

Stores Group Limited

Annual report and financial statements

for the 52 weeks ended 31 January 2016

Registration number: 1697262



Stores Group Limited

Contents

	Page
Strategic report	1
Directors' report	2
Statement of Directors' responsibilities	4
Independent auditors' report to the members of Stores Group Limited	5
Income Statement	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

Stores Group Limited
Strategic report
for the 52 weeks ended 31 January 2016

The Directors present their Strategic report for the 52 weeks ended 31 January 2016. These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The term 'Company' refers to Stores Group Limited and the term 'Group' refers to Wm Morrison Supermarkets PLC and its subsidiary undertakings.

Business review, results and dividends

The principal activity of the Company is that of an investment company.

The profit for the financial period amounted to £500,000,000 (2015: £500,000,000). The Company received a dividend of £500,000,000 (2015: £510,881,000) from its subsidiary, Safeway Stores Limited, during the 52 weeks ended 31 January 2016.

The Directors authorised and paid a final dividend of £5,000 per share which absorbed £500,000,000 of shareholder's funds (2015: £5,000 per share).

As at 31 January 2016 the Company had net assets of £264,500,000 (2015: £264,500,000).

Principal risks and uncertainties

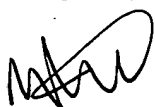
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 18 and 19 of the Wm Morrison Supermarkets PLC Annual report and Financial Statements 2015/16, which does not form part of this report.

Key performance indicators (KPIs)

The KPIs of the Company are integrated with those of the Group and are not managed separately. The KPIs of the Group, which include those of the Company, are disclosed on pages 7, 10, 12, 13, 14 and 20 of the Wm Morrison Supermarkets PLC Annual report and Financial Statements 2015/16, which does not form part of this report.

Approval of the Strategic Report

The Strategic Report was approved by the Board and signed on its behalf by:



M Amsden
Director and Company Secretary
21 October 2016

Stores Group Limited

Directors' report for the 52 weeks ended 31 January 2016

The Directors present their annual report and the Company's audited financial statements for the 52 weeks ended 31 January 2016. These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 3 February 2014.

Matters discussed in the Strategic report

The Directors have chosen to present certain requirements of the Directors report within the Strategic report on page 1 of the financial statements, including the Company's principal activity, business review and details of proposed dividends.

Directors and their interests

The Directors who held office during the period and up to the date of signing these financial statements were as follows:

T Strain
M Amsden

The Company is ultimately wholly owned by Wm Morrison Supermarkets PLC and none of the Directors who held office at the period end held any interest in the shares of the Company or any of its subsidiaries. The interest in the shares of the ultimate parent undertaking held by Directors of that company is disclosed in the Wm Morrison Supermarkets PLC Annual report and Financial Statements 2015/16, which does not form part of this report.

At no time during the period 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.

Directors' and Officers' liability insurance

The Group maintains insurance cover for the protection of Directors and senior management from personal liabilities and costs which may arise in the course of fulfilling their duties. This insurance was in force during the 52 weeks ended 31 January 2016 and to the date of approval of the Company financial statements.

Internal control

The Board is responsible for the system of internal control within the Company and for reviewing its effectiveness. The control system is intended to manage rather than eliminate the risk of not meeting the Company's strategic objectives. Any such system can only provide reasonable, not absolute, assurance against material misstatement or loss.

Corporate and social responsibility

The Group recognises the importance of its corporate and social responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in the Group's annual report and financial statements which do not form part of this report. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption.

Stores Group Limited

**Directors' report
for the 52 weeks ended 31 January 2016 (continued)**

Future outlook

The Company is expected to continue with its principal activity for the foreseeable future.

Financial risk management

The financial risk management and policies of the Company are consistent with those of the Group. For further details, see page 86 of the Wm Morrison Supermarkets PLC Annual report and Financial Statements 2015/16, which does not form part of this report.

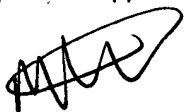
Political donations

There were no political donations for the period and the Company did not incur any political expenditure.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board and signed on its behalf by:



M Amsden
Director and Company Secretary
21 October 2016

Stores Group Limited

Statement of Directors' responsibilities for the 52 weeks ended 31 January 2016

The Directors are responsible for preparing the Strategic Report and Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Stores Group Limited

Independent auditors' report to the member of Stores Group Limited

Report on the financial statements

Our opinion

In our opinion, Stores Group Limited's financial statements (the 'financial statements'):

- give a true and fair view of the state of the Company's affairs as at 31 January 2016 and of its profit for the 52 week period (the 'period') then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 January 2016;
- the income statement for the period then ended;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Stores Group Limited

Independent auditors' report to the member of Stores Group Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Our responsibilities and those of the Directors (continued)

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

A. Ahmad

Arif Ahmad (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

21 October 2016

Stores Group Limited

**Income statement
for the 52 weeks ended 31 January 2016**

		52 weeks to 31 January 2016 £000	52 weeks to 1 February 2015 £000
	Note		
Amounts written off investments		-	(10,881)
Operating result/(loss)	2	-	(10,881)
Income from shares in Group undertakings		500,000	510,881
Profit on ordinary activities before taxation		500,000	500,000
Tax on profit on ordinary activities	4	-	-
Profit for the financial period		500,000	500,000

All amounts relate to continuing operations.

