Registration number 0746956

Safeway Stores Limited

Directors' report and financial statements

for the 53 weeks ended 3 February 2013

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Safeway Stores Limited

Contents

Safeway Stores Limited

Directors' report for the 53 weeks ended 3 February 2013

The Directors have pleasure in presenting their report and the Company's audited financial statements for the period from 30 January 2012 to 3 February 2013

Principal activity
The principal activity of the Company is the operation of retail supermarket stores under the Morrisons brand and associated activities within the United Kingdom The term 'Company' refers to Safeway Stores Limited and the term 'Group' refers to Wm Morrison Supermarkets PLC and its subsidiary undertakings

Business review
The profit for the period after taxation amounted to £371m (2012 £387m) The Directors authorised a dividend to be paid during the period of £500m (2012 £nil) and propose a final dividend in respect of the financial period ending 3 February 2013 of 217 4p per share which will absorb a further £500m of shareholders' funds (2012 £nil)

The results for the Company show a pre-tax profit of £507m (2012 £530m) for the period and turnover of £9,544m (2012 £9,396m)

The Company's turnover grew by £148m to £9,544 00m, a 1 6% increase

Disposable incomes continued to come under pressure during the year from the unwelcome impact of inflation on commodities, with the increasing price of oil again being felt at the pump and throughout the supply chain For the third year in a row, consumers were faced with increases in the price of oil, albeit at a slower rate than previously, and in this environment consumers shop around carefully to find the best deals Our 'Fuel Britannia' programmes and innovative 'Fuel Saver' initiative have proved highly attractive to budget conscious drivers Total fuel sales increased by 10% in the year

Principal risks and uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately Accordingly, the principal risks and uncertainties of Wm Morrison Supermarkets PLC, which include those of the Company, are disclosed on pages 28 and 29 of the Group's Annual report and financial statements, which does not form part of this report

Key performance indicators
The Directors of Wm Morrison Supermarkets PLC manage operations on a Group basis For this reason, the Directors believe that analysis using key performance indicators (KPIs) for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company The KPIs of the Group are discussed on pages 14 to 15 of the Group's Annual report and financial statements, which does not form part of this report

Future developments
As a subsidiary of Wm Morrison Supermarkets PLC the Company will benefit from the Group's commitment to investment, ensuring the Company's successful performance in future

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

Environment
The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities The Company operates in accordance with Group policies, which are described in the Group's Annual report and financial statements which do not form part of this report Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption

Employment policy
The Company's comprehensive employment policies cover recruitment, selection, retention, remuneration, education, development and equality

Employee involvement
Employees are kept as fully informed as possible about the activities of the business This is achieved through internal publications, communications programmes, notice boards, briefings, local, regional and national consultative committees

The Company recognises a number of trade unions and has a partnership agreement with USDAW

The Company encourages employee involvement in the financial performance of the business through participation in either the Group profit share scheme, or management bonus plan or the Group long term incentive plan and savings related share option schemes

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

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

Disability
The Group gives full and fair consideration to applications for employment made by people with disabilities Where an employee becomes disabled whilst in employment, every effort will be made to look at appropriate and reasonable adjustments and to offer suitable employment together with assistance in retraining The Company's policy is to offer equal opportunity to all disabled applicants and employees who have a disability or who become disabled during the course of their employment in respect of recruitment, career development, promotion, training, pay and other employment conditions

Directors of the Company

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

N Addison

T Hartwell

T Strain

A Charnock

R Lancaster (resigned 13 April 2012)

G McMahon (resigned 11 January 2013)

R Pennycook (resigned 10 April 2013)

M Harrison (appointed 18 April 2012)

M Amsden (appointed 7 February 2013)

Payment to creditors

Supplier credit is an important factor in the success of the business The Company will, as previously acknowledged, work within the spirit and letter of the supermarkets' code of practice and will comply with the Grocery Supply Code of Practice The Company will continue with its policy to ensure all payments are made within mutually agreed credit terms Where disputes arise the Company attempts to sort these out promptly and amicably to ensure delays in payment are kept to a minimum Creditors are paid by Wm Morrison Supermarkets PLC and recharged to the Company Creditor days outstanding for Wm Morrison Supermarkets PLC at 3 February 2013 were 30 days (2012 30 days)

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

The auditor KPMG Audit Plc is deemed to be reappointed under section 487(2) of the Companies Act 2006

