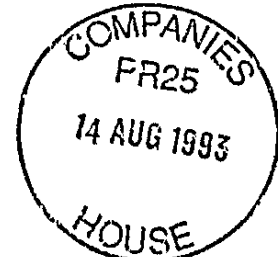


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SAFEWAY STORES plc

ACCOUNTS TOGETHER WITH THE REPORTS
OF THE DIRECTORS AND AUDITORS
FOR THE YEAR ENDED 3 APRIL 1993



SAFEWAY STORES plc

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17-08-93

SAFEWAY STORES plc

DIRECTORS AND ADMINISTRATION

Country of Registration	England
Registered Number	746956
Registered Office	6 Millington Road, Hayes, Middlesex, UB3 4AY.
Directors	Sir Alistair Grant – Chairman P.O. Kieran – Managing Director D.B. Bootle L.R. Christensen P.A. Frendo F.N. Glen D.J.H. Huber J.P. Kinch C.S. Lawrie C.D. Smith M.L. Taylor D.G.C. Webster M.J. Winch G. Wotherspoon
Company Secretary	J.P. Kinch, FCIS
Solicitors	Clifford Chance
Auditors	Arthur Andersen

SAFEWAY STORES plc
REPORT OF THE DIRECTORS

The directors present their annual report on the affairs of the group together with the audited accounts for the year ended 3 April 1993.

NAME CHANGE

On 1 June 1992 the company changed its name from Safeway plc to Safeway Stores plc.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the group is that of multiple retail grocers and supermarket operators. The company is the principal retail food operating subsidiary of Argyll Group PLC. During the year, the group has extended its food retail interests through its new store opening programme and this is planned to continue in the current year.

The company sold the trade and assets of its Presto division to Presto and Lo-Cost Stores Limited (formerly North West Stores Limited), a fellow subsidiary of Argyll Group PLC, with effect from 29 March 1992 and for a total consideration of £52,605,000 being the net asset value at 28 March 1992.

The company acquired all the business and assets of its subsidiary company Safeway Properties Limited with effect from 29 March 1992 and for a total consideration of £6,565,000, being the net asset value at 28 March 1992.

By an agreement dated 2 April 1993, the company purchased the investment in English Real Estates plc from its immediate parent company, Stores Group Limited, for a total consideration of £250,000,000.

The profit on ordinary activities before taxation was £288,474,000 (1992 - £236,726,000). Sales for the year were £4,423,864,000 (1992 - £4,410,559,000).

RESULTS AND DIVIDENDS

The profit attributable to ordinary shareholders for the year amounted to £213,193,000 (1992 - £173,367,000).

A first interim dividend of 13.0698p per ordinary share totalling £30,000,000 was paid on 12 February 1993 (1992 - £25,000,000) and a second interim dividend of 28.53573p per ordinary share totalling £65,500,000 (1992 - £Nil) was paid on 31 March 1993. The directors do not recommend the payment of a final dividend in respect of the year ended 3 April 1993 (1992 - £55,000,000).

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The directors of the company during the year were:—

Sir Alistair Grant		D.J.H. Huber
P.O. Kieran		J.P. Kinch
D.B. Bootle		C.S. Lawrie
S.H.M. Brown	— resigned 2 April 1993	C.D. Smith
L.R. Christensen		M.L. Taylor
P.A. Frendo		D.G.C. Webster
T. Gartland	— resigned 2 April 1993	M.J. Winch
F.N. Glen		G. Wotherspoon

DIRECTORS' INTERESTS

The company is a wholly-owned subsidiary and consequently none of the directors have any interest in the shares of the company.

The following directors who are not also directors of the company's ultimate holding company were interested in the ordinary 25p shares of Argyll Group PLC at the end of the year as indicated below:—

	<u>3 April 1993</u>		<u>28 March 1992</u>	
	<u>Shares</u>	<u>Share options</u>	<u>Shares</u>	<u>Share options</u>
D.B. Bootle	6,568	128,333	2,748	46,738
L.R. Christensen	6,888	142,711	3,014	158,358
F.N. Glen	6,874	140,903	5,981	129,983
D.J.H. Huber	—	138,516	—	135,828
J.P. Kinch	7,706	167,453	2,926	140,858
M.J. Winch	3,807	179,053	—	158,358

Share options granted to and exercised by directors during the year are set out below:—

