Company No. 42579

The Mary Street Estate Limited

Report and Financial Statements

Year Ended

31 December 2004

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THE MARY STREET ESTATE LIMITED

Annual report and financial statements for the year ended 31 December 2004

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Directors

R Bowden
E W Davidson
G A Davidson
J W Rose

Secretary and registered office

S M Chia, 58 Queen Anne Street, London W1G 8HW

Company number

42579

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London W1U 3LL

THE MARY STREET ESTATE LIMITED

Report of the directors for the year ended 31 December 2004

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

Results and dividends

The directors consider the profit for the year to be satisfactory.

The directors do not recommend a dividend for the year (2003 - £555.55 per ordinary share).

Principal activities, review of business and future developments

The Company carries on business as a property investment company. Given trading conditions, the directors consider the performance for the year to be satisfactory and anticipate a similar performance in the forthcoming year.

Directors

The directors of the company during the year were:

R Bowden
E W Davidson
G A Davidson
D Peltz (resigned 1 January 2005)
J W Rose

The directors who held office at 31 December 2004 had no interests in the shares of the company or its fellow subsidiary companies. The interests of the other directors in the shares of the company's ultimate parent company are shown in that company's financial statements.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

Directors' responsibilities *(Continued)*

- prepare the financial statements 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 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.

Auditors

BDO Stoy Hayward LLP has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting

By order of the Board

S M Chia
Secretary

Date 20 July 2005

To the shareholders of The Mary Street Estate Limited

We have audited the financial statements of The Mary Street Estate Limited for the year ended 31 December 2004 on pages 5 to 18 which have been prepared under the accounting policies set out on pages 8 to 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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 of the state of the affairs of the company as at 31 December 2004 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

Date 20/7/05

THE MARY STREET ESTATE LIMITED

Profit and loss account for the year ended 31 December 2004

	Note	2004 £000	2003 £000
Gross rentals	2	19,310	18,187
Net property outgoings		(2,911)	(3,047)
Net rental income		16,399	15,140
Administrative expenses		(1,441)	(351)
Other operating income		117	-
Operating profit	3	15,075	14,789
Profit on sale of investment properties	5	7,486	379
		22,561	15,168
Interest receivable and similar income	6	54	95
Interest payable and similar charges	6	(9,482)	(7,122)
Profit on ordinary activities before taxation		13,133	8,141
Tax on profit on ordinary activities	7	(2,748)	(2,663)
Profit on ordinary activities after taxation		10,385	5,478
Dividends	8	-	(5,000)
Retained profit for the year	16	10,385	478

All amounts relate to continuing activities.

The notes on pages 8 to 18 form part of these financial statements

THE MARY STREET ESTATE LIMITED

Statement of total recognised gains and losses for the year ended 31 December 2004

	Note	2004 £000	2003 £000
Statement of total recognised gains and losses			
Profit on ordinary activities after taxation		10,385	5,478
Unrealised surplus on revaluation of investment properties	9	64,412	27,707
Taxation on sale of investment properties	16	(1,332)	(511)
Total recognised gains and losses for the year		73,465	32,674

Note of historical cost profits and losses for the year ended 31 December 2004

Reported profit on ordinary activities before taxation		13,133	8,141
Realisation of property revaluation gains of previous years	16	5,145	2,030
Historical cost profit on ordinary activities before taxation		18,278	10,171
Historical cost profit after taxation and dividends		14,198	1,997

The notes on pages 8 to 18 form part of these financial statements

THE MARY STREET ESTATE LIMITED

Balance sheet at 31 December 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Investment properties	9		425,847		319,851
Investments	10		1		1
			425,848		319,852
Current assets					
Debtors	11	6,944		5,524	
Cash at bank and in hand		1,860		708	
		8,804		6,232	
Creditors: amounts falling due within one year	12	(31,652)		(16,499)	
Net current liabilities			(22,848)		(10,267)
Total assets less current liabilities			403,000		309,585
Creditors: amounts falling due after more than one year	13		(158,294)		(137,798)
Provisions for liabilities and charges	14		(1,845)		(2,391)
Net assets			242,861		169,396
Capital and reserves					
Called up share capital	15		9		9
Revaluation reserve	16		213,849		154,582
Profit and loss account	16		29,003		14,805
Shareholders' funds (including non-equity)			242,861		169,396

The financial statements were approved by the Board on 20 July 2005

E W Davidson
Director

The notes on pages 8 to 18 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Investment property and depreciation

In accordance with Statement of Standard Accounting Practice No. 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the investment revaluation reserve. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to expiry. This treatment is a departure from the requirements of the Companies Act concerning the depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Purchases and sales of investment properties are accounted for on completion of contracts.

Tax arising on sales of investment properties is apportioned between the profit and loss account and the statement of total recognised gains and losses to match the split between book profit and total surplus.

Investment in subsidiaries

Investments in subsidiaries are included at cost less any provision for permanent diminution in value. The company has not prepared consolidated accounts since it is a wholly owned subsidiary of a UK company that does prepare consolidated accounts.