Approved by the Board on 20 September 2013 and signed on its behalf by

H Jones
Company secretary

Registered office
Hilmore House
Gain Lane
Bradford
BD3 7DL

Safeway Stores Limited

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report to the members of Safeway Stores Limited

We have audited the financial statements of Safeway Stores Limited for the 53 weeks ended 3 February 2013, set out on pages 7 to 31 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 3 February 2013 and of its profit for the 53 weeks then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Safeway Stores Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Adrian Stone (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

Date 20 September 2013

Safeway Stores Limited

Profit and loss account for the 53 weeks ended 3 February 2013

	Note	53 weeks ended 3 February 2013 £m	52 weeks ended 29 January 2012 £m
Turnover	2	9,544	9,396
Cost of sales		(8,992)	(8,859)
Gross profit		552	537
Administrative expenses		(54)	(35)
Other operating income		22	23
Loss arising on property transactions		(6)	(1)
Operating profit	6	514	524
Interest receivable and similar income	4	-	11
Interest payable and similar charges	5	(7)	(5)
Profit on ordinary activities before taxation		507	530
Taxation on profit on ordinary activities	7	(136)	(143)
Profit on ordinary activities for the financial period after taxation	18	371	387

All recognised gains and losses relating to the period and the preceding period arise from continuing operations and are shown in the profit and loss account or the statement of total recognised gains and losses

Statement of total recognised gains and losses

	Note	53 weeks ended 3 February 2013 £m	52 weeks ended 29 January 2012 £m
Profit on ordinary activities after taxation		371	387
Actuarial loss recognised in the pension scheme	16	(25)	(45)
Deferred tax thereon	16	14	9
Total recognised gains and losses relating to the period		360	351

The notes on pages 9 to 31 form an integral part of these financial statements

Safeway Stores Limited

(Registration number: 0746956)

Balance sheet at 3 February 2013

	Note	3 February 2013 £m	29 January 2012 £m
Fixed assets			
Tangible assets	9	**2,762**	2,897
Investments in subsidiaries	10	**350**	350
		3,112	3,247
Current assets			
Stocks	11	**216**	233
Debtors	12	**2,452**	1,686
Cash at bank and in hand		**-**	3
		2,668	1,922
Creditors amounts falling due within one year	13	**(3,449)**	(1,538)
Net current (liabilities)/assets		**(781)**	384
Total assets less current liabilities		**2,331**	3,631
Creditors amounts falling due after more than one year	14	**(29)**	(1,150)
Provisions for liabilities and charges	15	**(193)**	(196)
Net assets excluding pension assets		**2,109**	2,285
Net pension asset	16	**43**	7
Net assets including pension assets		**2,152**	2,292
Capital and reserves			
Called up share capital	17	**230**	230
Profit and loss account	18	**1,922**	2,062
Equity shareholders' funds	19	**2,152**	2,292

Approved by the Board on 20 September 2013 and signed on its behalf by

T Strain
Director

The notes on pages 9 to 31 form an integral part of these financial statements

1 Accounting policies

The term 'Company' refers to Safeway Stores Limited and the term 'Group' refers to Wm Morrison Supermarkets PLC and its subsidiary undertakings

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

Basis of preparation
These separate financial statements, which have been prepared on the going concern basis, under the historic cost convention and in accordance with applicable accounting standards under UK GAAP, are presented as required by the Companies Act 2006

The Directors have chosen not to prepare consolidated financial statements for Safeway Stores Limited in accordance with the provisions of section 400 of the Companies Act 2006 The results of the Company are included in the consolidated financial statements of Safeway Limited and of Wm Morrison Supermarkets PLC

Under FRS 8 Related party disclosures, the Company is exempt from the requirement to disclose related party transactions with wholly owned entities that are part of the Wm Morrison Supermarkets PLC Group on the grounds that it is a wholly owned subsidiary itself

Under FRS 1 Cash flow statements, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that Wm Morrison Supermarkets PLC includes the Company in its own published consolidated financial statements and these are publicly available

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

Turnover
Turnover is recognised when significant risks and rewards of ownership have been transferred to the buyer, there is reasonable certainty of recovery of the consideration and the amount of turnover, associated costs and possible return of goods can be estimated reliably Turnover is recorded net of value added tax

a) Sale of goods in-store and fuel
Sale of goods in-store is recorded net of value added tax, staff discounts, coupons, vouchers and the free element of multi-save transactions Turnover is recognised when transactions are completed in-store Sale of fuel is recognised net of value added tax and Morrisons Miles award points

b) Other sales
Other sales primarily comprises income from concessions and commissions based on the terms of the contract Turnover collected on behalf of others is not recognised as turnover, other than the related commission Sales are recorded net of value added tax and intra-group transactions

