DIRECTORS' REPORT AND ACCOUNTS

MRG DEPARTMENT STORES (JOP) LIMITED (formerly Joplings Limited)

(Registered Number 503553)

31 December 2005

MRG Department Stores (JOP) Limited (formerly Joplings Limited)

Directors' Report for the forty weeks ended 31 December 2005

The Directors present their report together with the audited accounts of the Company for the forty weeks ended 31 December 2005.

Change of Name

The Company changed name from Joplings Limited to Jippco Limited on 7 March 2005, and then to MRG Department Stores (JOP) Limited on 23 June 2005.

Profits and dividends

Details of turnover and profits are shown in the profit and loss account set out on page 5.

The profit for the financial period is £11,028,027 (prior period - £2,989,316 loss).

Preference share dividends of £58,500 (prior period - £78,000) were paid in the year. An ordinary dividend of £6,792,217 (prior period - £1,290,949) was paid during the year.

Principal activity

The Company did not trade during the period. The principal activity of the Company was formerly retailing in the United Kingdom. Following a decision to exit from the department store business, all of the Company's stores ceased trading during the prior period.

Review of the business

Following the decision to exit from the department store business, all of the stores were disposed of during the prior year. The Company is currently running down the business, the costs of which were provided for in the prior year.

Fixed assets

Details of the movements in investments are set out in note 8.

Directors and their interests

The directors holding office during the year were:

J C Jefferson	(resigned 31 March 2006)
P Newton	(resigned 31 May 2006)
P J Samuel	
J P Seigal	
C Lamont	(resigned 7 July 2006)
I F Wade	(appointed 30 November 2005)
A M Y Y So	(appointed 30 November 2005)

None of the Directors have any interests in the Company.

P Newton, C Lamont and J P Seigal were directors of Merchant Retail Group plc during the period, which was the ultimate parent undertaking until 14 July 2005, and their interests in the share capital and debentures of group companies are disclosed in the financial statements of that company. P Newton and C Lamont resigned as directors of Merchant Retail Group plc on 31 May 2006 and 7 July 2006 respectively.

Directors and their interests (continued)

The interests of J C Jefferson and P J Samuel in Merchant Retail Group plc are shown below:

Ordinary Shares of 10p

	At 31 December 2005	At 26 March 2005
J C Jefferson	-	24,171
P J Samuel	-	188,052

Long Term Incentive Plans

Shares awarded to directors under Long Term Incentive Plans operated by Merchant Retail Group plc are as follows:

	Plan	Award date	Shares awarded at the 66.7% level of performance at 26 March 2005 number
J C Jefferson	2002	5.08.02	111,118
P J Samuel	2002	5.08.02	170,952

These shares were originally due to have been received in two instalments in 2005 and 2006. Following the purchase of Merchant Retail Group plc by A.S. Watson (P&C UK) Limited, employees in the Merchant Retail Group plc LTIP received the total number of shares due, which were then purchased by A.S. Watson (P&C UK) Limited at 197.00p per share. Further details of the rules of the Long Term Incentive Plans have been disclosed in the financial statements of Merchant Retail Group plc.

The Company is not party to any arrangements whereby directors or their families may acquire interests in the Company or any other group company. Save as aforesaid, and apart from service contracts, none of the directors had or has a material contract of significance with the Company or any other group company.

As permitted by s310(3)(a) of the Companies Act 1985, the Company maintains Directors' and Officers' Liability insurance which provides insurance cover against liabilities which Directors and other officers of the Company may incur personally as a consequence of claims made against them alleging breach of duty or other unlawful acts or omissions in their capacity as Directors and officers.

Company secretary

The secretaries who served during the year were:

J C Jefferson	(resigned 30 November 2005)
E Shih	(appointed 30 November 2005)

Change of Control

Hutchison Whampoa Limited became the ultimate parent company of the Company on 14 July 2005, when it purchased the entire share capital of Merchant Retail Group plc.

MRG Department Stores (JOP) Limited (formerly Joplings Limited)
Directors' Report for the forty weeks ended 31 December 2005 (continued)

Employees

It is the Company's policy to ensure that all vacancies are open to disabled persons where the physical requirements of the job permit. In the event of an employee becoming disabled the Company offers, if appropriate, retraining or suitable alternative employment.

The Company encourages employee involvement in the business in many ways and specifically by a programme of communication throughout the Company.

Directors' responsibilities in respect of the financial statements

The following statement is made for the purpose of clarifying the responsibilities of the Directors in the preparation of the financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the Company's state of affairs as at the end of the financial year and profit and loss for the year then ended. The Directors consider that in preparing the financial statements, the Company has used suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been complied with. The financial statements have been prepared on a going concern basis.

