

1697262

STORES GROUP LIMITED

ACCOUNTS TOGETHER WITH THE REPORTS

OF THE DIRECTORS AND AUDITORS

FOR THE YEAR ENDED 30 MARCH 1996



STORES GROUP LIMITED

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STORES GROUP LIMITED
DIRECTORS AND ADMINISTRATION

Country of Registration	England
Registered Number	1697262
Registered Office	P.O.Box 8, 6 Millington Road, Hayes, Middlesex, UB3 4AY.
Directors	R.S. Fisher J.P. Kinch
Company Secretary	J.P. Kinch, FCIS
Solicitors	Clifford Chance
Auditors	Arthur Andersen

STORES GROUP 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 30 March 1996.

PRINCIPAL ACTIVITY

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

CONSOLIDATED ACCOUNTS

Consolidated accounts have not been prepared because the company is a wholly owned subsidiary of another company incorporated in Great Britain.

RESULTS AND DIVIDENDS

The profit for the financial year was £142,115,543 (1995 - £169,572,600).

An interim dividend of £460 per ordinary share was paid on 19 February 1996 totalling £46,000,000 (1995 - £44,000,000). The directors recommend the payment of a final dividend in respect of the year ended 30 March 1996 of £1,346.00401 per ordinary share totalling £134,600,401 (1995 - £87,226,500).

DIRECTORS

The directors of the company during the year were:-

R.S. Fisher

J.P. Kinch

Mr.J.P.Kinch retires by rotation in accordance with the company's articles of association and, being eligible to do so, offers himself for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS

The company is a wholly-owned subsidiary of Argyll Group PLC and consequently neither of the directors have any interests in the shares of the company.

The directors were interested in the ordinary 25p shares of Argyll Group PLC at the end of the year as indicated below:-

	<u>30 March 1996</u>		<u>1 April 1995</u>	
	<u>Shares</u>	<u>Share options</u>	<u>Shares</u>	<u>Share options</u>
R.S. Fisher	55,658	125,376	55,658	145,376
J.P. Kinch	51,076	149,202	38,788	168,739

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

	<u>Granted</u>	<u>Exercised</u>
R.S. Fisher	30,000	50,000
J.P. Kinch	51,326	70,863

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>		
7 December 1987	166.48p	7 December 1990	to	6 December 1997
15 December 1988	157.72p	15 December 1991	to	14 December 1998
18 December 1989	196.66p	18 December 1992	to	17 December 1999
14 June 1990	181.08p	1 September 1995	to	31 August 1996
29 November 1990	234.63p	29 November 1993	to	28 November 2000
21 June 1991	227.00p	1 September 1996	to	28 February 1997
23 December 1991	272.00p	23 December 1994	to	22 December 2001
18 June 1992	279.00p	1 September 1997	to	28 February 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

CASH FLOW STATEMENT

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

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 1996



STORES GROUP 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.

STORES GROUP LIMITED
REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF STORES GROUP LIMITED:

We have audited the accounts on pages 6 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4, 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 30 March 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors,
1 Surrey Street,
London, WC2R 2PS



3 June 1996

STORES GROUP LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 MARCH 1996

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	164,221	190,823
Tax on profit on ordinary activities	3	<u>(22,106)</u>	<u>(21,250)</u>
PROFIT FOR THE FINANCIAL YEAR		142,115	169,573
Dividends	4	<u>(180,600)</u>	<u>(131,227)</u>
RETAINED (LOSS)/PROFIT FOR THE YEAR		(38,485)	38,346
RETAINED PROFIT, beginning of year		<u>40,600</u>	<u>2,254</u>
RETAINED PROFIT, end of year		<u><u>2,115</u></u>	<u><u>40,600</u></u>

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

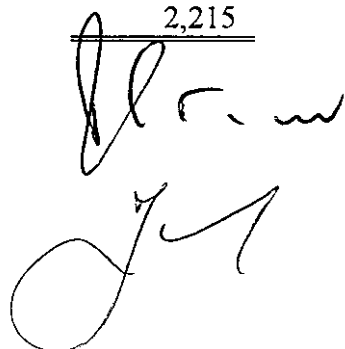
The accompanying notes and statement of accounting policies form part of this profit and loss account.

STORES GROUP LIMITED
BALANCE SHEET AT 30 MARCH 1996

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
FIXED ASSETS			
Investments in subsidiaries	5	<u>1,145,551</u>	<u>1,145,551</u>
CURRENT ASSETS			
Debtors	6	103,158	43,599
Cash at bank and in hand		<u>94,000</u>	<u>82,000</u>
		197,158	125,599
CREDITORS, due within one year	7	<u>(1,340,494)</u>	<u>(1,230,450)</u>
NET CURRENT LIABILITIES		<u>(1,143,336)</u>	<u>(1,104,851)</u>
NET ASSETS		<u>2,215</u>	<u>40,700</u>
CAPITAL AND REVENUES			
Called-up share capital	8	100	100
Profit and loss account		<u>2,115</u>	<u>40,600</u>
TOTAL CAPITAL EMPLOYED		<u>2,215</u>	<u>40,700</u>

R.S. FISHER) DIRECTORS
J.P. KINCH) 3 June 1996

The accompanying notes form part of this balance sheet.



STORES GROUP LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared on the historical cost basis and in accordance with applicable accounting standards.

Investments in subsidiaries

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.

Taxation

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

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 (1995 - £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 ACT suffered on franked investment income receivable and UK corporation tax at 33%.

4. DIVIDENDS

	<u>1996</u> £'000	<u>1995</u> £'000
Interim dividend paid	46,000	44,000
Proposed final dividend	<u>134,600</u>	<u>87,227</u>
	<u>180,600</u>	<u>131,227</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. DEBTORS

	<u>1996</u> £'000	<u>1995</u> £'000
Due from group companies	101,390	-
Due from subsidiaries	<u>1,768</u>	<u>43,599</u>
	<u>103,158</u>	<u>43,599</u>

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

7. CREDITORS, due within one year

	<u>1996</u> £'000	<u>1995</u> £'000
Due to ultimate holding company	1,128,341	1,128,341
Due to subsidiaries	77,447	14,882
Taxation payable	106	-
Dividend payable	<u>134,600</u>	<u>87,227</u>
	<u>1,340,494</u>	<u>1,230,450</u>

The amounts due to the ultimate holding company and subsidiaries are non interest bearing.

8. CALLED-UP SHARE CAPITAL

	<u>1996 and 1995</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. **CONTINGENT LIABILITIES**

At 30 March 1996, the company together with other group companies, has jointly and severally guaranteed certain of the group bank overdraft and loan facilities.

10. **ULTIMATE HOLDING COMPANY**

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