below.

Investments

Investments in subsidiary undertakings and joint ventures are stated at cost less provision for impairment. All other equity instruments are held for long-term investment and are measured at fair value. Gains or losses arising from changes in the fair value are presented in the profit and loss account within finance income or expenses in the period they arise. Impairment losses or write backs of previous impairment losses are presented in the profit and loss account in the period they arise.

Impairment of non-financial assets

The Company tests non-financial assets annually or if events or changes in circumstances indicate that the carrying amount may not be recoverable. Testing is performed at the level of a cash generating unit (CGU) in order to compare the CGU's recoverable amount against its carrying value. The Company considers its store location a CGU. An impaired CGU is written down to its recoverable amount, which is the higher of value in use or its fair value less costs to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are reversed if there is evidence of an increase in the recoverable amount of a previously impaired asset, but only to the extent that the recoverable amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

1 Accounting policies (Continued)

Stock

Stocks represent goods for resale and is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost is calculated on a weighted average basis and comprises purchase price, import duties, and other non-recoverable taxes reduced by commercial income and a provision for estimated losses relating to shrinkage and obsolescence. Losses relating to shrinkage in stores are based on historical losses verified by physical stock counts conducted by an independent third party. Provision is made for obsolete and slow moving items.

Retirement benefits

The Company operates a defined benefit scheme (the 'CARE scheme') which is funded by contributions from the Company and members. The defined benefit scheme is not open to new members. Pension benefits under CARE schemes are defined on retirement based on age at date of retirement, years of service and a formula using either the employees' compensation package, or career average revalued earnings.

Pension scheme assets are valued at market rates. Pension scheme obligations are an estimate of the amount required to pay the benefits that employees have earned in exchange for current and past service cost, assessed and discounted to present value using the assumptions shown in note 16.

Current service cost is treated as an operating cost in the Income Statement. Net interest expense/income is calculated by applying the discount rate on liabilities to the net pension liability or asset (adjusted for cash flows over the accounting period) and is recognised in finance costs or income.

Expenses incurred in respect of the management of scheme assets are included in Other comprehensive income as a reduction in the return on scheme assets. Other scheme expenses are recognised in the Income statement as an operating expense.

Remeasurements comprise actuarial gains and losses on the obligations and the return on scheme assets (excluding interest). They are recognised immediately in Other comprehensive income. Amounts shown within note 16 are before any adjustments for deferred taxation.

The Company has the right to recognise an asset in respect of the Company's net obligation to the pension schemes in accordance with IFRIC 14. Therefore either an asset or a liability is recognised in the balance sheet, depending on the year end position.

These FRS 101 financial statements adopt company law format and as pension assets do not meet the company law definition of a fixed asset (assets of a company which are intended for use on a continuing basis in the company's activities) net pension assets are disclosed under current assets, where applicable.

Share-based payments

Wm Morrison Supermarkets PLC, the ultimate parent company, issues equity-settled share-based payments to certain employees in exchange for services rendered by them. The fair value of the share-based award is calculated at the date of grant and is expensed on a straight line basis over the vesting period. This is based on an estimate of share options that will eventually vest. This takes into account movement of non-market conditions, being service conditions and financial performance, if relevant.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of the share-based award relating to each subsidiary of the ultimate parent company is calculated based on an appropriate apportionment and recharged through the intercompany account.

1 Accounting policies **(Continued)**

Amounts owed to/by Group undertakings
Amounts owed to/by Group undertakings are initially recorded at fair value, which is generally the proceeds received. They are subsequently carried at amortised cost.

Trade and other creditors
Trade and other creditors are initially recognised at fair value, which is generally equal to face value of the invoices received, and subsequently held at amortised cost. Trade creditors are presented net of commercial income due when the Company's trading terms state that income from suppliers will be netted against amounts owing to that supplier.

Lease liabilities
For leases where the Company is a lessee, the Company recognises a right-of-use asset and a lease liability at the commencement date of the lease. Lease liabilities are initially measured at the present value of the lease payments due during the lease term but that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed payments and applicable variable lease payments (which depend on an index or a rate). The exercise price of purchase options are also included if reasonably certain to exercise the option.

The lease term includes periods covered by extension and break options if the Company is reasonably certain to extend the lease or to not exercise the break.

