

Our Business

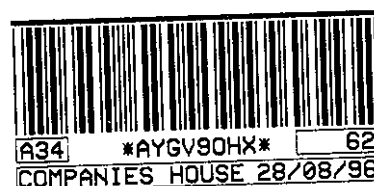
Argyll is the third largest grocery retailer in the UK with annual sales of £6.5 billion and over 68,000 employees. On 30 March 1996, Argyll had a market capitalisation of £3.5 billion and ranked as the 55th largest listed company on the London Stock Exchange. Argyll's main retail brand, Safeway, currently represents over nine tenths of group sales.

Safeway aims to be the first choice retailer for everyday food and household needs for today's family and the most dynamic and innovative retailer in meeting those needs. This will enable the Company to increase shareholder value faster than its competitors.

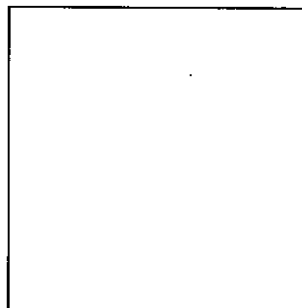
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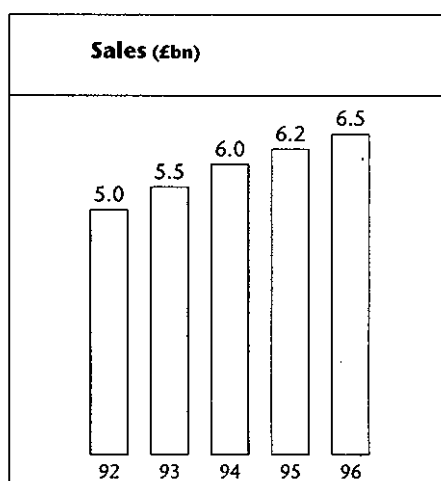


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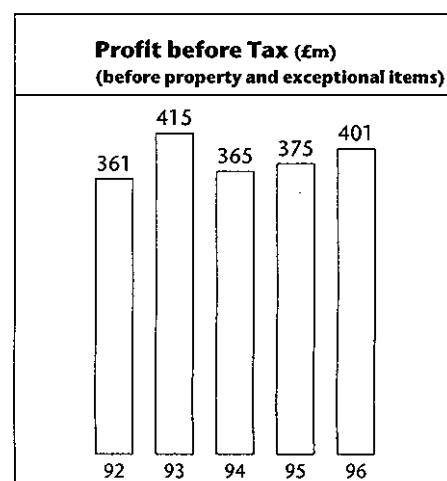
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Highlights

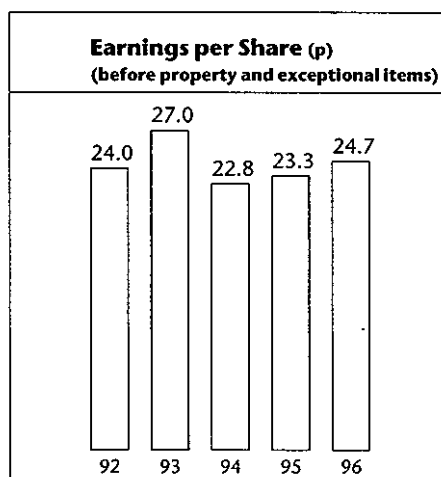
- Shareholder approval being sought to change the name of the Company to Safeway plc.
- Safeway sales making strong progress towards weekly £15 per sq. ft. target.
- Safeway 2000 strategic review now complete and implementation in its final stages.
- 7% growth in profit before tax, property and exceptional items.
- Shareholdings in Ahold and Casino divested, releasing £123 million of cash and £37.7 million exceptional profit.



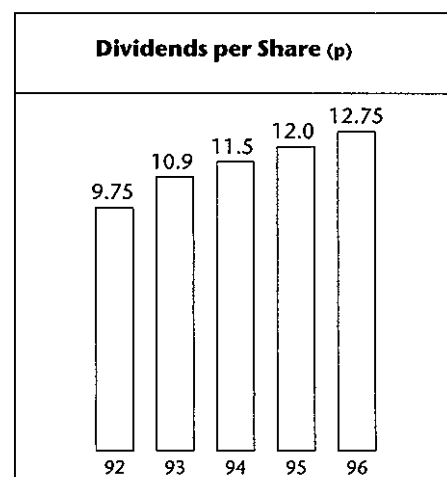
5% increase to £6,500 million; 11% increase excluding businesses sold last year.



7% increase to £401.2 million.



6% increase to 24.7p.



6% increase to 12.75p.

Notes:
1992/93 was a 53 week year.
In 1993/94 the depreciation rates were changed which, in this first year of implementation, reduced profit by £37.1 million.

Chairman's Statement

PICTURE

Our results for the year are encouraging not only by our own standards but, more importantly, by those of the sector. The massive changes we have made in the strategy and structure of the group over the past two years are now making their impact on our performance. The potential for further improvement is considerable and we are moving rapidly towards achieving our objectives.

The Market Place

Our performance was particularly encouraging in the context of our market place. Competition between all the major food retailers has intensified and the focal point for our customers is value for money. There was, as a result, some price instability, centred mainly on a limited number of high volume commodity products. We will always make a determined response, on behalf of our customers, to ensure that they are not disadvantaged on price. The initiatives we have taken over the past 18 months to improve customer perceptions of our value have helped us not just to defend, but also to increase our market share.

Sir Alistair Grant talks to customers outside Safeway Dumbarton, opened this March.

Safeway's Objectives

Over the next few years, as the rate of expansion of the superstore sector slows, competition to retain and attract customers will intensify still further. The advantage will lie with those who have developed their retail brands as long term sources of competitive strength. The power of a brand is built on the clarity of its goals and values, communication with its customers, quality of execution and the trust it inspires among consumers.

Safeway's objectives are to be:

- The first choice for the everyday food and household needs of today's families.
- The most dynamic and innovative retailer in meeting those needs.
- Attractive to investors by growing shareholder value faster than our competitors.

Our strategy for achieving these objectives is covered in the Chief Executive's Review. The underlying thrust of our current direction, however, is a single-minded concentration on building the Safeway brand. For many years we have concentrated on achieving the scale needed to compete nationally in our market place. As we have grown in size, so we have been able to achieve the economies of scale and improve both our operating efficiency and our competitiveness. The logical outcome of this process was a review of our asset base and the decision to concentrate our resources on our leading brand and on those stores capable of delivering the Safeway offer.

Our business is now clearly built around Safeway. Within the past two years we have halved the number of stores in the group by divesting the Lo-Cost chain and many small and underperforming Presto and Safeway outlets. We have also disposed of our wholesaling businesses and, more recently, divested the shareholdings in Ahold and Casino. The proposal we announced with our Preliminary Results to change the name of the Company to Safeway is simply the logical culmination of these actions. By aligning the names of the Company and the brand, we are communicating a common and coherent identity to all our stakeholders.

Safeway's Values

Safeway is based on corporate brand values which are closely attuned to the market place. These are:

- An obsession with listening to our target customers and meeting their needs.
- A recognition that the future strength of our brand demands long term planning and investment, which is sustained regardless of shorter term pressures.
- A conviction that, through effective leadership, all Safeway people can personally make a difference to the delivery of our customer offer and the

performance of our business.

- An acceptance of our responsibility for helping suppliers to deliver the customer offer.

The renewed and reinvigorated Safeway already has considerable strength in the market and the potential to become even stronger. We are a marketing-led business. We have a clear customer offer and a set of demanding business objectives, which we are determined to achieve by involving all our stakeholders and gaining their active support.

Board Structure

Logan Taylor, a director since 1990, left Argyll last Summer after 18 years' service with group companies. Mr Taylor played an important role in the modernisation of the former Presto/Lipton business and in the development of Safeway, where he served as Managing Director, Marketing and Trading.

Patrick Kieran, Deputy Chairman of Safeway, retired in December 1995 after 39 years' service with group companies. Mr Kieran led the management team which accomplished the rapid growth of Safeway following its acquisition by Argyll in 1987. His commitment to quality, service and integrity has left its stamp upon our business and upon a generation of retail management.

Prue Leith left the Board at the end of March 1996 after six years' service as a non-executive director. Miss Leith, in addition to her Board responsibilities, made a strong contribution to our fresh food offer and to our in-store restaurant operations.

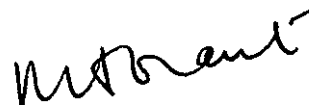
In June 1995 George Charters joined the Board and took over responsibility for Marketing and Trading. Mr Charters has senior front line experience in both food manufacturing and in a national retail chain and his blend of skills makes him a most valuable member of our top management team.

Following our year end, we were delighted to announce the promotion of Simon Laffin to the Board as Group Finance Director. Mr Laffin has six years' experience within the Company, latterly as Chief Financial Officer.

Earlier this month I also announced my intention to retire as Chairman at the end of March 1997. I am proud to have been associated with the development of the Company which I helped to found in 1977. I am delighted that my friend and colleague, David Webster, currently Deputy Chairman and also a co-founder of the Company, will be my successor. I wish him and Safeway every future success.

People

The continued impact of reorganisation on the whole business, but particularly in our retail operations, has been a major challenge to all our people. It has also opened up a great many attractive and more demanding roles to younger people with talent. Our task now is to ensure that they are given all the training and support they need to achieve high standards in their new jobs. It is our people that make Safeway special.



____SIGNATURE LINE____

Sir Alistair Grant 22 May 1996

Chief Executive's Review

PICTURE

Over the past year we have continued the improvement in performance which began with the launch of Safeway 2000 in October 1994. Safeway 2000 was nothing less than the reinvention and reinvigoration of our brand and our business. This has now been completed and the benefits have started to come through. The challenge for us in the coming year is to turn them into a lasting competitive advantage.

Our Sales – Beating the Industry

Last year, in my second report as Chief Executive, I said that the key measure of the success of Safeway 2000 would lie in our sales performance. Our aim is to improve Safeway's average sales per square foot per week, targeting an increase from £12.86 to £15.00 within three years. In fact we have done better than I anticipated. During the year sales per square foot increased to £14.10, reflecting a transformation in our marketing effectiveness.

Putting this performance in its context, since March 1995 we have outperformed the industry like-for-like sales growth, as measured by the Institute of Grocery Distribution, by 2%. As a result, we have significantly increased our market share. This improvement has been broadly based, covering the entire store portfolio and across all product categories.

Colin Smith discusses our new KidsOwn range of children's clothes with members of the Safeway Brent Cross management team.

Delivering our Customer Offer

Our customer offer is designed to make shopping more convenient and extra special for families. Its purpose is to broaden our customer base and build a brand whose values appeal particularly to families. Delivering this offer is and will remain the driving force behind everything we do. We are measuring our success by the growing proportion of our customers, particularly in our target groups, who are doing their main weekly shop at Safeway.

During the year we have strengthened our offer by reviewing the bulk of our product range, introducing a new range of children's clothes, and improving our price and value perception. Equally important, we have communicated our offer very effectively to our target customers. Our advertising campaign has achieved the highest level of recognition and recall of any advertising in the food retailing sector. Our little boy "Harry", now joined by our little girl "Molly", not only embodies our proposition but has brought a human face to the brand.

Another powerful communication tool is our ABC card, launched nationally last October. The database we have subsequently built enables us to target products and services more precisely on the appropriate customers.

Saving to Invest

Safeway 2000 was mainly about improving our sales performance. We also recognised, however, that we had to generate more efficiency savings to pay for the investment we needed to build the Safeway brand and improve returns to shareholders. During the year we made good progress towards achieving our annualised target savings of £60 million. These were drawn from the reorganisation of our retail operations, store productivity initiatives, the rationalisation of our distribution network and a review of our central support costs. We have invested £25 million of these savings in strengthening our brand. By finding better ways of doing things, applying new technology, improving the efficiency of our supply chain and other productivity initiatives, we will ensure that we have the resources to invest in those areas which will continue to drive the business forward.

Developing our Store Portfolio

The driving force of our growth over the past 10 years has been the continued expansion of our portfolio of superstores. During the year, we opened 17 new Safeway stores with an average sales area of 30,600 square feet and strengthened our presence in the Midlands and the South West, as well as increasing our market leadership in Scotland.

These sites represent the newest generation of stores, built around a format which is simpler, cheaper to build and more attuned to the needs of our shoppers. It effectively brings together all the changes we have made in our business.

Financial Review

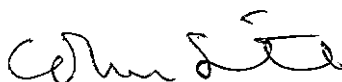
A full review of the financial results of the group is located on pages 20 to 24 of this Annual Report.

Make a difference!

One of our business goals is innovation; the ability to think up new ideas and ways of doing things and a determination to bring them quickly to the market. Over the past year we have shown that we can lead change in our industry by getting new ideas to the market place faster than anyone else, for example, self-scanning. Creating a climate within the business which is favourable to innovation, however, requires supportive leadership. A business which listens to its employees and gives them both the encouragement and the opportunity to contribute to its day-to-day performance is more likely to succeed than one run in a traditional, more controlling style. Our "Make a difference!" programme, launched last Autumn, seeks to unleash the full potential in Safeway people to deliver outstanding customer service and drive our business forward. I am confident that the results of this initiative will be increasingly evident to our customers during the current year.

People

Our people already have much to be proud of. The uplift in our sales performance which began in the Winter of 1994 and was sustained throughout the year occurred against a background of radical change and upheaval in all areas, but not least in our stores. This reorganisation resulted in 3,500 employees leaving our stores through redundancy or early retirement and in 9,500 people doing a completely new job. This included over 3,000 promotions. It is to the great credit of our people that all this was achieved with minimal impact on our performance. We also created over 8,000 new jobs through our investment in improved customer service and our new store opening programmes. I very much want to thank all Safeway and Presto people for everything they have done during the year to produce these good results.



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Colin Smith 22 May 1996

Review of Operations

Family Shoppers

Making shopping easier and more enjoyable for families at Safeway Northampton, opened last October.

More for the Family

Our customer offer aims to broaden the appeal of the Safeway brand by targeting family shoppers, encouraging them to use us for their main weekly shopping trips, while still serving the needs of our other customers. During the year we made good progress in delivering this offer. The proportion of our customers who do their main shops with us grew from just under 22% to nearly 25%. The proportion of sales which these main shoppers represent also grew, from just under 36% to nearly 40%.

Our offer has two components; getting the basics right every time and making shopping more convenient and extra special. The basics include giving our customers excellent value, always offering them a wide choice of products and services, providing service which is friendly and helpful, and designing stores which are easy to shop. Making shopping more convenient and extra special involves helping to take the stress and effort out of shopping, reducing the time it takes, and really pleasing our customers with specially targeted products and services.

Better Value

Customers' belief in our value for money is the most powerful driver of sales growth and improving their understanding has been our single most important objective. We started in September 1994 with the Safeway Savers range, which now covers over 110 lines and contributes over 2.5% of total sales. Research shows that 50% of our mainshop customers now have at least one Savers product in their basket. It also shows that the Savers range is influencing their value perceptions.

We are also improving and developing our standard own-brand range to ensure that our products offer significantly better value than the brand leader. An outstanding example was the launch, last Autumn, of our own-brand Cyclon range of detergents.

Cyclon now has a 25% share of our total sales of detergent products. This follows on from the success of our Select Cola, which has captured 30% of our sales in a market traditionally dominated by two proprietary brands. These and other examples of successful own-brand development have together increased the penetration of Safeway branded products from 44% to 46% during the year.

Our promotional strategy has become much simpler, most visibly in "Offer of the Week" and "Best Buys". By concentrating on fewer but deeper price cuts, which appeal to the majority of our customers, we have transformed their perception of our special offers.

Value is about product range as well as price. The range review programme, initiated in 1994, seeks to achieve the balance between economy, standard and premium products which our customers say they want. By March, 92% of our product lines in sales value had been reviewed, generating substantial increases in sales. Confectionery sales, for example, rose by 15% as a result of our range review.

More Choice

An important part of our strategy to attract more family shoppers is to offer them a much improved range of non-food products. During the year two important initiatives were launched. In the baby market, where manufacturers' brands are well established, we successfully launched our own-brand range of baby consumable products. We followed this up towards the end of the year with the launch of our Kidswear range. In a £1.4 billion market, which is still dominated by high street retailers, we see an attractive opportunity to offer a range of quality clothes which are competitively priced. By March of this year, 38 stores were selling this range and many more will be doing so by the end of March 1997.

SHOPPING CARTOON

Picture

Added Bonus Card ("ABC")

Our ABC card was launched throughout Safeway last Autumn. There are now nearly 4 million ABC cardholders.

Excellent Service

Giving customers better service is a particularly competitive field in which several national retailers are trying to claim leadership. Safeway has always been highly rated by customers, who consistently appreciate the helpfulness of our staff. Our aim is to build on this strength. During the year we introduced several initiatives to make the shopping experience more enjoyable and less time consuming.

In May of last year, for example, we introduced our IOU initiative. If a product on special offer is so popular that it sells out quickly, customers can still buy the product at a later date at the special offer price.

Last Autumn, we extended our Added Bonus Card ("ABC") to all stores. ABC differs from competitors' cards in that not only do customers earn points with every £1 spent, but they can also either redeem these points immediately for cash discounts or use them to buy from a range of products and services in any Safeway store. The aim is to offer choice to our customers. By the year end, nearly 4 million customers were ABC cardholders.