	<u>Granted</u>	<u>Exercised</u>		<u>Granted</u>	<u>Exercised</u>
D.B. Bootle	85,376	3,781	D.J.H. Huber	42,688	40,000
L.R. Christensen	35,376	51,023	J.P. Kinch	30,376	3,781
F.N. Glen	40,376	29,456	M.J. Winch	25,376	3,781

Sir Alistair Grant, Mr.P.O.Kieran, Mr.P.A.Frendo, Mr.C.S.Lawrie, Mr.C.D.Smith, Mr.M.L.Taylor, Mr.D.G.C.Webster and Mr.G.Wotherspoon are directors of Argyll Group PLC and their interests in the shares of Argyll Group PLC are disclosed in the accounts of that company.

No changes in directors' interests have been notified to the company up to the date of this report.

REPORT OF THE DIRECTORS (Continued)

The share options referred to above relate to options granted under The Argyll Group Executive Share Option Scheme and/or The Argyll Savings Related Share Option Scheme and enable the option holder to subscribe for ordinary 25p shares of Argyll Group PLC. Details of options currently outstanding are:—

<u>Date of Grant</u>	<u>Subscription Price</u>	<u>Exercise Period</u>	
2 July 1985	133.14 p	2 July 1988	to 1 July 1995
1 October 1986	153.81 p	1 October 1989	to 30 September 1996
1 July 1987	195.69 p	1 August 1992	to 31 July 1993
7 December 1987	166.48 p	7 December 1990	to 6 December 1997
15 December 1988	157.72 p	15 December 1991	to 14 December 1998
29 August 1989	191.79 p	17 November 1994	to 17 May 1995
18 December 1989	196.66 p	18 December 1992	to 17 December 1999
14 June 1990	181.08 p	1 September 1995	to 29 February 1996
29 November 1990	234.63 p	29 November 1993	to 28 November 2000
21 June 1991	227.00 p	1 September 1996	to 28 February 1997
23 December 1991	272.00 p	23 December 1994	to 22 December 2001
18 June 1992	279.00 p	1 September 1997	to 28 February 1998
26 November 1992	363.00 p	26 November 1995	to 25 November 2002

At no time during the year or subsequently had any director a material interest in any contract or arrangement with the company or its subsidiaries which was significant in relation to the group's business.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year, liability insurance has been maintained for the company's directors and officers as permitted by Section 310 of the Companies Act 1985.

CASH FLOW STATEMENT

Under the provisions of Financial Reporting Standard No. 1, the company has not presented a cash flow statement because its ultimate holding company has prepared consolidated accounts which include the company and which contain a cash flow statement.

TANGIBLE FIXED ASSETS

The movement in tangible fixed assets during the year is set out in Note 8 on page 15.

EMPLOYMENT POLICIES

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 training and career development of disabled employees.

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.

REPORT OF THE DIRECTORS (Continued)

EMPLOYMENT POLICIES (Continued)

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, district and regional management, and particular use is made of a company magazine.

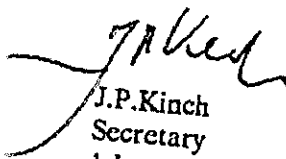
CLOSE COMPANY STATUS

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.

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.

BY ORDER OF THE BOARD


J.P. Kinch
Secretary
1 June 1993

SAFEWAY STORES plc

REPORT OF THE AUDITORS

TO THE MEMBERS OF SAFEWAY STORES plc:

We have audited the accounts on pages 7 to 22 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 3 April 1993 and of the group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen,
Chartered Accountants and Registered Auditor,
1 Surrey Street,
London, WC2R 2PS

1 June 1993

SAFEWAY STORES plc

STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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.

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

INVESTMENTS IN SUBSIDIARIES

In the company's accounts, investments in subsidiaries 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.

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.

Surpluses on sale and operating leaseback of properties are recognised as income in the year of disposal.

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

Short leasehold buildings	— term of lease
Store fitting out costs	— maximum of 35 years
Plant, equipment and vehicles	— 4 to 10 years

STATEMENT OF ACCOUNTING POLICIES (Continued)

The group's policy is to maintain its properties to a high standard through a continual programme of refurbishment and maintenance. In accordance with this practice, depreciation is not provided on freehold and long leasehold properties where, in the opinion of the directors, the residual values (in terms of original cost) are such that any depreciation charge would be immaterial. During the current year, the group has reviewed the accumulated amounts provided in prior years for depreciation on freehold and long leasehold properties and has provided such additional depreciation as is necessary.

