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L C SEWARD & SONS LIMITED

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

Co Reg No: 1103018

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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: 1103018

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 food retailing in the United Kingdom.

During 2007 the company ceased to trade on completion of the process of transferring its store to independent store ownership.

Turnover amounted to £2,588,000, a decrease of 7.7% relative to 2006. Gross profit at £397,000 is 15.3% of sales, an increase on last year's comparative figure of 10.1%. Profit on ordinary activities before taxation for the year amounted to £217,000 (2006: £284,000).

Shareholders' funds have increased by £108,000 from £1,213,000 at 31 December 2006 to £1,321,000 at 31 December 2007.

Profits and dividends

Profit for the financial year amounted to £108,000. The directors recommend that this amount be retained in the profit and loss account. The directors do not recommend the payment of dividends.

Financial risk management

The company does not have significant credit sales and hence credit risk. The company does not have a significant amount of sales or purchases outside the sterling area and does not enter into foreign currency contracts and hence is not exposed to significant foreign exchange risk.

Post balance sheet events

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 as 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

Employees

The company's employment policies are aimed at informing, training and motivating all its employees. The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the company continues employment wherever possible and arranges retraining.

The company has an effective system of internal communication that ensures employees at all of its locations are kept well informed about the company's business. This is achieved principally through newsletters and regular staff briefings using the stores and management structure.

The health and safety of the company's employees and customers is of primary concern. It is therefore the policy of the company to manage its affairs so as to avoid unnecessary and unacceptable risks to the health and safety of its employees and customers.

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

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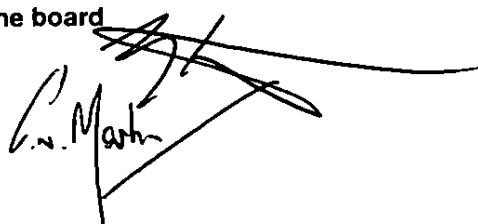
Auditors

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On behalf of the board

T Kenny

C N Martin

Handwritten signatures of T Kenny and C N Martin over a diagonal line.

INDEPENDENT AUDITORS' REPORT: To the members of L C Seward & Sons Limited

We have audited the financial statements of L C Seward & Sons Limited for the year ended 31 December 2007 on pages 7 to 14, 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 in note 1 on pages 9 and 10.

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 profit 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

28 November 2008

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Turnover	4	2,588	2,804
Cost of sales		<u>(2,191)</u>	<u>(2,520)</u>
Gross profit		397	284
Operating expenses		<u>-</u>	<u>-</u>
Operating profit	5	397	284
Loss on sale of tangible assets		<u>(180)</u>	<u>-</u>
Profit on ordinary activities before taxation		217	284
Tax on profit on ordinary activities	6	<u>(109)</u>	<u>(85)</u>
Profit for the financial year		<u>108</u>	<u>199</u>

Movement on reserves are set out in note 13 on page 13.

Turnover and operating profit arose solely from discontinued activities. There were no recognised gains and losses other than those dealt with in the profit and loss account. There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The notes on pages 9 to 14 form part of these financial statements.

On behalf of the board

T Kenny

C N Martin



BALANCE SHEET
31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	7	-	156
Financial assets	8	<u>3</u>	<u>3</u>
		<u>3</u>	<u>159</u>
Current assets			
Stocks	9	-	113
Debtors	10	9,135	9,069
Cash at bank and in hand		<u>293</u>	<u>152</u>
		9,428	9,334
Creditors - Amounts falling due within one year	11	<u>(8,110)</u>	<u>(8,280)</u>
Net current assets		<u>1,318</u>	<u>1,054</u>
Total assets less current liabilities		<u>1,321</u>	<u>1,213</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	<u>1,321</u>	<u>1,213</u>
Shareholders' funds	14	<u>1,321</u>	<u>1,213</u>

The notes on pages 9 to 14 form part of these financial statements.

On behalf of the board

T Kenny

C N Martin

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.

Turnover

Turnover represents amounts derived from food retail and is stated net of Value Added Tax and trade discounts. Goods and services are supplied at the point of sale when the customer has access to the significant benefits inherent in the goods and services and exposure to the risks in those benefits. Where promotional activity is undertaken, the sales are recognised net of discount and 'free sale' delivery.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation is calculated in order to write off the cost of tangible assets over their estimated useful lives on a straight line basis.

Financial assets

Investments in unlisted securities 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.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on normal levels of cost and comprises cost of purchase i.e. supplier's invoice price with addition of charges such as freight or duty where appropriate, less trade discounts and rebates.

Net realisable value comprises the actual or estimated selling price (net of trade but before settlement discounts), less all costs to be incurred in marketing, selling and distribution. Provision is made for those product lines which are considered to be excess and slowmoving.

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.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date or by reference to fixed rates of exchange under related forward contracts where such contracts exist. Revenues, costs and non-monetary assets are translated at the exchange rates ruling at the dates of the transactions or at contracted rates of exchange, where applicable.

