

Stores Group Limited

Annual report and accounts
for the 47 week period ended 30 January 2005

Registered number: 1697262



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DIRECTORS AND ADMINISTRATION

Country of Registration	England
Registered Number	1697262
Registered Office	Hilmore House Thornton Road Bradford BD8 9AX
Directors	R.W. Stott
Company Secretary	J.J. Burke
Solicitors	Gordons
Auditors	KPMG Audit Plc

REPORT OF THE DIRECTORS

FOR THE PERIOD ENDED 30 JANUARY 2005

The directors present their Annual Report on the affairs of the Company together with the audited accounts for the period ended 30 January 2005.

Principal Activity

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

Results and Dividends

The audited accounts for the period ended 30 January 2005 are set out on pages 6 to 11.

The profit for the period was £8,145,000 (2004 - £286,058,000).

An interim dividend of £Nil was paid during the year (2004 - £32.0 million).

The directors do not recommend the payment of a final dividend for the period ended 30 January 2005 (2004 - £Nil).

Directors

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

WM Morrison Supermarket PLC	– appointed 11 March 2004 and resigned 14 May 2004.
Safeway Plc	– appointed 11 March 2004 and resigned 14 May 2004.
M. Ackroyd	– appointed 14 May 2004 and resigned 25 May 2005
R.W. Stott	– appointed 14 May 2004.
M.E. Collins	– resigned 11 March 2004.
G.Ellis	– resigned 11 March 2004.
F. Garcia -Valencia	– resigned 11 March 2004.
D.Wilson	– resigned 11 March 2004.

On 18 May 2004, Safeway PLC was re-registered as a private company, Safeway Limited.

Directors' interests

The Company is a wholly-owned subsidiary of Safeway Limited and consequently none of the directors who held office at the period end have any interests in the shares of the Company.

Both M.Ackroyd and R.W.Stott were also directors of WM Morrison Supermarkets PLC. Their interests in the shares of WM Morrison Supermarkets PLC are disclosed in the accounts of that company.

With effect from 5 April 2004, all outstanding Safeway Executive Share Option Scheme options have lapsed and are no longer exercisable.

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.

REPORT OF THE DIRECTORS (Continued)

Registered Office

On 11 March 2004 the Company changed the registered office to Hilmore House, Thornton Road, Bradford, BD8 9AX.

Stores Group Limited,
Hilmore House,
Thornton Road,
Bradford,
BD8 9AX.



BY ORDER OF THE BOARD
J.J. Burke
Secretary

24 August 2005

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



KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF STORES GROUP LIMITED

We have audited the accounts on pages 6 to 11.

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 4, 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 30 January 2005 and of its profit for the 47 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

KPMG Audit Plc

24 August 2005

Leeds.

PROFIT AND LOSS ACCOUNT

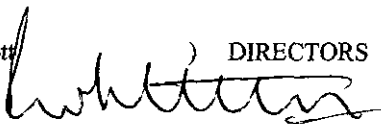
FOR THE 47 WEEK PERIOD ENDED 30 JANUARY 2005

	Notes	47 weeks to 30 January 2005 £'000	49 weeks to 7 March 2004 £'000
Income from shares in group undertakings.		344	286,415
OPERATING PROFIT	2	344	286,415
Profit on sale of investments	3	7,904	-
PROFIT BEFORE TAXATION		8,248	286,415
Taxation	4	(103)	(357)
PROFIT FOR THE FINANCIAL PERIOD		8,145	286,058
Dividends	5	-	(32,000)
RETAINED PROFIT FOR THE PERIOD		8,145	254,058
RETAINED PROFIT, beginning of period		256,135	2,077
RETAINED PROFIT, end of period		264,280	256,135