Cost of sales
Cost of sales consists of all costs to the point of sale including warehouse and transportation costs Store depreciation, store overheads and store-based employee costs are also allocated to cost of sales

1 **Accounting policies** (continued)

Income from suppliers
Supplier incentives, rebates and discounts are collectively referred to as supplier income in the retail industry Supplier income is recognised as a deduction from cost of sales on an accruals basis based on the expected entitlement which has been earned up to the balance sheet date for each relevant supplier contract The accrued incentives, rebates and discounts receivable at year end are included within prepayments and accrued income Where amounts received are in the expectation of future business, these are recognised in the profit and loss account in line with that future business

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases, all other leases are classified as finance leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives The capital elements of future obligations under the leases are included as liabilities in the balance sheet The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives The capital element of future finance payments is included within creditors Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding

Lessor accounting - operating leases
Assets acquired and held for use under operating leases are recorded as fixed assets and are depreciated on a straight line basis to their estimated residual values over their estimated useful lives Operating lease income is credited on a straight line basis to the date of the next rent review

Lessee accounting - operating leases
Rental payments are taken to the profit and loss account on a straight line basis over the life of the lease

Lessee accounting - finance leases
The present value, calculated using the interest rate implicit in the lease, of the future minimum lease payments is included within property, plant and equipment and financial liabilities as an obligation to pay future rentals Depreciation is provided at the same rates as for owned assets, or over the lease period if shorter

1 Accounting policies (continued)

Fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses Historical cost includes expenditure that is directly attributable to the acquisition of the item

The policy of the Company is to provide depreciation at rates which are calculated to write off the cost less residual value of tangible fixed assets by equal annual instalments The rates applied are

Asset class	Depreciation method and rate
Freehold land	0%
Freehold and leasehold land and buildings	Over the shorter of the lease period and 2 5%
Plant, machinery and vehicles	10 - 33%
Assets under construction	0%
Leasehold land	Over 40 years

Assets are reviewed for indications of impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable If there are such indications then a test is performed on the unit affected to assess its recoverable amount against carrying value An impaired asset is written down to the higher of value in use or its fair value less costs to sell

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset

If there is indication of an increase in fair value of an asset that had been previously impaired, then this is recognised by reversing the impairment, but only to the extent that the recoverable amount does not exceed the carrying amount that would have been determined if no impairment had been recognised for the asset

Capitalisation of interest

All borrowing costs are recognised in the Company's profit and loss account on an accruals basis except for interest costs that are directly attributable to the construction of buildings and other qualifying assets which are capitalised and included within the initial cost of an asset Capitalisation of interest ceases when the asset is ready for use

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment

Stocks

Stocks are measured at the lower of cost and net realisable value Provision is made for obsolete and slow moving items Cost is calculated on a weighted average basis and comprises purchase price, import duties and other non-recoverable taxes less rebates Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale Stocks represent goods for resale

1 Accounting policies (continued)

Provisions

Provisions are created where the Company has a present obligation as a result of a past event, where it is probable that it will result in an outflow of economic benefits to settle the obligation from the Company, and where it can be reliably measured

Provisions are made in respect of individual properties where there are obligations for onerous contracts, dilapidations and certain decommissioning obligations for petrol filling stations The amounts provided are based on the Company's best estimate of the likely committed outflow to the Company Where material, these estimated outflows are discounted to net present value

Pensions

The Company operates defined benefit and defined contribution schemes A defined contribution scheme is a pension scheme under which the Company pays fixed contributions into a separate entity A defined benefit scheme is one that is not a defined contribution scheme Pension benefits under defined benefit schemes are defined on retirement based on age at date of retirement, years of service and either the employee's final compensation package or career average revalued earnings

The Company operates a defined benefit retirement scheme which is funded by contributions from the Company and members The defined benefit scheme is not open to new members Pension scheme assets, which are held in separate trustee administered funds, are valued at market rates Pension scheme obligations are measured at discounted present value and other assumptions as shown in note 16 The operating and financing costs of the scheme are recognised separately in the profit and loss account in the period in which they arise

