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SAFEWAY plc

ACCOUNTS TOGETHER WITH THE REPORTS
OF THE DIRECTORS AND AUDITORS
FOR THE YEAR ENDED 30 MARCH 1991

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SAFEWAY plc

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SAFEWAY plc

DIRECTORS AND ADMINISTRATION

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

SAFeway plc

REPORT OF THE DIRECTORS

The directors present their annual report on the affairs of the group together with the audited accounts for the year ended 30 March 1991.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The profit on ordinary activities before tax was £243,772,000 (1990 - £185,725,000). Turnover was £1,757,510,000 (1990 - £4,138,719,000).

RESULTS AND DIVIDENDS

The profit attributable to ordinary shareholders for the year ended 30 March 1991 amounted to £190,849,000 (1990 - £141,340,000).

An interim dividend of 11.76282p per ordinary share totalling £27,000,000 was paid on 15 February 1991 (1990 - £22,500,000). The directors recommend a final dividend of 27.92581p per ordinary share totalling £64,100,000 in respect of the year ended 30 March 1991 (1990 - £41,500,000).

DIRECTORS

The directors of the company during the year were:-

M.A. Grant (Chairman)	P.O. Kieran
D.B. Bootle	J.P. Kinch
S.H.M. Brown	C.S. Lawrie
L.R. Christensen	C.D. Smith
P.A. Frendo	M.L. Taylor
T. Gartland	D.G.C. Webster
F.N. Glen	M.J. Winch
F. Howitt	G. Wotherspoon
D.J.H. Huber	

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' INTERESTS

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

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

	<u>30 March 1991</u>		<u>31 March 1990</u>	
	<u>Shares</u>	<u>Share options</u>	<u>Shares</u>	<u>Share options</u>
D.B. Bootle	-	176,524	-	181,524
S.H.M. Brown	-	114,482	-	165,990
L.R. Christensen	-	135,508	-	146,888
T. Gartland	10,000	197,862	10,000	179,242
F.N. Glen	5,000	143,124	5,000	167,951
P. Howitt	-	170,888	30,000	191,142
D.J.H. Huber	-	179,676	-	127,741
J.P. Kinch	3,286	150,508	3,250	197,396
M.J. Winch	-	170,508	-	171,142

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

	<u>Issued</u>	<u>Exercised</u>
D.B. Bootle	15,000	20,000
S.H.M. Brown	24,000	75,508
L.R. Christensen	54,000	65,380
T. Gartland	49,000	30,380
F.N. Glen	35,935	60,762
P. Howitt	-	20,254
D.J.H. Huber	51,935	-
J.P. Kinch	69,000	115,888
M.J. Winch	50,000	50,634

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

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

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

<u>Date of Grant</u>	<u>Subscription Price</u>	<u>Exercise Period</u>	
2 July 1985	136.76p	2 July 1988	to 1 July 1995
1 October 1986	157.99p	1 October 1989	to 30 September 1996
27 February 1987	189.10p	27 February 1990	to 26 February 1997
10 April 1987	200.45p	10 April 1990	to 9 April 1997
1 July 1987	201.00p	1 August 1992	to 31 January 1993
7 December 1987	171.00p	7 December 1990	to 6 December 1997
15 December 1988	162.00p	15 December 1991	to 14 December 1998
29 August 1989	197.00p	17 November 1994	to 17 May 1995
18 December 1989	202.00p	18 December 1992	to 17 December 1999
14 June 1990	186.00p	1 September 1995	to 29 February 1996
29 November 1990	241.00p	29 November 1993	to 28 November 2000

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

REPORT OF THE DIRECTORS (Continued)

TANGIBLE FIXED ASSETS

The movement on tangible fixed assets during the year is set out in Note 9 on page 15.

DISABLED EMPLOYEES

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

HEALTH AND SAFETY AT WORK

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.

EMPLOYEE COMMUNICATION AND CONSULTATION

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

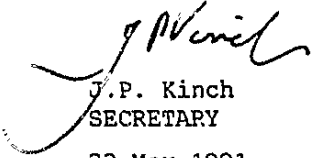
CLOSE COMPANY STATUS

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 & Co. 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

23 May 1991

SAFEWAY plc
REPORT OF THE AUDITORS

TO THE MEMBERS OF SAFEWAY plc:

We have audited the accounts on pages 6 to 22, in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 30 March 1991 and of the group profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen & Co.

