746956

SAFEWAY STORES plc

REPORT AND ACCOUNTS 1998

SAFEWAY STORES plc

LIST OF CONTENTS

SAFEWAY STORES plc

DIRECTORS AND ADMINISTRATION

Country of Registration	England
Registered Number	746956
Registered Office	6 Millington Road, Hayes, Middlesex, UB3 4AY.
Directors	C.D. Smith - Chairman L.R. Christensen I.E. Fraser J.P. Kinch S.T. Laffin A.R. Morris R.E. Partington R. Ramsden R.G. Williams 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 accounts and auditors' report for the year ended 28 March 1998.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the group continues to be grocery retailing in the United Kingdom. The company is the principal operating subsidiary of Safeway plc. During the year, the group extended its grocery retail interests through its Safeway new store opening programme and this is planned to continue in the current year.

On 19 June 1997, the company entered into a joint venture with Fitzwilton plc through a new subsidiary company Safeway Stores (Ireland) Limited to acquire certain stores and sites in Ireland. This comprised 15 trading stores, initially under the Wellworth fascia but now under the Safeway fascia, and four development sites. The company has management control and, accordingly, the joint venture has been treated as a subsidiary and consolidated within the accounts for the year ended 28 March 1998.

RESULTS AND DIVIDENDS

Sales for the year were £7,493.6 million (1997 - £7,066.4 million). The group's profit on ordinary activities before taxation amounted to £349.3 million (1997 - £421.3 million).

The profit attributable to ordinary shareholders for the year amounted to £245.7 million (1997 - £287.2 million).

A first interim dividend of 20.9116817p per ordinary share totalling £48.0 million was paid on 11 March 1998 (1997 - £48.0 million) and a second interim dividend of 52.27920427p per ordinary share totalling £120.0 million (1997 - £100.0 million) was paid on 23 March 1998. The directors do not recommend the payment of a final dividend in respect of the year ended 28 March 1998 (1997 - £Nil).

DIRECTORS

The directors of the company during the year were:-

C.D. Smith		A.R. Morris	
R.G.B. Charters	- Resigned 27 March 1998	R.E. Partington	
L.R. Christensen		R. Ramsden	- Appointed 14 October 1997
I.E. Fraser		R.G. Williams	
T. Gartland	- Retired 30 June 1997	M.J. Winch	
J.P. Kinch		G. Wotherspoon	
S.T. Laffin			

DIRECTORS' INTERESTS

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

The following directors who were not also directors of the company's ultimate holding company at 28 March 1998 were interested in the ordinary 25p shares of Safeway plc at the end of the year as indicated below:-

	28 March 1998		29 March 1997	
	Shares	Share options	Shares	Share options
L.R. Christensen	9,687	138,826	4,210	186,702
I.E. Fraser	11,176	153,892	-	171,668
J.P. Kinch	101,957	201,553	51,476	166,702
A.R. Morris	8,352	193,892	5,696	186,668
R. Ramsden	-	108,597	- *	58,597 *
R.G. Williams	5,492	208,771	5,012	197,653
M.J. Winch	4,878	141,553	4,708	156,702

* At date of appointment

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

	Granted	Exercised		Granted	Exercised
L.R. Christensen	37,500	85,376	R. Ramsden	50,000 *	- *
I.E. Fraser	39,912	57,688	R.G. Williams	41,118	30,000
J.P. Kinch	40,227	5,376	M.J. Winch	40,227	55,376
A.R. Morris	39,912	32,688			

* Since date of appointment

Mr.C.D.Smith, Mr.S.T.Laffin, Mr.R.E.Partington and Mr.G.Wotherspoon are directors of Safeway plc and their interests in the shares of Safeway plc are disclosed in the accounts of that company.

The share options referred to above relate to options granted under the Safeway Executive Share Option scheme and/or The Safeway Sharesave Scheme and enable the option holder to subscribe for ordinary 25p shares of Safeway plc. Details of options currently outstanding are:-

Date of Grant	Subscription price	Exercise Period		
15 December 1988	157.72p	15 December 1991	to	14 December 1998
18 December 1989	196.66p	18 December 1992	to	17 December 1999
29 November 1990	234.63p	29 November 1993	to	28 November 2000
23 December 1991	272.00p	23 December 1994	to	22 December 2001
18 June 1992	279.00p	1 September 1997	to	31 August 1998
26 November 1992	363.00p	26 November 1995	to	25 November 2002
15 July 1993	264.00p	1 September 1998	to	28 February 1999
6 December 1993	255.00p	6 December 1996	to	5 December 2003
23 June 1994	194.00p	1 September 1999	to	29 February 2000
13 December 1994	237.00p	13 December 1997	to	12 December 2004
15 June 1995	260.00p	1 September 2000	to	28 February 2001
19 December 1995	308.00p	19 December 1998	to	18 December 2005
29 July 1996	271.00p	1 September 2001	to	28 February 2002
9 December 1996	375.50p	9 December 1999	to	8 December 2006
26 June 1997	286.00p	1 September 2002	to	28 February 2003
21 November 1997	318.75p	21 November 2000	to	20 November 2007

