

**SIGNED
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BUDGEN HOLDINGS LIMITED

**Directors' Report and Financial Statements
Year Ended 31 December 2007**

Co Reg No: 161619

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CONTENTS

| | Page |
|-----------------------------------|-------------|
| DIRECTORS AND OTHER INFORMATION | 2 |
| DIRECTORS' REPORT | 3 and 4 |
| INDEPENDENT AUDITORS' REPORT | 5 and 6 |
| PROFIT AND LOSS ACCOUNT | 7 |
| BALANCE SHEET | 8 |
| NOTES TO THE FINANCIAL STATEMENTS | 9 to 12 |

DIRECTORS AND OTHER INFORMATION

Board of Directors at 20 November 2008

C N Martin
T Kenny
P Smith
J Wirth

Solicitors

Pinsent Masons Solicitors
3 Colmore Circus
Birmingham B4 6BH

Secretary and Registered Office

J Wirth
Musgrave House
Widewater Place
Moorhall Road
Harefield
Middlesex UB9 6NS

Bankers

Barclays Bank plc
8/12 Church Street
Walton on Thames KT12 2QX

Registered Number: 161619

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Republic of Ireland

Other Bankers

AIB Bank
Bank of Ireland
BNP Paribas
IIB Bank
National Irish Bank
Rabobank
Ulster Bank

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2007.

Principal activities and review of the business

The principal activity of the company is investment holding. The company holds the entire share capital in its subsidiary undertakings. The company did not trade during the year.

There were no movements in shareholders' funds of £22,018,000 during the year ended 31 December 2007.

Profits and dividends

The directors do not recommend the payment of dividends from the profit and loss account as at 31 December 2007 of €3,118,000.

Post balance sheet events and future developments

On 23 March 2008 the company transferred its assets and liabilities to Musgrave Retail Partners GB Limited.

Political and charitable donations

No donations for charitable or political purposes were made during the year.

Directors and secretary

The names of persons who are currently or were directors at any time during the year ended 31 December 2007 are set out below. Except where indicated, they served as directors for the entire year.

| | |
|------------|---|
| C N Martin | |
| M J Hyson | (resigned 22 April 2008) |
| T Kenny | |
| P Smith | (appointed 12 September 2007) |
| D O' Flynn | (appointed 6 July 2007; resigned 22 April 2008) |
| A Dunlea | (resigned 6 July 2007) |
| J Wirth | (appointed 22 April 2008) |

On 6 July 2007 D O' Flynn was appointed company secretary, and resigned as company secretary on 22 April 2008. J Wirth was appointed as company secretary on 22 April 2008.

The directors did not have interests in the share capital of the company or any other group undertaking of Musgrave Group plc as at 31 December 2007 and 1 January 2007 that are required to be disclosed under applicable law.

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DIRECTORS' REPORT - continued

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which 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, 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.

In determining how amounts are presented within items in the profit and loss account and balance sheet, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their re-appointment will be submitted to the Annual General Meeting.

On behalf of the board

T Kenny

C N Martin

20 November 2008

DIRECTORS' REPORT - continued

Statement of directors' responsibilities

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The directors confirm that they have complied with the above requirements in preparing the financial statements.

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In determining how amounts are presented within items in the profit and loss account and balance sheet, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

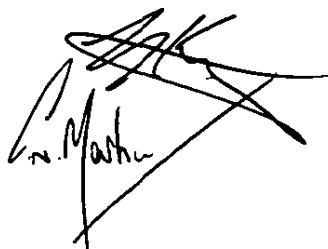
Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their re-appointment will be submitted to the Annual General Meeting.

On behalf of the board

T Kenny

C N Martin

Handwritten signatures of T Kenny and C N Martin. The signature of T Kenny is a stylized 'TK' with a long horizontal stroke. The signature of C N Martin is a cursive 'C N Martin' with a long horizontal stroke.