Development Properties

Development properties are included at cost less any provision for indirect marketing costs. Cost includes capitalised interest at the actual rate incurred, or where funded out of general funds, the average rate incurred on those funds.

Deferred taxation

Deferred taxation is provided in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposals of assets that have been rolled over into replacement assets only where there is a commitment to dispose of the replacement assets.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.

1. Accounting policies (cont/d)

Deferred taxation (cont/d)

- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates enacted at the balance sheet date.

Operating lease incentives

Following the application of Urgent Issues Task Force (UITF) Abstract 28 (Operating Lease Incentives), all incentives given for lessees to enter into leases (such as contributions to fitting out costs) are treated as revenue costs and rental income is accounted for from the commencement of a lease rather than from the expiry date of any rent free periods. The costs of all incentives, including rent free periods, are offset against the total rent due and allocated to the profit and loss account on a straight line basis over the period from the rent commencement date (or rent free date if sooner) to the date of the next rent review (or lease end date if sooner). This accounting policy has been applied to leases commencing on or after 1 January 2000.

Joint arrangements

Where the company is a party in a joint arrangement, the company's share of assets and liabilities are included in the balance sheet in the proportion in which the company shares joint arrangement profits. The company's share of turnover, income and expenditure is included in the profit and loss account.

Investment in joint ventures

Investments in joint ventures are included at cost less any provision for permanent diminution in value.

Cash flow exemption

The company has taken advantage of exemptions conferred under Financial Reporting Standard 1 (Revised) not to prepare a cash flow statement on the basis that the ultimate parent company prepares a consolidated cash flow in its financial statements which are publicly available.

2 Turnover and profit

Rental income is attributable to the company's principal activity and derived from operations in the United Kingdom. Turnover and profit on property trading relates to the activities of one of the company's joint arrangements and is derived from sales in the United Kingdom.

3 Operating profit is stated after charging:

	2004 £000	2003 £000
Auditors' remuneration - audit services	21	5

4 Employees

There were no employees during the year. No directors received any emoluments during the year.

5 Profit on sale of investment properties

	2004 £000	2003 £000
Sale of investment properties	28,946	4,217
Historical cost	(15,880)	(1,724)
Prior years' revaluation surpluses realised	(5,145)	(2,030)
Selling expenses	(435)	(84)
	7,486	379

Tax arising on the sale of investment properties totalled £3,174,089 (2003 : £578,182) of which £1,332,330 (2003 : £510,513) was included in the profit and loss reserve.

6 Interest payable and similar charges

	2004 £000	2003 £000
Interest payable on bank loans and overdrafts	1,211	837
Interest payable to group companies	8,257	6,704
Other interest payable	64	116
Capitalised interest	(50)	(535)
	9,482	7,122

Interest receivable and similar income

Bank interest	12	11
Other interest	42	84
	54	95

7 Taxation

	2004 £000	2003 £000
Analysis of tax charge in the year		
The charge for taxation comprises:		
UK corporation tax:		
- Current year	3,331	2,056
- Adjustment in respect of prior years	(37)	634
Total current tax	3,294	2,690
Deferred tax:		
Origination and reversal of timing differences in respect of:		
Accelerated capital allowances	(546)	(27)
Total deferred tax	(546)	(27)
Tax on profit on ordinary activities	2,748	2,663
Factors affecting tax charge for the period		
Profit on ordinary activities before taxation	13,133	8,141
Corporation tax at 30%	3,940	2,442
Capital and industrial building allowances	(294)	(248)
Chargeable gains in excess of accounting profits	(403)	(46)
Adjustments relating to prior years corporation tax	(37)	634
Disallowed items	103	68
Capitalised interest	(15)	(160)
Current tax charge	3,294	2,690

8 Dividends

	2004 £000	2003 £000
No dividends proposed (2003 - £555.55 per ordinary share)	-	5,000

9 Investment properties

	Freehold commercial properties £000	Long leasehold commercial properties £000	Total £000
At 1 January 2004	319,401	450	319,851
Additions	62,609	-	62,609
Disposals	(21,025)	-	(21,025)
Revaluation surplus	64,400	12	64,412
At 31 December 2004	425,385	462	425,847

All investment properties were valued at the balance sheet date on an open market basis, by the directors.

The historical cost of all investment commercial properties is £210,068,000 (2003 - £163,339,000) *including interest capitalised of £3,159,000 (2003 - £3,109,000).*

10 Investments

	Investment in subsidiary £	Investment in joint ventures £	Total £
At 1 January 2004 and at 31 December 2004	100	500	600

Investment in subsidiary

The company owns 100% of the share capital of Lockgreen Limited, a company which is dormant.

10 Investments (cont/d)

Investment in joint ventures

The joint venture companies in which the company had an interest at the year end are as follows:

	Country of *incorporation* or registration	Proportion of voting *rights and ordinary* share capital held	Nature of business
Asda St James Limited	England	50%	Property investment and development
Asda St James Investments Limited	England	50%	Property investment and development

The interest in Asda St James Investments Limited is held directly by Asda St James Limited.