Executive scheme 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 ultimate holding 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 and since December 1995, the required level of earnings per share growth by the ultimate holding company has been increased to an average of at least 2% per annum in excess of the Retail Prices Index.

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.

CASH FLOW STATEMENT AND RELATED PARTY TRANSACTIONS

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.

Under the provisions of Financial Reporting Standard No.8, the company has not disclosed details of inter-group transactions because its ultimate holding company has prepared consolidated accounts which include the company and are available to the public.

SUPPLIERS' PAYMENT POLICY

A strategic objective of the group is to have mutually beneficial long-term relationships with our suppliers and we seek to settle, in advance, the terms of payment with suppliers and abide by those terms. The average number of days credit taken by the group for trade purchases at 28 March 1998 was 46 days (1997 - 43 days), whereas the average during the year was 39 days (1997 - 38 days).

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 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 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, with particular use being made of company magazines.

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
18 June 1998

SAFEWAY STORES plc

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:

* to select suitable accounting policies and then apply them consistently;

* to make judgements and estimates that are reasonable and prudent;

* to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

* 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:

* 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;

* that the accounts are in agreement with the accounting records and returns;

* that directors' emoluments and other transactions with directors are properly disclosed in the accounts; and

* 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 SAFEWAY STORES plc:

We have audited the accounts on pages 8 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 6, 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 28 March 1998 and of the group's 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 Auditors,
1 Surrey Street,
London, WC2R 2PS

18 June 1998

SAFEWAY STORES plc

STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention and in accordance with all applicable United Kingdom accounting and financial reporting standards.

PRINCIPLES OF CONSOLIDATION

The group accounts comprise the accounts of the company, its subsidiary undertakings and its share of the profits or losses from joint ventures. 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 AND JOINT VENTURES

In the company's accounts, investments in subsidiaries and joint ventures 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 in excess of the normal annual charge over the remaining estimated life to write them down to net realisable value.

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.

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 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.

PRODUCT RESEARCH AND DEVELOPMENT

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

SAFEWAY STORES plc

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 28 MARCH 1998

	Notes	1998 £m	1997 £m
SALES	1	7,493.6	7,066.4
Value added tax		(514.9)	(476.7)
TURNOVER, excluding value added tax		6,978.7	6,589.7
Cost of sales		(5,475.2)	(5,145.2)
GROSS PROFIT		1,503.5	1,444.5
Net operating expenses	2	(1,095.1)	(983.5)
OPERATING PROFIT		408.4	461.0
Share of joint venture operating loss	3	(0.2)	-
Net property losses	4	(18.5)	(9.5)
Net interest payable	5	(40.4)	(30.2)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	349.3	421.3
Tax on profit on ordinary activities	8	(108.4)	(134.1)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		240.9	287.2
Minority interest		4.8	-
PROFIT FOR THE FINANCIAL YEAR		245.7	287.2
Dividends paid and proposed	9	(168.0)	(148.0)
RETAINED PROFIT FOR THE YEAR		77.7	139.2

There are no recognised gains or losses other than those shown in the profit and loss account above.

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

SAFEWAY STORES plc

BALANCE SHEETS AT 28 MARCH 1998

		GROUP		COMPANY	
		1998	1997	1998	1997
	Notes	£m	£m	£m	£m
FIXED ASSETS					
Tangible fixed assets	11	3,465.6	3,211.8	3,340.9	3,159.0
Investments	12	6.6	0.4	273.6	250.8
		3,472.2	3,212.2	3,614.5	3,409.8
CURRENT ASSETS					
Stocks	13	337.6	295.7	329.0	294.0
Debtors	14	127.2	113.7	187.2	168.2
Cash at bank and in hand		2.6	32.5	2.0	3.6
		467.4	441.9	518.2	465.8
CREDITORS, due within one year					
Bank overdrafts		(322.2)	(176.1)	(350.9)	(176.1)
Loans	16	(3.6)	(8.6)	(3.6)	(8.6)
Other creditors	15	(1,588.4)	(1,609.5)	(1,846.2)	(1,854.7)
NET CURRENT LIABILITIES		(1,446.8)	(1,352.3)	(1,682.5)	(1,573.6)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,025.4	1,859.9	1,932.0	1,836.2
CREDITORS, due after one year					
Loans	16	(818.7)	(775.3)	(771.7)	(775.3)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	17	(10.2)	(10.2)	(10.2)	(10.2)
NET ASSETS		1,196.5	1,074.4	1,150.1	1,050.7
CAPITAL AND RESERVES					
Called-up share capital	18	229.5	229.5	229.5	229.5
Profit and loss account		961.8	844.9	920.6	821.2
SHAREHOLDERS' FUNDS	19	1,191.3	1,074.4	1,150.1	1,050.7
Minority interest		5.2	-	-	-
TOTAL CAPITAL EMPLOYED		1,196.5	1,074.4	1,150.1	1,050.7