INDEPENDENT AUDITORS' REPORT: To the members of Budgen Holdings Limited

We have audited the financial statements of Budgen Holdings Limited for the year ended 31 December 2007 on pages 7 to 12, which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out on in note 1 on page 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act, 1985, and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act, 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 company's circumstances, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act, 1985; and
- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

27 November 2008

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2007

| | Notes | 2007 £'000 | 2006 £'000 |
|--|-------|---------------|---------------|
| Income | | - | - |
| Expenses | | - | - |
| Profit on ordinary activities before taxation | 4 | - | - |
| Tax on profit on ordinary activities | | - | - |
| Result for the financial year | | - | - |

There were no movements on reserves during the year ended 31 December 2007.

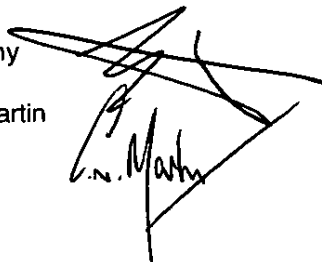
The company did not earn income from discontinued activities during the year. There were no recognised gains and losses other than those dealt with in the profit and loss account.

The notes on pages 9 to 12 form part of these financial statements.

On behalf of the board

T Kenny

C N Martin

Handwritten signatures of T Kenny and C N Martin. The signature of T Kenny is a large, stylized 'X' shape. The signature of C N Martin is a cursive signature that appears to read 'C.N. Martin'.

BALANCE SHEET
31 December 2007

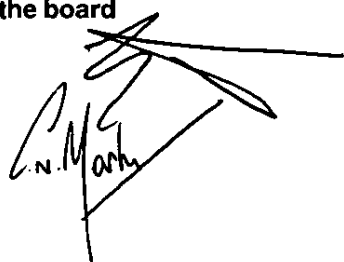
| | Notes | 2007 £'000 | 2006 £'000 |
|--|-------|-----------------|-----------------|
| Fixed assets | | | |
| Financial assets | 5 | <u>13,087</u> | <u>13,087</u> |
| Current assets | | | |
| Debtors | 6 | <u>20,431</u> | <u>20,431</u> |
| Creditors - Amounts falling due within one year | 7 | <u>(11,500)</u> | <u>(11,500)</u> |
| Net current assets | | <u>8,931</u> | <u>8,931</u> |
| Total assets less current liabilities | | <u>22,018</u> | <u>22,018</u> |
| Capital and reserves | | | |
| Called up share capital | 8 | 18,900 | 18,900 |
| Profit and loss account | | <u>3,118</u> | <u>3,118</u> |
| Shareholders' funds | | <u>22,018</u> | <u>22,018</u> |

The notes on pages 9 to 12 form part of these financial statements.

On behalf of the board

T Kenny

C N Martin

A handwritten signature in black ink, appearing to read 'C N Martin', is written over a horizontal line. The signature is stylized and includes a large, sweeping flourish that extends to the right.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The significant accounting policies adopted by the company are as follows:

Basis of preparation

The financial statements have been prepared under the historical cost convention in pounds Sterling and in accordance with accounting standards generally accepted in the United Kingdom and the Companies Act, 1985. Accounting standards generally accepted in the United Kingdom, in preparing financial statements giving a true and fair view, are those issued by the Accounting Standards Board.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial assets

Investments in subsidiary undertakings are stated in the company's balance sheet as financial assets at cost less provision for any impairment in their value. Income from these assets is recognised on a receivable basis in the profit and loss account.

Deferred taxation

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

Financial assets and liabilities

Financial assets and liabilities are presented on a gross basis unless the company has the right to receive or pay a single net amount and intends to do so.

Cash flow statement

The company is a wholly owned subsidiary of Musgrave Group plc and its financial statements are included in the consolidated financial statements of Musgrave Group plc. Consequently, the company has availed of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

NOTES TO THE FINANCIAL STATEMENTS - continued**2 Scope of financial statements and ultimate parent undertaking**

The financial statements have been prepared for the year ended 31 December 2007.