Another example is "Shop and Go", which combines self-scanning with our new green box trolley and the ABC card. Our self-scanning system, launched in Solihull in March 1995, was extended to 23 more stores during the year, and will be rolled out to all superstores from this May onwards. Customers buy their green boxes, fill them up, take them home, unpack their shopping and use them again on their next trip to Safeway. "Shop and Go" is particularly designed for and appreciated by customers who do large shops regularly with Safeway.

SPECIAL OFFER

These initiatives are intended to complement some fundamental work which is designed to build a true customer service culture throughout Safeway. Responsibility for service at store level now clearly rests with a Customer Service Manager, second in seniority only to the Store Manager, whose main task is to ensure customer satisfaction. Feedback from customers has helped us develop a detailed set of service standards applicable to every store. The progressive achievement of these standards is being measured by a Mystery Shopper programme, introduced this April. Opportunities for improvement arising from Mystery Shopper visits to stores will be referred for discussion and solution to store-based action teams, comprising staff as well as managers. In this way, Safeway people are becoming more personally involved in delivering the customer offer.

Shop and Go

We lead the Industry in applying the latest technology to shopping. Our "Shop and Go" system is now being progressively extended to all Safeway superstores, making shopping easier and quicker for our customers.

Attractive Stores

Our offer requires a store design concept which both reflects Safeway values to customers and delivers what they

themselves want. We have developed this concept and are now applying it to new and refitted stores. The main elements include a new customer service desk as the first point of contact, a stronger fresh food offering at the front of the store, internal decor which is simpler and warmer, a new style corporate identity to project the personality of Safeway, and signage which is easy to read and uses cartoons to bring warmth and humour to the store.

The first newly built concept stores opened at Chippenham and Bridgwater last Summer, followed by another 15 over the rest of the year. In addition, we completely refitted or extended 17 stores and carried out minor refits in a further 14 stores. The refit programme, which will absorb a growing proportion of our capital spending over the next few years, will bring many of our older stores up to current superstore standards and both improve and renew the quality of our portfolio.

PICTURE

Picture

Kidswear

In February we launched our KidsOwn range of children's clothing. The range is designed mainly for the under five age group. The launch was marked by kids' fashion shows in five Safeway stores — Wolverhampton, Darlington, Milton Keynes, Weymouth and Dumbarton (above).

The benefits of the new concept include savings in building and running costs as well as improvements in sales and productivity. The average sales uplift achieved by the major refits and extensions during the year has been around 20%, while initial sales levels in new stores opened in the year are above the average for last year's openings.

The now familiar package of facilities continues to be offered in both new stores and, wherever space permits, in refitted outlets. At the end of March we had 156 stores with coffee shops, 199 with customer toilets, 177 with baby changing facilities, 128 petrol stations, 85 pharmacies, 66 dry cleaning facilities, 36 crèches and 31 post offices.

COFFEE CARTOON

Communicating the Offer

Our award-winning "Harry" advertising campaign has proved to be an extraordinarily powerful means of communicating with our customers. Recognition and recall of Safeway advertising reached 60%, the highest level for any campaign ever run by a major food retailer. This success is due not simply to a well executed brief but, more importantly, to its close affinity with our brand values. The "Harry" campaign and the cartoons on in-store signage have together conveyed the message that we are the only superstore with a human face and thereby achieved clear differentiation between the Safeway brand and our competitors.

Advertising and in-store design communicate with customers *en masse*. The roll-out of the ABC card last Autumn enables us to communicate with customers individually. The information from card-based transactions will give us a detailed profile of what individual customers are interested in and help us give them the products and services they want.

Making a Difference

In the food retailing sector, most attempts by any of the major players to gain a competitive advantage over the others are quickly copied or bettered. It is much more difficult, however, to mimic genuine differences in the way in which people behave, both towards customers and each other. People who feel committed to and involved in the business, and whose contribution is encouraged and recognised by supportive leadership, are the source of a sustainable, long term competitive advantage. The Make a difference! programme and its supporting activities are aimed at securing this advantage for Safeway.

Our customer proposition will be delivered only if everyone in the business feels motivated and has the appropriate skills. This means radically changing the way we work, moving towards a leadership style which is more involving and supportive, yet demands and achieves high standards of performance. It also means increasing our already heavy investment in training and

development and ensuring that our people know what the business is trying to achieve and are clear about what they themselves have to do.

The Make a difference! programme was launched last Autumn, with a series of local presentations and events involving everyone in Safeway. The purpose was, firstly, to communicate the basic message of change in the way we run the business and, secondly, to set an ambitious objective for the Christmas trading period. The challenge was to make it the best ever Christmas for Safeway's customers. It stimulated hundreds of in-store initiatives by our people to improve customer service and make the busiest trading period of the year more enjoyable for both customers and staff.

Savers Range

Safeway Savers have helped improve our value perception and, during the year, generated around £150 million of sales.

Pictures

PICTURE

PICTURE

Family Connections

We seek the opinions of family shoppers regularly through a dedicated panel of 1,500 parents. They keep us in touch with their shopping needs and their feedback has been a fertile source of new ideas, for example, in-store crèches and parent and child parking.

This was followed in February by the launch of the next challenge, which, under the title "Together we can make a difference!", was aimed at improving teamwork. This challenge was once again launched through a series of in-store and local events and generated numerous ideas and initiatives to make the way we work together more effective. Teamwork is now being systematically encouraged by the launch of action teams, initially in stores and subsequently in distribution and central departments, to improve service to both external and internal customers.

Another product of the Make a difference! programme was the introduction this April of Profit Related Pay, a Treasury approved scheme under which employees' pay is linked to Company profitability, in return for which, employees pay less tax. Safeway is the only national supermarket chain to operate such a scheme.

To ensure that Make a difference! gathers momentum over the next two years and really changes the way we work, we have set ourselves the goal of achieving accreditation by Investors in People ("IIP") by March 1998. IIP is a national standard or benchmark against which an independent agency will measure the effectiveness of our new leadership style and all the supporting initiatives. We have decided that this will be done in every store and location rather than adopt the more conventional approach based on a cross-section of an organisation. In this way we will have to satisfy a much more demanding set of performance standards.

Improving Efficiency

We are well on the way to achieving our annualised target saving of £60 million in operating costs by continuing to reshape our organisation and do things more efficiently.

Our Retail store structures were completely reorganised and simplified, resulting in 3,500 redundancies. But this same process of change created a similar number of opportunities for our younger people to

10 OUT OF 10 CARTOON

take on more demanding roles. The challenge now is to help them develop the skills they need to achieve high standards of performance in their new jobs.

In Logistics our strategy is similarly aimed at improving the quality of service while reducing our cost base. The network is now based on six major sites at Aylesford, Bristol, Bellshill, Stockton, Tamworth and Warrington. These are supported by smaller, specialist sites such as Heathrow (Frozen Foods) and Shrewsbury (Non-Foods). This structure is producing important benefits to the business, including annual savings of 3.9 million kilometres in vehicle journeys and a 5% reduction in the number of vehicles comprising our fleet.

As we consolidate our supply base, our suppliers are increasingly falling into two categories; those with relatively large shares of our business who are both low cost and innovative in product development, and specialists who give us the range, quality and innovation we need for our regional

and local markets. Within this framework, our aim is to achieve the closest possible match between supply and demand. We will do this by understanding better our suppliers' businesses, using electronic data interchange to transmit orders, increasing vehicle productivity, moving certain products through our depots as fast as possible, and reducing waste in our stores. Achieving this aim will be one of our most important priorities over the next year.

In the Community

The communities in which our stores and distribution centres operate are important stakeholders in Safeway. We continue to invest in local activities which generate goodwill for our brand.

The 50th anniversary of VE day was recognised by the adoption of the British Legion as our corporate charity. A variety of fund-raising initiatives resulted in a total donation to this charity of nearly £175,000. We were also the main sponsors of the Liberation Day parades in Jersey and Guernsey.

Customer Service

We were the first supermarket chain in the UK to introduce, in 1971, both a bag-packing and a carry-to-car service for our customers.

PICTURE

Upward Mobility

Opposite — just five of the many Safeway people who were promoted to more challenging positions as a result of the reorganisation of our store structure.

Top left: Kevin Richardson, was promoted from Petrol Filling Station Manager to Human Resources Manager, Stratford on Avon store. Since then, he has been appointed HR Manager of Safeway Evesham.

Top right: Anna Robson, Human Resources Manager, Biggin Hill, was formerly Checkout Manager, West Wickham.

Middle left: Mark Andre, Replenishment Manager, Bracknell, was initially promoted to this role at Sandhurst store, where he was formerly Grocery Manager.

Middle right: Steve Pond, was promoted from Bakery Manager, to Customer Service Controller, Food Counters, Reigate store.

Bottom: Kay Grazier, Children's Textile Controller, Redditch, was formerly Deli/Bakery Controller, Bromsgrove and Droitwich stores.

Other fund-raising activities in the South West region produced enough money to buy three mini-buses for the Royal Variety Club. A recent nation-wide initiative on behalf of Baby Lifeline resulted in a donation to this charity of over £70,000.

We joined with other major retailers to support the "Safechild" initiative promoted by the British Retail Consortium. This scheme, devised by a community police officer in Shrewsbury, sets out guidelines for parents and retailers in dealing with lost children. Training videos have been sent to all Safeway and Presto stores and will also be used in schools and playgroups.

Safeway has been an active supporter of recycling since 1971 and 290 stores now have recycling banks. Our Community Care Awards encourage local communities to help by giving cash support to local projects from the proceeds of recycled aluminium cans. In addition to giving grants to individual projects, we are also using these funds to help set up a children's Hospice in Scotland.

We celebrated 25 years of recycling in 1996 and, in particular, half a million tonnes of cardboard collected for this purpose over the past five years. This achievement was marked by an Award, presented by the Secretary of State for the Environment. We also won the Motor Transport Environment Award, in recognition of our Logistics Division's commitment to the environment.

During the year we launched the new Safeway Animal Welfare policy to ensure that all our fresh beef, lamb and pork is raised and handled to guaranteed welfare standards. We also relabelled our egg packaging to help our customers choose between free range, barn or battery-produced eggs.

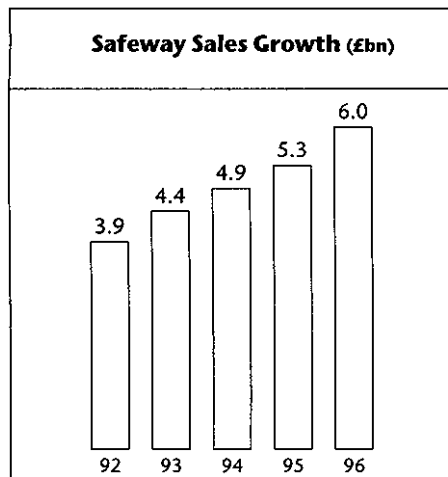
Developing our People

Making the Safeway brand a leader depends on the skills and motivation of Safeway people. In Safeway 2000, the main priority was to reshape our organisational structures and define new roles for both teams and individuals. Since the completion of this process, our task has been to ensure that our people have the skills and knowledge they need to achieve high performance in these new roles.

In the Autumn, we initiated the "Quest" development programme for senior managers, the aim of which is to introduce a common approach to decision making throughout the business. Simultaneously, we launched the new Safeway leadership style in a series of one day workshops involving over 6,000 senior and middle managers. We followed these initiatives with the introduction of Performance Management, a set of disciplines designed to ensure that every manager has clear performance objectives which contribute to Safeway's goals, receives personal feedback and has an agreed personal development plan to increase his or her skills and knowledge. This year these core disciplines will be spread throughout the business, resulting in a continuous improvement in performance.

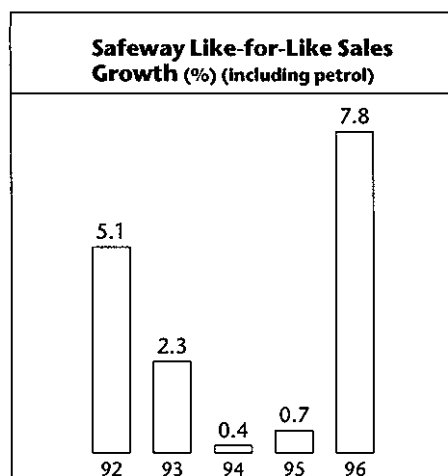
Financial Review

Safeway Sales Growth (£bn)



13% increase in Safeway's sales.

Safeway Like-for-Like Sales Growth (%) (including petrol)



Significant improvement in LFL sales growth.

10% increase in Safeway's weekly sales per square foot to £14.10.
7.8% increase in Safeway's like-for-like sales.
7% increase in profit before tax to £401 million (before property and exceptional items).

Group Sales

Group sales rose by 4.5% to £6,500 million. However, excluding those businesses divested last year, group sales rose by 11.1%.

	1996 £m	% Growth due to		
		Total	Like-for-Like	Net New Space
Safeway	6,031	13.2	7.8	5.4
Presto	469	(10.7)	1.6	(12.3)
Continuing businesses	6,500	11.1	7.2	3.9
Divested businesses	—	—	—	—
Group	6,500	4.5		

Safeway's sales grew strongly, by 13.2% to £6,031 million. Sales growth in stores more than one year old ("like-for-like") was 7.8%, of which inflation was 3.1% and volume growth 4.7%. New stores, less closures, contributed 5.4%. Excluding the effect of the 20 store closures arising from the Safeway 2000 strategic review, the net contribution to sales from new stores was 7.5%.

After several years of modest like-for-like sales growth, with volume increases averaging 0.2% per annum between 1990 and 1995, this year has seen a sharp increase in Safeway's sales performance.

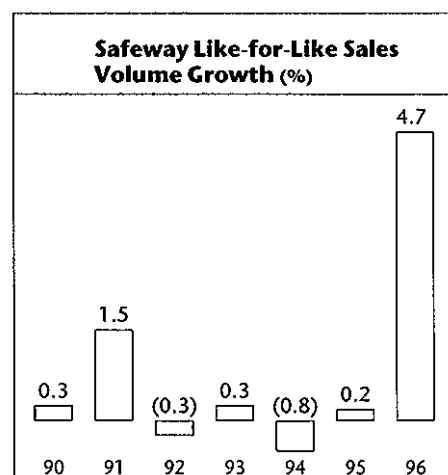
Achieving our three year target of £15.00 per square foot of selling area needed a like-for-like sales growth of just over 5% per annum, of which 2.5% was inflation and 2.7% volume. The 4.7% volume growth actually achieved in the year was therefore well ahead of target. This resulted in Safeway's average sales per square foot increasing by £1.24 to £14.10.

This turnaround in Safeway's sales started in late 1994, with the launch of the marketing initiatives leading from Safeway 2000. Sales strengthened progressively through 1995 as good Summer weather and then the national launch of our ABC card increased average transaction values. Like-for-like sales growth continued above 7% in the final quarter, despite renewed competitor activity and increased petrol price competition from the major oil companies.

Presto's overall sales declined by 10.7% to £469 million, but on a like-for-like basis, sales rose by 1.6%. 63 small or underperforming Presto stores were closed during the year as part of the strategic review. Over the past two years the Presto store portfolio has been halved, but the average store size has risen as a result from 5,500 sq. ft. to 7,800 sq. ft.

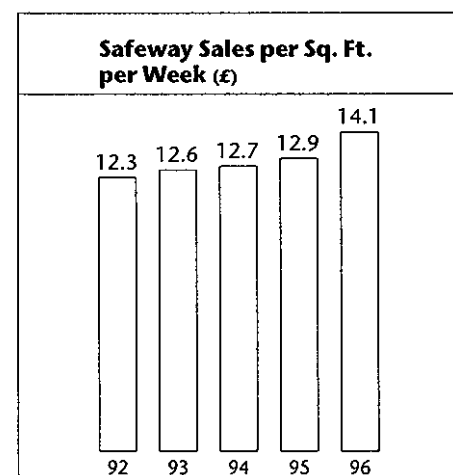
FINANCIAL TIMES CARTOON

Safeway Like-for-Like Sales Volume Growth (%)



Sharp increase in LFL sales volume growth.

Safeway Sales per Sq. Ft. per Week (£)



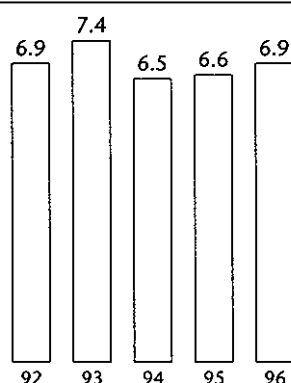
10% increase to over £14.

Group Operating Profit (£m)
(before exceptional items)



9% increase to £417 million. In 1994, the depreciation rates were changed, costing £37 million.

Group Margin (%)
(VAT exclusive)



Increase in group margin to 6.9%.

Group Operating Profit

Group operating profit rose by 9.0% to £417.5 million and the margin improved to 6.9%, reflecting the disposal of non-core stores and peripheral businesses.

	1996 £m	Growth %	Net Margin %	Change %
Safeway	386.4	10.5	6.9	(0.1)
Presto	31.1	5.4	7.1	1.1
Continuing businesses	417.5	10.1	6.9	(0.1)
Divested businesses	—	—	—	—
Group	417.5	9.0	6.9	0.3

Safeway's operating profit rose by 10.5% to £386.4 million. Operating margin fell slightly to 6.9%. Strong sales growth has, of course, been a key but by no means the only factor in driving the profit growth.

Safeway 2000 always recognised that gross margin investment and greater marketing spend would be key factors in driving the sales line, and so efficiency programmes to fund that were an essential part of the strategic review. In addition, business as usual efficiency initiatives continue to be pursued vigorously.