Death-in-service costs are recognised on a straight line basis over their vesting period

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

The Company has a right to recognise an asset, should one arise, in respect of the Company's net obligations to the pension scheme Therefore either an asset or a liability is recognised in the balance sheet, and is stated net of deferred tax

Payments by the Company to the defined contribution scheme are charged to the profit and loss account as they arise

The Morrisons Group also operates a cash balance scheme, which provides a lump sum benefit based upon a defined proportion of an employee's earings each year The scheme is defined benefit in nature

1 Accounting policies (continued)

Deferred and current taxation
Current tax payable is based on the taxable profit for the year using tax rates in effect during the period Taxable profit differs from the profit as reported in the profit and loss account as it is adjusted both for items that will never be taxable or deductible and timing differences

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at average rates expected to apply when they crystallise, based on tax rates enacted or substantively enacted at the balance sheet date Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements

A net deferred tax asset is recognised only when it is recoverable on the basis that it is more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax assets and liabilities are not discounted

Share-based payments
Wm Morrison Supermarkets PLC, the ultimate holding company, issues equity-settled share-based payments to certain Company employees in exchange for services rendered by them

The fair value of the share-based award is calculated at the date of grant and is expensed on a straight line basis over the vesting period based on an estimate of share options that will eventually vest This takes into account movement of non-market conditions, being service conditions and financial performance, if relevant The fair value of equity-settled awards granted is not subsequently revisited

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

The cost of the share-based award relating to the Company's employees is calculated based on an appropriate apportionment and recharged through intercompany The charge to reserves is retained within Wm Morrison Supermarkets PLC's retained earnings

2 Turnover

	53 weeks ended 3 February 2013 £m	52 weeks ended 29 January 2012 £m
Sales of goods in-store	**7,269**	7,327
Fuel	**2,249**	2,044
Total store-based sales	**9,518**	9,371
Other sales	**26**	25
Turnover	**9,544**	9,396

3 Employee numbers and costs

The average number of employees employed by the Company during the period, analysed by category was as follows

	53 weeks ended 3 February 2013 No.	52 weeks ended 29 January 2012 No.
Stores	**57,179**	62,283

The aggregate payroll costs were as follows

	53 weeks ended 3 February 2013 £m	52 weeks ended 29 January 2012 £m
Wages and salaries	**726**	737
Social security costs	**41**	47
Pension costs	**17**	14
Share-based payments	**2**	9
	786	807

3 Employee numbers and costs (continued)

The share-based payments cost has been recharged from Wm Morrison Supermarkets PLC in respect of shares it has granted to employees of the Company The fair value assumptions, method of accounting and financial models used in determining the share-based payment charge are consistent with those adopted in the Wm Morrison Supermarkets PLC Annual report and financial statements The charge in the period in respect of the Company amounted to £2m (2011 £9m)

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

Where the Directors are also Directors of the ultimate parent company, Wm Morrison Supermarkets PLC, details of the emoluments and accrued benefits under the defined benefit pension schemes that the Directors received for the period ended 3 February 2013 are disclosed in the Annual report and financial statements of that company

4 Interest receivable and similar income

	Note	53 weeks ended 3 February 2013 £m	52 weeks ended 29 January 2012 £m
Net pension interest income	16	-	11

5 Interest payable and similar charges

	Note	53 weeks ended 3 February 2013 £m	52 weeks ended 29 January 2012 £m
Net pension interest expense	16	2	-
Finance charges on finance leases		5	5
		7	5

6 Operating profit

Operating profit is stated after charging

	Note	53 weeks ended 3 February 2013 £m	52 weeks ended 29 January 2012 £m
Depreciation of tangible fixed assets - owned by the Company		144	143
Depreciation of tangible fixed assets - under finance leases		4	-
Hire charges under operating leases - property		21	22

Fees paid to the auditor of £18,000 (2012 £18,000) in relation to audit services have been paid by Wm Morrison Supermarkets PLC on the Company's behalf There are no fees in relation to non-audit services

7 Taxation on profit on ordinary activities

	53 weeks ended 3 February 2013 £m	52 weeks ended 29 January 2012 £m
Current tax		
UK corporation tax at 24 33% (2012 26 33%)	123	155
Adjustments in respect of prior periods	(2)	(6)
Total current tax	121	149
Deferred tax		
Origination and reversal of timing differences	15	(8)
Adjustment in respect of prior periods	-	2
Total deferred tax	15	(6)
Taxation on profit on ordinary activities	136	143