Approved by the Board of Directors on 18 June 1998

C.D. SMITH) DIRECTORS
S.T. LAFFIN)

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 group's sole trading activity is grocery retailing which is carried out almost entirely in the United Kingdom.

On 19 June 1997, the company entered into a joint venture with Fitzwilton plc through a new subsidiary company Safeway Stores (Ireland) Limited to acquire certain stores and sites in Ireland. The company has management control and, accordingly, the joint venture has been treated as a subsidiary and consolidated within the accounts for the year ended 28 March 1998.

2. NET OPERATING EXPENSES

	1998 £m	1997 £m
Distribution costs	(956.2)	(873.5)
Administrative expenses	(122.4)	(110.0)
Store portfolio review and redundancy programme (below)	(16.5)	-
	(1,095.1)	(983.5)

Included in administrative expenses is a management fee of £2.3 million (1997 - £6.0 million) payable to the ultimate holding company for services provided.

The store portfolio review and redundancy programme comprises:

	1998 £m	1997 £m
Operating items (above)		
Closure costs of stores	(11.5)	-
Other costs	(5.0)	-
	(16.5)	-
Property items (Note 4 below)		
Provisions for losses on fixed asset disposals	(11.0)	-
Reverse premia provisions	(2.5)	-
	(30.0)	-

The operating items charge of £16.5 million comprises two parts. Firstly, property and redundancy costs as a result of the announced decision to close certain older and compromised stores. Secondly, other costs mainly relating to redundancies resulting from initiatives to reduce the group's central cost base.

The property items charge totalling £13.5 million also comprises two parts. Firstly, all the fixed asset losses arising from the store portfolio review have been identified and charged this year. These are for specific losses relating to the store disposal programme, together with the disposal of certain fixtures and fittings resulting from new initiatives being implemented in stores. Secondly, reverse premia provisions have been charged against expected losses on resultant property disposals.

3. SHARE OF JOINT VENTURE OPERATING LOSS

On 22 June 1997, the company entered into a joint venture partnership with BP Oil UK Limited to develop, on certain sites, a joint retailing business in the convenience store market linked to petrol filling stations (Note 12 below). As the company's share is 50% and both partners exercise joint control, this operation has been accounted for as a joint venture in accordance with the new Financial Reporting Standard ("FRS 9"). The total sales of £25.0 million (the company's share being £12.5 million) during the year ended 28 March 1998 from the seven pilot sites trading at the end of the year are not material to the company and are disclosed here rather than on the face of the Profit and Loss Account.

4. NET PROPERTY LOSSES

	1998 £m	1997 £m
Profits on property disposals	0.2	2.5
Losses on property disposals	(2.8)	(1.1)
Provisions for loss on disposal of stores and development sites	(2.4)	(10.9)
Store portfolio review and redundancy programme (Note 2 above)	(13.5)	-
	(18.5)	(9.5)

5. NET INTEREST PAYABLE

	1998 £m	1997 £m
Interest payable:		
Loans from ultimate holding company	(32.4)	(32.5)
Loans repayable by instalments within five years	(1.1)	(2.2)
Bank overdrafts and loans repayable other than by instalments within five years	(16.4)	(4.6)
	(49.9)	(39.3)
Interest capitalised on freehold and long leasehold developments	8.6	8.1
	(41.3)	(31.2)
Interest receivable	0.9	1.0
	(40.4)	(30.2)

The interest element of charges payable under finance leases amounted to £1.1 million (1997 - £2.2 million).

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

		1998 £m	1997 £m
Depreciation of tangible fixed assets		166.3	143.7
Hire charges under operating leases	- Plant and equipment	22.8	22.2
	- Property	55.9	54.4
Auditors' remuneration		0.2	0.2
Staff costs (Note 7 below)		695.3	636.9

Other fees paid to the auditors and associated firms during the year totalled £0.3 million (1997 - £2.0 million mainly comprising consultancy fees of £1.7 million paid to Andersen Consulting).