There were no amounts recognised in other comprehensive income other than those included in the income statement.

The notes on pages 10 to 14 form part of these financial statements.

Stores Group Limited
Registered number: 1697262

Balance sheet
as at 31 January 2016

	Note	2016 £000	2015 £000
Fixed assets			
Investments	6	1,133,169	1,133,169
		1,133,169	1,133,169
Current assets			
Debtors	7	595,900	595,900
Creditors: amounts falling due within one year	8	(1,464,569)	(1,464,569)
Net current liabilities		(868,669)	(868,669)
Total assets less current liabilities		264,500	264,500
Net assets		264,500	264,500
Shareholder's equity			
Called-up share capital	9	100	100
Retained earnings		264,400	264,400
Total shareholder's funds		264,500	264,500

The notes on pages 10 to 14 form part of these financial statements.

The financial statements on pages 7 to 14 were approved by the Board of Directors on October 2016 and were signed on its behalf by:



T Strain
Director

Stores Group Limited

**Statement of changes in equity
for the 52 weeks ended 31 January 2016**

Current period		Called-up share capital	Retained earnings	Total shareholder's funds
	Note	£000	£000	£000
At 2 February 2015		100	264,400	264,500
Profit for the financial period		-	500,000	500,000
Dividends	5	-	(500,000)	(500,000)
At 31 January 2016		100	264,400	264,500

Prior period		Called-up share capital	Retained earnings	Total shareholder's funds
	Note	£000	£000	£000
At 3 February 2014		100	264,400	264,500
Profit for the financial period		-	500,000	500,000
Dividends	5	-	(500,000)	(500,000)
At 1 February 2015		100	264,400	264,500

The notes on pages 10 to 14 form part of these financial statements.

Stores Group Limited

Notes to the financial statements for the 52 weeks ended 31 January 2016 (continued)

1. Accounting policies

General information

Stores Group Limited is a limited company incorporated in the United Kingdom under the Companies Act 2006 (Registration number 1697262). The Company is domiciled in the United Kingdom and its registered address is Hilmore House, Gain Lane, Bradford, BD3 7DL.

Basis of preparation of financial statements

These financial statements of the Company have been prepared in accordance with the Companies Act 2006 (the Act) as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101 as it is a member of a group which prepares publicly available consolidated financial statements and it is included in the consolidation for that group. These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 3 February 2014.

The accounting policies have been applied in preparing the financial statements for the 52 week period ending 31 January 2016, the comparative information presented in these financial statements for the 52 week period ending 1 February 2015 and in the preparation of an opening FRS 101 balance sheet at 3 February 2014.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The transition to FRS 101 has been considered and there has been no impact of the transition to the Company's previously adopted accounting policies in accordance with UK GAAP, therefore no reconciliation has been performed.

These financial statements, which have been prepared on the going concern basis, under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom, are presented as required by the Act.

The Company has notified its shareholder in writing about, and it does not object to, the use of disclosure exemptions used by the Company in these financial statements.

The disclosure exemptions adopted by the Company in preparation of these financial statements in accordance with FRS 101 are as follows:

a) IAS 1, 'Presentation of financial statements' (paragraph 38) – comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;

b) The following paragraphs of IAS 1, 'Presentation of financial statements':

(i) 10(d), (statement of cash flows);

(ii) 111 (cash flow statement information); and

(iii) 134-136 (capital management disclosures);

c) IAS 7, 'Statement of cash flows';

d) IAS 8 'Accounting policies, changes in accounting estimates and errors' (paragraph 30 and 31) – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective;

Stores Group Limited

Notes to the financial statements for the 52 weeks ended 31 January 2016 (continued)

1. Accounting policies (continued)

e) The following requirements of IAS 24, 'Related party disclosures':

- (i) paragraph 17 – key management compensation; and
- (ii) the requirements to disclose related party transactions entered into with two or more wholly owned members of a group.

The Directors have chosen not to prepare consolidated financial statements for the Company in accordance with the provisions of section 400 of the Act. The results of the Company are included in the consolidated financial statements of Wm Morrison Supermarkets PLC.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are the same for the Company as they are for the Group. For further details, see page 59 of the Wm Morrison Supermarkets PLC Annual report and Financial Statements 2015/16, which does not form part of this report.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Accounting reference date

The accounting period of the Company ends on the Sunday falling between 29 January and 4 February each year.