Arthur Andersen & Co.,
Chartered Accountants,
1 Surrey Street,
London, WC2R 2PS

23 May 1991

SAFWAY plc

STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts have been prepared on the historical cost basis and in accordance with Statements of Standard Accounting Practice, using the following accounting policies:-

PRINCIPLES OF CONSOLIDATION

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

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

GOODWILL

Goodwill arising in connection with the acquisition of subsidiaries and businesses has been written off against reserves.

INVESTMENTS IN SUBSIDIARIES

In the company's accounts, investments in subsidiaries are stated at cost, less amounts written off. Only dividends received and receivable are credited to the company's profit and loss account.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation.

Plant, equipment and vehicles which are leased but provide the group with substantially all the benefits and risks of ownership are capitalised at the original cost to the lessor.

Interest costs relating to the financing of freehold and long leasehold developments are capitalised up to the date of completion of the project.

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

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

Short leasehold buildings	- Term of lease
Store fitting out costs	- Maximum of 35 years
Plant, equipment and vehicles	- 4 to 10 years

The group's policy is to maintain its properties to a high standard through a continuing programme of refurbishment and maintenance. In accordance with this practice, depreciation is not provided on freehold and long leasehold properties where, in the opinion of the directors, the residual values (in terms of original cost) are such that any depreciation charge would be immaterial. During the current year, the group has reviewed the accumulated amounts provided in prior years for depreciation on freehold and long leasehold properties and has concluded that no additional depreciation was required.

STOCKS

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

TAXATION

Corporation tax is provided on the taxable profits for the year at the rate current during the year. Deferred taxation is provided, using the liability method, in respect of tax allowances for fixed assets in excess of depreciation provided in the accounts and other timing differences, only to the extent that it is probable that a liability will crystallize.

PENSION SCHEME CONTRIBUTIONS

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

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.

TURNOVER

Turnover represents sales to external customers, less returns and allowances, and is inclusive of value added tax.

COST OF SALES AND DISTRIBUTION COSTS

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

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

SAFEWAY plc

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 MARCH 1991

	<u>Notes</u>	<u>1991</u> £'000	<u>1990</u> £'000
TURNOVER	1	4,757,510	4,138,719
Less: value added tax		(261,404)	(223,342)
		<hr/> 4,496,106	<hr/> 3,915,377
Cost of sales		(3,551,557)	(3,119,129)
		<hr/> 944,549	<hr/> 796,248
GROSS PROFIT			
Net operating expenses	2	(659,485)	(574,464)
		<hr/> 285,064	<hr/> 221,784
OPERATING PROFIT			
Net interest payable	3	(41,292)	(19,922)
		<hr/> 243,772	<hr/> 201,862
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM			
Exceptional item	4	-	(16,137)
		<hr/> 243,772	<hr/> 185,725
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		
Tax on profit on ordinary activities	7	(52,923)	(44,385)
		<hr/> 190,849	<hr/> 141,340
PROFIT FOR THE FINANCIAL YEAR			
Dividends paid and proposed	8	(91,100)	(64,000)
		<hr/> 99,749	<hr/> 77,340
RETAINED PROFIT FOR THE YEAR			
RETAINED PROFIT, beginning of year		153,471	76,131
		<hr/> 253,220	<hr/> 153,471
RETAINED PROFIT, end of year		=====	=====