The incremental borrowing rates are determined through a build up approach, starting with a risk-free rate specific to the term and economic environment of the lease, adjusted for both the credit risk of the lessee and other characteristics of the lease (for example the quality of the underlying assets). The inputs used to determine the rates are regularly re-assessed, based on historical experience and other factors which the Directors believe to be reasonable.

Each lease payment is allocated between the capital repayment of the liability and the finance cost element. The finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index, rate or a lease modification, when purchase, extension or break options are exercised (or not exercised) in a way inconsistent with the prior assessments of those options, or if those assessments are changed, then lease liabilities will also be remeasured. The likelihood of options being exercised will only be re-assessed on the occurrence of a significant event or change in circumstance within the control of the Company.

The Company has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Lease payments on short-term leases and leases of low-value assets are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Cash and cash equivalents
Cash and cash equivalents include cash-in-hand, cash-at-bank and bank overdrafts. In the balance sheet bank overdrafts that do not have a right of offset are presented within current liabilities.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 Revenue

	2021 £000	2020 £000
Sale of goods in-store	59,930	59,398
Fuel	3,218	5,699
	63,148	65,097

All revenue is derived from contracts with customers.

3 Employees and Directors

The average monthly number of persons (including Directors) employed by the Company during the period was:

	2021 No.	2020 No.
Headcount	311	286

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	6,845	4,754
Social security costs	780	584
Other pension costs	697	382
Share based payments	62	34
	8,384	5,754

The share-based payments cost was recharged from Wm Morrison Supermarkets PLC in respect of shares it has granted to employees of the Company. The fair value assumptions, method of accounting and financial models used in determining the share-based payment charge are consistent with those adopted in the Wm Morrison Supermarkets PLC Annual Report and Financial Statements. The charge in the period in respect of the Company was £62,000 (2020: £34,000).

The emoluments of the Directors are paid by Wm Morrison Supermarkets PLC which makes no recharge to the Company. It is not possible to make an accurate apportionment of the emoluments of the Directors between Wm Morrison Supermarkets PLC and fellow subsidiaries. Accordingly, the above details include no emoluments in respect of Directors. The Directors of the Company do not receive remuneration in respect of qualifying services as Directors of this Company.

Where the Directors are also Directors of the ultimate parent company, Wm Morrison Supermarkets PLC, details of the emoluments and accrued benefits under the defined benefit pension schemes that the Directors received for the period ended 31 January 2021 are disclosed in the Annual Report and Financial Statements of that company.

4 Operating profit

	2021 £000	2020 £000
Operating profit for the period is stated after charging:		
Employee costs (note 3)	8,384	5,754
Amortisation of intangible assets (note 8)	2	1
Depreciation of property, plant and equipment (note 9)	2,125	916
Impairment of property, plant and equipment (note 9)	186	4
Depreciation of right-of-use assets (note 10)	22	22
Value of stock expensed	47,664	41,820

Fees to the auditors of £20,000 (2020: £15,000) in relation to audit services were paid by Wm Morrison Supermarkets PLC on the Company's behalf. No fees were paid in relation to non-audit services.

5 Interest receivable and similar income

	2021 £000	2020 £000
Bank interest receivable	-	5
Net pension interest income (note 16)	-	5
Other interest receivable	2	-
	2	10

6 Finance costs

	2021 £000	2020 £000
Net pension interest cost (note 16)	11	-

7 Tax on profit on ordinary activities

	2021 £000	2020 £000
Current tax		
Overseas tax	805	1,705
Adjustments in respect of prior periods	(51)	-
	754	1,705
Deferred tax		
Current period	107	76
Adjustments in respect of prior periods	(475)	-
	(368)	76
Total tax charge for the period	386	1,781

7 Tax on profit on ordinary activities (Continued)

	2021 £000	2020 £000
Profit on ordinary activities before taxation	2,884	8,256
Expected tax charge based on a corporation tax rate of 20.00% (2020: 20.00%)	577	1,651
Expenses not deductible for tax purposes	-	(1)
Adjustment in respect of prior years	(51)	-
Non-qualifying depreciation	335	131
Adjustments in respect of prior periods - deferred tax	(475)	-
Total tax charge for the period	386	1,781

Factors affecting current and future tax charges
The Company is UK registered with a Gibraltar branch. The Company does not pay tax in the UK and is therefore not affected by changes in the UK corporation tax rate. There are no planned changes to the rate of tax payable in Gibraltar.

