

MRG DEPARTMENT STORES (JOP) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 26 DECEMBER 2009



MRG Department Stores (JOP) Limited

Annual Report and Financial Statements for the period ended 26 December 2009

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MRG Department Stores (JOP) Limited

Directors' report for the period ended 26 December 2009

The directors present their report together with the audited financial statements of MRG Department Stores (JOP) Limited, company registration number 503553, for the period ended 26 December 2009

PRINCIPAL ACTIVITY

The principal activity of the Company was formerly retailing in the United Kingdom. The Company did not trade during the period.

RESULTS AND BUSINESS REVIEW

The profit after tax for 2009 amounted to £875,578 (2008 profit £45,805)

At 26 December 2009, shareholder's funds totalled £16,616,586 (2008 £15,661,498)

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of the Company's intermediate parent company, A S Watson (Health & Beauty UK) Limited, manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of A S Watson (Health & Beauty UK) Limited, which include those of the Company, are discussed in the group's annual report which does not form part of this report.

DIRECTORS

The directors who held office during the period and up to the date of signing these financial statements, unless where stated, were

J P Seigal

G G Smith

D K M Lai

K T M Ying

A J Heaton

(resigned 1 February 2009)

(appointed 1 February 2009)

MRG Department Stores (JOP) Limited

Directors' report for the period ended 26 December 2009 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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 AND PROVISION OF INFORMATION TO AUDITORS

Each director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information (this is information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all 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.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in the office and a resolution concerning their reappointment will be proposed at the annual general meeting.

On behalf of the Board



J P Segal
Director

27 September 2010

MRG Department Stores (JOP) Limited

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

We have audited the financial statements of MRG Department Stores (JOP) Limited for the period ended 26 December 2009 which comprise as the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 2) the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 26 December 2009 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

MRG Department Stores (JOP) Limited

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Christopher Maidment (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

28 September 2010

MRG Department Stores (JOP) Limited

Profit and loss account for the period ended 26 December 2009

		Period ended 26 December 2009	Period ended 27 December 2008
	Notes	£	£
Gross profit		-	-
Administrative expenses		(421)	-
Other operating Income		-	63,618
Operating (loss) / profit		(421)	63,618
Interest receivable and similar income		-	-
(Loss) / profit on ordinary activities before taxation		(421)	63,618
Tax credit / (charge) on (loss) / profit on ordinary activities	4	875,999	(17,813)
Profit on ordinary activities after taxation for the financial statements		875,578	45,805

All of the above results are related to continuing operations

There is no material difference between the (loss)/ profit on ordinary activities and profit for the period stated above and their historical cost equivalents

MRG Department Stores (JOP) Limited

Statement of total recognised gains and losses for the period ended 26 December 2009

	Period ended 26 December 2009	Period ended 27 December 2008
	£	£
Profit for the financial period	875,578	45,805
Unrealised loss on revaluation of investments	79,510	(100,918)
Total recognised profit / (losses) relating to the period	<u>955,088</u>	<u>(55,113)</u>

MRG Department Stores (JOP) Limited

Balance sheet as at 26 December 2009

	Notes	26 December 2009 £	27 December 2008 £
FIXED ASSETS			
Investment in subsidiaries	5	<u>14,609,161</u>	<u>14,529,651</u>
CURRENT ASSETS			
Debtors	6	23,375,372	23,354,479
Cash		<u>1,699</u>	<u>-</u>
		<u>23,377,071</u>	<u>23,354,479</u>
CREDITORS			
Debt finance		-	(87,230)
Creditors amounts falling due within one period	7	(21,369,646)	(22,135,402)
		<u>(21,369,646)</u>	<u>(22,222,632)</u>
NET CURRENT ASSETS		<u>2,007,425</u>	<u>1,131,847</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,616,586</u>	<u>15,661,498</u>
NET ASSETS		<u>16,616,586</u>	<u>15,661,498</u>
CAPITAL AND RESERVES			
Called up share capital	8	5,500,000	5,500,000
Revaluation reserve	9	2,117,341	2,037,831
Profit and loss account	9	8,999,245	8,123,667
TOTAL SHAREHOLDER'S FUNDS	10	<u>16,616,586</u>	<u>15,661,498</u>
ANALYSIS OF SHAREHOLDER'S FUNDS			
Equity		16,616,586	15,661,498
Non-equity		<u>600,000</u>	<u>600,000</u>
		<u>17,216,586</u>	<u>16,261,498</u>

The financial statements on pages 5 to 11 were approved by the Board of Directors and signed on its behalf by

J P Seigal
Director

27 September 2010

MRG Department Stores (JOP) Limited

Notes to the financial statements for the period ended 26 December 2009

1 ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards. The principal accounting policies which are consistently applied are set out below.