The Directors are also responsible for keeping proper accounting records that 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, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Audit information

In so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board

J P Seigal
Director

Registered office

Hutchison House
5 Hester Road
Battersea
London
SW11 4AN

27 October 2006

Independent auditors' report to the members of MRG Department Stores (JOP) Limited

We have audited the financial statements of MRG Department Stores (JOP) Limited for the 40 weeks ended 31 December 2005 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 therein.

Respective responsibilities of directors and auditors
As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 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.

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 at 31 December 2005 and of its profit for the 40 weeks then ended;
- and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
27 October 2006

MRG Department Stores (JOP) Limited (formerly Joplings Limited)

Profit and loss account - for the forty weeks ended 31 December 2005

	Notes	40 weeks ended 31 December 2005	52 weeks ended 26 March 2005 (restated)
		£	£
Turnover		-	31,120,682
Cost of sales		-	(18,809,943)
Gross profit		-	12,310,739
Administrative expenses		**(311,000)**	(11,608,086)
Operating (loss)/profit	2	**(311,000)**	702,653
Dividends receivable		**11,228,955**	1,369,422
Exceptional loss on disposal of business	3	-	(6,646,302)
Profit/(loss) on ordinary activities before interest and taxation		**10,917,955**	(4,574,227)
Net interest receivable	5	**17,072**	88,381
Profit/(loss) on ordinary activities before taxation		**10,935,027**	(4,485,846)
Taxation	6	**93,000**	1,496,530
Profit/(loss) for the financial year		**11,028,027**	(2,989,316)
Dividends - including non-equity	7	**(6,850,717)**	(1,368,949)
Retained profit/(loss)	13	**4,177,310**	(4,358,265)

All of the above results relate to discontinued activities.

Statement of total recognised gains and losses

There are no other recognised gains or losses other than those in the profit and loss account above.

Historical cost profits and losses

There is no material difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis.

MRG Department Stores (JOP) Limited (formerly Joplings Limited)
Balance sheet as at 31 December 2005

	Notes	31 December 2005 £	26 March 2005 (restated) £
FIXED ASSETS			
Investments	8	**19,678,264**	30,907,219
CURRENT ASSETS			
Debtors	9	**24,272,149**	33,469,016
CREDITORS (due within one year)			
Debt finance		**(1,495,617)**	(498,685)
Creditors	10	**(26,389,679)**	(39,761,502)
		(27,885,296)	(40,260,187)
NET CURRENT LIABILITIES		**(3,613,147)**	(6,791,171)
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,065,117**	24,116,048
PROVISIONS FOR LIABILITIES AND CHARGES	11	**(1,146,364)**	(2,145,650)
NET ASSETS		**14,918,753**	21,970,398
CAPITAL AND RESERVES			
Called up share capital	12	**6,100,000**	6,100,000
Revaluation reserve	13	**7,370,302**	18,599,257
Profit and loss account	13	**1,448,451**	(2,728,859)
SHAREHOLDERS' FUNDS (EQUITY AND NON-EQUITY)	14	**14,918,753**	21,970,398
ANALYSIS OF SHAREHOLDERS' FUNDS			
Equity		**14,318,753**	21,370,398
Non-equity		**600,000**	600,000
		14,918,753	*21,970,398*

J P Seigal — Director

Approved by the Board on 27 October 2006

MRG Department Stores (JOP) Limited
Notes to the accounts - 31 December 2005

1 ACCOUNTING POLICIES

a) *Basis of accounting*

The accounts are prepared on the going concern basis, under the historical cost convention and in accordance with applicable accounting standards.

The Company has adopted FRS 21 "Events after the balance sheet date". The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of the prior year adjustments are given in note 19.

A summary of the more important accounting policies, is set out below:

b) Investment in subsidiary undertakings

Investments in subsidiaries are stated at the book amount of the net assets of those subsidiaries with movements being dealt with through the revaluation reserve. Only dividends received and receivable from subsidiaries are included in the Company's profit and loss account. In accordance with s228 Companies Act 1985 the Company does not prepare group accounts since it is itself a wholly owned subsidiary of A.S. Watson (Health and Beauty UK) Limited, a company which prepares group accounts.

c) Turnover

Turnover comprises the value of sales, excluding value added tax, to external customers. Turnover excludes the non-commission element of sales made by agencies.

d) Depreciation

In 1999/2000 the Company adopted FRS 15: Tangible Fixed Assets and followed the transitional provisions to retain the book value of buildings at the amount to which they were revalued in 1994. The Company no longer has a policy of revaluation. In accordance with FRS 15, these properties are now being depreciated down to estimated residual values over a period of 50 years. Land is not being depreciated.