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

SAFeway plc

BALANCE SHEETS AT 30 MARCH 1991

		<u>GROUP</u>		<u>COMPANY</u>	
	<u>Notes</u>	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible fixed assets	9	1,323,778	1,047,012	1,199,269	922,077
Investments	10	370	370	74,219	74,219
		<u>1,324,148</u>	<u>1,047,382</u>	<u>1,273,488</u>	<u>996,296</u>
CURRENT ASSETS					
Stocks	11	308,215	283,068	266,128	249,109
Debtors	12	91,087	68,244	173,842	105,172
Cash at bank and in hand		107,686	300	89,901	300
		<u>506,988</u>	<u>351,612</u>	<u>529,871</u>	<u>354,581</u>
CREDITORS, due within one year					
Bank overdrafts		(64,544)	(211,046)	(64,285)	(221,640)
Loans	14	(6,250)	(4,022)	(6,250)	(4,022)
Other creditors	13	(1,222,562)	(765,268)	(1,203,216)	(715,174)
		<u>(786,368)</u>	<u>(628,724)</u>	<u>(743,880)</u>	<u>(586,255)</u>
NET CURRENT LIABILITIES					
TOTAL ASSETS LESS CURRENT LIABILITIES					
		537,780	418,658	529,608	410,041
CREDITORS, due after one year					
Loans	14	(44,823)	(29,275)	(44,823)	(29,275)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	15	(10,200)	(6,375)	(10,200)	(6,375)
NET ASSETS					
		<u>482,757</u>	<u>383,008</u>	<u>474,585</u>	<u>374,391</u>
CAPITAL AND RESERVES					
Called-up share capital	16	229,537	229,537	229,537	229,537
Profit and loss account	17	253,220	153,471	245,048	144,854
TOTAL CAPITAL EMPLOYED					
		<u>482,757</u>	<u>383,008</u>	<u>474,585</u>	<u>374,391</u>

Approved by the Board of Directors on 23 May 1991

M.A. GRANT)
P.A. FREND) DIRECTORS *M. Grant*
PA Frend

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

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SAFEWAY plcGROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 30 MARCH 1991

	<u>1991</u>	<u>1990</u>
	£'000	£'000
SOURCE OF FUNDS		
Arising from operations:-		
Profit on ordinary activities before taxation	243,772	185,725
Adjustments for items not involving the movement of funds:-		
Depreciation	54,996	47,654
Profit on disposal of tangible fixed assets	(6,050)	(3,288)
Total arising from operations	292,718	230,091
Other sources:-		
Proceeds from disposal of tangible fixed assets	18,015	6,851
Proceeds from loans - inter-company	413,000	-
- 3rd party	17,776	12,513
Total source of funds	741,509	249,455
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	(343,727)	(280,814)
Investments	-	(370)
Taxation paid	(71,773)	(21,016)
Dividends paid	(68,500)	(63,300)
	257,509	(116,045)
(INCREASE)/DECREASE IN WORKING CAPITAL		
Stocks	(25,147)	(21,608)
Debtors	(21,382)	(10,107)
Inter-company balances	5,327	22,052
Creditors	37,581	64,832
	(3,621)	55,169
INCREASE/(DECREASE) IN NET CASH BALANCES	253,888	(60,876)
	=====	=====

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

SAFEWAY plc

NOTES TO THE ACCOUNTS

1. TRADING INFORMATION

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

2. NET OPERATING EXPENSES

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Distribution costs	(591,002)	(518,156)
Administrative expenses	(72,771)	(59,498)
Net property income	4,288	3,190
	<u>(659,485)</u>	<u>(574,464)</u>
	=====	=====

Included in administrative expenses is a management fee of £8,319,000 (1990 - £5,330,000) from the ultimate holding company for services provided.

3. NET INTEREST PAYABLE

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Interest payable:		
Bank overdrafts and loans wholly repayable by instalments within five years	(49,195)	(28,834)
Loans not wholly repayable within five years	(5,646)	(2,728)
	<u>(54,841)</u>	<u>(31,562)</u>
Interest capitalised on freehold and long leasehold developments	11,781	10,084
	<u>(43,060)</u>	<u>(21,478)</u>
Interest receivable	1,768	1,556
	<u>(41,292)</u>	<u>(19,922)</u>
	=====	=====

Included in the above is the interest element of charges payable under finance leases amounting to £3,672,000 (1990 - £2,803,000).

NOTES TO THE ACCOUNTS (Continued)

EXCEPTIONAL ITEM

The exceptional costs charged during the year ended 31 March 1990 related to the group's Safeway 1990s programme involving the conversion of Presto stores to the Safeway trading format. This charge included a provision of £7,040,000 for the final store conversion and distribution costs incurred during the year ended 30 March 1991.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Depreciation of tangible fixed assets	54,996	47,654
Hire charges under operating leases		
Plant and equipment	9,000	5,823
Property	62,389	61,591
Other hire charges	1,069	1,319
Auditors' remuneration	292	267
Staff costs (see Note 6)	470,652	410,428
	=====	=====

6. STAFF COSTS AND DIRECTORS' EMOLUMENTS

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

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Wages and salaries	428,929	373,823
Social security costs	32,868	27,938
Other pension costs	8,855	8,667
	470,652	410,428
	=====	=====

(b) The average weekly number of persons employed by the group, analysed by activity, was as follows:-

	<u>1991</u>	<u>1990</u>
	Number	Number
Shopworkers	59,008	57,493
Warehouse and distribution	3,669	3,920
Management and clerical	2,967	2,788
Overseas	414	421
	66,058	64,622
	=====	=====

At 30 March 1991, the total number of employees was 67,568 (1990 - 64,395).