8 Intangible assets

	Software development costs £000
Cost	
At 3 February 2020	10
Additions	-
At 31 January 2021	10
Accumulated amortisation	
At 3 February 2020	2
Charge for the period	2
At 31 January 2021	4
Net book amount	
At 31 January 2021	6

The Company has performed its annual assessment of its amortisation policies and asset lives and deemed them to be appropriate. No changes have been made to asset lives during the period.

9 Property, plant and equipment

	Leasehold property improvement	Plant, equipment, fixtures and vehicles	Total
	£000	£000	£000
Cost			
At 3 February 2020	14,882	11,557	26,439
Additions	-	146	146
Disposals	-	(278)	(278)
Fully written down assets	-	(127)	(127)
At 31 January 2021	14,882	11,298	26,180
Accumulated depreciation			
At 3 February 2020	5,854	1,064	6,918
Charge for the period	444	1,681	2,125
Impairment	-	186	186
Disposals	-	(278)	(278)
Fully written down assets	-	(127)	(127)
At 31 January 2021	6,298	2,526	8,824
Net book amount			
At 31 January 2021	8,584	8,772	17,356

The Company has performed its annual assessment of its depreciation policies and asset lives and deemed them to be appropriate. No changes have been made to asset lives during the period.

Fully depreciated assets have been retained in the Company's fixed asset register. In order to provide greater understanding of the Company's annual depreciated charge, these assets have been removed from both cost and accumulated depreciation.

9 Property, plant and equipment **(Continued)**

Impairment
The Company considers its store location a cash generating unit (CGU) and considers this for impairment annually. The Company calculates the location's recoverable amount and compares this amount to its book value. The recoverable amount is determined as the higher of 'value in use' and 'fair value less costs of disposal'. If the recoverable amount is less than the book value, an impairment charge is recognised based on the following methodology:

'Value in use' is calculated by projecting the store's pre-tax cash flows over the life of the store, based on forecasting assumptions. The methodology used for calculating future cash flows is to:

- use the actual cash flows for the location in the current year, adjusted for COVID-19 one-off costs;
- allocate a proportion of the Company's central costs to the location on an appropriate basis;
- allocate an element of future capital cost, including energy efficiency spend required as part of environmental strategy;
- project cash flows over the next three years by applying forecast sales and cost growth assumptions in line with the Company budget;
- project cash flows beyond year three by applying a long term growth rate;
- discount the cash flows using a pre-tax rate of 9.0% (2020: 9.0%). The Company takes into account a number of factors when assessing the discount rate, including the Group's WACC and other wider market factors; and
- consideration is given to any significant one-off factors impacting the location during the current year and any strategic, climate-related, Brexit or market factors which may impact future performance.

'Fair value less costs of disposal' is estimated by the Directors based on their knowledge of individual stores, the markets they serve and likely demand from grocers or other retailers. This assessment takes into account the continued low demand from major grocery retailers for supermarket space, when assessing rent and yield assumptions on a store by store basis. In certain years, the Directors also obtain a store level valuation prepared by independent valuers to aid this assessment. When assessing the assumptions at individual store level the Directors take into account the following factors:

- whether a major grocery operator might buy the store, taking into consideration whether they are already located near the store, and whether the store size is appropriate for their business model, and then if not;
- assessing whether a smaller store operator might buy the store, in which case the value has been updated to reflect the Directors' assessment of the yield which would be achievable if such an operator acquired the store, and then if not; and
- assessing whether a non-food operator might buy the store, in which case the value has been updated to reflect the Directors' assessment of the yield which would be achievable if such an operator acquired the store.

Having applied the above methodology and assumptions, the Company recognised an impairment of £186,000 (2020: £4,000) during the period in respect of property, plant and equipment.

10 Right-of-use assets

	Land & buildings £000
Cost	
At 3 Febuary 2020 and 31 January 2021	7,116
Accumulated depreciation	
At 3 February 2020	4,311
Charge for the period	22
At 31 January 2021	4,333
Net book amount	
At 31 January 2021	2,783

The Company has performed its annual assessment of its depreciation policies and asset lives and deemed them to be appropriate. There have been no changes made to asset category lives during the year.