STOCKS

Stocks are stated at the lower of first-in, first-out 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.

PENSION SCHEME CONTRIBUTIONS

Contributions to 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, less returns and allowances, and are inclusive of value added tax.

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.

SAFEWAY STORES plc

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 3 APRIL 1993

	<u>Notes</u>	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
SALES	1	4,423,864	4,410,559
Value added tax		(270,889)	(262,050)
TURNOVER, excluding value added tax		4,152,975	4,148,509
Cost of sales		(3,143,715)	(3,177,772)
GROSS PROFIT		1,009,260	970,737
Net operating expenses	2	(671,610)	(688,267)
OPERATING PROFIT		337,650	282,470
Net interest payable	3	(49,176)	(45,744)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	288,474	236,726
Tax on profit on ordinary activities	6	(75,281)	(63,359)
PROFIT FOR THE FINANCIAL YEAR		213,193	173,367
Dividends paid and proposed	7	(95,500)	(80,000)
RETAINED PROFIT FOR THE YEAR		117,693	93,367
RETAINED PROFIT, beginning of year		346,587	253,220
RETAINED PROFIT, end of year		464,280	346,587

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

SAFEWAY STORES plc

BALANCE SHEETS AT 3 APRIL 1993

		<u>GROUP</u>		<u>COMPANY</u>	
	<u>Notes</u>	<u>1993</u> £'000	<u>1992</u> £'000	<u>1993</u> £'000	<u>1992</u> £'000
FIXED ASSETS					
Tangible fixed assets	8	2,008,987	923,877	1,085,812	875,255
Investments	9	370	370	257,375	7,375
		<u>2,009,352</u>	<u>924,247</u>	<u>1,343,187</u>	<u>882,630</u>
CURRENT ASSETS					
Stocks	10	215,708	214,029	212,476	212,938
Debtors	11	96,582	823,433	734,259	858,539
Cash at bank and in hand		392,392	8,289	390,698	8,286
		<u>704,682</u>	<u>1,045,751</u>	<u>1,337,433</u>	<u>1,079,763</u>
CREDITORS, due within one year					
Bank overdrafts		(74,105)	(154,366)	(74,022)	(154,038)
Loans	13	(11,850)	(9,919)	(11,850)	(9,919)
Other creditors	12	(967,572)	(1,166,849)	(934,909)	(1,159,572)
NET CURRENT ASSETS/ (LIABILITIES)		<u>(348,845)</u>	<u>(285,383)</u>	<u>316,652</u>	<u>(243,766)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,660,507	638,864	1,659,839	638,864
CREDITORS, due after one year					
Loans	13	(956,490)	(52,540)	(956,490)	(52,540)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	14	(10,200)	(10,200)	(10,200)	(10,200)
NET ASSETS		<u>693,817</u>	<u>576,124</u>	<u>693,149</u>	<u>576,124</u>
CAPITAL AND RESERVES					
Called-up share capital	15	229,537	229,537	229,537	229,537
Profit and loss account	16	464,280	346,587	463,612	346,587
TOTAL CAPITAL EMPLOYED		<u>693,817</u>	<u>576,124</u>	<u>693,149</u>	<u>576,124</u>

Approved by the Board of Directors on 1 June 1993.

SIR ALISTAIR GRANT)
P.A.FRENDO) DIRECTORS

M Grant
PA Frendo

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

SAFEWAY STORES plc

NOTES TO THE ACCOUNTS

1. TRADING INFORMATION

The principal activities of the group are those of multiple retail grocers and supermarket operators. Substantially all contributions to sales and profit on ordinary activities before taxation arose in the United Kingdom.

The company sold the trade and assets of its Presto division to Presto and Lo - Cost Stores Limited (formerly North West Stores Limited), a fellow subsidiary company of Argyll Group PLC with effect from 29 March 1992 and for a total consideration of £52,605,000, being the net asset value at 28 March 1992.

