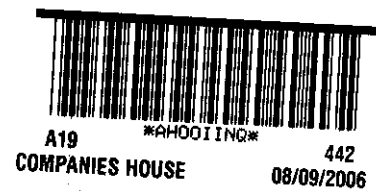


NEIGHBOURHOOD STORES PLC

Registered No. 1703174

Annual report for the financial year ended 31 December 2005



Neighbourhood Stores plc

Annual report for the year ended 31 December 2005

Registered No. 1703174

DIRECTORS AND OTHER INFORMATION

DIRECTORS

A Dunlea
M Taylor
M Hyson
C Martin
T Kenny

SECRETARY

A Dunlea

REGISTERED OFFICE

Musgrave House
Widewater Place
Moorhall Road
Harefield
Middlesex
UB9 6PE

Neighbourhood Stores plc

Directors' report for the year ended 31 December 2005

The directors present their report and financial statements of the company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is to act as a non-trading holding company for its wholly owned subsidiary, Linnco Limited, whose principal activity is retailing by operating convenience stores under the trading name of "Budgens Express". The company did not trade during the current financial period and will remain dormant for the foreseeable future.

RESULTS AND DIVIDENDS

The company has not traded throughout the financial year ended 31 December 2005. The directors do not recommend the payment of a dividend (period ended 31 December 2004: £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the year and up to the date of signing these accounts were as follows:

Michael Taylor
Martin Hyson
Vince J Maloney (resigned 15 June 2006)
S Pyper (resigned 22 August 2005)
James Pye (resigned 15 June 2006)
Aidan Dunlea (appointed 22 August 2005)
Timothy Kenny (appointed 15 June 2006)
Christopher Martin (appointed 15 June 2006)

The directors who held office at the end of the financial period have no other interests in any body corporate in the Musgrave Group plc group.

By order of the board


Aidan Dunlea
Director

5 September 2006

Neighbourhood Stores plc

BALANCE SHEET

As at 31 December 2005

		31 December 2005 £000	31 December 2004 £000
	Note		
FIXED ASSETS			
Investment in a subsidiary	4	5,083	5,083
CURRENT ASSETS			
Debtors: amounts due after more than one year	5	406	406
TOTAL ASSETS		5,489	5,489
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	6	(5,500)	(5,500)
NET LIABILITIES		(11)	(11)
CAPITAL AND RESERVES			
Called up share capital	7	16,000	16,000
Share premium account	8	4,168	4,168
Capital reserve	8	8,000	8,000
Profit and loss account	8	(28,179)	(28,179)
EQUITY SHAREHOLDERS' FUNDS	9	(11)	(11)

For the year ended 31 December 2005 the company was entitled to exemption under section 249AA(1) of the Companies Act 1985.

Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

The Directors acknowledge their responsibility for:-

- (i) ensuring the company keeps accounting records which comply with section 221 of the Companies Act 1985, and
- (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its financial period, and of its profit and loss for the period in accordance with section 226 of the Companies Act 1985, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

The financial statements on pages 3 to 6 were approved by the Board of Directors on 1st September 2006.


Aidan Dunlea
Director

5 September 2006

Neighbourhood Stores plc

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and are in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

Basis of preparation

The balance sheet shows that liabilities exceed assets by £11,000 at 31 December 2005. Budgens Stores Limited, the immediate parent undertaking has confirmed its intention to ensure the company has sufficient cash to finance its operations and meet its obligations for the foreseeable future. Consequently, the financial statements have been prepared on a going concern basis.

The following are the principal accounting policies used by the company, which, unless otherwise stated, are consistent with those of the previous years.

Consolidation

The financial statements contain information about Neighbourhood Stores plc 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 undertaking are included by full consolidation in the consolidated financial statements of its ultimate parent, Musgrave Group plc, a company registered in the Republic of Ireland.

Investments in subsidiaries

Investments in subsidiaries are held at cost less provision for permanent diminution in value.

Investments are subject to an annual review for impairment in accordance with Financial Reporting Standard 11 "Impairment of Fixed Assets and Goodwill".

2. PROFIT AND LOSS ACCOUNT

The company has not traded throughout the current financial year ended 31 December 2005, or the preceding period ended 31 December 2004. As a result the company has made neither a profit nor a loss or any other recognised gains and losses during the current financial year or the preceding financial period ended 31 December 2004.

3. DIRECTORS AND EMPLOYEES

In respect of the company, remuneration of the directors for the current year is £ nil (period ended 31 December 2004: £ nil). All directors are employees of Budgens Stores Limited and were remunerated by Budgens Stores Limited for their services as Budgens' employees.

The company employed no staff during the current financial year (period ended 31 December 2004 : nil).

Neighbourhood Stores plc

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the financial year ended 31 December 2005

4. INVESTMENT IN SUBSIDIARY

	<i>Total</i> £000
Cost:	
At 31 December 2005 and 31 December 2004	33,000
Provision for diminution in value:	
At 31 December 2005 and 31 December 2004	(27,917)
Net book value at 31 December 2005 and 31 December 2004	<u>5,083</u>

At 31 December 2005 the company owned 100% (31 December 2004: 100%) of Lincco Limited, a company incorporated in England, whose principal activity is retailing by operating convenience stores under the trading name of "Budgens Express".

5. DEBTORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	<i>31 December</i> 2005 £000	<i>31 December</i> 2004 £000
Amount due from a subsidiary undertaking	406	406

6. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<i>31 December</i> 2005 £000	<i>31 December</i> 2004 £000
Loan from parent undertaking	5,500	5,500

7. SHARE CAPITAL

	<i>31 December</i> 2005 £000	<i>31 December</i> 2004 £000
Authorised:		
25,000,000 ordinary shares of £1 each	25,000	25,000
Allotted, called up and fully paid:		
16,000,000 ordinary shares of £1 each	16,000	16,000

Neighbourhood Stores plc

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the financial year ended 31 December 2005

8. RESERVES

	<i>Share premium account £000</i>	<i>Capital reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 31 December 2005 and 31 December 2004	4,168	8,000	(28,179)	(16,011)

9. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<i>31 December 2005 £000</i>	<i>31 December 2004 £000</i>
Opening and closing shareholders' funds	(11)	(11)

10. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary undertaking of Musgrave Group plc and is included in the consolidated financial statements of Musgrave Group plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing cash flow statement under the terms of FRS1 (revised 1996). The company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Musgrave Group plc or investees of the Musgrave Group plc.

12. ULTIMATE PARENT UNDERTAKING

The company's parent undertaking is Budgens Stores Limited, a company registered in England and Wales. The ultimate parent undertaking and controlling party is Musgrave Group plc, a company registered in the Republic of Ireland. The smallest and largest group which consolidates the results of the company is Musgrave Group plc. Copies of the annual report and group financial statements of Musgrave Group plc are available to the public from the registered office at Ballycurreen, Airport Road, Cork, Ireland.