7. STAFF COSTS AND DIRECTORS' EMOLUMENTS

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

	1998 Number	1997 Number
Total employed	75,193	70,423
Full-time equivalent	50,969	49,560

At 28 March 1998, the total number of employees was 76,096 (1997 - 71,196) and the full-time equivalent number was 50,580 (1997 - 50,358).

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

	1998 £m	1997 £m
Wages and salaries	634.5	582.5
Social security costs	43.7	39.8
Other pension costs	17.1	14.6
	695.3	636.9

(c) Long-term incentive plan

The ultimate holding company has operated a long-term incentive plan for directors and senior executives of the company and executive directors of the ultimate holding company since 1988.

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 cycle. The actual number of shares to which executives obtain vested rights depends on the ultimate holding company's performance over that same period. Executives have no rights or entitlements to an award of shares and no awards are made if a participant has left the company's employment prior to the end of the performance period.

The 1994 cycle matured in March 1997 following which 75% of the award was vested to participants in May 1997 with the balance vesting in May 1998. Awards under the 1994 cycle, covering the three financial years ending 29 March 1997, were determined by comparing the ultimate holding company's total shareholder return (defined as the net increase in share price plus reinvested dividends and any other capital changes over the cycle) to that of a weighted, by market capitalisation, basket of competitor companies in the food retail sector.

Cycles of the plan are now annual and the 1996, 1997 and 1998 cycles cover the three financial years ending in 1999, 2000 and in 2001 respectively. Awards will be determined by reference to both the ultimate holding company's total shareholder return compared to that of a basket of competitor companies and the increase in earnings per share.

(d) Directors' emoluments:-

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

	1998	1997
	£'000	£'000
Fees	-	-
Other emoluments, including pension contributions	2,965	1,460

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

	1998	1997
	£'000	£'000
Highest paid director	456	194

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

In addition to the above, £70,500 was paid to a director subsequent to his ceasing to hold office during the year ended 28 March 1998 (1997 - £285,000).

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	1998 £m	1997 £m
United Kingdom corporation tax at 31% (1997 - 33%)	110.2	133.5
Overseas taxation	1.3	1.6
Prior year items	(3.1)	(1.0)
	108.4	134.1

The principal reasons for the lower than standard tax charge are tax relief for capital allowances on fixed assets exceeding related depreciation by £4.1 million (1997 - £11.2 million) and tax relief for interest capitalised on freehold and long leasehold developments of £2.7 million (1997 - £2.7 million).

In the year ended 28 March 1998, no taxation relief has been assumed on the net property losses of £5.0 million nor on the fixed asset losses and reverse premia provisions totalling £13.5 million which form part of the store portfolio review and redundancy programme. Tax relief of £4.8 million has been assumed on the operating items charge totalling £16.5 million included within the store portfolio review and redundancy programme.

9. DIVIDENDS PAID AND PROPOSED

	1998 £m	1997 £m
Interim dividends paid	168.0	148.0
Final dividend proposed	-	-
	168.0	148.0

10. PROFIT ON TRANSFER OF SUBSIDIARY

During the year, the company purchased Safeway Properties Limited from the ultimate holding company for a consideration of £6.6 million, being the original cost of investment (Note 12 below). The net assets of Safeway Properties Limited at the date of acquisition were £45.8 million, thus giving rise to a profit to the group of £39.2 million. A dividend receivable of £25.7 million has been credited to the company's Profit and Loss account during the year, reducing the net assets of Safeway Properties Limited at 28 March 1998 to £20.1 million.

11. TANGIBLE FIXED ASSETS

GROUP

	Land and buildings			Plant, equipment and vehicles	
	Freehold	Long leasehold	Short leasehold		Total
	£m	£m	£m	£m	£m
Cost:-					
Beginning of year	2,556.6	281.7	184.9	981.2	4,004.4
Additions	244.6	13.7	7.5	160.9	426.7
Disposals	(10.6)	(0.9)	(5.0)	(43.7)	(60.2)
End of year	2,790.6	294.5	187.4	1,098.4	4,370.9
Depreciation:-					
Beginning of year	139.2	34.3	85.8	533.3	792.6
Charged during the year	40.6	5.0	3.4	117.3	166.3
Disposals	(5.5)	(0.8)	(4.8)	(42.5)	(53.6)
Reclassifications	(1.2)	0.5	(6.8)	7.5	-
End of year	173.1	39.0	77.6	615.6	905.3
Net book value:-					
Beginning of year	2,417.4	247.4	99.1	447.9	3,211.8
End of year	2,617.5	255.5	109.8	482.8	3,465.6

Assets in course of construction included in cost above:-

Beginning of year	172.3	-	-	3.2	175.5
End of year	123.2	-	0.2	1.1	124.5

Freehold land included in the total cost above amounts to £1,230.3 million (1997 - £1,096.9 million).