2. NET OPERATING EXPENSES

	<u>1993</u> £'000	<u>1992</u> £'000
Distribution costs	(585,646)	(606,871)
Administrative expenses	(86,678)	(82,188)
Net profit on disposal of surplus trade properties	1,905	2,106
Net rental expense from non-trading properties	(1,191)	(1,314)
	<u>(671,610)</u>	<u>(688,267)</u>

Distribution costs and administrative expenses are net of allocations of costs incurred by the company and recharged to Presto and Lo-Cost Stores Limited, a fellow subsidiary company of Argyll Group PLC.

Included in administrative expenses is a management fee of £9,575,000 (1992 - £7,124,000) from the ultimate holding company for services provided.

3. NET INTEREST PAYABLE

	<u>1993</u> £'000	<u>1992</u> £'000
Interest payable:		
Loans repayable by instalments within five years	(4,079)	(2,693)
Bank overdrafts and loans repayable other than by instalments within five years	(57,540)	(52,388)
Loans not wholly repayable within five years	(4,604)	(5,845)
	<u>(66,223)</u>	<u>(60,926)</u>
Interest capitalised on freehold and long leasehold developments	15,950	14,206
	<u>(50,273)</u>	<u>(46,720)</u>
Interest receivable	1,097	976
	<u>(49,176)</u>	<u>(45,744)</u>

The interest element of charges payable under finance leases amounted to £6,120,000 (1992 - £5,522,000).

NOTES TO THE ACCOUNTS (Continued)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>1993</u> £'000	<u>1992</u> £'000
Depreciation of tangible fixed assets	65,338	59,323
Hire charges under operating leases		
Plant and equipment	10,874	10,275
Property — Third party	52,474	55,875
— Inter-group	—	20,744
Other hire charges	1,218	1,089
Auditors' remuneration	282	263
Staff costs (Note 5 below)	<u>475,921</u>	<u>466,829</u>

5. STAFF COSTS AND DIRECTORS' EMOLUMENTS

(a) The average weekly number of persons employed by the group was as follows:—

	<u>1993</u> Number	<u>1992</u> Number
Total employed	50,955	58,352
Full time equivalent	<u>37,705</u>	<u>41,305</u>

At 3 April 1993, the total number of employees was 52,906 (1992 — 58,161) and the full time equivalent number was 39,047 (1992 — 41,393).

(b) Staff costs during the year amounted to:—

	<u>1993</u> £'000	<u>1992</u> £'000
Wages and salaries	431,561	424,742
Social security costs	34,315	32,654
Other pension costs	10,045	9,433
	<u>475,921</u>	<u>466,829</u>

NOTES TO THE ACCOUNTS (Continued)

(c) Long term incentive plan

A performance related incentive plan was introduced in April 1988 for directors of the company and executive directors of the ultimate holding company. Payments under the first two cycles of the plan covering the financial years 1989 to 1991 and 1991 to 1993 are related to cumulative growth in the ultimate holding company's fully taxed earnings per share and increase in share price. The payment due under the third cycle of the plan covering the financial years 1993 to 1995 will be based on the ultimate holding company's total shareholder return, including reinvested dividends, compared against an index consisting of a predetermined list of comparator companies.

The total value of entitlements received by directors under the first cycle of the plan in respect of their services to the company, which vested during the financial year ended 28 March 1992, amounted to £752,770 and has been included in the analysis of directors' emoluments below for that year.

An amount of £1,507,355 (1992 – £Nil) has been charged in respect of the second cycle of the plan covering the financial years 1991 to 1993 and is included in staff costs above. Payments under the second cycle of the plan will not vest until the 1994 financial year.

A provisional amount of £780,844 has been charged in respect of the first year's performance of the third cycle of the plan covering the financial years 1993 to 1995 and is included in staff costs above. Payments under the third cycle of the plan will not vest until the 1996 financial year.

