

**Stores Group Limited**

Annual report and accounts  
for the year ended 30 March 2002

Registered number: 1697262



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## **DIRECTORS AND ADMINISTRATION**

|                         |   |
|-------------------------|---|
| Country of Registration | England   |
| Registered Number       | 1697262   |
| Registered Office       | 6 Millington Road,<br>Hayes,<br>Middlesex,<br>UB3 4AY.      |
| Directors               | M.E. Collins<br>G. Ellis<br>F. Garcia-Valencia<br>D. Wilson |
| Company Secretary       | D. Wilson   |
| Solicitors              | Clifford Chance   |
| Auditors                | KPMG Audit Plc  |

## **REPORT OF THE DIRECTORS**

### **FOR THE YEAR ENDED 30 MARCH 2002**

The directors present their annual report on the affairs of the company together with the audited accounts for the year ended 30 March 2002.

#### **Principal Activity**

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

#### **Results and Dividends**

The audited accounts for the year ended 30 March 2002 are set out on pages 7 to 12.

The profit for the financial year was £96,506,000 (2001 - £92,500,000).

An interim dividend of £30.5 million was paid during the year (2001 - £29.5 million). A second interim dividend totalling £66.0 million (2001 - £63.0 million) has also been proposed by the directors in respect of the year ended 30 March 2002.

The directors do not recommend the payment of a final dividend for the year ended 30 March 2002 (2001 - £NIL).

#### **Directors**

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

|                    |                              |
|--------------------|------------------------------|
| M.E. Collins       | - appointed 15 February 2002 |
| G. Ellis           |                              |
| F. Garcia-Valencia | - appointed 25 March 2002    |
| J.P. Kinch         | - resigned 13 October 2001   |
| S.P. Lane          | - resigned 15 February 2002  |
| D. Wilson          | - appointed 13 October 2001  |

Mr. G. Ellis 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>30 March 2002</u> |                      | <u>31 March 2001</u> |                      |   |
|--------------------|----------------------|----------------------|----------------------|----------------------|---|
|                    | <u>Shares</u>        | <u>Share options</u> | <u>Shares</u>        | <u>Share options</u> |   |
| M.E. Collins       | 7,476                | 125,248              | 7,476                | 125,248              | * |
| G. Ellis           | 3,268                | 153,374              | 2,316                | 154,326              |   |
| F. Garcia-Valencia | -                    | -                    | -                    | -                    | * |
| D. Wilson          | -                    | 60,000               | -                    | -                    | * |

\* At date of appointment

## **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 | 25,500         | -                |
| G. Ellis     | -              | 952              |
| D. Wilson    | 60,000         | -                |

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> |
|----------------------|---------------------------|---|
| 26 November 1992     | 363.00p                   | 25 November 2002                          |
| 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                          |

Executive scheme options granted prior to 19 December 1995 are all available for exercise as all relevant performance criteria have been met.

Executive scheme options granted on and since 19 December 1995 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.

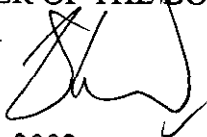
At no time during the year or subsequently did any director have a material interest in any contract or arrangement with the company or any of its subsidiaries which was significant in relation to the group's business.

## **REPORT OF THE DIRECTORS (Continued)**

### **Auditors**

During the year Arthur Andersen resigned as the Company's auditors and the directors appointed KPMG Audit Plc to fill the casual vacancy arising. A resolution re-appointing KPMG Audit Plc as auditors for the ensuing year will be placed before the Annual General Meeting. Special notice has been received for this resolution pursuant to section 388 of the Companies Act 1985.

Stores Group Limited,  
6 Millington Road,  
Hayes,  
Middlesex,  
UB3 4AY.

BY ORDER OF THE BOARD  
D. Wilson  
Secretary   
15 August 2002

## **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.

### **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 30 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

London.