The Safeway net margin change is analysed below:

	%
Marketing Investment	
Gross margin, excluding petrol	(0.6)
ABC Card — launch cost	(0.1)
— ongoing costs	(0.3)
Petrol pricing	(0.1)
Effectiveness Programmes	
Safeway 2000 initiatives, less reinvestment	0.2
Other initiatives	0.8
Overall change	(0.1)

Marketing Investment

Gross margin, excluding petrol, fell by 0.6%, of which half was due to pricing activity and half due to higher wastage. Through the Autumn, price competition increased in the sector, particularly on produce lines, and more recently on canned goods, such as baked beans. This meant that the anticipated recovery in

gross margins, as we passed through the anniversary of our launch of Safeway 2000 price repositioning, was delayed. We remain committed to matching pricing with local superstore competition.

Higher wastage levels were largely a result of our increasing the availability of perishable product, particularly in the early part of the trading week. This has resulted in significantly stronger sales performance at those times. Some additional losses have also been an unavoidable by-product of the reorganisations we conducted last year.

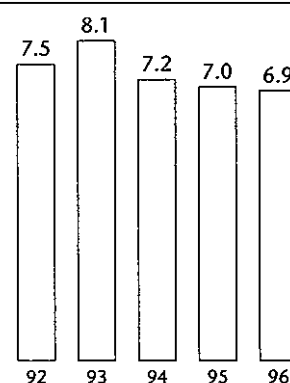
The launch of the ABC card nationally last Autumn cost 0.1% of sales in initial costs and an extra 0.3% of sales in points given to cardholders. The sales uplift, directly attributable to increased customer loyalty from the card, broadly paid for the cost of points. The real value, however, will come from our ability to use the data created by analysing purchasing patterns to market appropriate products, services and offers to individual customers or groups of customers. The information created is also enabling us to understand our customers better.

The petrol price war reduced profit by £7 million, 0.1% of sales, as price cutting by the major oil companies forced us to reduce prices whilst suffering lower sales.

Effectiveness Programmes

As part of Safeway 2000, we targeted £60 million of lower costs from various efficiency programmes. We are making

Safeway Margin (%)
(VAT exclusive)



Small reduction in Safeway's margin to 6.9%.

good progress towards achieving that level of annualised savings by the end of the 1997 year. The target for this year was £34 million, less the £25 million that we had allocated for reinvestment annually in both customer service and marketing. The net impact of £9 million, or 0.2% of sales, was delivered.

However, Safeway 2000 is not the only effectiveness programme we are undertaking. Business as usual productivity programmes are continuing all the time. This means having fewer people in the back offices of stores, in the logistics network and in support offices. Our success has been clearly demonstrated by a 6% increase in sales per full-time equivalent ("FTE") employee, despite our reinvestment in customer service. The 6% increase this year is on top of a 6% increase last year.

Strong sales have also benefited net margin by spreading fixed costs. We are also opening efficient new space, whilst closing old inefficient stores. Additionally we ran with more management vacancies across the business, prior to the various Safeway 2000 reorganisations. This vacancy rate is now reducing as jobs are being filled. All of these factors contributed to a 0.8% reduction in such costs as a percentage of sales.

Store Development

During the year, 17 new Safeway stores opened adding a total 520,300 square feet to our sales area. A similar opening programme is planned for this year although, given the current difficulty being encountered in obtaining planning

consents for large new stores, it is not yet certain that this scale of development can be sustained beyond this year.

As announced in May of last year, 20 smaller Safeway stores were either closed or disposed of during the year. These stores were considered unable to deliver fully the new enhanced customer offer. A further five stores have closed as a result of replacement store openings.

19 stores have now received major refits incorporating the new Safeway 2000 concept design. Significant sales uplifts have been achieved in all cases and the average sales increase for these new concept refits so far has been around 20%. In addition, a further 14 minor refits were completed during the year. A similar programme of major and minor refits will be completed in the current year and beyond.

Presto

The Presto store rationalisation, coupled with the roll-out of advanced systems, such as scanning and sales-based ordering, has revealed the core of very profitable Presto stores. Despite the 11% drop in sales, Presto's operating profit rose by 5%. Strong control disciplines allied with expertise at running small stores are the keys to Presto's successful performance. It is intended that these qualities will be retained and enhanced as Presto's convert to Safeway in the future.

During the year we opened three new stores at Brough, Lerwick and Tadcaster, adding sales area of 31,400 square feet.

Profit before Taxation

Profit before taxation was £401.2 million before the net property loss and profit on disposal of investments. This was an increase of 6.9%, excluding last year's exceptional items charge of £195.0 million in respect of the Safeway 2000 programme. After property and exceptional items, profit before taxation was £429.4 million.

Profit before Taxation	1996 £m	Growth %
Operating profit	417.5	9.0
Interest and Investment income	(16.3)	
Profit (before property and exceptionals)	401.2	6.9
Net property losses	(9.5)	
Investment disposal profit	37.7	
Exceptional item*	—	
Profit before tax	429.4	144.5

*£195 million in 1995 relating to Safeway 2000.

Interest and Investment Income

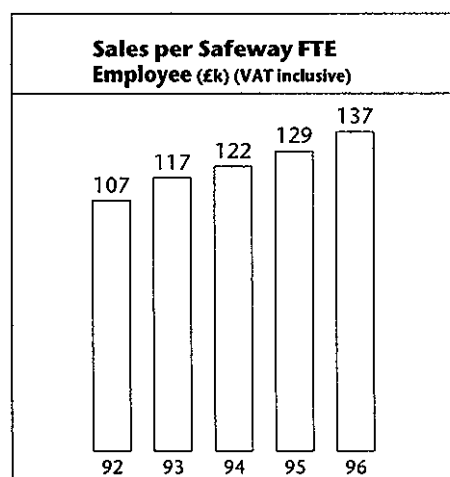
The net interest charge, including investment income, increased by £8.7 million to £16.3 million, reflecting the group's average net usage of cash throughout the year. Capitalised interest, however, fell from £16.2 million to £11.2 million reflecting the reducing number of new store openings. Floating interest rates were 0.6% above those of last year, averaging around 6.2%.

Investment income received before the disposal of the shareholdings in Ahold and Casino was £3.7 million, compared with £3.3 million last year.

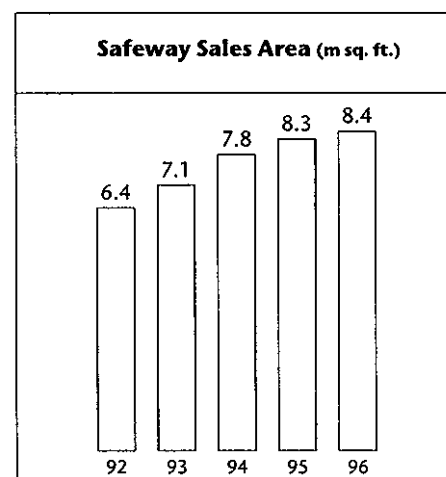
Interest cover (the number of times operating profit is greater than the net interest charge before interest capitalisation and investment income), reduced to 13.4 times from 14.1 times last year. This is well ahead of our financial covenant requirements of 3.0 times.

Property

There was a net property loss on disposals of £9.5 million, compared with a loss of £4.7 million last year. This included £3.1 million (last year £2.6 million) of additional depreciation on short life stores, together with specific write downs on closed stores.



6% increase in sales per FTE employee.



2% increase to 8.4 million sq. ft.

Investments

In February, we unwound the cross-shareholding agreement with Ahold and Casino, our partners in the European Retail Alliance. This released £123 million in cash and realised a net profit on disposal, after expenses, of £37.7 million.

Taxation

Tax is provided at an effective rate of 30%, the same as last year and we expect this rate to be maintained in the current year.

The effective rate is below the standard rate of 33% due mainly to capital allowances exceeding related depreciation and to tax relief on capitalised interest.

Taxation has been accrued at an effective rate of 30% on the profit on disposal of the investments in Ahold and Casino, due to the availability of brought forward capital gains tax losses.

Earnings and Dividends

Before property and exceptionals	1996	Growth %
Profit before tax	£401.2m	+6.9
Earnings per share	24.7p	+6.0
Dividends per share	12.75p	+6.3
Dividend cover	1.9x	—

Earnings per Share

Earnings per share, excluding the net property loss, profit on disposal of investments and last year's exceptional items, increased by 6% to 24.7p. This was some 3% ahead of the Retail Prices Index. Including the net property loss, investment disposal profits and last year's exceptional charge, earnings per share increased by 218% to 26.4p.

Dividend

A final dividend of 8.70p per share is proposed, making a total dividend of 12.75p for the year. This is a 6.3% increase over last year's figure of 12.0p. Dividend cover remains at 1.9 times, before exceptional items, which is slightly below the FTSE 100 average of 2.1 times. The group's policy is to increase dividends broadly in line with growth in underlying earnings per share.

Return on Capital Employed

Return on average capital employed ("ROCE") rose marginally, against the trend of recent years to 21.2%.

Cash Flow

The group generated £55 million cash from operations, ie. before investment disposals, dividends and new share issues. This was despite £68 million of cash outflow for the exceptional items identified in last year's accounts. The net cash inflow was only slightly more as proceeds received from the disposal of our investments in Ahold and Casino offset the cash dividends paid to our shareholders.

Cash Flow	1996 £m	Change £m
Operating profit	417	35
Property/depreciation	129	2
Working capital release	35	6
Cash outflow on last year's exceptional provision	(68)	(52)
Capital spend	(358)	69
Fixed asset disposals	12	(4)
Taxation paid	(90)	18
Net interest paid	(22)	2
Cash from operations	55	76
Ahold/Casino share proceeds	123	123
Divested businesses	—	(92)
Cash dividends paid	(122)	—
Net new shares issued	10	2
Net cash inflow	66	109

Capital Expenditure

Capital spend was mainly in respect of further new store openings but also included a higher proportion of refits in existing stores than last year.

Booked capital expenditure, ie. costs relating to work done rather than the actual cash paid, was £424 million. We expect to spend some £400 million this year and below £400 million next year.

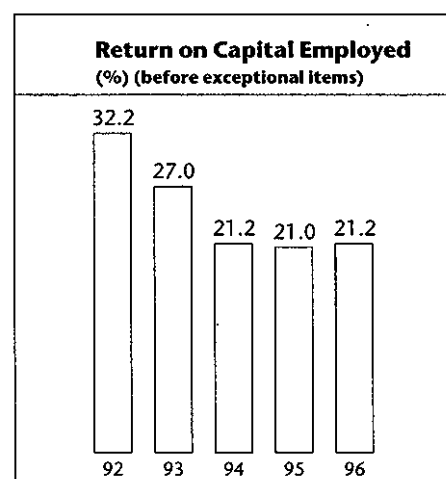
Net Debt and Funding

Net debt reduced by £66 million to end the year at £248 million. As a result, gearing (net debt as a percentage of capital employed or shareholders' funds) fell from 18% to 13%.

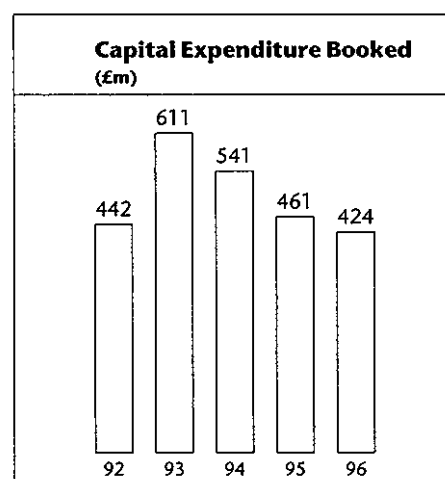
During the year, the group extended the maturity of the debt profile, issuing a new £150 million 8½% seven year bond of which £50 million was subsequently swapped to floating rate. After the cash inflow from the Ahold and Casino share disposals late in the year, approximately 80% of the group's debt was at fixed interest rates. It remains our intention to balance evenly longer term fixed and shorter term floating rate funding. It is estimated that a 1% movement in floating interest rates would now impact upon profit before taxation by less than half of 1%.

The French Franc and Dutch Guilder currency loans, which hedged our former investments in Ahold and Casino, were repaid at the end of February on disposal of those investments.

The group has committed borrowings and facilities totalling nearly £600 million currently, excluding short term commercial paper, and also has access to funds from relationship banks on an uncommitted basis to support working capital requirements. These provide cover for our normal seasonal peak borrowings in January and February and are considered sufficient for our expected requirements.



Small increase in ROCE.



Further reduction in capital expenditure.

At the end of the year, total loans outstanding were £361 million, of which £17 million was due for repayment within one year, £12 million within one to two years, £165 million within two to five years and £167 million over five years.

Treasury Policies

The principal responsibilities of the group treasury department are to arrange the funding and banking services required for the group's business and to manage exposures resulting from volatility in interest and exchange rates. The department does not operate as a profit centre. It reports regularly to the Board and is subject to periodic review by our internal Business Controls department and our external auditors. All investment limits and financial instruments used are approved by the Board, after taking into account credit ratings determined by Moody's or Standard and Poor's. Dealing mandates have been issued to all banks and other financial institutions with which deals are authorised.

The Company's policy on derivatives is to use them only on a very selective basis, to manage interest rate risk. In general, only simple highly liquid derivatives are used, principally interest rate swaps and forward rate agreements.

The group's main financial covenants are in respect of tangible net worth, net gearing and interest cover. All have been complied with comfortably.

Accounting Standards

The group's accounting policies fully reflect all of the requirements of the UK Accounting Standards Board. The one new standard issued this year – FRS 8 (Related Party Disclosures) together with additional Urgent Issue Task Force requirements have not impacted in any material manner on the accounts. Consequently there have been no restatements to the comparative numbers, except for the transfer of investments in own shares from debtors to fixed asset investments.

The new exposure draft dealing with Revisions to Cash Flow Statements is considered to be a significant improvement on the existing FRS1, specifically in dealing with the definition of cash equivalents and

in requiring the overall movement in net debt during a year to be detailed.

The effect of the Greenbury Committee's recommendations on Board and executive remuneration policies again has not caused any material new disclosures. Last year's accounts already incorporated most of the new requirements. Full details of directors' remuneration are shown in the separate report from the Remuneration Committee on pages 32 to 37.

The group remains committed to the adoption of best practice in its communication with investors following London Stock Exchange guidelines. Market updates on current trading are issued four times a year.

The Future

The group is committed to enhancing shareholder value. We are, therefore, constantly working on different ways to grow and develop the Company. We will only invest where the return is expected to be usefully higher than that expected by our shareholders.

We believe that having the right capital structure (ie. mix between debt and equity funding) plays an important role in delivering value to our shareholders.

If insufficient attractive investment opportunities are available that match our capabilities, the Safeway brand and our preferred risk profile, the group will review returning any surplus funds to our shareholders. Accordingly and in line with common practice, we will be seeking shareholder approval to buy back up to 10% of our current issued share capital. Purchases will only be made if and when the Board believes that they would result both in an increase in earnings per share and total shareholder value.