7 Taxation on profit on ordinary activities (continued)

Factors affecting current tax charge for the period

Tax on profit on ordinary activities for the year is lower than (2012 - higher than) the standard rate of corporation tax in the UK of 24 33% (2012 - 26 33%)

The differences are reconciled below

	53 weeks ended 3 February 2013 £m	52 weeks ended 29 January 2012 £m
Profit on ordinary activities before taxation	**507**	530
Corporation tax at standard rate	**123**	140
Depreciation (lower than)/in excess of capital allowances	**(18)**	(3)
Expenses not deducted for tax purposes	**3**	5
Current tax relief on special contribution (note 16)	**(3)**	(3)
Other short term timing differences	**1**	1
Non-qualifying depreciation	**18**	17
Adjustment in respect of prior periods	**(2)**	(6)
Group relief claimed	**(1)**	(2)
Resulting current tax charge for period	**121**	149

Factors affecting current and future tax charges
The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012 Accordingly, the Group's profits for this accounting period are taxed at the combined rate of 24 33%

The Finance Act 2012, which had been substantively enacted by the balance sheet date, includes legislation to further reduce the main rate of corporation tax to 23% on 1 April 2013 Consequently, deferred tax balances identified at the balance sheet date have been measured at this rate, the overall impact of this change is a credit to the Income Statement of £13m

The Autumn Statement 2012 has indicated that the main rate of corporation tax will further reduce to 21% in April 2014, and 20% in April 2015, however since these changes have not been substantively enacted, the impact of the changes is not included in these Financial Statements Had the change been substantively enacted, the overall effect of this change would be a credit to the Income Statement of £26m

8 Dividends

	3 February 2013 £m	29 January 2012 £m
Dividends paid		
Amounts recognised as distributed to equity shareholders in the year		
Dividend paid in the period ended 3 February 2013 of 217 4p	500	-

9 Tangible fixed assets

	Freehold land and buildings £m	Leasehold land and buildings £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation				
At 29 January 2012	3,221	373	1,325	4,919
Additions	74	10	48	132
Disposals	(125)	-	(32)	(157)
At 3 February 2013	3,170	383	1,341	4,894
Depreciation				
At 29 January 2012	644	126	1,252	2,022
Charge for the period	64	11	73	148
Disposals	(15)	-	(23)	(38)
At 3 February 2013	693	137	1,302	2,132
Net book value				
At 3 February 2013	2,477	246	39	2,762
At 29 January 2012	2,577	247	73	2,897

Freehold land included in the total cost above amounts to £1,223m (2012 £1,185m)

There was £nil interest capitalised in the period (2012 £nil) The cumulative amount of interest capitalised in the total cost above amounts to £150m (2012 £150m)

Assets held under finance leases, capitalised and included in tangible fixed assets have a cost of £29m (2012 £5m) and net book value of £25m (2012 £5m)

The cost of property assets held as lessor included in the above figures is £47m (2012 £47m) The related accumulated depreciation is £12m (2012 £11m)

The value of assets under construction on which depreciation is not charged is £5m (2012 £14m)

10 Investments in subsidiaries

	Total £m
Cost at 29 January 2012 and 3 February 2013	458
Provision for impairment at 29 January 2012 and 3 February 2013	(108)
Net book value at 29 January 2012 and 3 February 2013	350

The provision of £108m (2012 £108m) relates to the Company's investment in Safeway Stores (Ireland) Limited

Details of undertakings
Details of subsidiary investments are as follows

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Safeway (Overseas) Limited	Ordinary	100%	Grocery retailing
Stalwart Investments Limited	Ordinary	100%	Property investment
English Real Estates Limited	Ordinary	100%	Non-trading
Safeway Properties Limited	Ordinary	100%	Non-trading
Evermere Limited	Ordinary	100%	Non-trading
J3 Property Limited	Ordinary	100%	Non-trading
Oldwest Limited	Ordinary	100%	Non-trading
Velligrist Limited	Ordinary	100%	Non-trading
Safeway Stores (Ireland) Limited	Ordinary	100%	Non-trading
Safeway Pension Trustees Limited	Ordinary	100%	Non-trading
Freehold Investments Limited	Ordinary	100%	Property investment

With the exemption on Stalwart Investments Limited and Freehold Investments Limited, both incorporated in Jersey, all subsidiaries are incorporated in England and Wales