11 Investments

	2021 £000	2020 £000
Cost and net book value	15,494	15,494

The Directors believe that the carrying value of the investments is supported by their underlying net assets. See note 12 for details of investments held by the Company.

12 Related undertakings

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings including the country of incorporation, the principal activity and the effective percentage of equity owned as at 31 January 2021 is disclosed below.

Related undertaking	Country of incorporation	Interest (%)	Principal activity
Safeway Stores (Gibraltar) Pension Trustees Limited	Gibraltar	50	Pension trustee
Maypole Limited	Guernsey	100	Investment company
The Medical Hall Limited	Gibraltar	100	Pharmaceutical licencee

Addresses:

- Safeway Stores (Gibraltar) Pension Trustees Limited: Suites 41/42 Victoria House, 26 Main Street, Gibraltar
- Maypole Limited: 1st & 2nd floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW
- The Medical Hall Limited: 1st Floor, 5 Secretary's Lane, Gibraltar, GX11 1AA

		2021	2020
13	**Stock**	**£000**	**£000**
	Finished goods and goods for resale	2,727	2,518

There is no significant difference between the balance sheet value and replacement cost of stock.

		2021	2020
14	**Debtors**	**£000**	**£000**
	Other receivables	105	-
	Amounts owed by Group undertakings	77,413	70,518
	Prepayments and accrued income	29	-
		77,547	70,518

Amounts owed by Group undertakings are non-interest bearing, unsecured and are repayable on demand.

Provisions for impairment of amounts owed by Group undertakings have been assessed on lifetime expected credit losses. As all balances are repayable on demand, and the Company expects to be able to recover the outstanding intercompany balances if demanded, no provision has been recognised in the 52 weeks ended 31 January 2021 (2020: £nil).

		2021	2020
15	**Creditors: amounts falling due within one year**	**£000**	**£000**
	Amounts owed to Group undertakings	6,229	6,692
	Accruals and deferred income	4,027	268
	Social security and other taxation	110	13
	Other creditors	36	702
		10,402	7,675

Amounts owed to Group undertakings are non-interest bearing, unsecured and are repayable on demand.

16 Pensions

a) Defined benefit pension scheme

The Company operates a defined benefit retirement scheme ('the Scheme') based in Gibraltar providing benefits based on a benefit formula that depends on factors including the employee's age and number of years of service. The Scheme provides pension benefits based on either the employee's compensation package or career average revalued earnings (CARE).

The position of the scheme at 31 January 2021 and 2 February 2020 was as follows:

	2021 £000	2020 £000
Fair value of scheme assets	4,182	4,419
Present value of obligations	(5,491)	(4,871)
Net pension liability	(1,309)	(452)

	2021 £000	2020 £000
Income statement:		
Current service cost	394	358
Administrative costs paid by Scheme	18	24
Net interest on pension liability/asset - finance cost/(income)	11	(5)
Total expense charged to income statement	423	377
Statement of comprehensive income:		
Remeasurements in other comprehensive income	(647)	(529)

a) Defined benefit pension scheme (continued)

The Scheme is a registered scheme under the provisions of Schedule 36 of the Finance Act 2004 and the assets are held in legally separate, trustee-administered funds. The Board of the Scheme is required by law to act in the best interest of the Scheme participants and is responsible for setting the investment, funding and governance policies of the fund. A representative of the Group attends Trustee Investment Committee meetings in order to provide the Group's view on investment strategy, but the ultimate power lies with the Trustees. The Deed and Rules of the Scheme gives the Group the power to set contributions, subject to regulatory override.

The latest full actuarial valuation was carried out as at 1 April 2016 for the Scheme. The results of this valuation have been used and updated for IAS 19 'Employee benefits' purposes for the period to 31 January 2021 by a qualified independent actuary. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

16 Pensions **(Continued)**

b) Scheme assets

Assets of the Scheme are held in order to generate cash to be used to satisfy the Scheme's obligations, and are not necessarily intended to be realised in the short-term. The allocation of assets between categories is the responsibility of the Trustees of the Scheme. The Trustees of the Scheme invest in different categories of asset and in different allocations amongst those assets, according to the investment principles of the Scheme.