The Company is exempt from the following-

- publication of a cash flow statement under FRS 1, 'Cash Flow Statements' (revised 1996),
- publication of consolidated accounts under Section 400 of the Companies Act, and
- requirement to disclose related party transactions with A S Watson (Health & Beauty UK) Limited owned group undertakings, under FRS 8, 'Related Party Disclosures'

These exemptions have been claimed as the Company was a wholly owned subsidiary undertaking of A S Watson (Health & Beauty UK) Limited, a company registered in England and Wales, which publishes consolidated accounts that are publicly available.

b) Valuation of investment in subsidiaries

Investment in subsidiary undertakings are stated at the book value of the net assets of each subsidiary undertaking with the movement being dealt with through the revaluation reserve. Investments are revalued annually.

2 ADMINISTRATIVE EXPENSES

Auditors' remuneration has been borne by the affiliate company, The Perfume Shop Limited, in both the current and previous periods.

3 DIRECTORS' EMOLUMENTS

No emoluments were paid or payable by the Company to the directors who are remunerated for their services by other group companies.

MRG Department Stores (JOP) Limited

Notes to the financial statements for the period ended 26 December 2009 (continued)

4 TAX ON LOSS OF ORDINARY ACTIVITIES

	Period ended 26 December 2009 £	Period ended 27 December 2008 £
a) Analysis of credit / (charge) in the period		
Current tax:		
Tax charge on profit on ordinary activities at 28%	118	17,813
Adjustment to tax charge in respect of prior period	875,881	-
Total current tax credit	875,999	17,813

b) Factors affecting tax credit / (charge) for the period

The tax credit / (charge) for the period at the standard rate of corporation tax in the UK at 28% The differences are explained below

(Loss) / profit on ordinary activities before taxation	(421)	63,618
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	118	17,813
Effects of		
Adjustment to tax charge in respect of prior period	875,881	-
Total current tax credit	875,999	17,813

The standard rate of corporation tax in the United Kingdom changed from 30% to 28%, with effect from 1 April 2008. Accordingly the Company's profits for the accounting period are taxed at an effective rate of 28% and will be taxed at 28% in the future.

5 INVESTMENT IN SUBSIDIARIES

	£
Investment in subsidiary undertakings	
At 27 December 2008	14,529,651
Revaluation of investments during the period	
At 26 December 2009	14,609,161

Investments in subsidiary undertakings are revalued at the net asset value of the period end balance sheet

The Company's principal wholly owned operating subsidiaries are set out below

<u>Company</u>	<u>Nature of business</u>	<u>Country of registration</u>	<u>Country of operation</u>
Chantlee Properties Limited	Property Holding company	England	UK
Joplings Financial Services Limited	Finance company	England	UK

MRG Department Stores (JOP) Limited

Notes to the financial statements for the period ended 26 December 2009 (continued)

6 DEBTORS: amounts falling due within one year

	Period ended 26 December 2009 £	Period ended 27 December 2008 £
Amounts owed by group undertakings	23,292,634	23,354,479
Corporation tax	82,738	-
	<u>23,375,372</u>	<u>23,354,479</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

7 CREDITORS: amounts falling due within one year

	Period ended 26 December 2009 £	Period ended 27 December 2008 £
Amounts owed to group undertakings	20,569,679	20,464,696
Preference shares	600,000	600,000
Other creditors and accruals	58,710	57,825
Corporation tax	-	871,622
Other taxes and social security	141,257	141,259
	<u>21,369,646</u>	<u>22,135,402</u>

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

Amounts owed to group undertakings are unsecured, interest free, repayable on demand

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

MRG Department Stores (JOP) Limited

Notes to the financial statements for the period ended 26 December 2009 (continued)

8 CALLED UP SHARE CAPITAL

	Authorised		Allotted and fully paid	
	2009	2008	2009	2008
	£	£	£	£
22,000,003 ordinary shares of 25 p each	5,500,000	5,500,000	5,500,000	5,500,000
600,000 13% cumulative preference shares of £1 each	600,000	600,000	600,000	600,000
	<u>6,100,000</u>	<u>6,100,000</u>	<u>6,100,000</u>	<u>6,100,000</u>

9 RESERVES

	Revaluation reserve	Profit & loss account
	£	£
At 27 December 2008	2,037,831	8,123,667
Revaluation of investments in subsidiaries	79,510	-
Profit for the period	-	875,578
At 26 December 2009	<u>2,117,341</u>	<u>8,999,245</u>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Period ended 26 December 2009 £	Period ended 27 December 2008 £
Profit for the financial period	875,578	45,805
Revaluation of investment in subsidiaries	79,510	(100,918)
Net change in shareholder's funds	<u>955,088</u> 79,510	<u>(55,113)</u>
Opening shareholder's funds	<u>15,661,498</u>	<u>15,716,611</u>
Closing shareholder's funds	<u>16,616,586</u>	<u>15,661,498</u>

11 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Merchant Retail Group plc, which is a wholly owned subsidiary undertaking of A S Watson (Health & Beauty UK) Limited, a company registered in England. The consolidated accounts of that company can be obtained from Hutchison House, 5 Hester Road, Battersea, London SW11 4AN. A S Watson (Health & Beauty UK) Limited represents the smallest group into which the results of the Company are consolidated.

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