Musgrave (UK) Limited, incorporated in England and Wales, is the company's immediate parent undertaking and Musgrave Group plc, incorporated in the Republic of Ireland, is the ultimate parent company. The company's financial statements reflect the effects of this relationship.

The financial statements contain information about Budgen Holdings Limited, as an individual company, and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985, from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent undertaking, Musgrave Group plc, a company registered in the Republic of Ireland.

Musgrave Group plc is the only company for which group financial statements are drawn up and of which the company is a member. The registered office of Musgrave Group plc is Musgrave House, Ballycurreen, Airport Road, Cork, Republic of Ireland.

Transactions with entities that are part of the group or investees of the group, qualifying as related parties, are not disclosed as the company is exempt from such disclosure under paragraph 3 (c) of FRS 8 - 'Related Party Disclosures'.

3 Going concern

The directors, after making enquiries and taking into account the company's trading performance, financial position and finance available from the parent undertaking, have a reasonable expectation that the company has adequate resources to enable it to continue for the foreseeable future to meet its liabilities as they fall due. The directors have received a letter confirming financial support from Musgrave Group plc. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

4 Profit on ordinary activities before taxation

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation is stated after charging: | | |
| Auditors' remuneration - audit | - | - |
| Auditors' remuneration - fees for non audit services | - | - |
| Directors' remuneration (note 9) | - | - |
| | <hr/> | <hr/> |

Auditors' remuneration was borne by Budgens Stores Limited.

The company did not have employees during the year or prior year.

NOTES TO THE FINANCIAL STATEMENTS - continued

| 5 Financial assets | 2007 £'000 | 2006 £'000 |
|--|---------------|---------------|
| Unlisted shares in subsidiary undertakings | | |
| Cost | <u>13,087</u> | <u>13,087</u> |

Subsidiary undertakings

The subsidiary undertakings of the company are as follows:

| | Principal activity |
|------------------------------------|-----------------------|
| Murdoch Norton Limited | Dormant |
| Bishop's Group Limited | Investment holding |
| Budgens Stores Limited | Retailing |
| Budgens Jupiter Limited | Dormant |
| Carter and Son (Faringdon) Limited | Retailing |
| Neighbourhood Stores plc | Dormant |
| Linnco Limited | Retailing |
| LC Seward & Sons Limited | Retailing |
| Teleshop Services Limited | Non-trading |
| Teleshop Trade Limited | Dormant |
| Teleshop Direct Limited | Dormant |

All the subsidiary undertakings are held indirectly via other subsidiary undertakings, with the exception of Murdoch Norton Limited and Bishop's Group Limited. The entire voting rights and ordinary share capital of each company are held, and the subsidiaries are all incorporated in England and Wales. The registered office of these companies is Musgrave House, Widewater Place, Moorhall Road, Harefield, Middlesex UB9 6NS.

| 6 Debtors | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year | | |
| Amounts due from fellow subsidiary undertakings | <u>20,431</u> | <u>20,431</u> |

Amounts due from fellow subsidiary undertakings are unsecured, interest-free and have no fixed date of repayment.

| 7 Creditors - Amounts falling due within one year | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| Amounts due to fellow subsidiary undertakings | <u>11,500</u> | <u>11,500</u> |

Amounts due to fellow subsidiary undertakings are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - continued

| | | |
|---------------------------------------|---------------|---------------|
| 8 Called up share capital | 2007 | 2006 |
| | £'000 | £'000 |
| Authorised | | |
| 19,000,000 ordinary shares of £1 each | <u>19,000</u> | <u>19,000</u> |
| Allotted and fully paid | | |
| 18,900,000 ordinary shares of £1 each | <u>18,900</u> | <u>18,900</u> |

9 Information regarding directors

The emoluments of company directors are paid by a fellow subsidiary undertaking, Budgens Stores Limited, and are not specifically recharged to the company. These directors are directors of a number of group and fellow subsidiary undertakings and it is not possible to make an accurate apportionment of their emoluments in respect of each of these subsidiaries.

10 Approval of financial statements

The directors approved the financial statements on 20 November 2008.