(c) Directors' emoluments:-

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

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Fees	-	-
Other emoluments, including pension contributions	920	901
	=====	=====

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

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Chairman	-	-
	===	===
Highest paid director	123	103
	===	===

The emoluments, excluding pension contributions, of the other directors of the company fell within the following bands:-

	<u>1991</u>	<u>1990</u>
	Number	Number
£ Nil to £ 5,000	8	10
£ 80,001 to £ 85,000	1	1
£ 90,001 to £ 95,000	-	4
£ 95,001 to £100,000	1	2
£100,001 to £105,000	-	1
£105,001 to £110,000	2	-
£110,001 to £115,000	1	-
£115,001 to £120,000	2	-
	===	===

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

In addition to the above, £220,000 was paid to a director subsequent to his ceasing to hold office during the year ended 31 March 1990.

NOTES TO THE ACCOUNTS (Continued)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	<u>1991</u>	<u>1990</u>
	£'000	£'000
United Kingdom corporation tax at 34% (1990 - 35%)	66,562	55,085
Overseas taxation	670	475
Advance corporation tax surrendered by group companies for no consideration	(11,352)	(9,413)
Deferred taxation	109	(2,403)
Prior year adjustment	(3,066)	641
	<u>52,923</u>	<u>44,385</u>
	=====	=====

The tax charge has been reduced by £8,851,000 (1990 - £9,221,000) in respect of tax allowances for fixed assets exceeding related depreciation, £4,005,000 (1990 - £3,529,000) in respect of interest capitalised on freehold and long leasehold developments and by £Nil (1990 - £7,036,000) in respect of that proportion of the exceptional item allowable for tax purposes.

8. DIVIDENDS PAID AND PROPOSED

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Interim dividend paid	27,000	22,500
Final dividend proposed	64,100	41,500
	<u>91,100</u>	<u>64,000</u>
	=====	=====

9. TANGIBLE FIXED ASSETS
GROUP

	Land and buildings			Plant, equipment and vehicles	Total
	Freehold	Long leasehold	Short leasehold		
	£'000	£'000	£'000	£'000	£'000
Cost:-					
Beginning of year	540,950	96,696	169,452	484,227	1,291,305
Additions	198,432	11,145	14,734	119,416	343,727
Transferred to group companies, net	-	-	-	(15)	(15)
Disposals	(9,039)	(15)	(7,358)	(14,797)	(31,209)
Other adjustments	10,147	(3,308)	(6,841)	2	-
End of year	740,470	104,518	169,987	588,833	1,603,808
Depreciation:-					
Beginning of year	12,833	7,369	40,001	184,090	244,293
Charged during the year	-	30	5,575	49,382	54,996
Transferred from group companies, net	-	-	-	8	8
Disposals	(916)	-	(5,278)	(13,073)	(19,267)
Other adjustments	4,422	(950)	(3,503)	31	-
End of year	16,339	6,458	36,795	220,438	280,030
Net book value:-					
Beginning of year	528,097	89,327	129,451	300,137	1,047,012
End of year	724,131	98,060	133,192	368,395	1,323,778
Assets in course of construction included in cost above:-					
Beginning of year	137,978	-	2,167	5,261	145,406
End of year	109,742	6,834	675	85	117,336

At 30 March 1991, the net book value of tangible fixed assets includes £56,029,000 of leased plant, equipment and vehicles (1990 - £39,624,000). The depreciation charged in respect of leased plant, equipment and vehicles during the year amounted to £5,335,000 (1990 - £4,806,000).

Interest capitalised on freehold and long leasehold developments included in additions during the year amounted to £11,781,000 (1990 - £10,084,000). The cumulative amount of interest capitalised in the total cost above amounts to £36,607,000 (1990 - £24,820,000).

