

1697262

STORES GROUP LIMITED

ACCOUNTS TOGETHER WITH THE REPORTS

OF THE DIRECTORS AND AUDITORS

FOR THE YEAR ENDED 3 APRIL 1999



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	J.P. Kinch G.P.J. Dudley G. Ellis
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 3 April 1999.

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 £151,920,000 (1998 - £168,000,000).

No interim dividend was paid during the year (1998 - £48,000,000). The directors recommend the payment of a final dividend in respect of the year ended 3 April 1999 of £1,500 per ordinary share totalling £150,000,000 (1998 - £120,000,000).

DIRECTORS

The directors of the company during the year were:-

J.P. Kinch
G.P.J. Dudley
G. Ellis

Mr.G.P.J.Dudley 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 Safeway plc and consequently none of the directors have any interests in the shares of the company.

The directors were interested in the ordinary 25p shares of Safeway plc at the end of the year as indicated below:-

	<u>3 April 1999</u>		<u>28 March 1998</u>	
	<u>Shares</u>	<u>Share options</u>	<u>Shares</u>	<u>Share options</u>
J.P. Kinch	112,979	216,553	101,957	201,553
G.P.J. Dudley	20,086	92,985	27,365	75,738
G. Ellis	2,126	103,053	2,043	97,101

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

	<u>Granted</u>	<u>Exercised</u>
J.P. Kinch	50,000	35,000
G.P.J. Dudley	17,247	-
G. Ellis	25,952	20,000

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>Exercise Period</u>		
29 November 1990	234.63p	29 November 1993	to	28 November 2000
23 December 1991	272.00p	23 December 1994	to	22 December 2001
26 November 1992	363.00p	26 November 1995	to	25 November 2002
15 July 1993	264.00p	1 September 1998	to	31 August 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
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

CASH FLOW STATEMENT AND RELATED PARTY TRANSACTIONS

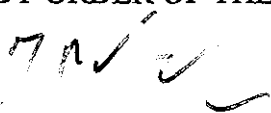
Under the provisions of Financial Reporting Standard No.1 (Revised), the company has not presented a cash flow statement because its ultimate holding company has prepared consolidated accounts which include the company and which contain a cash flow statement.

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.

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
14 June 1999

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.

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 directors are responsible for preparing the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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.

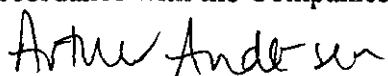
Basis of audit opinion

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 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 3 April 1999 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
Chartered Accountants and Registered Auditors,
1 Surrey Street,
London, WC2R 2PS

14 June 1999

STORES GROUP LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 3 APRIL 1999

	<u>Notes</u>	<u>1999</u> £'000	<u>1998</u> £'000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	152,760	191,000
Tax on profit on ordinary activities	3	<u>(840)</u>	<u>(23,000)</u>
PROFIT FOR THE FINANCIAL YEAR		151,920	168,000
Dividends	4	<u>(150,000)</u>	<u>(168,000)</u>
RETAINED PROFIT FOR THE YEAR		1,920	-
RETAINED PROFIT, beginning of year		<u>151</u>	<u>151</u>
RETAINED PROFIT, end of year		<u><u>2,071</u></u>	<u><u>151</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 3 APRIL 1999

	<u>Notes</u>	<u>1999</u> £'000	<u>1998</u> £'000
FIXED ASSETS			
Investments in subsidiaries	5	<u>1,145,551</u>	<u>1,145,551</u>
CURRENT ASSETS			
Due from subsidiary companies	6	265,835	114,214
Cash at bank and in hand		<u>-</u>	<u>120,000</u>
		265,835	234,214
CREDITORS, due within one year	7	<u>(1,409,215)</u>	<u>(1,379,514)</u>
NET CURRENT LIABILITIES		<u>(1,143,380)</u>	<u>(1,145,300)</u>
NET ASSETS		<u>2,171</u>	<u>251</u>
CAPITAL AND RESERVES			
Called-up share capital	8	100	100
Profit and loss account		<u>2,071</u>	<u>151</u>
TOTAL CAPITAL EMPLOYED		<u>2,171</u>	<u>251</u>

J.P. KINCH) DIRECTORS
G.P.J. DUDLEY) 14 June 1999

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

STORES GROUP LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with all applicable United Kingdom accounting and financial reporting standards.

Investments in subsidiaries

Investments in subsidiary undertakings ("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 (1998 - £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 31% (1998 - 31%).

4. DIVIDENDS

	<u>1999</u> £'000	<u>1998</u> £'000
Interim dividend paid	-	48,000
Proposed final dividend	<u>150,000</u>	<u>120,000</u>
	<u>150,000</u>	<u>168,000</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. DUE FROM SUBSIDIARY COMPANIES

The amount due from subsidiary companies is non interest bearing.

7. CREDITORS, due within one year

	<u>1999</u> £'000	<u>1998</u> £'000
Due to ultimate holding company	1,169,565	1,170,624
Due to subsidiaries	88,805	88,805
Taxation payable	845	85
Dividend payable	<u>150,000</u>	<u>120,000</u>
	<u>1,409,215</u>	<u>1,379,514</u>

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

8. CALLED-UP SHARE CAPITAL

	<u>1999 and 1998</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 3 April 1999, the company together with other group companies, has jointly and severally guaranteed certain of the group bank overdraft and loan facilities.