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Financial Ratios

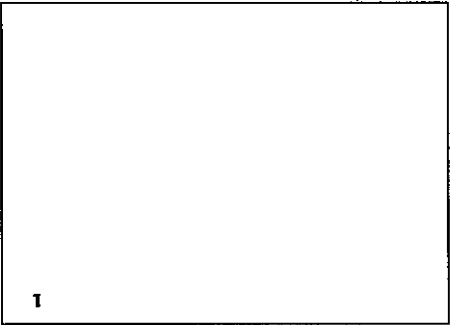
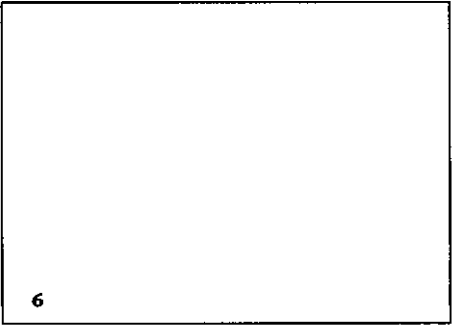
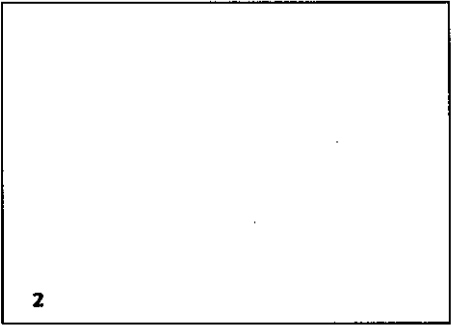
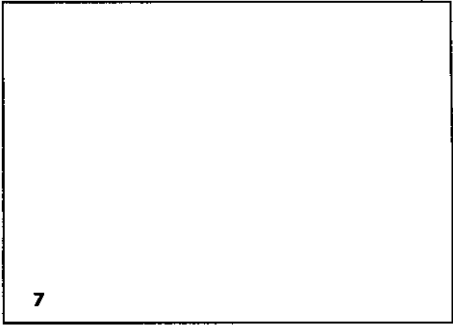
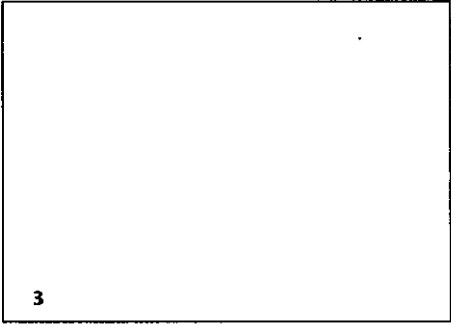
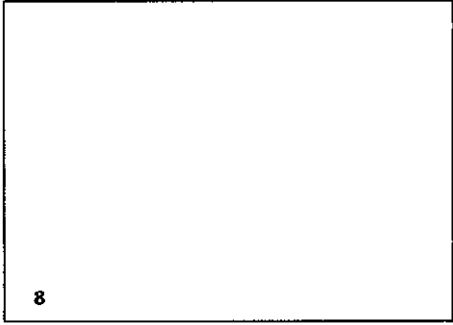
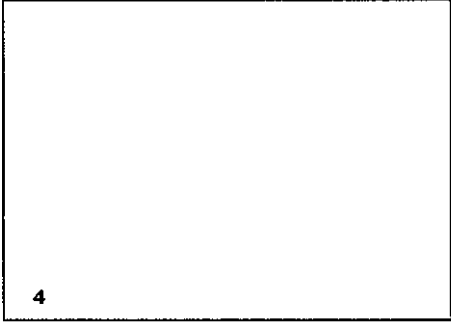
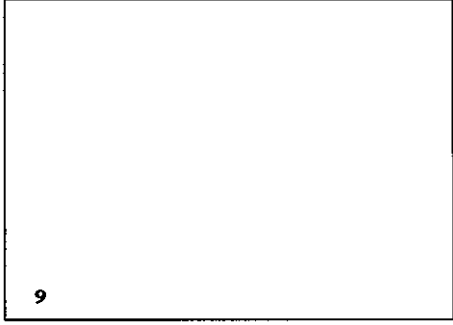
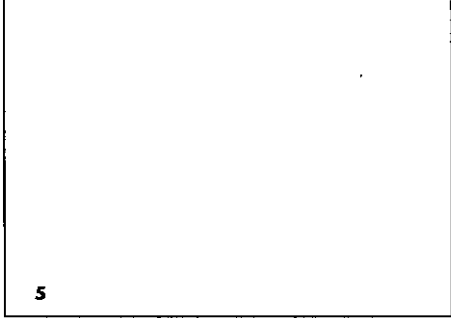
			1996	1995	Change
Operating Margin (excl. VAT)	Operating Profit*	%	6.9	6.6	+0.3%
	Turnover (excl. VAT)				
Gearing	Net Debt	%	12.8	17.9	-5.1%
	Total Capital Employed				
Return on Capital Employed (ROCE)	Profit before Taxation*	%	21.2	21.0	+0.2%
	Average Total Capital Employed				
Operating Asset Turnover	Sales (incl. VAT)	times	2.8	2.8	-
	Average Net Operating Assets				
Interest Cover	Operating Profit*	times	13.4	14.1	-0.7
	Net Interest Charge†				
Dividend Cover	Profit for the Financial Year*	times	1.9	1.9	-
	Dividends Payable				
Earnings per Share (EPS) (before property)	Profit for the Financial Year*	pence	24.7	23.3	+1.4p
	Average No. of Shares in Issue				
Net Tangible Assets per Ordinary Share	Net Assets	p	169.8	155.1	+9.5%
	Year End No. of Shares in Issue				
Sales per Full Time Equivalent (FTE) Safeway Employee	Total Safeway Sales (incl. VAT)	£K	137.5	129.4	+6.3%
	Average No. of Safeway FTE's				
Operating Profit per Full Time Equivalent (FTE) Safeway Employee	Safeway Operating Profit*	£K	8.8	8.5	+3.5%
	Average No. of Safeway FTE's				
Average Safeway Sales per Store per Week	Total Safeway Sales (incl. VAT)	£K	310.1	275.7	+12.5%
	Average No. of Safeway Stores				
Safeway Sales per Sq. Ft. per Week	Total Safeway Sales (incl. VAT)	£	14.10	12.86	+9.6%
	Weighted Average Sales Area				

Notes:

* Before exceptional items.

† Before interest capitalisation and investment income.

Board of Directors and Administration

 1	 6
 2	 7
 3	 8
 4	 9
 5	

1. Sir Alistair Grant

Sir Alistair Grant has been a director of the Company since its formation in 1977. He was appointed Deputy Chairman and Chief Executive in December 1986 and in June 1988 was appointed Chairman. Sir Alistair is a non-executive director of the Bank of Scotland, Scottish & Newcastle plc and Chairman of the Biotechnology and Biological Sciences Research Council. Aged 59.

2. D G C Webster

David Webster has been a director of the Company since its formation in 1977. He was Group Finance Director prior to his appointment as Deputy Chairman in April 1989 with responsibility for Corporate Development and Investor Relations. He is a non-executive director of Reed International PLC. Aged 51.

3. C D Smith

Colin Smith joined the group in 1979 and was appointed to the Board in April 1984. He was appointed Chief Executive in December 1993, prior to which he was Group Finance Director. Aged 49.

4. R G B Charters

George Charters was appointed to the Board in June 1995. He is Managing Director, Marketing and Trading of Safeway, with responsibility for buying, marketing, quality assurance, logistics and supply chain. Aged 43.

5. S T Laffin

Simon Laffin joined the group in 1990. He was appointed to the Board as Group Finance Director in May 1996, prior to which he was Chief Financial Officer and Finance Director of Safeway. Aged 36.

6. G Wotherspoon

Gordon Wotherspoon has 25 years' service and was appointed to the Board in April 1989. He is Managing Director, Property and Development of Safeway, with responsibility for property management and new developments. Aged 48.

7. M J Allen

Michael Allen joined the Board as a non-executive director in May 1995. He is a former Group Vice-President, The Procter & Gamble Company, a director of the Alliance & Leicester Building Society and is a member of the Board's Audit and Remuneration Committees. Aged 58.

8. N C Bain

Neville Bain joined the Board as a non-executive director in May 1993. He is the Group Chief Executive of Coats Viyella Plc, is Chairman of the Board's Audit Committee and a member of the Board's Remuneration Committee. Aged 55.

9. Ms J A Burdus

Ann Burdus joined the Board as a non-executive director in April 1993. She is a director of Dawson International PLC and Next plc. Ms Burdus is Chairman of the Board's Remuneration Committee and a member of the Board's Audit Committee. Aged 62.

Directors

Sir Alistair Grant (Chairman)
D G C Webster (Deputy Chairman)
C D Smith (Chief Executive)
R G B Charters
S T Laffin
G Wotherspoon
M J Allen*
N C Bain*
Ms J A Burdus*

*Non-executive

Secretary and Registered Office

J P Kinch, FCIS
6 Millington Road,
Hayes, Middlesex, UB3 4AY.

Registrars

The Royal Bank of Scotland plc,
Registrar's Department,
PO Box 435, Owen House,
8 Bankhead Crossway North,
Edinburgh, EH11 4BR.

Auditors

Arthur Andersen

Principal Bankers

Midland Bank plc
HSBC Samuel Montagu
The Royal Bank of Scotland plc

Solicitors

Clifford Chance

Stockbrokers

Panmure Gordon & Co Limited
de Zoete & Bevan Limited

The Safeway Board

1	6	1. Colin Smith Chief Executive	
2	7	2. George Charters Marketing and Trading	
3	8	3. Gordon Wotherspoon Property and Development	
4	9	4. John Kinch Company Secretary	
5	10	5. Simon Laffin Finance	
		6. Lawrence Christensen Logistics and Supply Chain	
		7. Ian Fraser Trading, Food	
		8. Tom Gartland Presto Operations	
		9. David Huber Human Resources	
		10. Andy Morris Safeway Operations	
		11. Roger Partington Marketing	
		12. Richard Williams Business Development	
		13. Mike Winch Information Technology	

Corporate Governance

The directors confirm that the Company has complied fully throughout the year with the Cadbury Committee's "Code of Best Practice".

Board and Committees

The Board currently comprises six executive and three non-executive directors. It meets formally at least six times a year and the executive directors meet regularly to monitor and guide the group's performance. Day to day operational management is conducted through the Safeway Board.

The principal Board committees are:

1. **Audit Committee.** Comprised wholly of non-executive directors and chaired by Mr N C Bain. It meets at least three times a year and assists the Board in meeting its responsibilities for accounting, financial reporting and financial control.
2. **Remuneration Committee.** Comprised wholly of non-executive directors and chaired by Ms J A Burdus. It meets at least three times a year and its terms of reference include the determination of remuneration policy for directors, the terms of service agreements for executive directors, their pay and bonus arrangements and grants of options under the Company's Executive Share Option Scheme. The Committee has available to it the services of independent advisers.
3. **Nomination Committee.** Comprised of Sir Alistair Grant and a majority of non-executive directors. It reviews and makes proposals to the Board on each occasion when consideration is given to the appointment of a replacement or additional director.

Internal Financial Control

The Board has overall responsibility for the group's system of internal financial control. It recognises that such a system can provide only reasonable and not absolute assurance against material misstatement or loss. In order to discharge its responsibility to ensure compliance with laws and regulations and the promotion of effective and efficient operations, the directors have established an organisation structure with clearly defined levels of responsibility and authority and with appropriate reporting procedures.

The key features of the internal financial control system operated throughout the year are:

1. **Performance Reporting.** There is a comprehensive planning system with an annual long term Strategic Plan and quarterly rolling plans approved by the Board. Activities and results are reported against quarterly plan every four weeks in sufficient detail to allow the directors and senior management to monitor the financial and non-financial key performance indicators, business activities, risks and progress towards objectives. The Company reports to shareholders half yearly and additional trading statements are published with the London Stock Exchange.
2. **Quality and Integrity.** There is a commitment to the highest ethical values throughout all aspects of the group's operations. The group's key policies are detailed in a Corporate Manual and re-affirmed annually by the Board.
3. **Investment Appraisal.** The group has a clearly defined strategy and authorisation procedures for all investment expenditure. These include detailed plans, frequent formal appraisal and review procedures, well communicated levels of authority and regular re-forecasts. Post expenditure reviews are also conducted regularly.
4. **Business Risks.** The Group and Safeway Boards have reviewed all significant business risks. These have also been reviewed with the Audit Committee and form a key part of both external audit and Business Controls department work plans.
5. **Business Controls.** This department is responsible for ensuring that effective control systems have been designed and are implemented throughout the business that balance the need for control with the efficiency of the process. It reports regularly to both the Group and Safeway Boards.
6. **Audit Committee.** Reviews the operation and effectiveness of the overall control framework. It receives regular reports from both the Business Controls department and the external auditors.

The directors confirm that a review of the effectiveness of the system of internal financial control was carried out during the year.

Going Concern

The directors have reviewed the group's plans for 1996/97 and its Strategic Plan projections for the following two years. After taking into account the cash flow implications of the Plans and after comparing these with the group's borrowing facilities and reviewing projected gearing ratios, the directors are satisfied that it is appropriate to produce the accounts on a going concern basis.

Auditors' Review

In addition to their audit of the financial statements, our auditors, Arthur Andersen, have reviewed the directors' statement above concerning the Company's compliance with the "Code of Best Practice", insofar as it relates to the paragraphs of the Code which the London Stock Exchange has specified for their review. Their report is set out on page 39.

Report of the Directors

The directors present their annual report on the affairs of the group together with the accounts and auditors' report for the year ended 30 March 1996.

Principal Activities and Business Review

The principal activity of the group continues to be grocery retailing in the United Kingdom. During the year, the group extended its grocery retail interests through its Safeway and Presto new store opening programmes. However, certain Safeway stores not able to deliver the enhanced customer offer were closed and some small Presto stores were either closed or disposed of during the year.

The Chief Executive's review, the review of operations and the financial review of the year on pages 4 to 24 describe fully the activities and future developments of the group and the trading results for the year.

Results and Dividends

The profit of the group before taxation, net property losses and profit on disposal of investments amounted to £401.2 million. After including the exceptional profit on disposal of the group's investments in Ahold and Casino of £37.7 million and deducting net property losses of £9.5 million and taxation of £128.8 million, the profit for the financial year amounted to £300.6 million. The directors propose the payment of dividends totalling £145.4 million leaving retained profits for the year of £155.2 million.

The final dividend recommended by the directors is 8.70p per ordinary share which, together with the interim dividend already paid of 4.05p per ordinary share, makes a total dividend for the year of 12.75p, equivalent to 15.94p including the related tax credit. This compares with total dividends paid last year of 12.00p per ordinary share, equivalent to 15.00p including the related tax credit.

Directors

The directors of the Company at the date of this report are shown on pages 26 and 27.

In accordance with Article 106 of the Company's Articles of Association, Sir Alistair Grant, Mr D G C Webster and Ms J A Burdus retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Sir Alistair Grant's current service agreement terminates on 6 March 1997 and Mr D G C Webster has a service agreement which may be terminated by the Company on giving two years' notice.

Mr S T Laffin was appointed a director of the Company on 9 May 1996. In accordance with Article 112 of the Company's Articles of Association, he retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. Mr S T Laffin has a service agreement which may be terminated by the Company on giving two years' notice.

Mr M J Allen and Mr R G B Charters were appointed as directors of the Company on 18 May 1995 and 13 June 1995 respectively. Both directors were re-elected at last year's Annual General Meeting.

Mr M L Taylor resigned from the Board on 31 August 1995. Mr P O Kieran and Miss P M Leith retired from the Board on 31 December 1995 and 29 March 1996 respectively.

Details of the directors' interests are set out in the separate Report of the Remuneration Committee on pages 32 to 37.

Tangible Fixed Assets

Capital expenditure during the year related principally to the group's programme for the development and refurbishment of retail stores and the expansion of its physical distribution facilities.

The movement in tangible fixed assets during the year is set out in Note 12.1 on page 50.

Share Capital

Details of share capital issued during the year are set out in Note 19.2 on page 55.

Charitable and Political Contributions

During the year, the group donated £214,000 to charities (1995 – £281,000). No political contributions were made during the year (1995 – £Nil).

Suppliers' Payment Policy

Our strategy is to have mutually beneficial long term relationships with our suppliers. The Company's policy is to settle the terms of payment with suppliers in advance and abide by those terms.

Employment Policies

We are committed to promoting policies to ensure that employees and those who seek to work for us are treated equally regardless of sex, marital status, age, creed, colour, race or ethnic origin.

It is the group's policy to give full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities for the career development of disabled employees.

The Company is a founder member of the Opportunity 2000 initiative and continues to develop initiatives to increase the scope for career development for women within our business.

The health and safety of the group's employees, customers and members of the general public who may be affected by the group's activities is a matter of primary concern. Accordingly, it is the group's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to the health and safety of employees and members of the public.

The number and wide geographic distribution of the group's operating locations make it difficult but essential to communicate effectively with employees. Communications and consultation within the group's retail activities are principally through the operational structure of store, area and regional management, and particular use is made of company magazines. Copies of the group's Annual Report and Accounts are made available at the group's principal office and operating locations.

Product Research and Development

We are committed to the continuing development of our product range and own-brand products in particular. We work in close co-operation with our suppliers on the provision of a comprehensive range of good value products whilst emphasising quality and innovation. During the year, the group invested around £5 million (1995 – around £5 million) on these activities to support our already high standards of customer service, hygiene and general safety levels.

Substantial Interests

At the date of this report, the following substantial interest (3% or more) in the Company's share capital had been notified to the Company:

Shareholder	Ordinary shares	% holding
Scottish Widows	40,872,476	3.58%

Auditors

Arthur Andersen have indicated their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the forthcoming Annual General Meeting.

Pension Fund

Full details of the group's pension schemes are set out in Note 23.3 on page 57. Scheme funds are administered by trustees and are independent of group finances. There is no investment in the shares of the Company nor do the pension schemes own any property occupied by the group.

The Safeway Pension Scheme is open to all permanent full-time and part-time employees of the group. The Scheme provides benefits additional to those from the State Basic Pension Scheme, whilst enabling members to be contracted-out of the State Earnings Related Pension Scheme. In addition to the normal retirement pension based on pay and length of service at retirement, there are further benefits payable when members die in service.

General

The directors have been advised that the Company is not a close company within the meaning of the provisions of the Income and Corporation Taxes Act 1988.

Annual General Meeting

The separate notice convening the Annual General Meeting to be held at The Savoy Hotel, Strand, London, WC2R 0EU on Tuesday 2 July 1996 at 11 a.m. is sent to shareholders with this Annual Report and includes an explanation of the items of Special Business.

By Order of the Board

J P Kinch

Secretary

22 May 1996



Report of the Remuneration Committee

The Board is pleased to report that it complies with the Code of Best Practice prepared by the Study Group on Directors' Remuneration (the "Greenbury Committee").

The provisions of the Code of Best Practice, which take effect fully for accounting periods beginning on or after 31 December 1995, have been incorporated in the Listing Rules of the London Stock Exchange or annexed to the Listing Rules in Sections A and B. The Company already complies with the best practice provisions concerning Remuneration Committees in Section A. In addition, the Company has given full consideration to the best practice provisions regarding remuneration policy, service contracts and compensation set out in Section B.

Remuneration Committee

Remuneration of the Company's executive directors is determined by the Remuneration Committee of the Board, the members of which are Ms J A Burdus (Chairman), Mr M J Allen and Mr N C Bain. All are non-executive directors and have no personal financial interest other than as shareholders in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business. The Remuneration Committee draws upon the advice of independent remuneration consultants where appropriate.

The remuneration of the Company's non-executive directors is determined by the Board as a whole, with non-executive directors exempting themselves from voting as appropriate.

Remuneration policy

The key policy objectives of the Remuneration Committee in respect of the Company's executive directors are:

- (a) to ensure that the Company attracts and retains high quality executives who are fairly rewarded for their personal contribution to the Company's overall performance; and
- (b) to act as an independent Committee ensuring that due regard is given to the interests of the Company's shareholders and to the financial and commercial health of the Company.