(d) Directors' emoluments:—

The staff costs above include the following emoluments in respect of directors of the company:—

	<u>1993</u> £'000	<u>1992</u> £'000
Fees	—	—
Other emoluments, including pension contributions	<u>877</u>	<u>1,534</u>

The directors emoluments shown above, excluding pension contributions, included:—

	<u>1993</u> £'000	<u>1992</u> £'000
Chairman	<u>—</u>	<u>—</u>
Highest paid director	<u>151</u>	<u>248</u>

NOTES TO THE ACCOUNTS (Continued)

The emoluments, excluding pension contributions, of the directors of the company including the Chairman and the highest paid director fell within the following bands:—

	<u>1993</u> Number	<u>1992</u> Number
£ Nil — £ 5,000	10	10
£ 90,001 — £ 95,000	—	1
£120,001 — £125,000	1	—
£130,001 — £135,000	2	—
£135,001 — £140,000	1	—
£145,001 — £150,000	1	—
£150,001 — £155,000	1	—
£215,001 — £220,000	—	2
£225,001 — £230,000	—	1
£235,001 — £240,000	—	1
£240,001 — £245,000	—	1
£245,001 — £250,000	—	1

Certain of the directors are remunerated by and as directors or officers of the ultimate holding company.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	<u>1993</u> £'000	<u>1992</u> £'000
United Kingdom corporation tax at 33% (1992 — 33%)	74,163	62,434
Overseas taxation	1,118	925
	<u>75,281</u>	<u>63,359</u>

The principal reasons for the lower than standard tax charge are tax relief for capital allowances on fixed assets exceeding related depreciation by £13,801,000 (1992 — £9,042,000) and the tax relief for interest capitalised on freehold and long leasehold developments of £5,264,000 (1992 — £4,688,000).

7. DIVIDENDS PAID AND PROPOSED

	<u>1993</u> £'000	<u>1992</u> £'000
Interim dividends paid	95,500	25,000
Final dividend proposed	—	55,000
	<u>95,500</u>	<u>80,000</u>

NOTES TO THE ACCOUNTS (Continued)

8. TANGIBLE FIXED ASSETS GROUP

	Land and buildings			Plant, equipment and vehicles	Total
	Freehold	Long leasehold	Short leasehold		
	£'000	£'000	£'000	£'000	£'000
Cost:—					
Beginning of year	363,329	55,760	170,271	601,533	1,190,893
Additions	306,394	85,059	2,438	122,603	516,494
Transferred from/(to) group companies, net	571,508	89,285	(10,514)	(22,306)	627,973
Disposals	(3,881)	—	(1,122)	(19,893)	(24,896)
Other adjustments	2,139	(97)	(2,042)	—	—
End of year	1,239,489	230,007	159,031	681,937	2,310,464
Depreciation:—					
Beginning of year	5,441	601	39,230	221,744	267,016
Charged during the year	841	—	5,480	59,017	65,338
Transferred from/(to) group companies, net	8,244	5,028	(4,564)	(20,491)	(11,783)
Disposals	(1,166)	—	(965)	(16,958)	(19,089)
Other adjustments	744	(1)	(743)	—	—
End of year	14,104	5,628	38,438	243,312	301,482
Net book value:—					
Beginning of year	357,888	55,159	131,041	379,789	923,877
End of year	1,225,385	224,379	120,593	438,625	2,008,982
Assets in course of construction included in cost above:—					
Beginning of year	166,550	30,076	—	2,598	199,224
End of year	202,021	41,816	—	1,984	245,821

At 3 April 1993, the net book value of tangible fixed assets includes £67,557,000 of leased plant, equipment and vehicles (1992 — £67,329,000). The depreciation charged in respect of leased plant, equipment and vehicles during the year amounted to £9,937,000 (1992 — £8,420,000).

Interest capitalised on freehold and long leasehold developments included in additions during the year amounted to £15,950,000 (1992 — £14,206,000). The cumulative amount of interest capitalised in the total cost above amounts to £65,749,000 (1992 — £21,178,000). Tangible fixed assets on which cumulative interest has been capitalised of £28,621,000 were transferred into the group upon the acquisition of a subsidiary from another group company, and are included within transfers from/(to) group companies.

NOTES TO THE ACCOUNTS (Continued)

