

**Stores Group Limited**

Annual report and accounts  
for the year ended 29 March 2003

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	M.E. Collins G. Ellis F. Garcia-Valencia D. Wilson
Company Secretary	D. Wilson
Solicitors	Clifford Chance
Auditors	KPMG Audit Plc

## **REPORT OF THE DIRECTORS**

### **FOR THE YEAR ENDED 29 March 2003**

The directors present their annual report on the affairs of the Company together with the audited accounts for the year ended 29 March 2003.

#### **Principal Activity**

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

#### **Results and Dividends**

The audited accounts for the year ended 29 March 2003 are set out on pages 7 to 12.

The profit for the financial year was £98,000,000 (2002 - £96,506,000).

An interim dividend of £32.0 million was paid during the year (2002 - £30.5 million). A second interim dividend totalling £66.0 million (2002 - £66.0 million) has also been proposed by the directors in respect of the year ended 29 March 2003.

The directors do not recommend the payment of a final dividend for the year ended 29 March 2003 (2002 - £NIL).

#### **Directors**

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

M.E. Collins  
G. Ellis  
F. Garcia-Valencia  
D. Wilson

Mr. M.E. Collins retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

#### **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>29 March 2003</u>		<u>30 March 2002</u>	
	<u>Shares</u>	<u>Share options</u>	<u>Shares</u>	<u>Share options</u>
M.E. Collins	12,224	159,579	7,476	125,248
G. Ellis	7,885	151,475	3,268	153,374
F. Garcia-Valencia	-	149,000	-	-
D. Wilson	-	148,000	-	60,000

## 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>
M.E. Collins	39,079	4,748
G. Ellis	-	1,899
D. Wilson	88,000	-
F.Garcia-Valencia	149,000	-

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>Last date when options exercisable</u>
6 December 1993	255.00p	5 December 2003
13 December 1994	237.00p	12 December 2004
19 December 1995	308.00p	18 December 2005
9 December 1996	375.50p	8 December 2006
26 June 1997	286.00p	28 February 2003
21 November 1997	318.75p	20 November 2007
25 June 1998	307.00p	29 February 2004
8 December 1998	283.00p	7 December 2008
23 June 1999	204.00p	28 February 2005
17 August 1999	233.50p	16 August 2009
29 November 1999	182.75p	28 November 2009
12 June 2000	246.00p	11 June 2010
28 June 2000	197.00p	28 February 2006
4 January 2001	296.00p	3 January 2011
27 June 2001	296.00p	28 February 2007
22 November 2001	328.50p	21 November 2011
26 June 2002	222.00p	29 February 2008
10 July 2002	257.25p	9 July 2012
22 November 2002	226.00p	21 November 2012
31 December 2002	213.25p	30 December 2012

The Executive Scheme options granted on or prior to 29 November 1999 are all available for exercise as all relevant performance criteria have been met.

The Executive Scheme options granted since 29 November 1999 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**

KPMG Audit Plc 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  
M.E. Collins  
Director  
  
17 July 2003

## **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;
- \* 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 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 have general responsibility for safeguarding the assets of the Company and the group and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STORES GROUP LIMITED**

We have audited the accounts on pages 7 to 12.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

### **Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 29 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

*KPMG Audit Plc*

London.

Stores Group Limited

17 July 2003





**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 29 MARCH 2003**

	<u>Notes</u>	<u>2003</u> £'000	<u>2002</u> £'000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	98,000	96,500
Tax on profit on ordinary activities	3	<u>-</u>	<u>6</u>
PROFIT FOR THE FINANCIAL YEAR		98,000	96,506
Dividends	4	<u>(98,000)</u>	<u>(96,500)</u>
RETAINED PROFIT FOR THE YEAR		-	6
RETAINED PROFIT, beginning of year		<u>2,077</u>	<u>2,071</u>
RETAINED PROFIT, end of year		<u>2,077</u>	<u>2,077</u>

**BALANCE SHEET AT 29 MARCH 2003**

	<u>Notes</u>	<u>2003</u> £'000	<u>2002</u> £'000
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>179,728</u>	<u>179,728</u>
CREDITORS, amounts falling due within one year	7	<u>(1,323,102)</u>	<u>(1,323,102)</u>
NET CURRENT LIABILITIES		<u>(1,143,374)</u>	<u>(1,143,374)</u>
NET ASSETS		<u>2,177</u>	<u>2,177</u>
CAPITAL AND RESERVES			
Called-up share capital	8	100	100
Profit and loss account		<u>2,077</u>	<u>2,077</u>
EQUITY SHAREHOLDERS' FUNDS	9	<u>2,177</u>	<u>2,177</u>

Approved by the Board of Directors on 17 July 2003 and signed on its behalf by:

   
M.E. COLLINS     ) DIRECTORS  
G. ELLIS         )

## **NOTES TO THE ACCOUNTS**

**29 MARCH 2003**

### **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 29 March 2003 compared with the 52 week period to 30 March 2002.

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 (2002 - £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% (2002 - 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>2003</u> £'000	<u>2002</u> £'000
Interim dividend paid (£320 (2002 - £305) per ordinary share)	32,000	30,500
Interim dividend proposed (£660 (2002 - £660) per ordinary share)	<u>66,000</u>	<u>66,000</u>
	<u>98,000</u>	<u>96,500</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 Limited	Guernsey	Investment 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>2003</u> £'000	<u>2002</u> £'000
Amounts owed to ultimate holding company	1,168,297	1,168,297
Amounts owed to subsidiary undertakings	88,805	88,805
Dividend payable	<u>66,000</u>	<u>66,000</u>
	<u>1,323,102</u>	<u>1,323,102</u>

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

**8. CALLED-UP SHARE CAPITAL**

	<u>2003 and 2002</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>2003</u> £'000	<u>2002</u> £'000
Profit for the financial year	98,000	96,506
Dividends paid and proposed	<u>(98,000)</u>	<u>(96,500)</u>
Net addition to shareholders' funds	-	6
Equity shareholders' funds, beginning of year	<u>2,177</u>	<u>2,171</u>
Equity shareholders' funds, end of year	<u>2,177</u>	<u>2,177</u>

**10. CONTINGENT LIABILITIES**

At 29 March 2003, 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.