Remuneration of executive directors is, by design, a mixture of salary and incentives which together form an appropriate total package. As such it comprises basic salary, an annual incentive award based on the performance of the group and on the attainment of pre-set key objectives, participation in the Company's Executive Share Option Scheme and participation in a long term incentive plan as described more fully below.

Basic salary and taxable benefits

The level of basic salary and taxable benefits is established drawing upon annual market comparison surveys, conducted by external remuneration consultants, with positions of similar responsibility and scope. Individual salaries of directors are reviewed annually by the Remuneration Committee and adjusted by reference to performance and market factors. Taxable benefits comprise, in the main, a fully expensed company car and medical benefits insurance.

Annual incentive awards

The Company operates an annual incentive scheme in which all executive directors and senior executives of the group participate. The scheme provides for payments based on the achievement of pre-set annual profit targets and strategic goals. The maximum bonus opportunity for executive directors, for significant outperformance of the pre-set objectives, is 50% of basic salary. Bonus payments over the last few years have ranged from Nil up to 26%. Awards under the scheme are determined by the Remuneration Committee. The Chairman does not participate in the scheme. These incentive awards are paid in cash within three months of the Company's year end but are included in directors' emoluments in the year to which they relate.

Share Option schemes

Executive directors are eligible for grants of options to acquire shares under both the Argyll Group Executive Share Option Scheme ("Executive Scheme") and the Argyll Savings Related Share Option Scheme ("Sharesave"). Approximately 250 senior executives (including executive directors) participate in the Executive Scheme, under which options are granted at the market price on the day immediately preceding the date of grant.

Grants under the Executive Scheme for executive directors are phased, usually over four or more years, up to a maximum total of four times pay and are controlled by the Remuneration Committee. Options granted in and since December 1993 (and prior to December 1995) will become exercisable normally only when the earnings per share growth of the Company, over a three year period, has exceeded the increase in the Retail Prices Index over that same three year period by an average of at least 1% per annum. For options granted in December 1995, the required level of earnings per share growth by the Company has been increased to an average of at least 2% per annum in excess of the Retail Prices Index.

Long term incentive plan

The Company has operated a long term incentive plan for executive directors and senior executives of the group since 1988. The Plan is designed to align the efforts of key executives with the Company's objective of creating shareholder value in the longer term. Executives are selected to participate on the basis that they are in a position to influence significantly the performance of the Company.

The plan is a performance share plan. Under the terms of the plan, executives receive a conditional award of shares at the beginning of a three year period. The actual number of shares to which executives obtain vested rights depends on the Company's performance over that same period. Directors have no rights or entitlements to an award of shares and no awards are made if a participant has left the Company's employ prior to payment.

Shares for use in the plan are ordinary shares in the Company which are transferred out of the Argyll Group PLC Employee Share Ownership Plan ("ESOP"), a discretionary trust, set up to administer the plan (Note 13.1 on page 51). In order to hedge the Company's liability to payments under the plan, the Company funds the anticipated payout over each three year cycle by purchasing the Company's ordinary shares through the Company's ESOP.

Since 1988 there has been a new cycle of awards every two years. The Remuneration Committee believes that this plan has served the Company well and proposes to initiate a new cycle (the 1996 cycle) with effect from the beginning of the 1997 financial year (31 March 1996). Details are set out in the enclosed letter from the Chairman to shareholders.

Details of cycles which have produced awards in the current financial year or which may produce awards in future years are as follows:

1990 cycle –

Awards under the 1990 cycle related to Company performance in the financial years 1991 to 1993. Actual awards under this cycle were paid over the financial years 1994, 1995 and 1996. No further awards are due under this cycle.

The total value of awards made during the year to participants under the 1990 cycle, based on the share price at the various dates of issue to participants, amounted to £0.4 million (1995 – £0.5 million), of which £0.4 million (1995 – £0.2 million) related to executive directors and has been included in the analysis of directors' emoluments below.

1992 cycle –

No awards have been or will be made under the 1992 cycle, which was based upon performance in the financial years 1993 to 1995, as the relevant performance targets were not achieved.

1994 cycle –

Awards due under the 1994 cycle, covering the financial years 1995 to 1997, will be determined by performance measured according to the Company's Total Shareholder Return compared to the competitor index. Actual awards to be made under the 1994 cycle (if any) will vest in the two financial years immediately following the end of the performance period, ie. in the 1998 and 1999 financial years.

In the event of achievement of targeted performance under the 1994 cycle, executive directors could receive the following number of shares in the Company:

Sir Alistair Grant	360,000
D G C Webster	225,000
C D Smith	275,000
R G B Charters	50,000
S T Laffin	70,000
G Wotherspoon	125,000
	1,105,000

The actual position will not be known until the end of the current financial year and could, dependent upon performance, be a nil award or up to a maximum of 75% in excess of the share award shown in the table above. Details of the actual awards will be reported in future Remuneration Committee Reports.

The charges made in the profit and loss account, covering both executive directors and senior executives, in respect of the 1994 cycle and included in staff costs (Note 8.2 on page 48) are detailed below:

	£m
Originally charged in respect of the 1992 cycle in prior years	2.0
Charged in year ended 1 April 1995	1.2
Charged in year ended 30 March 1996	1.4
	4.6

Pensions

All executive directors are members of the Safeway Pension Scheme which is a funded, Inland Revenue approved, final salary, occupational pension scheme (Note 23.3 on page 57). The Company's contributions to the Pension Scheme on behalf of each member are based on a fixed annual percentage of basic salary and annual incentive awards. In the year ended 30 March 1996, this fixed percentage was 9% (1995 – 8%).

The Finance Act 1989 introduced a limitation ("Cap") for employees joining the Company after 31 May 1989, on earnings that could be pensioned through an Inland Revenue approved pension scheme. The limit was originally based on a maximum annual pensionable salary of £60,000 (now £82,200). The Company has established a Funded Unapproved Retirement Benefits Plan ("FURB") for executive directors subject to the Cap and pays a defined annual contribution to this Plan which is based on a percentage of their basic salary over the earnings Cap (and annual incentive award for executive directors appointed prior to 21 September 1995).

Executive directors, conditional upon commencement date and length of service, are entitled to a maximum pension from the Safeway Pension Scheme of up to two thirds of pensionable salary on retirement at age 60, such pensions being eligible for annual increases subject to the level of inflation. Their dependants are also eligible for dependants' pensions and lump sums are payable in the event of their death in service or within five years of retirement.

Pensionable salary for executive directors (except for directors subject to the Cap) has, under the terms of their service agreements, been based on basic salary and any annual incentive award. The basis for pension provision for executive directors was settled in 1986 since which time executive directors have paid contributions at the rate of 5% of their pensionable salary. The Remuneration Committee believes it to be both inequitable and inappropriate to amend the current basis of pension provision for present executive directors but it is envisaged that the annual incentive award to future executive directors will not be pensionable.

The Greenbury Committee recommended that pension entitlements accrued by directors rather than pension contributions made by a company during a financial period should be disclosed. It is the intention of the Company to make such disclosure in the future when the agreed basis for such reporting is established.

Service agreements

All executive directors have service agreements, which terminate within or are terminable by the Company on not more than two years' notice and by the individual directors on one year's notice. The Remuneration Committee considers that notice periods of two years are reasonable and in the interests of both the Company and its executive directors having regard to prevailing market conditions and current practice.

External appointments policy

The Company recognises the value of the appointment of executive directors to the Boards of other major companies as non-executive directors, dependent upon time commitments and the Board's approval, since this can broaden experience and knowledge. The fees receivable are retained by the director concerned.

Non-executive directors

Non-executive directors' fees consist of a basic amount and additional fees based on Chairmanship and membership of Board Committees. Non-executive directors do not have contracts of service, are not eligible for pension scheme membership and do not participate in any of the group's bonus, share option or other incentive schemes.

Directors' emoluments

The table below analyses the emoluments of individual directors who held office during the year:

	Basic Salary/ Fees £'000	Taxable Benefits £'000	Annual Incentive Awards £'000	1996 Total £'000	1995 Total £'000	Long Term Incentive Plan	
						1996 £'000	1995 £'000
Chairman – Sir Alistair Grant	625	14	–	639	627	163*	–
Executive –							
D G C Webster	388	19	101	508	482	117*	–
C D Smith	400	20	104	524	479	84*	–
R G B Charters†	201	11	52	264	–	–	–
G Wotherspoon	217	13	57	287	271	–	54
P O Kieran†	235	6	–	241	322	–	54
M L Taylor†	91	6	–	97	270	–	46
Non-executive –							
M J Allen†	21	–	–	21	–	–	–
N C Bain	28	–	–	28	28	–	–
Ms J A Burdus	28	–	–	28	28	–	–
Miss P M Leith	20	–	–	20	21	–	–

*Representing the value of the final tranche of shares vested under the 1990 cycle which first became available for appointment to participants in June 1994.

†Part year

Pension contributions paid by the Company in respect of the Chairman amounted to £56,000 (1995 – £48,000).

Mr R G B Charters additionally received a payment of £160,000 upon joining the Company to compensate him for loss of benefits from a previous employer.

Mr M L Taylor additionally received £475,000 as compensation on the termination of his employment during the year.

Directors' interests

The interests of the directors including family interests (all beneficial) in the share capital of the Company are set out below:

	30 March 1996 Ordinary shares	1 April 1995 Ordinary shares
Sir Alistair Grant	1,001,382	949,351
D G C Webster	360,772	338,642
C D Smith	119,169	102,579
R G B Charters	—	—*
G Wotherspoon	51,828	51,715
M J Allen	5,064	—*
N C Bain	10,000	10,000
J A Burdus	—	—

*At date of appointment

At the date of his appointment as a director of the Company on 9 May 1996, Mr S T Laffin held 8,562 ordinary shares of the Company and 156,297 options over ordinary shares of the Company.

Executive directors of the Company, as possible beneficiaries, are additionally deemed to be interested in the Company's ESOP, the Trustee of which held at 30 March 1996 and at the latest practicable date prior to the printing of this report 2,239,181 (1995 – 1,205,041) ordinary shares of the Company.

The directors have no other interest in group securities and no changes in directors' interests have been notified to the Company prior to the printing of this report.

At no time during the year or subsequently had any director 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.

The movement in share options held by directors during the year together with their exercise price and the middle market price at date of exercise, if applicable, is set out below. Share options issued under the Executive Scheme normally expire ten years after date of grant and those issued under the Sharesave scheme some six years after date of grant.

	At 1 April 1995	Number of options		At 30 March 1996	Exercise price	Market price at date of exercise
		Granted during the year	Exercised during the year			
Sir Alistair Grant						
18 December 1989	155,400	—	—	155,400	196.66p	
29 November 1990	154,050	—	—	154,050	234.63p	
23 December 1991	150,000	—	—	150,000	272.00p	
18 June 1992	5,376	—	—	5,376	279.00p	
26 November 1992	150,000	—	—	150,000	363.00p	
6 December 1993	150,000	—	—	150,000	255.00p	
13 December 1994	—	—	—	—	—	
19 December 1995	—	—	—	—	—	
	764,826	—	—	764,826		
D G C Webster						
29 November 1990	102,700	—	—	102,700	234.63p	
21 June 1991	1,651	—	—	1,651	227.00p	
23 December 1991	100,000	—	—	100,000	272.00p	
18 June 1992	5,376	—	—	5,376	279.00p	
26 November 1992	100,000	—	—	100,000	363.00p	
6 December 1993	100,000	—	—	100,000	255.00p	
13 December 1994	100,000	—	—	100,000	237.00p	
19 December 1995	—	100,000	—	100,000	308.00p	
	509,727	100,000	—	609,727		
C D Smith						
18 December 1989	52,025	—	—	52,025	196.66p	
29 November 1990	77,025	—	—	77,025	234.63p	
23 December 1991	75,000	—	—	75,000	272.00p	
18 June 1992	5,376	—	—	5,376	279.00p	
26 November 1992	75,000	—	—	75,000	363.00p	
6 December 1993	75,000	—	—	75,000	255.00p	
13 December 1994	125,000	—	—	125,000	237.00p	
15 June 1995	—	1,326	—	1,326	260.00p	
19 December 1995	—	100,000	—	100,000	308.00p	
	484,426	101,326	—	585,752		
R G B Charters						
15 June 1995	—	6,634	—	6,634	260.00p	
19 December 1995	—	125,000	—	125,000	308.00p	
	—	131,634	—	131,634		
G Wotherspoon						
29 November 1990	77,025	—	(77,025)	—	234.63p	355.00p
23 December 1991	75,000	—	—	75,000	272.00p	
18 June 1992	5,376	—	—	5,376	279.00p	
26 November 1992	70,000	—	—	70,000	363.00p	
6 December 1993	75,000	—	—	75,000	255.00p	
13 December 1994	—	—	—	—	—	
15 June 1995	—	1,326	—	1,326	260.00p	
19 December 1995	—	75,000	—	75,000	308.00p	
	302,401	76,326	(77,025)	301,702		

The middle market price of the Company's ordinary shares at 30 March 1996 was 307p and the range during the year ended 30 March 1996 was 279p to 364p.

On behalf of the Board

J A Burdus

Chairman, Remuneration Committee

22 May 1996

Directors' Responsibilities

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 the group and of the profit for that year. In preparing the accounts the directors are required:

- a) to select suitable accounting policies and then apply them consistently;
- b) to make judgements and estimates that are reasonable and prudent;
- c) to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- d) to prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

The directors confirm that these accounts comply with these requirements.

Auditors' Responsibilities

Company law requires the auditors to form an independent opinion on the accounts presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- a) that the Company and the group have maintained proper accounting records and that proper returns adequate for the audit have been received from branches not visited by them;
- b) that the accounts are in agreement with the accounting records and returns;
- c) that directors' emoluments and other transactions with directors are properly disclosed in the accounts; and
- d) that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit.

Additionally, the Companies Act 1985 requires the auditors to report to the shareholders if the matters contained in the report of the directors are inconsistent with the accounts.

Report of the Auditors

To the Shareholders of Argyll Group PLC

We have audited the accounts on pages 40 to 59 which have been prepared under the historical cost convention and the accounting policies set out on pages 40 and 41. We have also examined the amounts disclosed relating to the emoluments, share options and long term incentive plan interests of the directors which form part of the Report of the Remuneration Committee on pages 32 to 37.

Respective responsibilities of directors and auditors

As described on page 38, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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 circumstances of the Company and of the group, consistently applied and adequately disclosed.

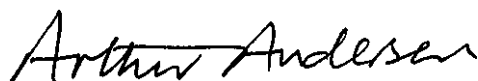
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall accuracy 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 at 30 March 1996 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors
London 22 May 1996



Report by the Auditors to Argyll Group PLC on Corporate Governance Matters

In addition to our audit of the accounts, we have reviewed the directors' statements on page 29 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

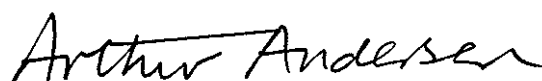
Opinion

With respect to the directors' statements on internal financial control and going concern on page 29, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 29 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Arthur Andersen

Chartered Accountants
London 22 May 1996



Statement of Accounting Policies

The accounts have been prepared on the historical cost basis and in accordance with applicable accounting standards, using the following accounting policies:

Principles of consolidation

The group accounts comprise the accounts of the Company and its subsidiary undertakings, all of which are wholly-owned subsidiaries. The results of subsidiaries acquired or disposed of in the year are included in the group profit and loss account as from or up to their effective date of acquisition or disposal.

Goodwill arising in connection with the acquisition of subsidiaries and businesses has been written off against reserves. When a business is disposed of, the applicable goodwill is charged to the profit and loss account in the year of disposal.

No profit and loss account is presented for the Company, as permitted by Section 230 of the Companies Act 1985.

Investments in subsidiaries

In the Company's accounts, investments in subsidiaries which include loans to subsidiaries of a long term nature are stated at cost, less amounts written off. Only dividends received and receivable are credited to the Company's profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Plant, equipment and vehicles which are leased but provide the group with substantially all the benefits and risks of ownership are capitalised at the original cost to the lessor.

The costs of operating leases of land and buildings and other assets are charged to the profit and loss account as incurred. Surpluses on sale and operating leaseback of properties are recognised as income in the year of disposal.

Interest costs relating to the financing of freehold and long leasehold developments are capitalised at the weighted average cost of the related borrowings up to the date of completion of the project.

Freehold land is not depreciated unless, in the opinion of the directors, a permanent diminution in value has occurred.

Depreciation is provided to write off the cost of other tangible fixed assets over their estimated economic lives on a straight-line basis as follows:

Freehold and long leasehold buildings	— maximum of 40 years
Short leasehold buildings	— maximum of 40 years or term of lease if less
Plant and equipment	— 4 years to a maximum of 8 years
Motor cars and commercial vehicles	— 4 years to a maximum of 6 years
Computer hardware and software	— 4 years to a maximum of 6 years

In the case of poor performing or proposed replacement stores, additional depreciation is provided over the remaining estimated life to write them down to net realisable value.

The group's policy is to maintain its properties to a high standard through a continual programme of refurbishment and maintenance.

Stocks

Stocks are stated at the lower of cost and net realisable value. For stocks at retail stores, cost is calculated by reference to selling price less appropriate trading margins.

Taxation

Corporation tax is provided on the taxable profits for the year at the rate current during the year.

Deferred taxation is provided, using the liability method, in respect of tax allowances for fixed assets in excess of depreciation provided in the accounts and other timing differences, only to the extent that it is probable that a liability will crystallize.

