

Stores Group Limited

Annual report and accounts
for the year ended 31 March 2001

Registered number: 1697262



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DIRECTORS AND ADMINISTRATION

Country of Registration	England
Registered Number	1697262
Registered Office	6 Millington Road, Hayes, Middlesex, UB3 4AY.
Directors	G. Ellis J.P. Kinch S.P. Lane
Company Secretary	J.P. Kinch
Solicitors	Clifford Chance
Auditors	Arthur Andersen

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2001

The directors present their annual report on the affairs of the company together with the audited accounts for the year ended 31 March 2001.

Principal Activity

In the opinion of the directors, the company is an investment company.

Results and Dividends

The audited accounts for the year ended 31 March 2001 are set out on pages 7 to 11.

The profit for the financial year was £92,500,000 (2000 - £88,000,000).

An interim dividend of £29.5 million was paid during the year (2000 - £28 million). A second interim dividend totalling £63 million (2000 - £60 million) has also been proposed by the directors in respect of the year ended 31 March 2001.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2001 (2000 - £NIL).

Directors

The directors who served during the year were as follows:-

G. Ellis
J.P. Kinch
S.P. Lane

Directors' interests

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

The directors had the following interests in the ordinary 25p shares of Safeway plc at the end of the year as indicated below:-

	<u>31 March 2001</u>		<u>1 April 2000</u>	
	<u>Shares</u>	<u>Share options</u>	<u>Shares</u>	<u>Share options</u>
J.P. Kinch	117,905	402,417	113,852	316,553
G. Ellis	2,316	154,326	2,250	153,873
S.P. Lane	1,363	169,917	-	126,363 *

* At date of appointment

REPORT OF THE DIRECTORS (Continued)

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

	<u>Granted</u>	<u>Exercised</u>	<u>Lapsed</u>
J.P. Kinch	89,917	4,053	-
G. Ellis	1,475	-	1,022
S.P. Lane	44,917	1,363	-

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:-

<u>Date of Grant</u>	<u>Subscription price</u>	<u>Exercise Period</u>		
23 December 1991	272.00p	23 December 1994	to	22 December 2001
26 November 1992	363.00p	26 November 1995	to	25 November 2002
6 December 1993	255.00p	6 December 1996	to	5 December 2003
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
25 June 1998	307.00p	1 September 2003	to	29 February 2004
8 December 1998	283.00p	8 December 2001	to	7 December 2008
23 June 1999	204.00p	1 September 2004	to	28 February 2005
17 August 1999	233.50p	17 August 2002	to	16 August 2009
29 November 1999	182.75p	29 November 2002	to	28 November 2009
12 June 2000	246.00p	12 June 2003	to	11 June 2010
28 June 2000	197.00p	1 September 2005	to	28 February 2006
4 January 2001	296.00p	4 January 2004	to	3 January 2011

Executive scheme options granted prior to 19 December 1995 are all available for exercise as all relevant performance criteria have been met.

Executive scheme options granted on and since 19 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 2% per annum.

At no time during the year or subsequently did any director have 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.

REPORT OF THE DIRECTORS (Continued)

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.

Stores Group Limited,
6 Millington Road,
Hayes,
Middlesex,
UB3 4AY.



BY ORDER OF THE BOARD
J.P.Kinch
Secretary

25 June 2001

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 those accounts the directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- * 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' REPORT

To the shareholder of Stores Group Limited:

We have audited the accounts on pages 7 to 11 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 in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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 adequacy 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 31 March 2001 and of the company'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

25 June 2001

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2001

	<u>Notes</u>	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	92,500	88,000
Tax on profit on ordinary activities	3	-	-
PROFIT FOR THE FINANCIAL YEAR		92,500	88,000
Dividends	4	(92,500)	(88,000)
RETAINED PROFIT FOR THE YEAR		-	-
RETAINED PROFIT, beginning of year		2,071	2,071
RETAINED PROFIT, end of year		2,071	2,071

All recognised gains and losses relating to the year and the preceding year arise from continuing operations and are shown in the profit and loss account.