15 August 2002



**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30 MARCH 2002**


|  | <u>Notes</u> | <u>2002</u><br>£'000 | <u>2001</u><br>£'000 |
|--|--------------|----------------------|----------------------|
| PROFIT ON ORDINARY ACTIVITIES<br>BEFORE TAXATION | 2            | 96,500               | 92,500               |
| Tax on profit on ordinary activities             | 3            | <u>6</u>             | <u>-</u>             |
| PROFIT FOR THE FINANCIAL YEAR                    |              | 96,506               | 92,500               |
| Dividends  | 4            | <u>(96,500)</u>      | <u>(92,500)</u>      |
| RETAINED PROFIT FOR THE YEAR                     |              | 6                    | -                    |
| RETAINED PROFIT, beginning of year               |              | <u>2,071</u>         | <u>2,071</u>         |
| RETAINED PROFIT, end of year                     |              | <u>2,077</u>         | <u>2,071</u>         |

# BALANCE SHEET AT 30 MARCH 2002

|   | <u>Notes</u> | <u>2002</u><br>£'000 | <u>2001</u><br>£'000 |
|---|--------------|----------------------|----------------------|
| <b>FIXED ASSETS</b>                                   |              |                      |                      |
| Investments in subsidiaries                           | 5            | <u>1,145,551</u>     | <u>1,145,551</u>     |
| <b>CURRENT ASSETS</b>                                 |              |                      |                      |
| Amounts owed by subsidiary undertakings               | 6            | <u>179,728</u>       | <u>176,728</u>       |
| <b>CREDITORS, amounts falling due within one year</b> | 7            | <u>(1,323,102)</u>   | <u>(1,320,108)</u>   |
| <b>NET CURRENT LIABILITIES</b>                        |              | <u>(1,143,374)</u>   | <u>(1,143,380)</u>   |
| <b>NET ASSETS</b>                                     |              | <u>2,177</u>         | <u>2,171</u>         |
| <b>CAPITAL AND RESERVES</b>                           |              |                      |                      |
| Called-up share capital                               | 8            | 100                  | 100                  |
| Profit and loss account                               |              | <u>2,077</u>         | <u>2,071</u>         |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>                     | 9            | <u>2,177</u>         | <u>2,171</u>         |

Approved by the Board of Directors on 15 August 2002 and signed on its behalf by:

M.E. COLLINS ) DIRECTORS  
G. ELLIS )



## **NOTES TO THE ACCOUNTS**

**30 MARCH 2002**

### **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 30 March 2002 compared with the 52 week period to 31 March 2001.

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.

With effect from 1 April 2001, the group has adopted FRS19, Deferred Tax. In accordance with this accounting standard, deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at rates expected to apply when they crystallise, based on tax and laws enacted or substantially enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## 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 (2001 - £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% (2001 - 30%). No tax charge has been included for the current year because the profit on ordinary activities comprises dividends receivable from UK companies. The tax credit is the reversal of a previously overstated liability.

## 4. DIVIDENDS

|   | <u>2002</u><br>£'000 | <u>2001</u><br>£'000 |
|---|----------------------|----------------------|
| Interim dividend paid (£305 (2001 - £295) per ordinary share)     | 30,500               | 29,500               |
| Interim dividend proposed (£660 (2001 - £630) per ordinary share) | <u>66,000</u>        | <u>63,000</u>        |
|   | <u>96,500</u>        | <u>92,500</u>        |

## 5. INVESTMENTS IN SUBSIDIARIES

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

|                    | <u>Country of<br/>registration<br/>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>2002</u><br>£'000 | <u>2001</u><br>£'000 |
|--|----------------------|----------------------|
| Amounts owed to ultimate holding company | 1,168,297            | 1,168,297            |
| Amounts owed to subsidiary undertakings  | 88,805               | 88,805               |
| Taxation payable                         | -                    | 6                    |
| Dividend payable                         | <u>66,000</u>        | <u>63,000</u>        |
|  | <u>1,323,102</u>     | <u>1,320,108</u>     |

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

## 8. CALLED-UP SHARE CAPITAL

|                                    | <u>2002 and 2001</u>       |  |
|------------------------------------|----------------------------|--|
|                                    | <u>Authorised</u><br>£'000 | <u>Allotted,<br/>called-up<br/>and fully paid</u><br>£'000 |
| 100,000 Ordinary shares of £1 each | <u>100</u>                 | <u>100</u>   |

## 9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|   | <u>2002</u><br>£'000 | <u>2001</u><br>£'000 |
|---|----------------------|----------------------|
| Profit for the financial year                 | 96,506               | 92,500               |
| Dividends paid and proposed                   | <u>(96,500)</u>      | <u>(92,500)</u>      |
| Net addition to shareholders' funds           | 6                    | -                    |
| Equity shareholders' funds, beginning of year | <u>2,071</u>         | <u>2,071</u>         |
| Equity shareholders' funds, end of year       | <u>2,077</u>         | <u>2,071</u>         |

## 10. CONTINGENT LIABILITIES

At 30 March 2002, 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.