NOTES TO THE ACCOUNTS (Continued)

7. TANGIBLE FIXED ASSETS (Continued)

COMPANY

	<u>Land and buildings</u>			<u>Plant, equipment and vehicles</u>	<u>Total</u>
	<u>Freehold</u>	<u>Long leasehold</u>	<u>Short leasehold</u>		
	£'000	£'000	£'000	£'000	£'000
Cost:-					
Beginning of year	483,530	78,350	108,409	475,257	1,145,546
Additions	197,044	10,777	11,647	118,137	337,605
Transferred from group companies, net	71	1,099	811	1	1,982
Disposals	(8,884)	(15)	(4,742)	(14,569)	(28,210)
Other adjustments	10,147	(3,308)	(6,841)	2	-
End of year	681,908	86,903	109,284	578,828	1,456,923
Depreciation:-					
Beginning of year	9,372	6,262	27,263	180,572	223,469
Charged during the year	-	31	3,434	48,470	51,935
Transferred from group companies, net	-	109	100	18	227
Disposals	(886)	-	(4,161)	(12,930)	(17,977)
Other adjustments	4,417	(945)	(3,503)	31	-
End of year	12,903	5,457	23,133	216,161	257,654
Net book value:-					
Beginning of year	474,158	72,088	81,146	294,685	922,077
End of year	669,005	81,446	86,151	362,667	1,199,269
Assets in course of construction included in cost above is:-					
Beginning of year	137,978	-	2,167	5,261	145,406
End of year	109,742	6,834	675	85	117,336

At 30 March 1991, the net book value of tangible fixed assets includes £56,027,000 of leased plant, equipment and vehicles (1990 - £39,621,000). The depreciation charged in respect of leased plant, equipment and vehicles during the year amounted to £5,334,000 (1990 - £4,802,000).

10. INVESTMENTS

(a) Fixed asset investments at cost comprise:-

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Subsidiaries	-	-	73,849	73,849
Other - Unlisted	370	370	370	370
	<u>370</u>	<u>370</u>	<u>74,219</u>	<u>74,219</u>
	=====	=====	=====	=====

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

(b) Investments in Subsidiaries

The movement on this account during the year was:-

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Beginning of year	73,849	83,500
Pre-acquisition dividend received	-	(9,651)
End of year	<u>73,849</u>	<u>73,849</u>
	=====	=====

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

	<u>Country of Registration and Operation</u>	<u>Principal Activity</u>
Safeway Properties Limited	England	Property Holding
North West Vintners (Retail) Limited	England	Drinks Retailing

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.

11. STOCKS

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

NOTES TO THE ACCOUNTS (Continued)

12. DEBTORS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Amounts falling due within one year:-				
Trade debtors	3,345	3,619	2,806	3,215
Due from subsidiary companies	-	-	91,465	45,197
VAT	7,258	4,615	5,825	3,077
Prepayments and accrued income	17,614	13,592	12,559	8,609
Other debtors	59,910	44,253	58,227	42,909
Tax certificates of deposit	2,293	852	2,293	832
	<u>90,420</u>	<u>66,911</u>	<u>173,175</u>	<u>103,839</u>
Amounts falling due after one year:-				
Other debtors	667	1,333	667	1,333
	<u>91,087</u>	<u>68,244</u>	<u>173,842</u>	<u>105,172</u>
	=====	=====	=====	=====

13. OTHER CREDITORS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Amounts falling due within one year:-				
Trade creditors	484,917	437,687	439,458	400,505
Due to parent company	440,227	21,900	440,227	21,900
Due to subsidiary companies	-	-	44,346	-
Social security and PAYE	11,055	8,879	10,713	8,777
Corporation tax payable	69,622	90,836	64,255	85,667
Accruals and deferred income	48,132	37,867	41,912	36,494
Other creditors	104,509	126,599	103,105	120,331
Proposed dividend	64,100	41,500	59,200	41,500
	<u>1,222,562</u>	<u>765,268</u>	<u>1,203,216</u>	<u>715,174</u>
	=====	=====	=====	=====

The amount due to the parent company includes £438,000,000 (1990 - £22,000,000) bearing interest at current market rates which may be repayable on demand.