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

BALANCE SHEET AT 31 MARCH 2001

	<u>Notes</u>	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
FIXED ASSETS			
Investments in subsidiaries	5	<u>1,145,551</u>	<u>1,145,551</u>
CURRENT ASSETS			
Amounts owed by subsidiary undertakings	6	<u>176,728</u>	<u>174,214</u>
CREDITORS, amounts falling due within one year	7	<u>(1,320,108)</u>	<u>(1,317,594)</u>
NET CURRENT LIABILITIES		<u>(1,143,380)</u>	<u>(1,143,380)</u>
NET ASSETS		<u>2,171</u>	<u>2,171</u>
CAPITAL AND RESERVES			
Called-up share capital	8	100	100
Profit and loss account		<u>2,071</u>	<u>2,071</u>
EQUITY SHAREHOLDERS' FUNDS	9	<u>2,171</u>	<u>2,171</u>

Approved by the Board of Directors on 25 June 2001

J.P. KINCH) DIRECTORS
S.P. LANE)



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

NOTES TO THE ACCOUNTS

31 MARCH 2001

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. These accounts are for the 52 week period to 31 March 2001 compared with the 52 week period to 1 April 2000.

Consolidated accounts are not presented as the Company takes advantage of the exemption afforded by section 228 of the Companies Act 1985.

Investments in subsidiaries

Investments in subsidiary undertakings ("subsidiaries") are stated at cost, less any provision for impairment. Only dividends received and receivable are credited to the company's profit and loss account.

Taxation

Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

- (a) The profit on ordinary activities before taxation comprises dividends receivable from subsidiary companies.
- (b) There were no emoluments received or receivable by any of the directors in respect of their services to the company during the year (2000 - £Nil).
- (c) Administrative expenses of the company, including auditors' remuneration, have been borne by the immediate holding 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 30% (2000 - 30%). No tax charge has been included for the current year because the profit on ordinary activities comprises dividends receivable from UK companies.

4. DIVIDENDS

	<u>2001</u> £'000	<u>2000</u> £'000
Interim dividend paid (£295 (2000 - £280)) per ordinary share	29,500	28,000
Interim dividend proposed (£630 (2000 - £600)) per ordinary share	63,000	60,000
	<u>92,500</u>	<u>88,000</u>

5. INVESTMENTS IN SUBSIDIARIES

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

	<u>Country of registration and operation</u>	<u>Business</u>
Safeway Stores plc	England	Grocery retailer
Maypole Insurance Company Limited	Guernsey	Insurance company

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

6. AMOUNTS OWED BY SUBSIDIARY UNDERTAKINGS

The amount owed by subsidiary undertakings is non interest bearing.

7. CREDITORS, due within one year

	<u>2001</u> £'000	<u>2000</u> £'000
Amounts owed to ultimate holding company	1,168,297	1,168,297
Amounts owed to subsidiary undertakings	88,805	88,805
Taxation payable	6	492
Dividend payable	63,000	60,000
	<u>1,320,108</u>	<u>1,317,594</u>

The amounts owed to the ultimate holding company and subsidiary undertakings are non interest bearing.

8. CALLED-UP SHARE CAPITAL

	<u>2001 and 2000</u>	
	<u>Authorised</u> £'000	<u>Allotted, called-up and fully paid</u> £'000
100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2001</u> £'000	<u>2000</u> £'000
Profit for the financial year	92,500	88,000
Dividends paid and proposed	<u>(92,500)</u>	<u>(88,000)</u>
Net addition to shareholders' funds	-	-
Equity shareholders' funds, beginning of year	<u>2,071</u>	<u>2,071</u>
Equity shareholders' funds, end of year	<u>2,071</u>	<u>2,071</u>

10. CONTINGENT LIABILITIES

At 31 March 2001, the company together with other group companies has jointly and severally guaranteed certain of the group bank overdraft and loan facilities.

11. CASH FLOW STATEMENT AND RELATED PARTY TRANSACTIONS

Under the provisions of Financial Reporting Standard No.1 (Revised), 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.

12. 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.