8. TANGIBLE FIXED ASSETS (Continued)

COMPANY

	<u>Land and buildings</u>			<u>Plant, equipment and vehicles</u>	<u>Total</u>
	<u>Freehold</u>	<u>Long leasehold</u>	<u>Short leasehold</u>	<u>£'000</u>	<u>£'000</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>		
Cost:—					
Beginning of year	361,956	55,575	108,460	597,519	1,123,510
Additions	287,284	63,539	2,333	120,420	473,576
Transferred from/(to) group companies, net	(163,067)	(25,526)	45,995	(61,750)	(204,348)
Disposals	(3,881)	—	(1,122)	(19,730)	(24,733)
Other adjustments	2,139	(97)	(2,042)	—	—
End of year	484,431	93,491	153,624	636,459	1,368,005
Depreciation:—					
Beginning of year	4,229	556	23,605	219,865	248,255
Charged during the year	841	—	5,415	58,573	64,829
Transferred from/(to) group companies, net	1,038	(447)	10,410	(22,966)	(11,965)
Disposals	(1,166)	—	(965)	(16,795)	(18,926)
Other adjustments	744	—	(744)	—	—
End of year	5,686	109	37,721	238,677	282,193
Net book value:—					
Beginning of year	357,727	55,019	84,855	377,654	875,255
End of year	478,745	93,382	115,903	397,782	1,085,812
Assets in course of construction included in cost above:—					
Beginning of year	166,550	30,076	—	2,598	199,224
End of year	202,021	41,816	—	1,984	245,821

At 3 April 1993, the net book value of tangible fixed assets includes £67,556,000 of leased plant, equipment and vehicles (1992 – £67,328,000). The depreciation charged in respect of leased plant, equipment and vehicles during the year amounted to £9,936,000 (1992 – £8,419,000).

NOTES TO THE ACCOUNTS (Continued)

9. INVESTMENTS

(a) Fixed asset investments at cost comprise:—

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Subsidiaries	—	—	257,005	7,005
Other — Unlisted	370	370	370	370
	<u>370</u>	<u>370</u>	<u>257,375</u>	<u>7,375</u>

Unlisted investments comprise the company's shareholding (33.33%) in European Retail Alliance, a Belgian company, which provides a forum for the review and implementation of future co-operation in areas such as marketing, distribution, production and information technology.

(b) Investments in Subsidiaries

The movement on this account during the year was:—

	<u>1993</u>	<u>1992</u>
	<u>£'000</u>	<u>£'000</u>
Beginning of year	7,005	73,849
Acquisition from immediate parent company	250,000	—
Acquisition from a subsidiary company	—	6,565
Disposal to fellow subsidiary companies	—	(73,409)
End of year	<u>257,005</u>	<u>7,005</u>

By an agreement dated 2 April 1993, the company purchased the investment in English Real Estates plc from its immediate parent company, Stores Group Limited, for a total consideration of £250,000,000 being the net asset value at that date.

Set out below are the company's principal subsidiaries, all of which are wholly-owned:—

	<u>Country of Registration and Operation</u>	<u>Principal Activity</u>
English Real Estates plc	England	Property holding
Safeway (Overseas) Limited	England	Grocery retailer

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

NOTES TO THE ACCOUNTS (Continued)

10. STOCKS

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

11. DEBTORS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£'000	£'000	£'000	£'000
Amounts falling due within one year:—				
Trade debtors	939	695	939	695
Due from subsidiaries	—	—	638,858	40,417
Due from other group companies	15,396	743,743	15,396	743,743
VAT	9,675	9,262	9,675	9,262
Prepayments and accrued income	17,545	16,443	17,545	11,411
Other debtors	51,473	49,901	50,292	49,622
Tax certificates of deposit	1,554	3,389	1,554	3,389
	<u>96,582</u>	<u>823,433</u>	<u>734,259</u>	<u>858,539</u>

The amounts due from other group companies are non interest bearing.

12. OTHER CREDITORS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£'000	£'000	£'000	£'000
Amounts falling due within one year:—				
Trade creditors	400,264	390,794	398,308	390,481
Due to ultimate holding company	243,506	442,074	243,506	442,074
Due to other group companies	67	802	67	802
Due to subsidiaries	—	—	6,565	1,484
Social security and PAYE	16,802	10,004	16,802	10,004
Corporation tax payable	100,214	81,124	68,341	76,917
Accruals and deferred income	50,172	42,123	44,773	41,606
Other creditors	156,547	144,928	156,547	141,204
Proposed dividend	—	55,000	—	55,000
	<u>967,572</u>	<u>1,166,849</u>	<u>934,909</u>	<u>1,159,572</u>

The amount due to the ultimate holding company includes £238,000,000 (1992 — £438,000,000) bearing interest at current market rates which may be repayable on demand.

