

Competition Commission Acceptance of Interim Undertakings

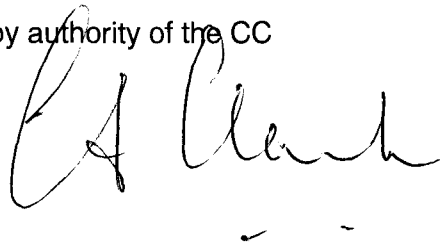
IN THE MATTER of a reference to the Competition Commission dated 23 March 2005 concerning the acquisition by Somerfield plc of certain retail stores and other business assets of WM Morrison Supermarkets plc

Whereas on 23 March 2005 the Office of Fair Trading, in exercise of its duty under section 22 of the Enterprise Act 2002 (the Act) referred to the Competition Commission (CC) the completed acquisition by Somerfield plc of certain retail stores and other business assets of WM Morrison Supermarkets plc:

And whereas Somerfield plc has agreed to give undertakings to the CC under section 80 of the Act for the purpose of preventing pre-emptive action, to ensure that no action is taken which might prejudice the reference or impede the taking of any action by the CC under Part 3 of the Act which may be justified by the CC's decisions on the reference:

Now the CC pursuant to section 80(2) of the Act hereby accepts the undertakings, a copy of which is set out in the Annex attached below, and accordingly the undertakings come into force in accordance with section 80(5) of the Act:

Signed by authority of the CC



Christopher Clarke

13 May 2005

INTERIM UNDERTAKINGS

ACQUISITION BY SOMERFIELD PLC OF CERTAIN RETAIL STORES AND OTHER BUSINESS ASSETS OF Wm MORRISON SUPERMARKETS PLC

UNDERTAKINGS GIVEN BY SOMERFIELD PLC TO THE COMPETITION COMMISSION PURSUANT TO SECTION 80 OF THE ENTERPRISE ACT 2002

Whereas on 23 March 2005, the OFT made the reference to the CC under section 22 of the Act concerning the completed acquisition by Somerfield of certain retail stores and other business assets of Wm Morrison Supermarkets plc.

And whereas the CC wishes to ensure that no action is taken pending final determination of the reference which might prejudice that reference or impede the taking of any action by the CC under Part 3 of the Act which might be justified by the CC's decisions on the reference.

And whereas the reference has not been finally determined in accordance with section 79(1) of the Act:

Now Somerfield hereby gives to the CC the following undertakings pursuant to section 80 of the Act for the purpose of preventing pre-emptive action.

Management of the Acquired Stores until determination of proceedings

1. Except with the prior written consent of the CC, Somerfield undertakes that it will not during the specified period take any action which might prejudice the reference concerned or impede the taking of any action under the Act by the CC which may be justified by the CC's decisions on the reference, including any action which might:
 - (a) transfer the ownership in whole or in part of the Acquired Stores; or
 - (b) otherwise impair the ability of the Acquired Stores to compete in any of the markets affected by the acquisition.
2. Further and without prejudice to the generality of paragraph 1, Somerfield undertakes that it will at all times during the specified period:
 - (a) take any necessary steps required by the Sale and Purchase Agreement to vest title in the Acquired Stores; and, where necessary, to use all reasonable endeavours to renew leasehold interests for the Acquired Stores;
 - (b) manage, maintain and preserve the Acquired Stores whether under contracts inherited by Somerfield under the Sale and Purchase Agreement or as part of Somerfield's general facilities management operation, carrying out at least such maintenance and refurbishment expenditure as is reasonably necessary to maintain the operating efficiency and customer appeal of these stores;

- (c) ensure that the Acquired Stores are provided with sufficient staffing, store management and supplies of goods and services as are reasonably necessary to maintain the operation and customer appeal of these stores;
- (d) manage day to day human resources issues at the Acquired Stores in accordance with its normal human resources policies and procedures;
- (e) not, without the prior written consent of the CC, cease operating or dispose of any of the Acquired Stores;
- (f) manage, maintain and preserve any Proximity Store, including maintaining the current staffing, store management and supplies of goods and services, to the standard employed at the date of the reference; and
- (g) not, without the prior written consent of the CC, cease operating or dispose of any Proximity Store.

Compliance

- 3. Somerfield shall procure that each of its subsidiaries complies with these undertakings as if it had given them.
- 4. Somerfield shall forthwith provide to the OFT and the CC such information or statement of compliance as either of them may from time to time require for the purposes of monitoring compliance by Somerfield and its subsidiaries with these undertakings. In particular, on the first working day of each month commencing June 2005 Somerfield shall provide a monthly statement to the CC confirming compliance with these undertakings signed by the Chief Executive Officer or other Board Director of Somerfield.
- 5. Somerfield shall comply insofar as it is able with such written directions as the CC may from time to time give to take such steps as may be specified or described in the directions for the purpose of carrying out or securing compliance with these undertakings.