Plant and machinery is depreciated on a straight line basis at rates sufficient to write off the costs of assets, less any estimated residual value, over their expected useful lives. Different lives are attributed to the various categories of plant and machinery with a maximum of 10 years. Motor vehicles are attributed an expected useful life of 4 years.

e) Leased assets

Assets used by the Company, which have been funded through finance leases, are capitalised and the resulting lease obligations are included in creditors.

Rentals payable under operating leases are charged to the profit and loss account as incurred except where an incentive to sign the lease has been taken, when the incentive is spread on a straight line basis over the lease term or if shorter, the period to the next open market rent review date.

f) Stocks

Stocks comprise goods held for resale and are valued at the lower of cost and net realisable value.

1 ACCOUNTING POLICIES (continued)

g) Deferred taxation

Deferred tax is recognised in respect of 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. Timing differences are differences between the Company's taxable profit and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

h) Pension costs

The cost of providing pension benefits is charged to the profit and loss account over the period benefiting from the employees services.

i) Foreign currency

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date.

j) Related party transactions

The Company was a wholly owned subsidiary of Hutchison Whampoa Limited at the period end and is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Group.

2 OPERATING PROFIT

The following amounts have been charged in arriving at operating profit:	**40 weeks ended 31 December 2005 £**	52 weeks ended 26 March 2005 £
Staff costs (note 4)	**933,775**	5,806,577
Depreciation on owned assets	-	878,043
Depreciation on leased assets	-	28,596
Operating lease rentals - Plant and machinery	-	7,052
Operating lease rentals - Other	**12,504**	76,906
Auditors' remuneration	-	24,675
Other fees paid to auditors	**5,200**	22,000
Management service fee	-	450,000
Group property charge	-	1,100,000

Auditors' remuneration has been borne by the parent undertaking.

All of the above costs in the current period were provided for in the prior period, and therefore there is no effect on the profit or loss for the current period.

3 EXCEPTIONAL LOSS ON DISPOSAL OF BUSINESS

The loss on disposal in the prior period relates to the exit from department store retailing. The assets of the business were disposed of for a £nil consideration, against a net book value of £3,112,746. Further costs of £3,533,556 were incurred, which included the legal costs associated with disposal, the costs of the central functions of Joplings and the costs of running down the business, giving a loss on disposal of £6,646,302.

4 STAFF COSTS

	40 weeks ended 31 December 2005 £	52 weeks ended 26 March 2005 £
Total payroll costs were:		
Wages and salaries	**688,041**	5,183,356
Social security costs	**190,430**	444,284
Other pension costs	**55,304**	178,937
	933,775	5,806,577
	number	number
The average monthly number of people employed by the Company during the period was:		
Total	**37**	568

4 STAFF COSTS (continued)

The emoluments of the directors, including pension contributions, were as follows:	**40 weeks ended 31 December 2005 £**	52 weeks ended 26 March 2005 £
Directors' remuneration:		
- Remuneration	**161,955**	319,493
- Compensation for loss of office	**-**	83,623
- Pension contributions	**24,677**	56,878
	186,632	459,994

Pension contributions of £24,677 (prior period - £56,868) were paid on behalf of 2 (prior period - 5) directors. J C Jefferson has a personal pension plan into which the Company pays contributions. Payments for P J Samuel are made to a defined benefit scheme.

P Newton and C Lamont were remunerated for their services to Merchant Retail Group plc, and J P Seigal was remunerated for this services to the Perfume Shop Limited. Their emoluments are shown in the financial statements of these companies.

I F Wade and A M Y Y So are not remunerated for their services to the Company.

The emoluments and pension arrangements of the highest paid director, P J Samuel, were as follows:	**40 weeks ended 31 December 2005 £**	52 weeks ended 26 March 2005 £
- Remuneration	**92,264**	127,364
- Pension contributions	**15,698**	20,930
	107,962	148,294

All of the above staff costs were provided for in the prior period, and therefore there is no effect on the profit or loss for the current period.