Foreign currency

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Foreign currency monetary assets and liabilities in the balance sheet are translated into sterling at the rates of exchange ruling at the end of the year. Resulting exchange gains and losses are taken to the profit and loss account.

Fixed asset investments denominated in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transaction except when financed by borrowings denominated in foreign currencies when both the investments and borrowings are re-translated at the rates of exchange ruling at the end of the year. Resulting exchange gains and losses are taken directly to reserves.

Pension scheme contributions

Contributions to group pension schemes are charged to the profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over employees' working lives with the group.

Sales

Sales represent proceeds from external customers and are inclusive of excise duty and VAT.

Cost of sales and distribution costs

Cost of sales represents the purchase cost of goods for resale and includes the cost of transfer to the point of sale.

Distribution costs represent the cost of holding goods at the point of sale, selling costs and the costs of transferring goods to the customer and include store operating expenses.

Product research and development

Product research and development expenditure is charged to the profit and loss account as incurred.

Group Profit and Loss Account

Notes & page Nos.	Year ended 30 March 1996	1996 £m	1995 £m	Exceptional items £m	Before Exceptional Items £m
1 (p46)	Sales	6,500.0	6,217.7	–	6,217.7
	Value added tax	(430.6)	(403.1)	–	(403.1)
	Turnover , excluding value added tax	6,069.4	5,814.6	–	5,814.6
	Cost of sales	(4,725.8)	(4,516.4)	(19.2)	(4,497.2)
	Gross profit	1,343.6	1,298.2	(19.2)	1,317.4
2 (p47)	Net operating expenses	(926.1)	(1,052.7)	(118.2)	(934.5)
1 (p46)	Operating profit	417.5	245.5	(137.4)	382.9
1 (p46)	Loss on disposal of businesses	–	(5.1)	(5.1)	–
3 (p47)	Net property losses	(9.5)	(57.2)	(52.5)	(4.7)
4 (p47)	Profit on disposal of investments	37.7	–	–	–
5 (p47)	Investment income	3.7	3.3	–	3.3
6 (p47)	Net interest payable	(20.0)	(10.9)	–	(10.9)
7 (p48)	Profit on ordinary activities before taxation	429.4	175.6	(195.0)	370.6
9 (p49)	Tax on profit on ordinary activities	(128.8)	(82.2)	29.0	(111.2)
	Profit for the financial year	300.6	93.4	(166.0)	259.4
10 (p50)	Dividends paid and proposed	(145.4)	(135.5)		
	Retained profit/(loss) for the year	155.2	(42.1)		
1 (p46)	Goodwill write off credited back to reserves	–	3.6		
	Retained profit , beginning of year	903.5	942.0		
	Retained profit , end of year	1,058.7	903.5		
11 (p50)	Earnings per share				
	Before net property losses, profit on disposal of investments and exceptional items	24.7p	23.3p		
	Net property losses, before exceptional items	(0.6p)	(0.3p)		
	Profit on disposal of investments	2.3p	–		
	Exceptional items	–	(14.7p)		
	Earnings per share	26.4p	8.3p		

The accompanying notes and statement of accounting policies form part of this profit and loss account.

Statement of Total Recognised Gains and Losses

Year ended 30 March 1996	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Profit for the financial year	300.6	93.4	178.9	118.5
Exchange gain on fixed asset investments	0.2	7.7	—	—
Currency translation movements on foreign currency hedging loans	(0.2)	(7.7)	—	—
Total recognised gains and losses relating to the year	300.6	93.4	178.9	118.5

The accompanying notes and statement of accounting policies form part of this statement.

Reconciliation of Movements in Shareholders' Funds

Year ended 30 March 1996	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Profit for the financial year	300.6	93.4	178.9	118.5
Dividends paid and proposed	(145.4)	(135.5)	(145.4)	(135.5)
Retained profit/(loss) for the year	155.2	(42.1)	33.5	(17.0)
New share capital subscribed, including premium	29.3	17.2	29.3	17.2
Goodwill credited back to reserves in respect of businesses sold during the year	—	3.6	—	—
Net addition to/(reduction in) shareholders' funds	184.5	(21.3)	62.8	0.2
Shareholders' funds, beginning of year	1,754.7	1,776.0	1,954.7	1,954.5
Shareholders' funds, end of year	1,939.2	1,754.7	2,017.5	1,954.7

The accompanying notes and statement of accounting policies form part of this reconciliation.

Balance Sheets

Notes & page Nos.	At 30 March 1996	Group		Company	
		1996 £m	1995 £m	1996 £m	1995 £m
	Fixed assets				
12 (p50)	Tangible fixed assets	2,980.8	2,707.0	—	—
13 (p51)	Investments	6.9	88.5	2,089.0	2,169.2
		2,987.7	2,795.5	2,089.0	2,169.2
	Current assets				
14 (p52)	Stocks	268.7	257.8	—	—
15 (p52)	Debtors	107.6	106.8	524.3	445.5
	Money market investments and deposits	69.7	15.0	50.0	—
	Cash at bank and in hand	96.4	83.1	—	—
		542.4	462.7	574.3	445.5
	Creditors (due within one year)				
	Bank overdrafts	(52.9)	(49.3)	(33.3)	(44.7)
17 (p53)	Loans	(16.8)	(57.5)	(3.6)	(44.1)
16 (p53)	Other creditors	(1,166.4)	(1,081.1)	(298.2)	(297.0)
	Net current assets/(liabilities)	(693.7)	(725.2)	239.2	59.7
	Total assets less current liabilities	2,294.0	2,070.3	2,328.2	2,228.9
	Creditors (due after one year)				
17 (p53)	Loans	(344.6)	(305.4)	(310.7)	(274.2)
	Provisions for liabilities and charges				
18 (p54)	Deferred taxation	(10.2)	(10.2)	—	—
	Net assets	1,939.2	1,754.7	2,017.5	1,954.7
	Capital and reserves				
19 (p55)	Called-up share capital	285.5	282.8	285.5	282.8
20 (p56)	Share premium account	595.0	568.4	595.0	568.4
21 (p56)	Capital reserve	—	—	572.5	572.5
22 (p56)	Profit and loss account	1,058.7	903.5	564.5	531.0
	Total capital employed	1,939.2	1,754.7	2,017.5	1,954.7

Approved by the Board of Directors on 22 May 1996.

Sir Alistair Grant

C D Smith

} Directors

The accompanying notes and statement of accounting policies form part of these balance sheets.

Cash Flow Statement

Notes & page Nos.	Year ended 30 March 1996	1996 £m	1995 £m
24 (p58)	Net cash inflow from operating activities	512.6	521.7
	Returns on investments and servicing of finance		
	Investment income	3.7	3.3
	Interest received	3.4	1.4
	Interest paid	(25.5)	(24.3)
	Interest element of finance lease rental payments	(3.9)	(4.7)
	Dividends paid in cash	(121.5)	(122.0)
	Net cash outflow from returns on investments and servicing of finance	(143.8)	(146.3)
	Taxation		
	Tax paid	(89.7)	(107.7)
	Certificates of tax deposit utilised	–	0.2
	Taxation paid	(89.7)	(107.5)
	Investing activities		
	Capital spend	(357.9)	(427.0)
28 (p59)	Proceeds received from disposal of businesses	–	92.5
	Proceeds received from disposal of investments	122.8	–
	Proceeds received from disposal of tangible fixed assets	12.2	15.9
13 (p51)	Purchase of own shares by the Company's ESOP	(3.3)	(0.6)
	Net cash outflow from investing activities	(226.2)	(319.2)
	Net cash inflow/(outflow) before financing	52.9	(51.3)
27 (p59)	Financing		
	Proceeds received from issue of shares	13.2	8.2
	Decrease in unsecured bank loans	(113.7)	(38.5)
	Issue of new unsecured sterling bonds	150.0	–
	Net increase in unsecured loans	2.9	–
	(Decrease)/increase in commercial paper issued	(27.5)	13.5
	Capital element of finance lease rental payments	(13.4)	(12.6)
	Net cash inflow/(outflow) from financing	11.5	(29.4)
25 (p58)	Increase/(decrease) in cash and cash equivalents	64.4	(80.7)

The accompanying notes and statement of accounting policies form part of this cash flow statement.

A summarised cash flow statement is also shown on page 23.

Changes in Net Debt

Notes & page Nos.	Year ended 30 March 1996	1996 £m	1995 £m
	Beginning of year	(314.1)	(263.3)
25 (p58)	Increase/(decrease) in cash and cash equivalents	64.4	(80.7)
	Net decrease in loans	1.7	37.6
27 (p59)	Currency translation movements on foreign currency hedging loans	(0.2)	(7.7)
	End of year	(248.2)	(314.1)

Notes to the Accounts Year ended 30 March 1996**1.0 Sales and profit**

1.1 The group's sole trading activity is grocery retailing which is carried out almost entirely in the United Kingdom. In order to provide shareholders with additional information, the group's sales and profit (before net property losses and exceptional items) have been analysed between its principal retail brand, Safeway, and its other grocery retailing and former activities as set out below:

	1996 £m	1995 £m
Sales:		
Safeway	6,031.1	5,325.5
Presto	468.9	525.3
Divested businesses	—	366.9
	6,500.0	6,217.7
Turnover, excluding VAT:		
Safeway	5,630.1	4,980.6
Presto	439.3	492.5
Divested businesses	—	341.5
	6,069.4	5,814.6
Profit before net property losses and exceptional items:		
Safeway	386.4	349.6
% margin — VAT excl.	6.9%	7.0%
Presto	31.1	29.5
% margin — VAT excl.	7.1%	6.0%
Divested businesses	—	3.8
Operating profit	417.5	382.9
Investment income	3.7	3.3
Net interest payable	(20.0)	(10.9)
	401.2	375.3

1.2 Exceptional items

The exceptional items charge in the year ended 1 April 1995 related to the group's strategic "Safeway 2000" programme. It comprised all the fixed asset write downs against the net book values of stores not able to deliver the enhanced customer offer arising from this programme, including provisions for the expected losses on future property disposals arising from specific store closures, together with costs and provisions relating to redundancy, training, logistics, property, consultancy, market research and other costs connected with the strategic review. Expenditure during the year totalled £67.9 million (1995 – £16.2 million).

The loss on disposal of businesses in the year ended 1 April 1995 reflects the disposals of the Lo-Cost, Snowking and Mojo divisions. This was after charging goodwill previously written off to reserves.

2.0 Net operating expenses

	1996 £m	1995 £m	Exceptional items £m	Before Exceptional items £m
Distribution costs	(830.9)	(916.7)	(83.5)	(833.2)
Administrative expenses	(95.2)	(136.0)	(34.7)	(101.3)
	(926.1)	(1,052.7)	(118.2)	(934.5)

3.0 Net property losses

	1996 £m	1995 £m	Exceptional items £m	Before Exceptional items £m
Profits on property disposals	4.1	14.6	–	14.6
Losses on property disposals	(10.5)	(16.7)	–	(16.7)
Provisions for disposal of stores not able to deliver the enhanced customer offer	(3.1)	(55.1)	(52.5)	(2.6)
	(9.5)	(57.2)	(52.5)	(4.7)

4.0 Profit on disposal of investments

During the year, the group disposed of its investments in Ahold and Casino, the group's partners in the European Retail Alliance, by unwinding the cross-shareholding agreement. The net profit comprises:

	1996 £m	1995 £m
Profit on disposal of Ahold shares	46.7	–
Loss on disposal of Casino shares	(9.0)	–
	37.7	–

5.0 Investment income

Investment income comprises £3.7 million of dividends received arising from the group's former shareholdings in Ahold and Casino (1995 – £3.3 million).

6.0 Net interest payable

	1996 £m	1995 £m
Interest payable:		
Loans repayable by instalments within five years	(3.6)	(2.6)
Bank overdrafts and loans repayable other than by instalments within five years	(22.7)	(20.4)
Loans not wholly repayable within five years	(7.6)	(6.5)
	(33.9)	(29.5)
Interest capitalised on freehold and long leasehold developments	11.2	16.2
	(22.7)	(13.3)
Interest receivable on money market investments and deposits	2.7	2.4
	(20.0)	(10.9)

The interest element of charges payable under finance leases amounted to £3.5 million (1995 – £4.7 million).

Notes to the Accounts Year ended 30 March 1996 continued**7.0 Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging the following items:

	1996 £m	1995 £m
Depreciation of tangible fixed assets	138.8	137.3
Exceptional write downs against tangible fixed assets	–	80.0
Hire charges under operating leases –		
Plant and equipment	18.2	14.6
Property	57.8	67.3
Other hire charges	1.8	1.4
Auditors' remuneration	0.2	0.3
Staff costs, including directors' emoluments (Note 8.2 below)	597.7	604.0

Other fees paid to the auditors and associated firms during the year totalled £3.7 million (1995 – £1.1 million) and mainly comprised consultancy fees relating to the Safeway 2000 programme of which £3.2 million (1995 – £0.8 million) was paid to Andersen Consulting.

8.0 Staff costs and directors' emoluments**8.1 Numbers employed:**

The average weekly number of persons employed by the group was as follows:

	1996 Number	1995 Number
Total employed	66,681	67,323
Full-time equivalent	47,592	47,950

At 30 March 1996, the total number of employees was 68,040 (1995 – 66,187) and the full-time equivalent number was 47,982 (1995 – 47,326).

8.2 Staff costs:

	1996 £m	1995 £m
Wages and salaries	546.0	550.1
Social security costs	37.9	39.5
Other pension costs	13.8	14.4
	597.7	604.0

8.3 The staff costs above include the following emoluments in respect of all directors of the Company:

	1996 £'000	1995 £'000
Fees	97	120
Fixed remuneration	2,246	2,204
Annual incentive payments	314	319
Pension contributions	199	432
	2,856	3,075
Long term incentive plan (covering 1991 to 1993)	364	154
	3,220	3,229
Compensation on termination of employment	475	–
	3,695	3,229

Mr R G B Charters additionally received a payment of £160,000 upon joining the Company to compensate him for loss of benefits from a previous employer.

8.4 The emoluments, excluding pension contributions, of the directors of the Company including the Chairman fall within the following bands:

	1996 Number	1995 Number
£ 15,001 – £ 20,000	1	–
£ 20,001 – £ 25,000	1	1
£ 25,001 – £ 30,000	2	2
£ 30,001 – £ 35,000	–	1
£ 80,001 – £ 85,000	–	1
£ 95,001 – £100,000	1	–
£240,001 – £245,000	1	–
£260,001 – £265,000	1	–
£285,001 – £290,000	1	–
£315,001 – £320,000 (a)	–	1*
£325,001 – £330,000 (b)	–	1*
£375,001 – £380,000 (c)	–	1*
£475,001 – £480,000	–	1
£480,001 – £485,000	–	1
£605,001 – £610,000 (d)	1*	–
£620,001 – £625,000 (e)	1*	–
£625,001 – £630,000	–	1
£800,001 – £805,000 (f)	1*	–

*Including long term performance related remuneration which was accrued in respect of the three financial years 1991, 1992 and 1993 as follows: (a) £46,000, (b) £54,000, (c) £54,000, (d) £84,000, (e) £117,000 and (f) £163,000.

The above figures for emoluments do not include any amounts for the value of share options granted or exercised by directors.

Full details of the emoluments of the directors (including those of the Chairman) and their interests in the share capital of the Company are given in the Report of the Remuneration Committee on pages 32 to 37.

9.0 **Tax on profit on ordinary activities**

The tax charge is based on the profit for the year and comprises:

	1996 £m	1995 £m	Exceptional Items £m	Before Exceptional items £m
United Kingdom corporation tax at 33% (1995 – 33%)	135.5	86.9	(29.0)	115.9
Overseas taxation	1.5	1.8	–	1.8
Prior year items	(8.2)	(6.5)	–	(6.5)
	128.8	82.2	(29.0)	111.2

The principal reasons for the lower than standard tax charge are tax relief for capital allowances on fixed assets exceeding related depreciation by £10.1 million (1995 – £4.2 million) and tax relief for interest capitalised on freehold and long leasehold developments of £3.7 million (1995 – £5.3 million).

Taxation has been accrued at an effective rate of 30% on the net profit on disposal of the group's former investments in Ahold and Casino, due to the availability of brought forward capital gains tax losses.

Taxation relief at 33% has been assumed on the proportion of the exceptional items charged in the year ended 1 April 1995 allowable for taxation purposes.

Notes to the Accounts Year ended 30 March 1996 continued**10.0 Dividends paid and proposed**

	1996 £m	1995 £m
Ordinary shares:		
Interim of 4.05p paid (1995 – 3.90p)	46.1	44.0
Final of 8.70p payable (1995 – 8.10p)	99.4	91.6
Dividends waived	(0.1)	(0.1)
	145.4	135.5

The Trustee of the Company's ESOP has waived all but 0.01p per share of the dividends due on ordinary shares held by the Trust whilst the shares remain within the Trust. The amount waived in respect of the 1995 final dividend and the 1996 interim dividend was £162,331 (1995 – £99,511) and the maximum to be waived in respect of the 1996 final dividend on shares currently held by the Trust is £194,585.

11.0 Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year totalling 1,136,936,348 (1995 – 1,126,370,016).

Taxation has been assumed at 30% on the net profit on disposal of the group's former investments in Ahold and Casino in order to calculate the effect on earnings per share.

Taxation relief at 33% has been assumed on the tax allowable element of the exceptional items charged in the year ended 1 April 1995 in order to calculate the effect on earnings per share.

Conversion of the outstanding options under the Company's share option schemes (Note 19.3 below) would not result in a material dilution of earnings per share.