11 Stocks

There is no significant difference between the balance sheet value and replacement cost of stocks All stocks are goods held for resale

12 Debtors

	3 February 2013 £m	29 January 2012 £m
Amounts owed by Group undertakings	**2,423**	1,633
Prepayments and accrued income	**29**	53
	2,452	1,686

The amounts owed by Group undertakings are non-interest bearing, unsecured and have no fixed date of repayment

13 Creditors: amounts falling due within one year

	3 February 2013 £m	29 January 2012 £m
Bank overdrafts	**16**	27
Trade creditors	**32**	31
Amounts owed to Group undertakings	**2,002**	1,173
Amounts owed to parent company	**1,150**	-
Corporation tax	**124**	149
Other creditors	**9**	13
Accruals and deferred income	**116**	145
	3,449	1,538

The amounts owed to Group undertakings are non-interest bearing, unsecured and have no fixed date of repayment

Amounts owed to parent company are repayable on demand and so have been presented as current liabilities

14 Creditors: amounts falling due after more than one year

	3 February 2013 £m	29 January 2012 £m
Finance lease obligations due after more than 5 years	**29**	-
Amounts owed to parent company	**-**	1,150
	29	1,150

15 Provisions for liabilities and charges

	Deferred tax £m	Property provisions £m	Total £m
At 29 January 2012	127	69	196
Charged to the profit and loss account	6	2	8
Unused amounts reversed during period	-	3	3
Utilised in period	-	(14)	(14)
At 3 February 2013	133	60	193

The deferred tax liability can be analysed as follows

	3 February 2013 £m	29 January 2012 £m
Accelerated capital allowances	**137**	132
Other timing differences	**(4)**	(5)
	133	127

In addition to the above there is also a deferred tax asset of £1m (2012 £2m) relating to the pension asset that has been added to the net pension asset on the balance sheet The deferred tax asset arises because of the effect of spreading rules on the special contribution made in the year (note 16)

15 Provisions for liabilities and charges (continued)

Property provisions
Property provisions comprise petrol filling station decommissioning reserve, onerous leases provision and provisions for dilapidations on leased buildings

Decommissioning costs are incurred when the petrol filling station tanks have reached the end of their useful life or when they become redundant A provision is recognised for the present value of costs to be incurred to decommission the petrol tanks

Onerous leases relate to sublet or vacant properties Where the rent receivable on the properties is less than the rent payable, a provision based on present value of the net cost is made to cover the expected shortfall The lease commitments range from 1 to 59 years

Dilapidation costs are incurred to bring a leased building back to the condition to which it was originally leased The costs are due to the landlord on termination of the lease

16 Pension scheme

Defined benefit pension scheme

The Company operates a pension scheme providing benefits defined on retirement based on age at date of retirement, years of service and a formulae using either the employee's compensation package or career average revalue earnings (CARE) The assets of the scheme are held in a separate trustee administered fund The latest full actuarial valuations were carried out at 1 April 2010 and were updated for IAS 19 'Employee benefits' purposes for the period to 3rd February 2013 by a qualified independent actuary

On 31 January 2013 the Group made a contribution to the Pension scheme of £60m and, on the same day, the Pension scheme invested this in Wm Morrison Property Partnership ("SLP"), a limited partnership controlled by Wm Morrison Supermarkets Plc group Under FRS 17, the investment held by the pension scheme represents a scheme asset in the Company financial statements As a partner in SLP the pension scheme is entitled to a semi-annual share of the profits of SLP each year for 20 years

Consequently, the Company has recognised an increase in its pension scheme assets of £60m, resulting in a net pension asset In addition, the Company has derecognised property sold to SLP (note 9) and recognised a related debtor due from Wm Morrison Supermarkets PLC Tax relief on this contribution is spread over four years

The total Company contributions to the CARE scheme in the next year are expected to be £15m (2012 £13m)

16 **Pension scheme** (continued)

Assumptions

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

i) Financial

The principal actuarial assumptions at the balance sheet date are as follows

	3 February 2013 %	29 January 2012 %
Discount rate	**4 85**	4 75
Future salary increases	**3.70**	4 55
Future pension increases to April 2005	**3.70**	3 30
Future pension increase from April 2005	**2 30**	2 30
Inflation assumption	**2.90%-3.70%**	2 50%-3 30%

ii) Longevity

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics The longevity assumption considers how long a member will live when they reach the age of retirement Amongst the UK population there is a continuing trend for a generation to live longer than the preceding generation, and this has been reflected in the longevity assumption This means that a 45 year old today is assumed to live on average longer than a 65 year old today This particular adjustment, described in the mortality tables below, is known as 'Long Cohort' and is in-line with the latest advice from the Pension Regulator