5 NET INTEREST RECEIVABLE/(PAYABLE)	**40 weeks ended 31 December 2005 £**	52 weeks ended 26 March 2005 £
Interest payable		
Interest payable to group undertakings	-	(239,572)
Interest payable on hire purchase and finance leases	-	(1,761)
Other interest payable	-	202
	-	(241,131)
Interest receivable		
Interest receivable from group undertakings	-	277,697
Other interest receivable	**17,072**	51,815
	17,072	329,512
Net interest receivable	**17,072**	88,381

6 TAXATION

a) Analysis of credit in the period	**40 weeks ended 31 December 2005 £**	52 weeks ended 26 March 2005 £
UK corporation tax		
Current year	**(93,000)**	(1,206,220)
Prior years	**-**	(645)
Current tax credit for the period (note 6b)	**(93,000)**	(1,206,865)
Deferred tax		
Current year	**-**	(289,204)
Prior years	**-**	(461)
Total deferred tax credit for the period (note 14)	**-**	(289,665)
Total tax credit	**(93,000)**	(1,496,530)

b) Factors affecting the tax charge for the period

The tax charge for the year is lower than the standard rate of corporation tax in the UK (30%) for the following reasons:

Profit on ordinary activities before taxation	**10,935,027**	(4,485,846)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (prior period - 30%)	**3,280,508**	(1,345,754)
Effects of:		
Dividends received from UK subsidiary companies	**(3,368,686)**	(410,826)
Loss on disposal of department stores	**-**	201,227
Permanent differences	**(4,822)**	59,929
Capital allowances for the year being less than depreciation	**-**	289,204
Adjustments in respect of prior years	**-**	(645)
Current tax credit for the period (note 6a)	**(93,000)**	(1,206,865)

7 DIVIDENDS PAYABLE	**40 weeks ended 31 December 2005 £**	52 weeks ended 26 March 2005 (restated) £
Non-equity		
Preference dividends: 9.75p (prior period - 13.00p) per £1 share	**58,500**	78,000
Equity		
Ordinary dividend paid: 30.87p (prior period - 5.87p) per £0.25 share	**6,792,217**	1,290,949
	6,850,717	1,368,949

8 FIXED ASSET INVESTMENTS

Investments in group undertakings	£
Valuation at 26 March 2005, as previously reported	19,678,264
Prior year adjustment - FRS 21	11,228,955
Valuation at 26 March 2005, as restated	30,907,219
Revaluation of investments during the period	(11,228,955)
Valuation at 31 December 2005	**19,678,264**

The historical cost of investments in group undertakings is £8,862,116 (prior period: £8,862,116).

In the opinion of the directors, the value of the Company's investments in its subsidiary undertakings is not less than the amount stated above. The principal wholly owned subsidiary undertakings of the Company are set out below.

Company	Nature of business	Country of operation
Chantlee Properties Limited	Property holding company	UK
Joplings Financial Services Limited	Finance company	UK

All the above companies are registered in England.

9 DEBTORS (receivable within one year)

	December 2005 £	March 2005 £
Amounts owed by parent undertaking	**23,587,940**	32,163,643
Amounts owed by subsidiary undertakings	**613,687**	424,653
Other debtors	**38,245**	726,178
Prepayments and accrued income	**32,277**	154,542
	24,272,149	33,469,016

10 CREDITORS (due within one year)

	December 2005	March 2005
	£	£
Trade creditors	**24,694**	461,190
Amounts owed to subsidiary undertakings	**25,974,610**	35,449,837
Corporation tax	**215,475**	308,475
Other taxes and social security	**26,994**	3,260,947
Other creditors and accruals	**147,906**	281,053
	26,389,679	39,761,502

Bank loans and overdrafts are secured by a floating charge on the assets of other subsidiary undertakings.

11 PROVISIONS FOR LIABILITIES AND CHARGES

	Disposal of Business
	£
At 27 March 2005	2,145,650
Utilised in the year	(999,286)
At 31 December 2005	**1,146,364**

The provision relates to the future costs of running down the business, and is expected to be substantially utilised within 12 months.

12 CALLED UP SHARE CAPITAL

	Authorised		Allotted and fully paid	
	December 2005	March 2005	**December 2005**	March 2005
	£	£	**£**	£
Equity				
22,000,000 ordinary shares of £0.25 each	**5,500,000**	5,500,000	**5,500,000**	5,500,000
Non-equity				
600,000 13% cumulative preference shares of £1 each	**600,000**	600,000	**600,000**	600,000
	6,100,000	6,100,000	**6,100,000**	6,100,000

The rights of the 13% cumulative preference shares are:

Dividends are payable at a rate of 13% on the amounts paid up on the shares and in priority to any payment to the holders of any other class of share.

The shares have no redemption rights.

On a winding up, the shareholder will be entitled to a repayment of the capital paid up on the shares together with any deficiency or arrears of dividend and a premium. The premium is the greater of either 10p or the average of the market value in excess of the nominal value of the shares taken in a three month period 30 days before the notice to convene the general meeting of the Company to consider the return of the capital.