BALANCE SHEET AT 30 JANUARY 2005

	<u>Notes</u>	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
FIXED ASSETS			
Investments in subsidiaries	6	<u>1,144,050</u>	<u>1,145,551</u>
CURRENT ASSETS			
Amounts owed by subsidiary undertakings	7	-	9
Cash at bank and in hand		<u>-</u>	<u>1,181</u>
			1,190
CREDITORS, amounts falling due within one year	8	<u>(879,670)</u>	<u>(890,506)</u>
NET CURRENT LIABILITIES		<u>(879,670)</u>	<u>(889,316)</u>
NET ASSETS		<u>264,380</u>	<u>256,235</u>
CAPITAL AND RESERVES			
Called-up share capital	9	100	100
Profit and loss account		<u>264,280</u>	<u>256,135</u>
EQUITY SHAREHOLDERS' FUNDS	10	<u>264,380</u>	<u>256,235</u>

Approved by the Board of Directors on 24 August 2005 and signed on its behalf by:

R. W. Stott  DIRECTORS

NOTES TO THE ACCOUNTS

30 JANUARY 2005

1. ACCOUNTING POLICIES

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

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 47 week period to 30 January 2005 compared with the 49 week period to 7 March 2004.

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

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

2. OPERATING PROFIT

- (a) The operating profit 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 (2004 - £Nil).
- (c) Administrative expenses of the Company, including auditors' remuneration, have been borne by the immediate holding company.

The Company has no employees.

3. EXCEPTIONAL ITEM

- (d) During the period the company sold its investment in Maypole Limited to Safeway (Overseas) Limited (see note 6), resulting in a profit on sale of £7,904,000.

4. TAXATION

The tax charge is based on the profit for the period and comprises UK corporation tax at 30% (2004 - 30%).

Reconciliation of the current tax charge:-

The current tax charge is lower than the standard rate of tax in the UK of 30% (2004 - 30%). The differences are explained below:

	<u>2005</u> £'000	<u>2004</u> £'000
Profit before taxation	8,248	286,415
Tax at standard rate of 30%	2,474	85,925
Effect of:		
Dividends receivable from UK companies	-	(85,568)
Non-taxable profit on sale of shares	(2,371)	-
Tax charge for period	<u>103</u>	<u>357</u>

5. DIVIDENDS

	<u>2005</u> £'000	<u>2004</u> £'000
Interim dividend paid (£nil (2004 - £320) per ordinary share)	-	32,000
	<u>-</u>	<u>32,000</u>

6. INVESTMENTS IN SUBSIDIARIES

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

	<u>2005</u> £'000	<u>2004</u> £'000
At beginning of period.	1,145,551	1,145,551
Disposals	(1,501)	-
At end of period	<u>1,144,050</u>	<u>1,145,551</u>

	<u>Country of registration</u>	<u>Country of operation</u>	<u>Business</u>
Safeway Stores Limited	England	England	Grocery retailer
Safeway Stores (Ireland) Limited	England	Northern Ireland	Grocery retailer

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.

During the period the company sold its investment in Maypole Limited to Safeway (Overseas) Limited, a subsidiary of Safeway Stores Limited. The transaction resulted in a profit on disposal of £7,904,000 (see note 3).

7. **AMOUNTS OWED BY SUBSIDIARY UNDERTAKINGS**

The amount owed by subsidiary undertakings is non interest bearing.

8. **CREDITORS, due within one year**

	<u>2005</u> £'000	<u>2004</u> £'000
Amounts owed to group undertakings	879,618	890,149
Corporation Tax	<u>52</u>	<u>357</u>
	<u>879,670</u>	<u>890,506</u>

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

9. **CALLED-UP SHARE CAPITAL**

	<u>2005 and 2004</u>	
	<u>Authorised</u>	<u>Allotted, called-up and fully paid</u>
	£'000	£'000
100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

10. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2005</u> £'000	<u>2004</u> £'000
Profit for the financial period	8,145	286,058
Dividends paid and proposed	-	(32,000)
Net addition to shareholders' funds	<u>8,145</u>	<u>254,058</u>
Equity shareholders' funds, beginning of period	<u>256,235</u>	<u>2,177</u>
Equity shareholders' funds, end of period	<u>264,380</u>	<u>256,235</u>

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 smallest group in which the results of the company are consolidated is that headed by 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 largest group in which the results of the company are consolidated is that headed by 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
Thornton Road
Bradford
BD8 9AX