In calculating the present value of the liabilities the actuary selects the appropriate mortality table that reflects the longevity assumption The most up to date tables are used in each period The current mortality table used is S1PMA/S1PFA-Heavy YOB (2012 S1PMA/S1PFA-Heavy YOB) As disclosed in the Critical accounting assumptions on page 69 of the Annual report and financial statements of Wm Morrison Supermarkets PLC, the results of the experience study conducted for the scheme have been used to adjust the longevity assumption in 2010

16 Pension scheme continued

iii) Expected return on assets
The major assumptions used to determine the expected future return on the scheme's assets, are as follows

	3 February 2013 Years	29 January 2012 Years
Current pensioners at retirement age - male	**22.1**	22 0
Current pensioners at retirement age - female	**23.1**	23 0
Future pensioners at retirement age - male	**24.5**	24 4
Future pensioners at retirement age - female	**25.4**	25 3

Scheme assets long term rate of return	2013	2012
Equities	**7 30%**	5 09%
Bonds	**4.85%**	4 75%
Gilts	**-**	2 90%
Liability driven investments	**3.30%**	-
Scottish limited partnership	**4.05%**	-
Cash	**0 60%**	1 50%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice Under FRS17 the interest of the scheme in the Partnership is included within the scheme's assets, valued at £60m

Valuations

Assets of the scheme are held in order to generate cash to be used to satisfy the scheme's obligations, and are not necessarily intended to be realised in the short-term The allocation of assets between categories is governed by the Investment Principles of the scheme and is the responsibility of the trustees of the scheme The trustees should take due consideration of the Group's views and a representative of the Group attends Trustee Investment Committees The fair value of the scheme's assets, which may be subject to significant change before they are realised

	3 February 2013 £m	29 January 2012 £m
Equity instruments	**903**	794
Bonds	**597**	546
Gilts	**-**	606
Liability driven investments	**623**	-
Scottish limited partnership	**60**	-
Cash	**1**	5
Total fair value of plan assets	**2,184**	1,951

16 Pension scheme (continued)

The present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are inherently uncertain, are as follows

	3 February 2013 £m	29 January 2012 £m
Reconciliation of scheme assets and liabilities		
Fair value of scheme assets	**2,184**	1,951
Present value of scheme liabilities	**(2,142)**	(1,942)
Defined benefit pension scheme surplus	**42**	9
Related deferred tax asset/(liability)	**1**	(2)
Net asset in the balance sheet	**43**	7

The movement in the fair value of scheme's assets over the year was as follows

	3 February 2013 £m	29 January 2012 £m
Fair value of scheme assets at start of period	**1,951**	1,751
Expected return on scheme assets	**90**	106
Scottish limited partnership	**60**	-
Actuarial gains	**108**	112
Employer contributions	**15**	13
Contributions by scheme participants	**5**	5
Benefits paid	**(45)**	(36)
Fair value of scheme assets at end of period	**2,184**	1,951

16 Pension scheme (continued)

The above pension scheme assets do not include any investments in the parent company's own shares Property used by the Group with a net book value of £108m (2012 £nil) is held by the Scottish Limited Partnership, in which the scheme has an interest

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

	3 February 2013 £m	29 January 2012 £m
Defined benefit obligation at the beginning of the period	1,942	1,709
Current service cost	15	12
Employee contributions	5	5
Other finance expense	92	95
Actuarial losses	133	157
Benefits paid	(45)	(36)
Defined benefit obligation at the end of period	2,142	1,942

Amounts recognised in the profit and loss account

	3 February 2013 £m	29 January 2012 £m
The following amounts have been charged in arriving at operating profit in respect of pension costs:		
Current service cost	(15)	(12)
	(15)	(12)
The following amounts have been included in net finance (cost)/income:		
Expected return on pension scheme assets	90	106
Interest on pension scheme liabilities	(92)	(95)
Net pension interest (cost)/income	(2)	11

16 Pension scheme (continued)

Amounts recognised in the statement of total recognised gains and losses (STRGL)