The shares do not entitle the holders to any voting rights unless:
(i) the dividend is six months in arrears, or
(ii) the business of the meeting includes the consideration for the reduction of the capital of the Company, the winding up of the Company or the varying of rights of the shares.

13 RESERVES

	Revaluation reserve	Profit and loss account
	£	£
At 27 March 2005, as previously reported	7,370,302	1,707,879
Prior year adjustment - FRS 21	11,228,955	(4,436,738)
At 27 March 2005, as restated	18,599,257	(2,728,859)
Deficit on revaluation of subsidiary undertakings	(11,228,955)	-
Retained profit for the period	-	4,177,310
At 31 December 2005	**7,370,302**	**1,448,451**

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Note	December 2005 £	March 2005 £
Profit/(loss) on ordinary activities after taxation		**11,028,027**	(2,989,316)
Dividend	7	**(6,850,717)**	(1,368,949)
Revaluation of investment in subsidiaries		**(11,228,955)**	9,859,503
Net change in shareholders' funds		**(7,051,645)**	5,501,238
Opening shareholders' funds, as previously reported		**15,178,181**	15,178,181
Prior year adjustment - FRS 21		**6,792,217**	1,290,979
Opening shareholders' funds, as restated		**21,970,398**	16,469,160
Closing shareholders' funds		**14,918,753**	21,970,398

Shareholders' funds include non-equity interests of £600,000 (prior period - £600,000).

15 OPERATING LEASE COMMITMENTS

The minimum annual rental commitments at 31 December 2005 in respect of non-cancellable operating leases were:

	Plant & Machinery	
	December 2005 £	March 2005 £
Leases expiring:		
Within one year	**9,768**	3,582
Between one and five years	-	13,371
Over five years	-	-
	9,768	16,953

16 CONTINGENT LIABILITIES

The Company together with other group undertakings, has given guarantees in respect of bank overdrafts in the name of group undertakings. At 31 December 2005, these overdrafts amounted in total to £1,268,708 (prior period: £916,260).

17 PENSION COMMITMENTS

The Company participates in pension arrangements provided on a group basis.

Merchant Retail Group plc operates a defined benefit pension scheme covering the executive directors and certain of its employees, the assets of which are held in a separate trustee administered fund. It is subject to an independent valuation at least every three years on the basis of which a qualified actuary certifies the rate of the employer's contributions.

There is no difference between the charge to the profit and loss account and the contributions paid in the current year.

The Company is unable to identify its share of the underlying assets and liabilities of the group scheme. Therefore in accordance with FRS 17 the Company has accounted for the contributions to the scheme as if they were a defined contribution scheme. The detailed disclosures required by FRS 17 have been included within the financial statements of the parent company at the year end, Merchant Retail Group plc.

The above defined benefit scheme was closed to new members from 1 April 2001. All new employees are given the opportunity to join a money purchase scheme. The Company makes a contribution, the level of which depends on the seniority of the employee.

18 ULTIMATE HOLDING COMPANY

The immediate parent undertaking is Merchant Retail Group plc, which is a wholly owned subsidiary undertaking of A.S. Watson (Health & Beauty UK) Limited, which publishes consolidated accounts and a group cash flow statement that can be obtained from Hutchison House, 5 Hester Road, Battersea, London SW11 4AN. Both companies are incorporated in the United Kingdom.

The Company has not prepared a Cash Flow Statement, as A.S. Watson (Health & Beauty UK) Limited has prepared a consolidated cash flow statement in accordance with the revised Financial Reporting Standard 1.

The Company's ultimate parent undertaking and controlling party is Hutchison Whampoa Limited, a company incorporated in Hong Kong, which is the parent undertaking of the largest group to consolidate their financial statements. These can be obtained from Hutchison House, 22nd Floor, 10 Harcourt Road, Hong Kong.

Hutchison Whampoa Limited became the ultimate parent company of the Company on 14 July 2005, when it purchased the entire share capital of Merchant Retail Group plc.

19 PRIOR YEAR ADJUSTMENT

The effect of the change in accounting policy to adopt FRS 21 was to recognise the final proposed dividends for the period ended 26 March 2005 in the current year.

The £4,436,738 reduction in the profit and loss reserve at 27 March 2005 represents the release of the liability of the proposed 2004/05 final dividend of £6,792,217, offset by the write off of the accrued dividend receivable of £11,228,955.

The £11,228,955 increase in the investment in subsidiaries figures at 27 March 2005 represents the impact on the carrying value in the Company's subsidiaries.