Investments

Investments comprise investments in equity instruments held for long term investment. They are measured at fair value through other comprehensive income, where the fair value can be measured reliably. Where the fair value of the instruments cannot be measured reliably, for example, when there is variability in the range of estimates, the investments are recognised at cost less accumulated impairment losses.

Current taxation

The current income tax charge is calculated on the basis of the tax laws in effect during the period and any adjustments to tax payable in respect of previous periods. Taxable profit differs from the profit as reported in the profit for the period as it is adjusted both for items that will never be taxable or deductible, and temporary differences. Current tax is charged to profit for the period, except when it relates to items charged or credited directly in other comprehensive income or equity in which case the current tax is reflected in other comprehensive income or equity as appropriate.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Operating result/(loss)

During the period ended 1 February 2015 a subsidiary investment, S K Assets Limited, was dissolved, incurring a charge for the Company upon write off of the investment of £10,881,000.

Audit fees and expenses of £1,000 (2015: £1,000) were paid by the ultimate parent company. There are no fees in relation to non-audit services.

Stores Group Limited

Notes to the financial statements for the 52 weeks ended 31 January 2016 (continued)

3. Employees and Directors

There are no employees of the Company (2015: none).

The emoluments of the Directors are paid by Wm Morrison Supermarkets PLC which makes no recharge to the Company. It is not possible to make an accurate apportionment of the emoluments of the Directors between Wm Morrison Supermarkets PLC and fellow subsidiaries. Accordingly, the above details include no emoluments in respect of Directors.

Where the Directors are also Directors of the ultimate parent company, Wm Morrison Supermarkets PLC, details of the emoluments and accrued benefits under the defined benefit pension schemes that the Directors received for the 52 weeks ending 31 January 2016 are disclosed in the Annual report and financial statements of that company.

4. Taxation

There was no corporation tax payable or receivable in the 52 weeks ended 31 January 2016 (2015: £nil).

The tax for both periods is different to the standard rate of corporation tax in the UK of 20.16% (2015: 21.32%). The differences are explained below:

	52 weeks ended 31 January 2016 £000	52 weeks ended 1 February 2015 £000
Profit on ordinary activities before taxation	500,000	500,000
Profit before tax at 20.16% (2015: 21.32%)	100,800	106,600
Effects of:		
Income not taxable	(100,800)	(106,600)
Tax charge for the period	-	-

Factors affecting current and future tax charges

The 2015 Budget announced a reduction in the UK corporation tax rate from 20% to 19% for the Financial Years beginning 1 April 2017, 1 April 2018 and 1 April 2019, with a further reduction from 19% to 18% for the Financial Year beginning 1 April 2020. These changes were substantively enacted on 26 October 2015.

The 2016 Budget announced a further reduction in the UK corporation tax rate to 17% from 1 April 2020. This change was not substantively enacted at the balance sheet date.

5. Dividends

Amounts recognised as distributed to equity holders in the period:

	52 weeks ended 31 January 2016 £000	52 weeks ended 1 February 2015 £000
Final dividend for the period ended 31 January 2016 of £5,000 per share (2015: £5,000)	500,000	500,000

Stores Group Limited
Notes to the financial statements
for the 52 weeks ended 31 January 2016 (continued)

6. Investments

	Total £000
At 31 January 2016 and 1 February 2015	1,133,169

A list of the Company's related undertakings are shown below:

Related undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Safeway Stores Limited	Ordinary	100%	Operation of retail supermarket stores
Presto Stores Limited	Ordinary	100%	Dormant
Safeway Food Stores Limited	Ordinary	100%	Dormant

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

7. Debtors

	2016 £000	2015 £000
Amounts due from Group undertakings	595,900	595,900

Amounts owed by Group undertakings are non-interest bearing, unsecured and are repayable on demand.

8. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Amounts owed to Group undertakings	1,464,569	1,464,569

Amounts owed to Group undertakings are non-interest bearing, unsecured and are repayable on demand.

9. Called-up share capital

	Number of shares No.	Nominal value per share £	Share capital £000
Ordinary shares at 31 January 2016 and 1 February 2015	100,000	1	100

All issued shares are fully paid.

Stores Group Limited

Notes to the financial statements for the 52 weeks ended 31 January 2016 (continued)

10. Ultimate holding company

The immediate parent undertaking and head of the smallest group in which the results of the Company are consolidated is Safeway Limited, which is incorporated in Great Britain and registered in England and Wales. Copies of the financial statements of Safeway Limited are available from the address below.

The ultimate parent and head of the largest group in which the results of the Company are consolidated is Wm Morrison Supermarkets PLC which is incorporated in Great Britain and registered in England and Wales.

Copies of the financial statements of Wm Morrison Supermarkets PLC are available from:

The Company Secretary
Wm Morrison Supermarkets PLC
Hilmore House
Gain Lane
Bradford
BD3 7DL