NOTES TO THE ACCOUNTS (Continued)

13. LOANS

	Interest rate %	<u>GROUP AND COMPANY</u>	
		<u>1993</u> £'000	<u>1992</u> £'000
Due to ultimate holding company	Interest free	900,000	—
Lease loan capital	Various	68,340	62,459
		<u>968,340</u>	<u>62,459</u>
Less: Amount repayable within one year		<u>(11,850)</u>	<u>(9,919)</u>
		<u>956,490</u>	<u>52,540</u>

Lease loan capital is repayable as follows:—

	<u>GROUP AND COMPANY</u>	
	<u>1993</u> £'000	<u>1992</u> £'000
Due within one year	11,850	9,919
Due within one to two years	12,589	10,353
Due within two to five years	35,199	34,168
Due after five years	8,702	8,019
	<u>68,340</u>	<u>62,459</u>

The amount due to the ultimate holding company has no fixed repayment date.

14. DEFERRED TAXATION

(a) Deferred taxation in the balance sheets comprises:—

	<u>GROUP AND COMPANY</u>	
	<u>1993</u> £'000	<u>1992</u> £'000
Tax allowances in excess of recorded depreciation	<u>10,200</u>	<u>10,200</u>

(b) The movement on deferred taxation during the year was:—

	<u>GROUP AND COMPANY</u>	
	<u>1993</u> £'000	<u>1992</u> £'000
Beginning of year	10,200	10,200
Transfer on acquisition of subsidiary	5,200	—
Transfer to current taxation	<u>(5,200)</u>	<u>—</u>
End of year	<u>10,200</u>	<u>10,200</u>

NOTES TO THE ACCOUNTS (Continued)

- (c) The total potential liability for deferred taxation calculated at 33% (1992 - 33%) comprises:-

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£'000	£'000	£'000	£'000
Tax allowances in excess of recorded depreciation	120,440	100,640	119,201	84,648
Other timing differences	(1,267)	(1,591)	(1,267)	(1,591)
Capital gains deferred by roll-over relief	12,050	11,040	12,050	8,031
	<u>131,223</u>	<u>110,089</u>	<u>129,984</u>	<u>91,088</u>

15. CALLED-UP SHARE CAPITAL

	<u>1993</u>	<u>1992</u>
	£'000	£'000
Authorised:-		
250,000,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted, called-up and fully paid:-		
229,536,776 Ordinary shares of £1 each	<u>229,537</u>	<u>229,537</u>

16. PROFIT AND LOSS ACCOUNT

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

	<u>1993</u>	<u>1992</u>
	£'000	£'000
Beginning of year	346,587	245,048
Profit for the financial year	212,525	181,539
Dividends paid and proposed	<u>(95,500)</u>	<u>(80,000)</u>
End of year	<u>463,612</u>	<u>346,587</u>

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off against the group's reserves is £581,288,000 (1992 - £581,288,000).

NOTES TO THE ACCOUNTS (Continued)

17. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments at the year end are:-

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Contracted for	130,088	99,797	126,805	98,874
Authorised but not contracted for	33,435	64,879	31,065	64,703
	<u>163,523</u>	<u>164,676</u>	<u>157,870</u>	<u>163,577</u>

(b) Lease commitments

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

	<u>PROPERTY</u>		<u>PLANT AND EQUIPMENT</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Operating leases which expire:-				
Within one year	185	336	3,680	3,281
Within two to five years	2,173	1,850	7,432	7,180
After five years - Third party	52,784	51,138	-	-
- Inter-group	-	65,020	-	-
	<u>55,142</u>	<u>118,344</u>	<u>11,112</u>	<u>10,461</u>

(c) Guarantees

At 3 April 1993, the company together with other group companies, has jointly and severally guaranteed certain of the group bank overdraft and loan facilities.

(d) Pension schemes

The Argyll group maintains pension schemes for all eligible 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 this 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 group employees who are scheme members.

NOTES TO THE ACCOUNTS (Continued)

The latest valuation of the scheme was carried out as at 1 April 1992 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 £294,400,000 and the actuarial value of the assets was sufficient to cover 120% 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 approximately 12 years being the average remaining service lives of scheme members.

The total pension cost for the year amounted to £10,045,000 (1992 – £9,433,000).

18. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Argyll Group PLC, which is registered in England and heads the smallest and largest group in which the accounts are consolidated. These consolidated accounts are available to the public and may be obtained from its registered office at 6 Millington Road, Hayes, Middlesex, UB3 4AY.