Profits and losses arising from foreign currency translations, and on settlement of amounts receivable and payable in foreign currency are dealt with through the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting policies - continued

Operating leases

Payments under operating leases are charged to the profit and loss account in the year to which they relate on an accruals basis.

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).

2 Scope of financial statements and ultimate parent undertaking

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

Budgens Stores Limited, incorporated in England and Wales, is the company's parent undertaking and Musgrave Group plc, incorporated in the Republic of Ireland, is the ultimate parent company. The company's financial statements and trading activities reflect the effects of this relationship. 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 obligations 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 Turnover

Turnover comprises the retail sales of food in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Operating profit	2007	2006
	£'000	£'000
Operating profit has been arrived at after charging:		
Staff costs (note 17)	337	344
Depreciation of tangible assets	68	70
Auditors' remuneration - audit	-	-
Auditors' remuneration - fees for non audit services	-	-
Directors' remuneration (note 16)	-	-
Operating lease rentals - land and buildings	32	37

All distribution costs and administrative expenses, including auditors' remuneration were borne by Budgens Stores Limited.

6 Tax on profit on ordinary activities	2007	2006
	£'000	£'000
Current tax on profit for the year		
Corporation tax at 30%	91	84
Adjustments in respect of prior years	18	(3)
Current tax charge for the year	109	81
Deferred tax		
Origination and reversal of timing differences	-	4
Tax charge on profit on ordinary activities	109	85

The company is liable to corporation tax on trading profits at the standard rate of corporation tax in the United Kingdom of 30%. The differences between the current tax charge for the year and the current charge that would result from applying the standard rate of corporation tax to the profit on ordinary activities are explained below:

	2007	2006
	£'000	£'000
Profit on ordinary activities before tax	217	284
Profit on ordinary activities multiplied by the standard rate of corporation tax for the year of 30%	65	85
Effects of:		
Expenses not deductible for tax (net)	21	-
Difference between chargeable gains and loss on sale of tangible assets	31	-
Differences between capital allowances and depreciation	(26)	(1)
Adjustments in respect of prior years	18	(3)
Current tax charge for the year	109	81

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Tangible assets

Vehicles, plant, equipment and fittings	£'000
Cost	
At 31 December 2006	441
Additions	12
Disposals	(453)
At 31 December 2007	-
Accumulated depreciation	
At 31 December 2006	285
Charge for the year	68
Disposals	(353)
At 31 December 2007	-
Net book amounts	
At 31 December 2006	156
At 31 December 2007	
- Cost	-
- Accumulated depreciation	-
	-

The estimated useful lives by reference to which depreciation is calculated are 3 to 10 years.

8 Financial assets	2007 £'000	2006 £'000
Unlisted securities at cost	3	3

Unlisted securities represent shares in a trade buying association, NISA - Today's (Holdings) Limited.

9 Stocks	2007 £'000	2006 £'000
Goods for resale	-	113

The replacement cost of stocks did not differ materially from the balance sheet amounts.

10 Debtors	2007 £'000	2006 £'000
Amounts falling due within one year		
Prepayments and accrued income	416	349
Amounts due from fellow subsidiary undertakings	8,719	8,720
	9,135	9,069

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

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Creditors - Amounts falling due within one year	2007	2006
	£'000	£'000
Amounts due to parent undertaking	7,745	7,658
Amounts due to fellow subsidiary undertakings	212	22
Accruals and deferred income	-	526
Corporation tax payable	153	74
	<u>8,110</u>	<u>8,280</u>

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

12 Called up share capital	2007	2006
	£'000	£'000
Authorised		
5,000 ordinary shares of £1 each	<u>5</u>	<u>5</u>
Allotted and fully paid		
100 ordinary shares of £1 each - Total £100	<u>-</u>	<u>-</u>

13 Profit and loss account	£'000
At 1 January 2007	1,213
Profit for the financial year	<u>108</u>
At 31 December 2007	<u>1,321</u>

14 Reconciliation of movements in shareholders' funds	2007	2006
	£'000	£'000
Profit for the financial year	108	199
Shareholders' funds at beginning of year	<u>1,213</u>	<u>1,014</u>
Shareholders' funds at end of year	<u>1,321</u>	<u>1,213</u>

15 Contingent liabilities and financial commitments

Operating lease commitments

The company has operating lease commitments payable in the next year under non-cancellable operating leases in respect of land and buildings which expire as follows:

	2007	2006
	£'000	£'000
Within one year	-	6
After five years	<u>27</u>	<u>20</u>
	<u>27</u>	<u>26</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Information regarding directors

The emoluments of company directors are paid by fellow subsidiary undertakings 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.

17 Particulars of employees

The average number of persons employed by the company during the year was:

	2007	2006
Central function - Full-time	11	20
- Part-time	22	20
	<u>33</u>	<u>40</u>
Their total remuneration was:	£'000	£'000
Wages and salaries	311	318
Social security costs	21	26
Other pension costs	5	-
	<u>337</u>	<u>344</u>

18 Approval of financial statements

The directors approved the financial statements on 20 November 2008.