At 28 March 1998, the cost and depreciation values for plant, equipment and vehicles included £206.3 million of fully depreciated fixed assets (1997 - £135.8 million).

At 28 March 1998, the net book value of tangible fixed assets included £10.1 million of leased plant, equipment and vehicles (1997 - £20.7 million). The depreciation charged in respect of leased plant, equipment and vehicles during the year amounted to £10.6 million (1997 - £10.3 million).

Interest capitalised on freehold and long leasehold developments included in additions during the year amounted to £8.6 million (1997 - £8.1 million). The cumulative amount of interest capitalised in the total cost above amounts to £124.0 million (1997 - £116.9 million).

11. TANGIBLE FIXED ASSETS (Continued)

COMPANY

	Land and buildings			Plant, equipment and vehicles	Total
	Freehold	Long leasehold	Short leasehold		
	£m	£m	£m	£m	£m
Cost:-					
Beginning of year	2,537.0	251.4	184.0	970.7	3,943.1
Additions	185.9	6.5	7.2	147.2	346.8
Disposals	(10.6)	(0.8)	(5.0)	(41.7)	(58.1)
End of year	2,712.3	257.1	186.2	1,076.2	4,231.8
Depreciation:-					
Beginning of year	138.5	32.3	84.9	528.4	784.1
Charged during the year	40.2	4.1	3.4	111.4	159.1
Disposals	(5.5)	(0.7)	(4.8)	(41.3)	(52.3)
Reclassifications	(1.2)	0.5	(6.8)	7.5	-
End of year	172.0	36.2	76.7	606.0	890.9
Net book value:-					
Beginning of year	2,398.5	219.1	99.1	442.3	3,159.0
End of year	2,540.3	220.9	109.5	470.2	3,340.9

Assets in course of construction included in cost above:-

Beginning of year	172.3	-	-	3.2	175.5
End of year	112.0	-	0.2	1.1	113.3

Freehold land included in the total cost above amounts to £1,188.6 million (1997 - £1,084.3 million).

At 28 March 1998, the cost and depreciation values for plant, equipment and vehicles included £204.7 million of fully depreciated fixed assets (1997 - £135.1 million).

At 28 March 1998, the net book value of tangible fixed assets included £10.1 million of leased plant, equipment and vehicles (1997 - £20.7 million). The depreciation charged in respect of leased plant, equipment and vehicles during the year amounted to £10.6 million (1997 - £10.3 million).

12. INVESTMENTS

(a) Fixed asset investments comprise:-

	GROUP		COMPANY	
	1998 £m	1997 £m	1998 £m	1997 £m
Investment in BP joint venture	6.2	-	6.2	-
Subsidiaries	-	-	267.0	250.4
Other - Unlisted	0.4	0.4	0.4	0.4
	6.6	0.4	273.6	250.8

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) Investment in BP joint venture

On 22 June 1997, the company entered into a joint venture partnership with BP Oil UK Limited to develop, on certain sites, a joint retailing business in the convenience store market linked to petrol filling stations (Note 3 above). The investment of £6.2 million reflects the company's share of the cost of developing and fitting out these sites.

At 28 March 1998, the company's share of the gross assets and the gross liabilities of the partnership totalled £8.2 million and £2.0 million respectively.

(c) Investments in Subsidiaries

The movement on this account during the year was:-

	1998 £m	1997 £m
Beginning of year	250.4	250.4
Investment in Safeway Stores (Ireland) Limited	10.0	-
Transfer from ultimate holding company	6.6	-
End of year	267.0	250.4

Additions during the year comprised the new joint venture operation in Ireland with Fitzwilton plc through a new subsidiary company Safeway Stores (Ireland) Limited. The company's investment of £10.0 million, represents 50.01% of the issued share capital. In addition, the company purchased Safeway Properties Limited from the ultimate holding company for a consideration of £6.6 million, being the original cost of investment.

The company's other major wholly-owned trading subsidiary is Safeway (Overseas) Limited, a company registered in England, and operating as a grocery retailer in the Channel Islands (Guernsey and Jersey), Gibraltar and the Isle of Man.

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.