Interpretation

- 6. The Interpretation Act 1978 shall apply to these undertakings as it does to Acts of Parliament.
- 7. For the purposes of these undertakings:

'a 5/10/15 minute isochrone' means a travelling time of 5/10/15 minutes (as applicable) by car from the relevant store as determined by the methodology outlined in the CC's report on Safeway plc dated September 2003 and 'rural' and 'urban' shall each have the same meaning and 'sales area' shall be calculated in the same manner as used by the CC in that report when assessing the length of isochrone applicable in each case;

'the Acquired Stores' means the retail stores and other business assets acquired by Somerfield from Morrisons under the Sale and Purchase Agreement but does not include:

- (a) those retail stores which had been closed down before the date of the reference;
and
- (b) for the purposes of paragraphs 2(b), (c), (d) and (e) only of these undertakings, the two retail stores in Glasgow Knightswood and Kilsyth, unless and until the transfer of ownership of those retail stores to Somerfield is completed under the Sale and Purchase Agreement;

'the acquisition' means the acquisition by Somerfield of the Acquired Stores under the Sale & Purchase Agreement;

'the Act' means the Enterprise Act 2002;

'the CC' means the Competition Commission;

'the decisions' means the decisions of the CC on the questions which it is required to answer by virtue of section 35 of the Act;

'the OFT' means the Office of Fair Trading;

'a One Stop Store' means an acquired store with a sales area of 15,000 square feet or more;

'a Mid Range Store' means an acquired store with a sales area of between 3,000 square feet and 14,999 square feet;

'a Convenience Store' means an acquired store with a sales area of less than 3,000 square feet;

'a Proximity Store' means any existing Somerfield store which:

- (a) is situated within a 10 minute isochrone of a One Stop Store located in an urban area (specified in the Appendix Part I) or within a 15 minute isochrone of a One Stop Store located in a rural area (specified in the Appendix Part II), or
- (b) is situated within a 5 minute isochrone of a Mid Range Store located in an urban area (specified in the Appendix Part III) or within a 10 minute isochrone of a Mid Range Store located in a rural area (specified in the Appendix Part IV), or
- (c) is situated within a 1 mile radius of an acquired store which is a convenience store (specified in the Appendix Part V).

'the Sale and Purchase Agreement' means the Sale and Purchase Agreement relating to the sale and purchase of part of the retail supermarket business of the Wm Morrison Group dated 25 October 2004;

'the specified period' means the period beginning on the date of these undertakings and terminating when the reference is finally determined in accordance with sections 79(1) and (2) of the Act;


'subsidiary', unless otherwise stated, has the meaning given by section 736 of the Companies Act 1985 (as amended);

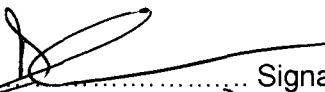
'Somerfield' means Somerfield plc;

'Morrisons' means Wm Morrison Supermarkets plc; and

unless the context requires otherwise, the singular shall include the plural and vice versa.

FOR AND ON THE BEHALF OF SOMERFIELD PLC


..... Signature
MARCUS JAKES Name
GROUP LOGISTICS/IT DIRECTOR Title
11 May 2005 Date


..... Signature
D. CHEYNE Name
GROUP FINANCE & INTERIM BUYING DIRECTOR Title
11 May 2005 Date

Part I - Acquired Stores that are classified One Stop Stores in an urban area

Johnstone Houston Sq
 Brighton St James St
 London Barbican
 London S. Norwood
 Glasgow - Byres Road
 Leigh-On-Sea
 London Southwark
 Birmingham Harborne
 Elgin
 London Amhurst Park
 Glasgow - Rutherglen

Part II - Acquired Store that is classified a One Stop Store in a rural area

Banchory

Part III - Acquired Stores that are classified Mid Range Stores in an urban area

London Balham
 Middlesbrough Linthorpe
 Leeds - Oakwood
 Aberdeen - Cornhill
 Saltcoats
 Renfrew
 Leeds - Chapel Allerton
 London Camberwell
 South Shields
 Broughty Ferry Brook St
 Whickham Oakfield Rd
 Glasgow - Springburn
 Glasgow - Knightswood
 Carluke
 Frome King St
 London Kensington
 Edinburgh - Shandwick Place
 Glasgow Ca D'oro
 Stockton-On-Tees
 Sidcup Blackfen
 Hale
 Dunfermline Kingsgate SC
 London Kilburn
 Portsmouth North End
 Aberdeen - Union Street
 New Malden
 Paisley
 Croydon George St
 Maidstone
 London Blackheath
 Leeds Headingley

New Milton
Fraserburgh
Paddington - Edgware Road
London Sydenham
Eastleigh Chandlers Ford
Beverley
Port Glasgow
Whitby
Penicuik
Alexandria
Uddingston
Ferryhill
Darlington
Glasgow - Muirend
East Kilbride St Leonards

Part IV - Acquired Stores that are classified Mid Range Stores in a rural area

Ponteland Main Street
Bridge Of Weir
Loftus
Kelso Roxborough St
Preston Pans
Peebles (with PFS)
Pocklington The Balk
Littlehampton Avon Rd
Doncaster Armthorpe
Haxby
Kilsyth
Poole Bearwood
Ryton
Cumnock
Brechin
Wimborne
Derby Borrowwash
Edinburgh - Davidson's Main
Kilwinning*
Cottingham King St
Bedlington Market Place
Newark OT Balderton
Bridlington - Martongate
Whitburn West Main St
Prestwick
Yarm
Stewarton
Longridge
Thornbury St Marys
Newton Stewart
Dunoon
Girvan
Selkirk
Shetland Islands Lerwick
Isle of Lewis Stomoway
Wick
Thurso
Kilbirnie

Kirkcudbright
Isle of Bute Rothesay
North Berwick

Turriff

Nairn (With PFS)
Orkney Islands Kirkwall
Aberdeen - Westhill
Buckie
Annan (with PFS)
Garstang Park Hill Rd
Kinross
Ellon
Lockerbie (with PFS)
Millom
Ullapool

Part V - Acquired Stores that are classified as Convenience Stores

Filey Murray St
Isle of Skye Portree
Maybole