Currently, the investment strategy of the CARE Scheme is to maintain a balance of growth assets (equities), income assets (corporate bonds) and cash. There are no direct investments in the Group's own shares or property occupied by any member of the Group.

Fair value of Scheme assets:

	2021 £000	2020 £000
Equities (quoted)	2,539	2,594
Corporate bonds (quoted)	1,200	1,255
Cash (quoted)	443	570
	4,182	4,419

The movement in the fair value of the scheme assets during the period is as follows:

	2021 £000	2020 £000
Fair value of scheme assets at start of period	4,419	4,191
Interest income	82	117
Return on scheme assets excluding interest	(140)	184
Employer contributions	213	234
Benefits paid	(374)	(283)
Administration expenses	(18)	(24)
Fair value of scheme assets at end of period	4,182	4,419

c) Present value of obligations

The movement in the present value of the defined benefit obligation during the period is as follows:

	2021 £000	2020 £000
Defined benefit obligation at start of period	(4,871)	(3,971)
Current service cost	(394)	(358)
Interest expense	(93)	(112)
Actuarial loss	(507)	(713)
Benefits paid	374	283
Defined benefit obligation at the end of period	(5,491)	(4,871)

The duration of the defined benefit obligation at 31 January 2021 is 23 years (2020: 19 years).

16 Pensions **(Continued)**

d) Assumptions

The major assumptions used in this valuation to determine the present value of the scheme's defined benefit obligation are shown below.

	2021 %	2020 %
Principal assumptions:		
Discount rate applied to scheme obligations (% pa)	1.50	1.90
Inflation assumption (RPI Gibraltar) (% pa)	2.60	2.50
Rate of increase in salaries	2.60	2.50
Increase to members' accounts	1.10	1.30

i) Longevity

The average life expectancy in years of a member who reaches normal retirement age of 65 and is currently aged 45 is as follows:

	2021	2020
- Male	26.10	26.00
- Female	28.30	28.20

The average life expectancy in years of a member retiring at the age of 65 at balance sheet date is as follows:

	2021	2020
- Male	23.80	23.70
- Female	26.00	25.90

e) Sensitivities

The following table summarises the impact on the defined benefit obligation at the end of the reporting period if each of the significant actuarial assumptions listed above were changed, in isolation, assuming no other changes in market conditions at the accounting date. In practice any movement in assumptions could be accompanied by a partially offsetting change in asset values, and the corresponding overall impact on the net asset/(liability) is therefore likely to be lower than the amounts below in a number of scenarios. Extrapolation of the sensitivities shown may not be appropriate.

			2021 £000	2020 £000
Discount rate applied to Scheme obligations	- increase	+/- 0.1%	-/+ 126	-/+ 102
Salary	- increase	+/- 0.1%	+/- 66	+/- 54
Increase to member accounts	- increase	+/- 0.1%	+/- 5	+/- 5
Longevity	- increase	+/- 1 year	+/- 110	+/- 78

16 Pensions (Continued)

f) Funding
The Scheme is entirely funded by the Company.

The current best estimate of Company contributions to the Scheme to be paid for the accounting period commencing 31 January 2021 is £193,000 (2020: £235,000).

17 Deferred tax liabilities

The movements in deferred tax liabilities during the period are shown below:

	Property, plant and equipment £000
Deferred tax liability at 4 February 2019	259
Charged to income statement for the period (note 7)	76
Deferred tax liability at 2 February 2020	335
Credited to income statement for the period (note 7)	(368)
Deferred tax asset at 31 January 2021	(33)

18 Called-up share capital

	2021 £000	2020 £000
15,000 Ordinary shares (2020: 15,000) of £1 each	15	15

All issued shares are fully paid.

19 Ultimate holding company

The immediate parent undertaking is Safeway Stores Limited. The ultimate parent company and head of the smallest and largest group in which the results of the Company are consolidated is Wm Morrison Supermarkets PLC which is incorporated in Great Britain and registered in England and Wales. The Directors consider this to be the Company's ultimate controlling party.

Copies of the financial statements of Wm Morrison Supermarkets PLC are available from:

The Company Secretary
Wm Morrison Supermarkets PLC
Hilmore House
Gain Lane
Bradford
West Yorkshire
BD3 7DL