13. STOCKS

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

14. DEBTORS

	GROUP		COMPANY	
	1998	1997	1998	1997
	£m	£m	£m	£m
Amounts falling due within one year:-				
Trade debtors	6.1	1.3	6.1	1.3
Due from subsidiaries	-	-	62.9	54.5
Tangible fixed asset disposals	2.5	7.5	2.5	7.5
Prepayments and accrued income	19.9	24.3	19.9	24.3
Other debtors	95.8	77.7	92.9	77.7
Certificates of tax deposit	2.9	2.9	2.9	2.9
	127.2	113.7	187.2	168.2

The amounts due from subsidiaries are non interest bearing.

15. OTHER CREDITORS

	GROUP		COMPANY	
	1998	1997	1998	1997
	£m	£m	£m	£m
Amounts falling due within one year:-				
Trade creditors	655.6	594.8	654.8	594.8
Due to ultimate holding company	421.7	471.5	421.7	471.5
Due to subsidiaries	-	-	277.7	251.0
Due to other group companies	114.2	114.2	114.2	114.2
Corporation tax payable	122.7	143.5	113.4	138.2
Capital expenditure	82.9	129.5	81.9	129.5
Social Security and PAYE	12.2	11.3	12.2	11.3
VAT	21.1	13.8	18.5	13.3
Accruals and deferred income	73.7	65.7	72.1	65.7
Other creditors	84.3	65.2	79.7	65.2
	1,588.4	1,609.5	1,846.2	1,854.7

The amount due to the ultimate holding company includes £407.1 million (1997 - £410.7 million) bearing interest at current market rates which may be repayable on demand. The balancing items due to the ultimate holding company are non interest bearing.

The amounts due to subsidiaries and other group companies are non interest bearing.

16. LOANS

	Interest rate %	GROUP 1998 £m	GROUP 1997 £m	COMPANY 1998 £m	COMPANY 1997 £m
Due to ultimate holding company	Free	750.0	750.0	750.0	750.0
Unsecured bank loan 2002	Variable	47.0	-	-	-
Unsecured loan 2001	Variable	16.0	16.0	16.0	16.0
Lease loan capital	Various	8.7	17.3	8.7	17.3
Unsecured loan notes 1999	7	0.6	0.6	0.6	0.6
		822.3	783.9	775.3	783.9
Less: Amount repayable within one year		(3.6)	(8.6)	(3.6)	(8.6)
		818.7	775.3	771.7	775.3

Loans are repayable as follows:-

	GROUP 1998 £m	GROUP 1997 £m	COMPANY 1998 £m	COMPANY 1997 £m
Due within one year:				
Lease	3.0	8.6	3.0	8.6
Other	0.6	-	0.6	-
Due within one to two years:				
Lease	2.5	3.0	2.5	3.0
Due within two to five years:				
Bank	63.0	16.0	16.0	16.0
Lease	3.2	5.7	3.2	5.7
Other	-	0.6	-	0.6
	72.3	33.9	25.3	33.9
No fixed repayment date	750.0	750.0	750.0	750.0
	822.3	783.9	775.3	783.9

17. DEFERRED TAXATION

(a) The movement on deferred taxation during the year was:-

	GROUP 1998 £m	GROUP 1997 £m	COMPANY 1998 £m	COMPANY 1997 £m
Beginning of year	10.2	10.2	10.2	10.2
Tax on profit on ordinary activities	-	-	-	-
End of year	10.2	10.2	10.2	10.2

(b) The total potential liability for deferred taxation calculated at 31% (1997 - 33%) comprises:-

	GROUP		COMPANY	
	1998	1997	1998	1997
	£m	£m	£m	£m
Tax allowances in excess of recorded depreciation	164.0	162.7	164.7	161.9
Other timing differences	(2.7)	(0.1)	(0.1)	(0.1)
Capital gains deferred by roll-over relief	19.2	15.4	19.2	15.4
	180.5	178.0	183.8	177.2

18. CALLED-UP SHARE CAPITAL

	1998	1997
	£m	£m
Authorised:-		
250,000,000 Ordinary shares of £1 each	250.0	250.0
Allotted, called-up and fully paid:-		
229,536,776 Ordinary shares of £1 each	229.5	229.5

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	1998	1997	1998	1997
	£m	£m	£m	£m
Profit for the financial year	245.7	287.2	267.4	279.6
Dividends paid and proposed	(168.0)	(148.0)	(168.0)	(148.0)
Net addition to shareholders' funds	77.7	139.2	99.4	131.6
Negative goodwill arising from a transfer of a subsidiary	39.2	-	-	-
	116.9	139.2	99.4	131.6
Shareholders' funds, beginning of year	1,074.4	935.2	1,050.7	919.1
Shareholders' funds, end of year	1,191.3	1,074.4	1,150.1	1,050.7

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off against the group's reserves is £581.3 million (1997 - £581.3 million) and £39.2 million (1997 - £Nil) of negative goodwill has been credited direct to reserves.

20. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments authorised and contracted for at the year end totalled £56.3 million (1997 - £69.5 million).

(b) Lease commitments

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

	PROPERTY		PLANT AND EQUIPMENT	
	1998 £m	1997 £m	1998 £m	1997 £m
Operating leases which expire:-				
Within one year	0.2	0.2	5.0	8.1
Within two to five years	5.2	2.3	15.9	13.7
After five years	50.2	52.9	-	-
	55.6	55.4	20.9	21.8

(c) Guarantees

At 28 March 1998, the company together with other group companies, has jointly and severally guaranteed certain of the group's bank overdraft and loan facilities.

(d) Pension schemes

The Safeway 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 £17.1 million (1997 - £14.6 million). This reflected a regular cost of £23.4 million (1997 - £19.9 million) and a credit of £6.3 million (1997 - £5.3 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 £190.3 million (1997 - £164.8 million).

21. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Safeway plc, which 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 their registered office at 6 Millington Road, Hayes, Middlesex, UB3 4AY.

SAFEWAY STORES (FUEL) LIMITED

ACCOUNTS TOGETHER WITH THE REPORTS

OF THE DIRECTORS AND AUDITORS

FOR THE YEAR ENDED 28 MARCH 1998

1786151

SAFEWAY STORES (FUEL) LIMITED

LIST OF CONTENTS

SAFEWAY STORES (FUEL) LIMITED

DIRECTORS AND ADMINISTRATION

Country of Registration	England
Registered Number	1786151
Registered Office	P.O.Box 8, 6 Millington Road, Hayes, Middlesex, UB3 4AY.
Directors	J.P. Kinch G.P.J. Dudley G. Ellis
Company Secretary	J.P. Kinch, FCIS
Solicitors	Clifford Chance
Auditors	Arthur Andersen

SAFEWAY STORES (FUEL) LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report on the affairs of the company together with the audited accounts for the year ended 28 March 1998.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

During the year, the company has acted as an agent in the supply of petroleum products to Safeway Stores plc, the company's immediate parent company.

RESULTS AND DIVIDENDS

The profit for the financial year was £920,785 (1997 - £586,396).

The directors do not recommend the payment of a final dividend in respect of the year ended 28 March 1998 (1997 - £Nil).

DIRECTORS

The directors of the company during the year were:-

R.S. Fisher	- Resigned 25 March 1998
J.P. Kinch	
G.P.J. Dudley	- Appointed 25 March 1998
G. Ellis	- Appointed 25 March 1998

DIRECTORS' INTERESTS

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

The directors were interested in the ordinary 25p shares of Safeway plc at the end of the year as indicated below:-

	28 March 1998		29 March 1997	
	Shares	Share options	Shares	Share options
J.P. Kinch	101,957	201,553	51,476	166,702
G.P.J. Dudley	27,365	75,738	27,365 *	75,738 *
G. Ellis	2,043	97,101	2,043 *	97,101 *

* At date of appointment

Share options granted to and exercised by directors during the year or since date of appointment are set out below:-

	Granted	Exercised
J.P. Kinch	40,227	5,376
G.P.J. Dudley	- *	- *
G. Ellis	- *	- *

* Since date of appointment

The share options referred to above relate to options granted under the Safeway Executive Share Option scheme and/or The Safeway Sharesave Scheme and enable the option holder to subscribe for ordinary 25p shares of Safeway plc. Details of options currently outstanding are:-

Date of Grant	Subscription price	Exercise Period		
15 December 1988	157.72p	15 December 1991	to	14 December 1998
18 December 1989	196.66p	18 December 1992	to	17 December 1999
29 November 1990	234.63p	29 November 1993	to	28 November 2000
23 December 1991	272.00p	23 December 1994	to	22 December 2001
18 June 1992	279.00p	1 September 1997	to	31 August 1998
26 November 1992	363.00p	26 November 1995	to	25 November 2002
15 July 1993	264.00p	1 September 1998	to	28 February 1999
6 December 1993	255.00p	6 December 1996	to	5 December 2003
23 June 1994	194.00p	1 September 1999	to	29 February 2000
13 December 1994	237.00p	13 December 1997	to	12 December 2004
15 June 1995	260.00p	1 September 2000	to	28 February 2001
19 December 1995	308.00p	19 December 1998	to	18 December 2005
29 July 1996	271.00p	1 September 2001	to	28 February 2002
9 December 1996	375.50p	9 December 1999	to	8 December 2006
26 June 1997	286.00p	1 September 2002	to	28 February 2003
21 November 1997	318.75p	21 November 2000	to	20 November 2007

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

CASH FLOW STATEMENT AND RELATED PARTY TRANSACTIONS

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.