11 Debtors

	2004 £000	2003 £000
Due within one year:		
Rental debtors	2,639	1,883
Trade and other debtors	327	727
Amounts owed by joint venture	2,370	970
Deferred tax	-	1,038
Prepayments and accrued income	109	85
	5,445	4,703
Due after more than one year:		
Rental debtors	1,489	809
Prepayments	10	12
	1,499	821
	6,944	5,524

12 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank loans and overdrafts (secured, see note 13)	23,353	8,770
Rents in advance	6,026	5,541
Trade creditors	1,378	942
Taxation and social security	619	982
Accruals and deferred income	276	264
	31,652	16,499

13 Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Bank loans (secured)		
Due within two to five years	14,017	10,008
Amounts owed to parent company	144,277	127,790
	158,294	137,798

The company's bank loans and overdrafts are secured on certain investment properties of the company. The amounts due to the parent company have no specified repayment date. However, the directors have received assurance from the parent company that these amounts will not be called for the foreseeable future.

14 Provisions for liabilities and charges

	2004 £000	2003 £000
At 1 January 2004	2,391	2,418
Deferred tax credit in the profit and loss account for the period	(546)	(27)
At 31 December 2004	1,845	2,391

14 Provisions for liabilities and charges (cont/d)

The amount of deferred taxation not provided in the accounts is as follows:

	2004 £000	2003 £000
Unrealised surpluses on revaluation of investment properties	52,533	39,479

Unprovided taxation may become payable if the investment properties were sold at the amount at which they are stated in the financial statements.

15 Share capital

	Authorised Allotted, called up and fully paid 2004 £	2003 £
9,000 ordinary shares of 1p each	90	90
9,000 deferred shares of £1 each	9,000	9,000
	9,090	9,090

The £1 deferred shares carry a fixed non-cumulative dividend at the rate of 3% conditional upon the company's certified net profits available for dividend exceeding £1,000,000. On a winding-up the holders are entitled out of the surplus assets of the company to a return of the capital paid up on the shares held by them after a sum of £1,000,000 has been distributed in such winding-up in respect of each of the Ordinary shares of 1p. The deferred shares carry no voting rights.

The holders of the deferred shares have waived their right to the payment of a dividend in relation to the year ended 31 December 2004.

16 Reserves

	Revaluation reserve £000	Profit and loss account £000
At 1 January 2004	154,582	14,805
Revaluation surplus	64,412	-
Prior year revaluations now realised on disposal	(5,145)	5,145
Taxation on sale of investment properties	-	(1,332)
Retained profit for the year	-	10,385
At 31 December 2004	213,849	29,003

17 Contingent liabilities

The company has guaranteed jointly, with other group companies, bank advances to the group amounting to £nil (2003 : £nil).

At 31 December 2004 certain properties were charged as security for £29,783,190 First Mortgage Debenture Stock 2020, £43,600,000 First Mortgage Debenture Stock 2014 and £37,306,772 First Mortgage Debenture Stock 2011 of its immediate parent company Asda Property Holdings Limited in issue at 31 December 2004.

18 Capital commitments

Capital commitments contracted but not provided at 31 December 2004 totalled £nil (2003 - £1,480,000).

19 Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
Profit for the financial year	10,385	5,478
Dividends	-	(5,000)
	10,385	478
Taxation on sale of investment properties	(1,332)	(511)
Other recognised gains and losses for the year (net)	64,412	27,707
Net addition to shareholders' funds	73,465	27,674
Opening shareholders' funds	169,396	142,216
Closing shareholders' funds	242,861	169,396

20 Joint arrangements

The company was party to a joint arrangement, The Retail & Warehouse Company Joint Venture (formerly Sweetvale Limited), which is a property investment company and was owned and managed on a 50/50 basis. In October 2004 the company acquired the other 50% of the joint arrangement.

21 Ultimate parent company

The ultimate parent company is BL Davidson Limited, a company registered in England. This is the parent company of the smallest and largest group for which group accounts are prepared. BL Davidson Limited is owned as to 50% by Union Property Holdings (London) Limited, a subsidiary of The British Land Company plc and as to 50% by Mr E W Davidson, Mrs B Davidson, the Trustees of the Manny Davidson Trust and the Trustees of the Brigitta Davidson Trust. The immediate parent company of the group of which the company is a member is Asda Property Holdings Limited.

Copies of the accounts of the ultimate parent company are available from The Secretary, BL Davidson Limited, 58 Queen Anne Street, London W1G 8HW.

22 Related Party Transactions

The company has taken advantage of the exemption conferred by FRS 8 "Related Party Transactions" not to disclose transactions with group companies, on the basis that its ultimate parent company prepares consolidated financial statements that are publicly available.

The company has been charged rent of £285,000 (2003 - £285,000) by MDDT Nominees SA and Wolfe Nominees Limited, who are controlled by the Trustees of the Manny Davidson Trust. The Manny Davidson Trust is a significant shareholder in the company's ultimate parent company.

The company has charged interest amounting to £nil (2003 - £74,000) to its joint venture company, Asda St James Limited on amounts advanced to them.