	3 February 2013 £m	29 January 2012 £m
Actual return less expected return on scheme assets	**108**	112
Changes in assumptions underlying the present value of scheme liabilities	**(133)**	(157)
Actuarial loss recognised in the STRGL	**(25)**	(45)

16 Pension scheme (continued)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since 1 January 2002 is a loss of £140m (2012 £115m)

The history of experience gains and losses is as follows

	2013	2012	2011	2010	2009
	£m	£m	£m	£m	£m
Difference between the expected and actual return on scheme assets					
- Amount	**108**	112	48	199	(339)
- Percentage of scheme assets	**4.9%**	5 7%	2 7%	12 3%	(24 9)%
Experience gains and losses on scheme liabilities					
- Amount	-	-	(81)	-	(3)
- Percentage of present value of scheme liabilities	-	-	(4 7)%	-	(0 2)%
Effects to changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
- Amount	**(133)**	(157)	81	(242)	244
- Percentage of present value of scheme liabilities	**(6.2%)**	(8 1)%	4 7%	(148)%	17 6%
Total amount recognised in STRGL					
- Amount	**(25)**	(45)	48	(43)	(98)
- Percentage of present value of scheme liabilities	**(1.2%)**	(2 3)%	2 8%	(2 6)%	(7 0)%
Total value of scheme's assets	**2,184**	1,951	1,751	1,621	1,360
Present value of defined benefit obligation	**(2,142)**	(1,942)	(1,709)	(1,639)	(1,389)
Net pension asset / (liability)	**42**	9	42	(18)	(29)

16 Pension scheme (continued)

Other schemes

Employees joining the Company after September 2000 are no longer eligible to gain automatic entry into the CARE pension scheme In June 2001 the Company established a stakeholder pension scheme open to all employees, to which the Company makes matching contributions of a maximum of 5% of eligible earnings

Pension costs for the defined contribution scheme are as follows

	3 February 2013	29 January 2012
	£m	£m
Stakeholder pension scheme	**1**	1

On 24 September 2012, the Morrisons Group opened a new post retirement benefit plan, the Morrisons Retirement Saver Plan The scheme provides a lump sum benefit based upon a defined proportion of an employee's earnings each year, revalued in line with a guaranteed rate prior to retirement All employees joining the Group after 24 September 2012 are automatically enrolled Existing employees are also eligible to join In the year contributions of £2m were made into the scheme by the Company

17 Called up share capital

Allotted, called up and fully paid shares

	2013		**2012**	
	Number of shares millions	**£m**	**Number of shares millions**	**£m**
Ordinary shares of £1 each	**230**	**230**	230	230

18 Profit and loss account

	Total £m
At start of period	**2,062**
Profit on ordinary activities for the period after taxation	**371**
Dividends	**(500)**
Actuarial loss recognised in the pension scheme	**(25)**
Tax arising on actuarial loss	**14**
At 3 February 2013	**1,922**

19 Reconciliation of movement in shareholders' funds

	3 February 2013 £m	29 January 2012 £m
Profit on ordinary activities after taxation	**371**	387
Dividends paid	**(500)**	-
Other recognised gains and losses	**(11)**	(36)
Net (decrease)/increase in shareholders' funds	**(140)**	351
Opening shareholders' funds	**2,292**	1,941
Closing shareholders' funds	**2,152**	2,292

20 Commitments

Operating lease commitments
The Company's aggregate minimum annual rentals under non-cancellable leases inclusive of unconditional future obligations are as follows

	3 February 2013 £m	29 January 2012 £m
Operating leases which expire:		
Within one year	**-**	2
Within two and five years	**4**	4
After five years	**30**	21
	34	27

21 Guarantees and other financial commitments

Wm Morrison Supermarkets PLC has given an unlimited guarantee in respect of the overdraft of all the subsidiary undertakings within the Group's banking offset agreement

Where the Group enters into financial contracts to guarantee the indebtedness of other companies within its Group, it considers these to be insurance arrangements, and accounts for them as such In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee

22 Ultimate holding company

The immediate parent undertaking is Stores Group Limited The head of the smallest group in which the results of the Company are consolidated is Safeway Limited which is incorporated in Great Britain and registered in England and Wales Copies of the financial statements of Safeway Limited are available from the address below

The ultimate parent undertaking, controlling party and head of the largest group in which the results of the Company are consolidated is Wm Morrison Supermarkets PLC which is incorporated in Great Britain and registered in England and Wales

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

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