Under the provisions of Financial Reporting Standard No.8, the company has not disclosed details of inter-group transactions because its ultimate holding company has prepared consolidated accounts which include the company and are available to the public.

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
3 June 1998

SAFEWAY STORES (FUEL) LIMITED

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

* to select suitable accounting policies and then apply them consistently;

* to make judgements and estimates that are reasonable and prudent;

* to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

* to prepare the accounts on the going concern basis unless it is inappropriate to presume that the company 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 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 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:

* that the company has maintained proper accounting records;

* that the accounts are in agreement with the accounting records;

* that directors' emoluments and other transactions with directors are properly disclosed in the accounts; and

* 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.

SAFEWAY STORES (FUEL) LIMITED

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF SAFEWAY STORES (FUEL) LIMITED:

We have audited the accounts on pages 7 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5, 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, 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 at 28 March 1998 and of the 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 Auditors,
1 Surrey Street,
London, WC2R 2PS

3 June 1998

SAFEWAY STORES (FUEL) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 28 MARCH 1998

	Notes	1998 £	1997 £
SALES		628,771,025	414,970,853
Value added tax		(93,649,300)	(61,799,992)
TURNOVER, excluding value added tax		535,121,725	353,170,861
Cost of sales		(533,787,255)	(352,295,643)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,334,470	875,218
Tax on profit on ordinary activities	3	(413,685)	(288,822)
PROFIT FOR THE FINANCIAL YEAR		920,785	586,396
Dividends	4	-	-
RETAINED PROFIT FOR THE YEAR		920,785	586,396
RETAINED PROFIT, beginning of year		586,396	-
RETAINED PROFIT, end of year		1,507,181	586,396

There are no recognised gains or losses or movements in shareholders' funds other than those shown in the profit and loss account above.

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

SAFEWAY STORES (FUEL) LIMITED

BALANCE SHEET AT 28 MARCH 1998

	Notes	1998 £	1997 £
CURRENT ASSETS			
Amount due from group company	5	2,310,924	1,028,466
Cash at bank and in hand		548,885	339,719
		2,859,809	1,368,185
CREDITORS, due within one year	6	(1,352,528)	(781,689)
NET ASSETS		1,507,281	586,496
CAPITAL AND RESERVES			
Called-up share capital	7	100	100
Profit and loss account		1,507,181	586,396
TOTAL CAPITAL EMPLOYED		1,507,281	586,496

Approved by the Board of Directors on 3 June 1998.

J.P. KINCH) DIRECTORS
G.P.J. DUDLEY)

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

SAFEWAY STORES (FUEL) LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of Accounting

The accounts have been prepared under the historical cost convention and in accordance with all applicable United Kingdom accounting and financial reporting standards.

Taxation

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

Sales

Sales represent proceeds from the company's immediate parent company and are inclusive of value added tax.

Cost of Sales

Cost of sales represents the purchase cost of goods for resale.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) The profit on ordinary activities before taxation is derived solely from the supply of petroleum products to Safeway Stores plc, the company's immediate parent company.

(b) There were no emoluments received or receivable by any of the directors in respect of their services to the company during the year (1997 - £Nil).

(c) Administrative expenses for the company, including auditors' remuneration, have been borne by another group company.

(d) The company has no employees.

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and comprises UK corporation tax at 31% (1997 - 33%).

4. DIVIDENDS

	1998	1997
	£	£
Proposed final dividend	-	-

5. **AMOUNT DUE FROM GROUP COMPANY**

The amount due from group company is non interest bearing.

6. **CREDITORS,** due within one year

	1998	1997
	£	£
Corporation tax payable	413,685	288,822
VAT	938,843	492,867
	1,352,528	781,689

7. **CALLED-UP SHARE CAPITAL**

	1998 and 1997	
	Authorised	Allotted, called-up and fully paid
	£	£
Ordinary shares of £1 each	100	100

8. **ULTIMATE HOLDING COMPANY**

The company's ultimate holding company is Safeway plc, which heads the largest group in which the accounts are consolidated. The smallest group in which the accounts are consolidated is headed by Safeway Stores plc. Both of these consolidated sets of accounts are available to the public and may be obtained from their registered office at 6 Millington Road, Hayes, Middlesex, UB3 4AY.