14. LOANS

	Interest rate %	<u>GROUP</u>		<u>COMPANY</u>	
		<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
		£'000	£'000	£'000	£'000
Lease loan capital	various	51,073	33,297	51,073	33,297
Less: Amount repayable within one year		(6,250)	(4,022)	(6,250)	(4,022)
		<u>44,823</u>	<u>29,275</u>	<u>44,823</u>	<u>29,275</u>
		=====	=====	=====	=====

Lease loan capital is repayable as follows:-

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Due within one year	6,250	4,022	6,250	4,022
Due within one to two years	6,862	3,963	6,862	3,963
Due within two to five years	24,941	14,347	24,941	14,347
Due after five years	13,020	10,965	13,020	10,965
	<u>51,073</u>	<u>33,297</u>	<u>51,073</u>	<u>33,297</u>
	=====	=====	=====	=====

15. DEFERRED TAXATION

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

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Tax allowances in excess of recorded depreciation	10,200	10,200	10,200	10,200
Other timing differences	-	(3,825)	-	(3,825)
	<u>10,200</u>	<u>6,375</u>	<u>10,200</u>	<u>6,375</u>
	=====	=====	=====	=====

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

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Beginning of year	6,375	5,750	6,375	5,750
Profit and loss account	109	(2,403)	109	(2,403)
Other movements	3,716	3,028	3,716	3,028
	<u>10,200</u>	<u>6,375</u>	<u>10,200</u>	<u>6,375</u>
	=====	=====	=====	=====

NOTES TO THE ACCOUNTS (Continued)

(c) The total potential liability for deferred taxation calculated at 33% (1990 - 35%) comprises:-

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Tax allowances in excess of recorded depreciation	85,922	73,517	70,315	57,832
Other timing differences	(213)	(3,748)	(216)	(3,812)
Capital gains deferred by roll-over relief	18,316	17,583	11,638	10,506
	<u>104,025</u>	<u>87,352</u>	<u>81,737</u>	<u>64,580</u>
	=====	=====	=====	=====

16. CALLED-UP SHARE CAPITAL

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Authorised:-		
250,000,000 Ordinary shares of £1 each	250,000	250,000
	=====	=====
Allotted, called-up and fully paid:-		
229,536,776 Ordinary shares of £1 each	229,537	229,537
	=====	=====

17. PROFIT AND LOSS ACCOUNT

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

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Beginning of year		
Profit for the financial year	144,854	74,090
Dividends paid and proposed	191,294	134,764
	<u>(91,100)</u>	<u>(64,000)</u>
End of year	245,048	144,854
	=====	=====

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off against the group's reserves is £581,288,000 (1990 - £581,288,000). These amounts are net of goodwill attributable to subsidiaries or businesses disposed of prior to the balance sheet date.

10. COMMITMENTS AND CONTINGENCIES

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

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Contracted for	92,258	88,152	90,711	84,546
Authorised but not contracted for	43,109	67,381	41,679	65,398
	<u>135,367</u>	<u>155,533</u>	<u>132,390</u>	<u>149,944</u>
	=====	=====	=====	=====

(b) Lease commitments

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

	<u>PROPERTY</u>		<u>PLANT AND MACHINERY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Operating leases which expire:-				
within 1 year	1,873	753	5,090	1,037
within 2 - 5 years	2,266	3,002	3,542	5,811
after 5 years	62,264	62,826	-	-
	<u>66,403</u>	<u>66,581</u>	<u>8,632</u>	<u>6,848</u>
	=====	=====	=====	=====

(c) Guarantees

At 30 March 1991, the company together with other group companies, has jointly and severally guaranteed certain of the group bank overdraft and loan facilities.

(d) Pension schemes

The group maintains pension schemes for all eligible employees. Scheme funds are administered by trustees and are independent of group finances.

The principal scheme, the Safeway Pension and Family Benefits Scheme, is a defined benefit scheme. The pension cost relating to this scheme is assessed in accordance with the advice of independent actuaries and is such as to spread the cost of pensions over the working lives of the group employees who are scheme members. The pension cost for the year amounted to £8,855,000 (1990 - £8,667,000).

NOTES TO THE ACCOUNTS (Continued)

The latest valuation of the scheme was carried out as at 1 April 1990 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 UK equity investments would increase at 4½% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £252,900,000 and the actuarial value of the assets was sufficient to cover 120% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The excess is being eliminated as a uniform annual percentage of pensionable pay over nine years, being the average remaining service lives of scheme members.

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.

19. **ULTIMATE HOLDING COMPANY**

The company's ultimate holding company is Argyll Group PLC, which is registered in England.