12.0 Tangible fixed assets**12.1 Group**

	Land and buildings			Plant, equipment and vehicles	Total
	Freehold £m	Long leasehold £m	Short leasehold £m	£m	£m
Cost:					
Beginning of year	2,042.4	273.7	183.2	817.5	3,316.8
Additions	302.1	5.3	5.5	110.6	423.5
Disposals	(6.6)	(1.3)	(9.0)	(48.2)	(65.1)
End of year	2,337.9	277.7	179.7	879.9	3,675.2
Depreciation:					
Beginning of year	72.4	24.0	81.2	432.2	609.8
Charged during year	40.7	5.3	4.3	88.5	138.8
Disposals	(1.5)	(0.7)	(5.4)	(46.6)	(54.2)
End of year	111.6	28.6	80.1	474.1	694.4
Net book value:					
Beginning of year	1,970.0	249.7	102.0	385.3	2,707.0
End of year	2,226.3	249.1	99.6	405.8	2,980.8
Assets in course of construction included in cost above:					
Beginning of year	213.3	–	–	1.8	215.1
End of year	221.8	–	1.1	0.7	223.6

- 12.1.1 At 30 March 1996, the net book value of tangible fixed assets included £31.3 million of leased plant, equipment and vehicles (1995 – £42.2 million).
- 12.1.2 The depreciation charged in respect of leased plant, equipment and vehicles during the year amounted to £10.7 million (1995 – £17.6 million).
- 12.1.3 Interest capitalised on freehold and long leasehold developments included in additions during the year amounted to £11.2 million (1995 – £16.2 million). The cumulative amount of interest capitalised in the total cost above amounts to £109.5 million (1995 – £98.6 million).
- 12.1.4 Freehold land included in the total cost above amounts to £1,020.3 million (1995 – £883.3 million).
- 12.2 Company
The Company has no fixed assets.

13.0 Investments

- 13.1 Fixed asset investments comprise:

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Own shares held by the Company's ESOP	6.5	3.2	6.5	3.2
Subsidiaries	–	–	127.3	132.0
Loans to subsidiaries	–	–	1,955.2	2,034.0
Other – Listed	–	84.9	–	–
– Unlisted	0.4	0.4	–	–
	6.9	88.5	2,089.0	2,169.2

Own shares held by the Company's ESOP are included at the lower of cost and market value. Last year these were included in debtors but they have now been reclassified as fixed asset investments in accordance with the requirements of UITF 13 (Accounting for ESOP Trusts).

Listed investments at 1 April 1995 related to the former cross-shareholding agreement with Ahold and Casino, the group's partners in the European Retail Alliance. These investments were disposed of during the year (Note 4.0 above). At 1 April 1995, the market value of listed investments was £105.7 million.

Notes to the Accounts Year ended 30 March 1996 continued**13.2 Investments in Subsidiaries**

The movement on this account during the year was:

	1996 £m	1995 £m
Beginning of year	132.0	132.0
Pre-acquisition dividend received	(4.4)	—
Write down to net asset value	(0.3)	—
End of year	127.3	132.0

Set out below are the Company's principal subsidiaries, both of which are wholly-owned:

Company	Country of registration and operation	Business
Stores Group Limited*	England	Investment company
Safeway Stores plc	England	Grocery retailer

*Direct subsidiary of the Company.

In addition to the above, the Company has a number of other subsidiary companies, particulars of which will be annexed to the next annual return of the Company.

14.0 Stocks

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

15.0 Debtors

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Amounts falling due within one year:				
Trade debtors	2.4	6.2	—	—
Due from subsidiaries	—	—	509.6	428.8
Interest receivable	1.0	1.7	0.8	0.4
Tangible fixed asset disposals	2.0	2.2	—	—
Prepayments and accrued income	21.6	23.3	—	—
Other debtors	77.6	70.4	3.2	2.0
Certificates of tax deposit	3.0	3.0	—	—
	107.6	106.8	513.6	431.2
Amounts falling due after more than one year:				
Due from subsidiaries	—	—	10.7	14.3
	107.6	106.8	524.3	445.5

16.0 Other creditors

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Amounts falling due within one year:				
Trade creditors	564.0	526.8	—	—
Due to subsidiaries	—	—	182.3	191.6
Current taxation	154.8	115.7	9.3	8.0
Interest payable	9.1	4.6	7.1	2.5
Capital expenditure	144.3	89.9	—	—
Social security and PAYE	12.2	13.2	—	—
VAT	3.3	5.4	—	—
Accruals and deferred income	67.3	60.6	—	—
Other creditors	86.2	79.6	0.1	3.3
Exceptional provisions	25.8	93.7	—	—
Proposed dividend	99.4	91.6	99.4	91.6
	1,166.4	1,081.1	298.2	297.0

17.0 Loans**17.1** Loans comprise:

	Interest rate %	Group		Company	
		1996 £m	1995 £m	1996 £m	1995 £m
Unsecured bank loans:					
1993/99	Variable	14.3	17.9	14.3	17.9
1997	Variable	—	25.0	—	25.0
2000	Variable	—	84.9	—	84.9
		14.3	127.8	14.3	127.8
Debenture and other loans:					
Unsecured loan 1996	Variable	—	13.0	—	13.0
Unsecured loan 2001	Variable	16.0	—	—	—
Unsecured loan notes 1999	7	0.6	0.7	—	—
Sterling Bonds 2000	8½	150.0	150.0	150.0	150.0
Sterling Bonds 2002	8½	150.0	—	150.0	—
Lease loan capital	Various	30.5	43.9	—	—
Commercial paper	Various	—	27.5	—	27.5
		347.1	235.1	300.0	190.5
		361.4	362.9	314.3	318.3
Less: Amount repayable within one year		(16.8)	(57.5)	(3.6)	(44.1)
		344.6	305.4	310.7	274.2

The unsecured 2000 bank loans comprising a French Franc 324.6 million loan and a Dutch Guilder 108.1 million loan drawn down to hedge the group's foreign currency investments were repaid during the year, following the disposal of those investments (Note 13.1 above).

In 1993, the Company issued £150 million of unsecured seven year 8½% bonds which are redeemable in full on 10 March 2000. There is an event risk clause which provides for early redemption to protect bondholders in the event of the Company being taken over; disposing of substantially the whole of its assets; granting substantial financial assistance to third parties; purchasing 50% or more of its own shares in any 12 month period; or distributing to shareholders over 50% of its consolidated tangible net worth as disclosed in the most recently published accounts.

During the year, the Company issued £150 million of unsecured seven year 8½% bonds which are redeemable in full on 4 October 2002. No event risk clause similar to that in the 1993 issue is contained in this issue.

Notes to the Accounts Year ended 30 March 1996 continued

17.2 Loans are repayable as follows:

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Due within one year:				
Bank	3.6	3.6	3.6	3.6
Lease	13.2	13.4	–	–
Commercial paper	–	27.5	–	27.5
Other	–	13.0	–	13.0
Due within one to two years:				
Bank	3.6	3.6	3.6	3.6
Lease	8.6	13.2	–	–
Due within two to five years:				
Bank	7.1	35.7	7.1	35.7
Lease	7.1	14.1	–	–
Other	0.6	0.7	–	–
Sterling Bonds	150.0	150.0	150.0	150.0
	193.8	274.8	164.3	233.4
Due wholly or in part by instalments after five years:				
Lease	1.6	3.2	–	–
Due otherwise than by instalments after five years:				
Bank	–	84.9	–	84.9
Other	16.0	–	–	–
Sterling Bonds	150.0	–	150.0	–
	361.4	362.9	314.3	318.3

Group borrowings repayable by instalments, any part of which is repayable after five years, total £14.2 million (1995 – £21.9 million).

18.0 Deferred taxation

18.1 The movement on deferred taxation during the year was:

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Beginning of year	10.2	10.2	–	–
Tax on profit on ordinary activities	–	–	–	–
End of year	10.2	10.2	–	–

18.2 The total potential group liability for deferred taxation calculated at 33% (1995 – 33%) and the amounts provided are as follows:

	Total		Provided	
	1996 £m	1995 £m	1996 £m	1995 £m
Tax allowances in excess of recorded depreciation	146.6	132.0	10.2	10.2
Other timing differences	(2.2)	(0.5)	–	–
Capitals gains deferred by roll-over relief	15.4	12.3	–	–
	159.8	143.8	10.2	10.2

19.0 Called-up share capital**19.1 Authorised:**

	1996 £m	1995 £m
1,500,000,000 ordinary shares of 25p each (1995 – 1,500,000,000)	375.0	375.0

19.2 Allotted, Called-up and Fully paid:

	Ordinary shares	£m
Beginning of year	1,131,212,856	282.8
Scrip dividend issues	5,033,863	1.3
Share options exercised	5,799,541	1.4
End of year	1,142,046,260	285.5

Since the end of the year, a further 9,778 ordinary shares with an aggregate nominal value of £2,445 have been issued as a result of the exercise of options under the Company's share option schemes. The proceeds of issue amounted to £22,028.

19.3 The Argyll Group Share Option Schemes

Share options to subscribe for ordinary shares under The Argyll Group Executive Share Option Scheme ("Executive Scheme") and The Argyll Savings Related Share Option Scheme ("Sharesave") outstanding at 30 March 1996 were as follows:

Date of grant	Subscription price	Number of shares		Last date when options exercisable
		At 30 March 1996	At 1 April 1995	
Executive Scheme:				
1 October 1986	153.81p	–	5,800	30 September 1996
7 December 1987	166.48p	6,270	48,134	6 December 1997
15 December 1988	157.72p	66,755	148,401	14 December 1998
18 December 1989	196.66p	390,447	790,929	17 December 1999
29 November 1990	234.63p	993,717	2,525,560	28 November 2000
23 December 1991	272.00p	2,285,500	3,530,500	22 December 2001
26 November 1992	363.00p	2,496,000	2,804,000	25 November 2002
6 December 1993	255.00p	3,048,000	3,696,000	5 December 2003
13 December 1994	237.00p	2,832,000	3,284,000	12 December 2004
19 December 1995	308.00p	3,916,000	–	18 December 2005
		16,034,689	16,833,324	
Sharesave:				
29 August 1989	191.79p	–	137,175	17 May 1995
14 June 1990	181.08p	16,176	1,483,461	31 August 1996
21 June 1991	227.00p	1,416,953	1,765,113	28 February 1997
18 June 1992	279.00p	2,188,280	2,833,971	28 February 1998
15 July 1993	264.00p	1,748,836	2,478,200	28 February 1999
23 June 1994	194.00p	4,399,112	7,050,712	29 February 2000
15 June 1995	260.00p	3,378,996	–	28 February 2001
		29,183,042	32,581,956	

Subject to the rules of the Executive Scheme, options are normally exercisable at any time after the expiration of three years from the date of the grant. During the year, options in respect of 869,000 ordinary shares granted under the Executive Scheme lapsed.

The Executive Scheme options granted on and since 6 December 1993 will be exercisable normally only when the earnings per share growth of the Company, over a three year period, has exceeded the increase in the Retail Prices Index over that same three year period by an average of at least 1% per annum (by an average of at least 2% per annum for options granted in December 1995).

Notes to the Accounts Year ended 30 March 1996 continued**20.0 Share premium account**

	1996 £m	1995 £m
Beginning of year	568.4	553.1
Scrip dividend issues	14.8	8.1
Share options exercised	11.8	7.2
End of year	595.0	568.4

21.0 Capital reserve

This represents the reserve in the Company's balance sheet arising on the acquisition of Safeway. In the opinion of the directors, this reserve is not distributable and accordingly it will be carried forward as a capital reserve.

22.0 Profit and loss account

The movement on the Company's profit and loss account comprises:

	1996 £m	1995 £m
Beginning of year	531.0	548.0
Profit for the financial year	178.9	118.5
Dividends paid and proposed	(145.4)	(135.5)
End of year	564.5	531.0

The cumulative amount of goodwill resulting from acquisitions in earlier financial years, principally due to the acquisition of Safeway, which has been written off against the group's reserves is £608.0 million (1995 – £608.0 million).

23.0 Commitments and contingencies**23.1** Capital commitments at the year end are:

	1996 £m	1995 £m
Contracted for	91.0	135.4
Authorised but not contracted for	154.5	37.1
	245.5	172.5

23.2 Lease commitments

The group's aggregate minimum annual rentals under non-cancellable leases inclusive of unconditional future obligations are as follows:

	1996		1995	
	Property £m	Plant and equipment £m	Property £m	Plant and equipment £m
Operating leases which expire:				
Within one year	0.3	5.4	0.2	5.7
Within two to five years	1.0	12.6	1.3	10.7
After five years	57.2	—	59.3	—
	58.5	18.0	60.8	16.4

23.3 Pension schemes

The group maintains pension schemes for all eligible full-time and part-time employees. Scheme funds are administered by trustees and are independent of group finances. Investment of pension scheme assets in group companies is not permitted by the trustees.

The principal scheme, the Safeway Pension Scheme, is a defined benefit scheme. The pension cost relating to the scheme is assessed in accordance with the advice of independent actuaries and is such as to spread the cost of pensions over the working lives of the employees who are scheme members.

The latest valuation of the scheme was carried out as at 1 April 1995 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries, pensions and dividends. It was assumed that the investment return would be 9% per annum, that salary increases would average 7% per annum, that pensions (in excess of the Guaranteed Minimum Pension) would increase at the rate of 5% per annum and that dividends on United Kingdom equity investments would increase at 4½% per annum.

The actuarial value of the assets was assessed by assuming that their market value was invested in the Financial Times Actuaries All Share Index at the valuation date and discounting the anticipated future dividend income at the valuation rate of return.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £449.5 million and the actuarial value of the assets was sufficient to cover 115% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The excess is being eliminated as a uniform annual percentage of pensionable pay over 11 years, being the approximate average remaining service lives of scheme members.

The total pension cost for the year amounted to £13.8 million (1995 – £14.4 million). This reflected a regular cost of £19.0 million (1995 – £21.8 million) and a credit of £5.2 million (1995 – £7.4 million) in respect of the amortisation of the excess of assets over liabilities in the principal scheme, as described above. The pensionable payroll for the year in the principal scheme was £151.9 million (1995 – £169.0 million).

Notes to the Accounts Year ended 30 March 1996 continued**24.0 Net cash inflow from operating activities**

	1996 £m	1995 £m	Exceptional items £m	Before Exceptional items £m
Operating profit	417.5	245.5	(137.4)	382.9
Net property losses	(9.5)	(57.2)	(52.5)	(4.7)
Depreciation	138.8	217.3	80.0	137.3
Profit on disposal of tangible fixed assets	(1.1)	(6.8)	—	(6.8)
Increase in stock	(10.9)	(23.4)	—	(23.4)
(Increase)/decrease in debtors	(1.7)	4.8	—	4.8
Increase in creditors	47.4	47.8	—	47.8
(Decrease)/increase in exceptional provisions	(67.9)	93.7	93.7	—
	512.6	521.7	(16.2)	537.9

Stock, debtor and creditor movements in the year ended 1 April 1995 exclude the effect of business disposals (Note 28.0 below).

25.0 Changes in cash and cash equivalents during the year

	1996 £m	1995 £m
Beginning of year	48.8	129.5
Net cash inflow/(outflow)	64.4	(80.7)
End of year	113.2	48.8

26.0 Cash and cash equivalents as shown in the group balance sheet

	1996 £m	1995 £m	Change in year £m
Cash at bank and money market deposits	166.1	98.1	68.0
Bank overdrafts	(52.9)	(49.3)	(3.6)
	113.2	48.8	64.4

	1995 £m	1994 £m	Change in year £m
Cash at bank and money market deposits	98.1	165.9	(67.8)
Bank overdrafts	(49.3)	(36.4)	(12.9)
	48.8	129.5	(80.7)

27.0 Changes in financing during the year

	1996		1995	
	Share capital (including premium) £m	Loans and finance lease obligations £m	Share capital (including premium) £m	Loans and finance lease obligations £m
Beginning of year	851.2	362.9	834.0	392.8
Net cash inflow/(outflow) from financing	13.2	(1.7)	8.2	(37.6)
Scrip dividend issues	16.1	–	9.0	–
Currency translation movements on foreign currency hedging loans	–	0.2	–	7.7
End of year	880.5	361.4	851.2	362.9

28.0 Effect of disposals of businesses on cash flow statement

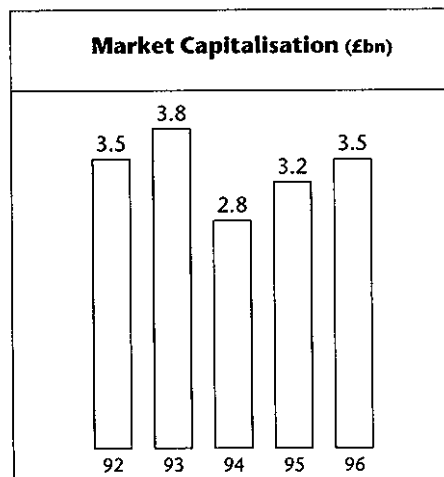
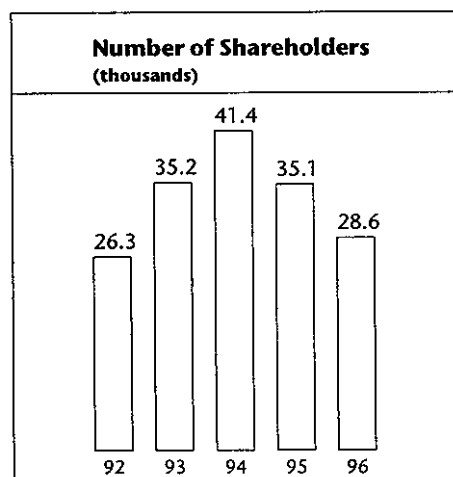
	1996 £m	1995 £m
Net assets disposed of:		
Tangible fixed assets	–	102.4
Stocks	–	38.3
Debtors	–	2.4
Creditors	–	(49.1)
	–	94.0
Loss on disposal	–	(1.5)
Cash proceeds received	–	92.5

The businesses sold during the year ended 1 April 1995 utilised £2.1 million in respect of the group's net cash flow from operating activities, paid £2.8 million in respect of taxation and utilised £5.9 million for investing activities.

Shareholder Information

Analysis of Ordinary Shares at 30 March 1996

	Shareholders		Shares held (millions)		% of Total	
	1996	1995	1996	1995	1996	1995
By Category:						
Individuals	20,266	22,135	46.3	53.6	4.1	4.8
Banks and Nominee Accounts	6,905	11,248	890.6	821.2	78.0	72.6
Insurance Companies	219	257	57.6	105.4	5.0	9.3
Investment Companies	107	112	44.6	6.9	3.9	0.6
Other Companies	907	1,073	48.1	72.3	4.2	6.4
Pension Funds	16	26	34.5	36.4	3.0	3.2
Universities, Schools and Other Corporate Bodies	222	244	20.3	35.4	1.8	3.1
	28,642	35,095	1,142.0	1,131.2	100.0	100.0
By Size of Holding:						
1 – 1,000	11,098	13,148	6.1	7.8	0.5	0.7
1,001 – 5,000	13,271	17,313	28.8	36.9	2.5	3.3
5,001 – 10,000	1,683	1,983	11.8	13.9	1.0	1.2
10,001 – 25,000	808	894	12.7	13.8	1.1	1.2
25,001 – 100,000	804	822	44.1	44.8	3.9	4.0
100,001 – 250,000	390	396	63.6	64.0	5.6	5.7
250,001 – 500,000	247	217	88.4	78.5	7.7	6.9
500,001 – 1,000,000	151	132	106.9	92.9	9.4	8.2
1,000,001 and over	190	190	779.6	778.6	68.3	68.8
	28,642	35,095	1,142.0	1,131.2	100.0	100.0



Financial Calendar 1996/97

2 July 1996	Annual General Meeting
5 August 1996	Payment of final dividend for the year ended 30 March 1996 to shareholders on the register on 5 June 1996
November 1996	Interim announcement of results for the 28 week period ending 12 October 1996
February 1997	Trading statement in respect of Christmas and the New Year
February 1997	Anticipated payment of interim dividend for the year ending 29 March 1997
29 March 1997	Financial year end
May 1997	Preliminary announcement of results for the year ending 29 March 1997
June 1997	Circulation of Annual Report

Scrip Dividend Option

The Company offers shareholders the option to receive ordinary shares instead of cash dividends. This gives shareholders an opportunity to increase their interest in the Company without the expense of dealing costs. The necessary forms are sent to shareholders prior to the payment of each dividend.

An "evergreen" system is available so shareholders who have already completed a mandate and wish to continue receiving scrip dividends need take no action.

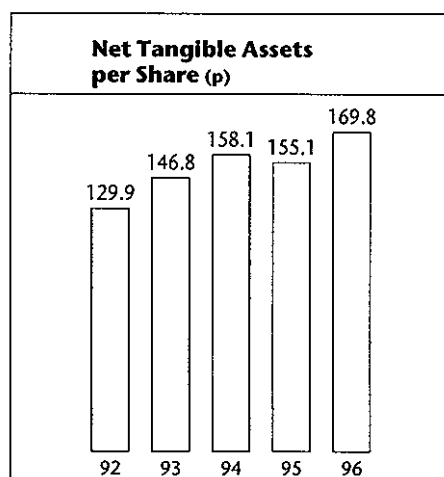
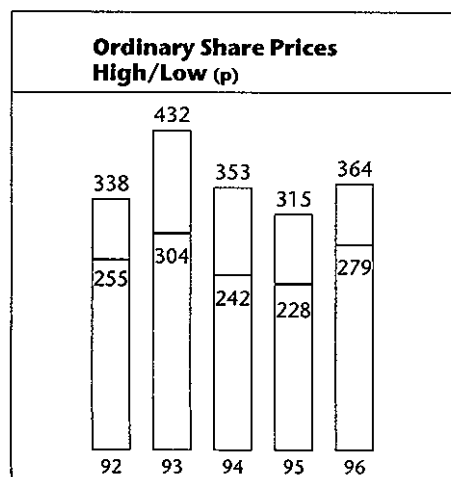
Shares have been issued in respect of scrip dividends at the following prices:

Dividend	Interim payment date	Issue price	Final payment date	Issue price
1990/91	25 February 1991	244.5p	27 August 1991	286.2p
1991/92	24 February 1992	284.4p	25 August 1992	350.6p
1992/93	22 February 1993	383.2p	24 August 1993	329.2p
1993/94	21 February 1994	269.6p	23 August 1994	239.0p
1994/95	20 February 1995	243.8p	14 August 1995	325.2p
1995/96	19 February 1996	313.2p		

The 1990/91 interim dividend issue price has been adjusted for the effect of the rights issue in June 1991.

Personal Equity Plans (PEP)

The Company operates both a General PEP and a Single Company PEP. The plans enable shareholders to receive dividends on the shares held free of income tax, or to re-invest dividends to increase the shareholding and to dispose of shares held without incurring any capital gains liability. If you wish to receive information regarding these schemes, please contact the Plan Manager, Halifax Investment Services Limited, Halifax Building Society, Trinity Road, Halifax, HX1 2BR or Telephone 0800-371769 and ask for the Argyll Group PEPLINE.



Five Year Retail Statistical Summary

	Year ended 28 March 1992	Year ended 3 April 1993	Year ended 2 April 1994	Year ended 1 April 1995	Year ended 30 March 1996
Store numbers					
Safeway – 20,000 sq. ft. sales area and over	147	176	200	222	234
– 10,000 – 19,999 sq. ft. sales area	148	144	138	131	116
– under 10,000 sq. ft. sales area	27	25	27	25	20
	322	345	365	378	370
Presto	212	216	205	169	109
Lo-Cost	285	274	271	–	–
	819	835	841	547	479
Sales area ('000 sq. ft.)					
Safeway	6,424	7,143	7,753	8,278	8,416
Net % increase on previous year	6.9%	11.2%	8.5%	6.8%	1.7%
Presto	1,132	1,232	1,122	1,038	848
Lo-Cost	888	954	992	–	–
	8,444	9,329	9,867	9,316	9,264
New store openings					
Safeway	17	30	26	21	17
Presto	–	15	5	4	3
New sales area ('000 sq. ft.) (excluding extensions)					
Safeway	466	783	743	626	520
Presto	–	157	51	39	31
Average store sales area ('000 sq. ft.)					
Safeway	20.0	20.7	21.2	21.9	22.7
Presto	5.3	5.7	5.5	6.1	7.8
Average sales per store (£'000 per week)					
Safeway	237.6	250.3	263.7	275.7	310.1
Based on average number of stores in each year and sales including VAT (including petrol). Year ended 3 April 1993 was a 53 week period.					
Sales per sq. ft. per week (£)					
Safeway	12.29	12.56	12.68	12.86	14.10
Based on weighted average sales area and sales including VAT (including petrol). Year ended 3 April 1993 was a 53 week period.					
Market share					
Safeway and Presto combined	6.7%	7.1%	7.2%	7.3%	7.5%

Based on sales including VAT (excluding petrol) and Central Statistical Office data.

Safeway New Store Openings 1996

	Sales area (sq. ft.)	Opening date
Chippenham	30,000	June
Bridgwater	30,000	July
Airdrie	30,000	August
Wolverhampton	35,000	August
Yeovil	30,000	September
Peterborough	35,000	September
Horndean	30,000	September
Caerphilly	30,000	September
Newcastle under Lyme	35,000	September
Northampton	40,000	October
Baillieston	25,000	November
Aberystwyth	25,000	November
Haverfordwest	30,000	November
Swaffham	22,800	January
Spalding	27,500	March
Dumbarton	35,000	March
Glenrothes	30,000	March
Total: 17 Stores	520,300	
Average size	30,600	

Safeway New Store Openings 1997

	Sales area (sq. ft.)
Canterbury	35,000
Basingstoke	40,000
Paignton	35,000
St. Albans	30,000
Ormskirk	27,400
Clacton	28,200
Bredbury	35,000
Inverurie	22,800
Oxted	25,000
Ingleby Barwick	28,200
Harwich	22,400
Weston super Mare	31,500
Leicester	37,400
Edinburgh	35,000
Abergavenny	25,000
Sheffield	28,200
Total: 16 Stores	486,100
Average size	30,400

Safeway Specialist Departments

Department	1992	1993	1994	1995	1996
Delicatessen	317	338	357	373	367
Bakery	275	312	340	367	344
Pharmacy	53	56	63	69	85
Coffee Shop	49	78	106	131	156
Petrol Station	31	54	81	105	128
Post Office	10	17	26	29	31
Dry Cleaners	10	19	35	51	66
Crêche	–	2	6	14	36
Photo Processing	–	–	–	5	10
KidsOwn (Clothing)	–	–	–	–	38

Five Year Financial Summary

	Year ended 28 March 1992 £m	Year ended 3 April 1993 £m	Year ended 2 April 1994 £m	Year ended 1 April 1995 £m	Year ended 30 March 1996 £m
Sales	5,039.3	5,539.0	5,982.9	6,217.7	6,500.0
Operating profit	327.2	387.0	364.8	382.9	417.5
Net property profits/(losses)	3.8	2.1	(3.0)	(4.7)	(9.5)
Net interest and investment income	33.5	28.2	—	(7.6)	(16.3)
Profit before taxation and exceptional items	364.5	417.3	361.8	370.6	391.7
Exceptional items	98.1	—	—	(195.0)	37.7
Profit on ordinary activities before taxation	462.6	417.3	361.8	175.6	429.4
Tax on profit on ordinary activities	(121.9)	(114.7)	(108.6)	(82.2)	(128.8)
Profit for the financial year	340.7	302.6	253.2	93.4	300.6
Earnings per share					
Before exceptionals and net property profits/(losses)	24.0p	27.0p	22.8p	23.3p	24.7p
Before exceptionals, after net property profits/(losses)	24.2p	27.1p	22.6p	23.0p	24.1p
After exceptional items	31.5p	27.1p	22.6p	8.3p	26.4p
Dividends per share					
Net	9.75p	10.90p	11.50p	12.00p	12.75p
Gross	13.00p	13.92p	14.38p	15.00p	15.94p
Net tangible assets					
Fixed assets	1,751.7	2,279.3	2,654.3	2,795.5	2,987.7
Net current liabilities	(132.4)	(255.1)	(505.5)	(725.2)	(693.7)
Creditors (due after one year)	(157.6)	(369.6)	(362.6)	(305.4)	(344.6)
Deferred taxation	(15.4)	(10.2)	(10.2)	(10.2)	(10.2)
Total capital employed	1,446.3	1,644.4	1,776.0	1,754.7	1,939.2
Net (debt)/cash	199.2	(42.4)	(263.3)	(314.1)	(248.2)
Net gearing	—	2.6%	14.8%	17.9%	12.8%
Return on capital employed	32.2%	27.0%	21.2%	21.0%	21.2%
Net tangible assets per ordinary share	129.9p	146.8p	158.1p	155.1p	169.8p
Capital expenditure					
Booked in the year	442.2	610.8	541.2	461.0	423.5
Spent in the year (FRS 1 basis)	389.2	575.5	565.3	427.0	357.9

Notes:

1. The 1992 figures for Profit on ordinary activities before taxation, Tax on profit on ordinary activities and Earnings per share after exceptional items have been adjusted due to the requirements of FRS 3 whereby items previously shown as Extraordinary items have been reclassified as Exceptional items.
2. The year ended 3 April 1993 was a 53 week period.
3. In 1994 the depreciation rates were changed, reducing Operating profit by £37.1 million.

Safeway Stores at end June 1996

England	Crowborough	Lewes	Sandbach	Witham	South Norwood	Glasgow
Abbeydale	Darlington	Lichfield	Sandhurst	Wokingham	Southwark	Anniesland
Acocks Green	Devizes	Lincoln	Scarborough	Wolverhampton	Stamford Hill (2)	Burnside
Acomb	Dewsbury	Liskeard	Scunthorpe	Workington	Streatham	Byres Road
Aldridge	Diss	Littlehampton	Seaford	Worthing	Sutton	Clydebank
Alnwick	Droitwich	Loughborough	Sedgley	Yarm	Sydenham	Crossmyloof
Andover	Durham	Lowestoft	Selby	Yate	Thamesmead	Knightswood
Ashford	Eastbourne	Lymington	Sheffield (2)	Yeovil	Upper Norwood	Muirend
Aylesbury	East Grinstead	Lytham St. Annes	Sheldon		Walton on Thames	Newlands
Basingstoke	Eastleigh	Maidstone (2)	Shirley	London	Wapping	Paisley Road West
Bearwood	Eastwood (Essex)	Malton	Shrewsbury	(within M25)	Wembley	Partick
Beccles	Eastwood (Notts.)	Malvern	Skegness	Acton	West Wickham	Rutherglen
Belper	Ellesmere Port	Manchester (Central)	Slough	Addlestone	Wimbledon	Springburn
Berwick	Evesham	Mansfield	Smethwick	Balham		
Beverley	Fakenham	Market Drayton	Solihull	Barbican		
Bideford	Farnham	Melton Mowbray	Southampton (2)	Beckenham		Edinburgh
Bingley	Faversham	Midsomer Norton	Southport	Becontree Heath	Scotland	Cameron Toll
Bitterne	Felixstowe	Millom	Southwood	Bexleyheath	Aberdeen	Comely Bank
Blandford	Folkestone	Milton Keynes	South Shields	Biggin Hill	Airdrie	Davidsons Main
Blyth	Formby	Morpeth	Spalding	Blackfen	Arbroath	East Craigs
Bodmin	Frome	Nantwich	Stourbridge	Blackheath	Ayr	Gyle
Bognor Regis	Gamston	Newcastle under	Stratford on Avon	Bloomsbury	Baillieston	Hunters Tryst
Bolton	Garforth	Lyme	Strood	Borehamwood	Bathgate	Morningside
Boscombe	Glastonbury	New Milton	Swaffham	Bow	Bellshill	Portobello Road
Bracknell	Gosport	Newport (Isle of Wight)	Swindon	Brent Cross	Bishopbriggs	
Bridgwater (2)	Grantham	Newport (Salop)	Swinton	Camberwell Green	Broughty Ferry	
Bridlington	Gravesend	Newquay	Taunton	Camden	Dumbarton	Wales
Bridport	Guisborough	Northallerton	Tavistock	Caterham	Dumfries	Abergavenny
Brighton	Hadleigh	Northampton (2)	Team Valley	Chelsea	Dundee (2)	Aberystwyth
Bristol	Hale	Norton	Tewkesbury	Croydon	East Kilbride	Bangor
Bromsgrove	Halesowen	Otley	Thornbury	Dartford	Elgin	Barry
Bude	Harborne	Paignton	Thornton Cleveleys	Ealing	Erskine	Caernarfon
Burton on Trent	Harrogate	Parkstone	Tiverton	East Sheen	Fort William	Caerphilly
Buxton	Harwood	Pendeford	Tonbridge	Edgware Road	Giffnock	Cardiff (2)
Cannock	Hastings	Penrith	Totnes	Edmonton	Glenrothes	Carmarthen
Canterbury (2)	Heaton	Penzance	Totton	Enfield	Hamilton	Colwyn Bay
Castle Bromwich	Hereford	Peterborough	Tunbridge Wells	Fulham	Hawick	Haverfordwest
Chafford Hundred	Herne Bay	Peterlee	Up Hatherley	Hammersmith	Inverness (2)	Neath
Chandlers Ford	Hexham	Pickering	Upton	Hatch End	Irvine	Newtown
Cheltenham	Hinckley	Plymouth	Verwood	Hersham	Johnstone	
Chesterfield	Hitchin	Ponteland	Walderslade	Holloway	Kilmarnock	
Chippenham	Horndean	Portsmouth (2)	Walsall	Hounslow	Livingston (2)	Isle of Man
Chorlton cum Hardy	Hucknall	Reading	Warminster	Kensington	Paisley (2)	Douglas
Clacton	Ilkeston	Redcar	Welwyn	Kilburn	Perth	Ramsey
Clevedon	Kidderminster	Redditch	West Bromwich	Loughton	Prestwick	
Congleton	Kings Heath	Redruth	West Kirby	Morden	Renfrew	
Consett	Kingswinford	Reigate	Weymouth	New Malden	St. Andrews	Channel Islands
Corby	Lake (Isle of Wight)	Ringwood	Whitehaven	North Harrow	St. Leonards	Guernsey
Coulby Newham	Larkfield	Ripon	Whitehouse Farm	Palmers Green	Saltcoats	Jersey
Coventry (2)	Leeds (4)	Ross on Wye	Whitley Bay	Peckham	Stevenston	
Cowgate	Leek	Rubery	Willerby	Petts Wood	Stewartfield	
Cramlington	Leigh on Sea	Rugeley	Wilmslow	Pinner	Stirling	Gibraltar
Crewe	Leighton Buzzard	Rushden	Wimborne	Queensbury	Stranraer	Main Street
Cromer	Leominster	St. Helens	Wincanton	Shepherds Bush	Wishaw	Westside