

**MRG DEPARTMENT STORES (JOP) LIMITED**  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 25 DECEMBER 2010

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# **MRG Department Stores (JOP) Limited**

## **Annual Report and Financial Statements for the 52 weeks ended 25 December 2010**

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# **MRG Department Stores (JOP) Limited**

## **Directors' report for the 52 weeks ended 25 December 2010**

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The directors present their report together with the audited financial statements of MRG Department Stores (JOP) Limited, company registration number 503553, for the 52 weeks ended 25 December 2010

### **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 loss after tax for 2010 amounted to £1,223 (2009 profit £875,578)

At 25 December 2010, shareholders' funds totalled £16,615,365 (2009 £16,616,586)

### **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 year and up to the date of signing these financial statements, unless where stated, were

D K M Lai  
A J Heaton  
J P Seigal  
G G Smith

According to Article 89 & 91 of the Company, Mr Dominic Lai will retire and, being eligible, offers himself for re-election.

# **MRG Department Stores (JOP) Limited**

## **Directors' report for the 52 weeks ended 25 December 2010 (continued)**

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### **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.

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.

### **INDEPENDENT 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 Seigal**  
Director

13<sup>th</sup> April 2011

# **MRG Department Stores (JOP) Limited**

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

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We have audited the financial statements of MRG Department Stores (JOP) Limited for the 52 weeks ended 25 December 2010 which comprise of 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 statement of directors' responsibilities (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 and express an opinion on 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 member 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 25 December 2010 and of its loss for the year 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 year 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)**

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#### **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**

18<sup>th</sup> April 2011

## MRG Department Stores (JOP) Limited

### Profit and loss account for the 52 weeks ended 25 December 2010

		52 weeks ended 25 December 2010	52 weeks ended 26 December 2009
	Notes	£	£
Administrative expenses		<u>(1,699)</u>	<u>(421)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(1,699)</b>	<b>(421)</b>
Tax credit on loss on ordinary activities	4	<u>476</u>	<u>875,999</u>
<b>(Loss) / Profit on ordinary activities after taxation</b>		<b><u>(1,223)</u></b>	<b><u>875,578</u></b>

All of the above results are related to continuing operations

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

### Statement of total recognised gains and losses for the 52 weeks ended 25 December 2010

	52 weeks ended 25 December 2010	52 weeks ended 26 December 2009
	£	£
(Loss) / Profit for the financial year	(1,223)	875,578
Unrealised gain on revaluation of investments	<u>2</u>	<u>79,510</u>
<b>Total recognised (loss) / profit relating to the year</b>	<b><u>(1,221)</u></b>	<b><u>955,088</u></b>

# MRG Department Stores (JOP) Limited

## Balance sheet as at 25 December 2010

		25 December 2010 £	26 December 2009 £
	Notes		
<b>FIXED ASSETS</b>			
Investment in subsidiaries	5	<u>14,609,163</u>	<u>14,609,161</u>
<b>CURRENT ASSETS</b>			
Debtors	6	<u>23,375,848</u>	<u>23,375,372</u>
Cash		<u>-</u>	<u>1,699</u>
		<u>23,375,848</u>	<u>23,377,071</u>
<b>CREDITORS</b>			
Debt finance		-	-
Creditors amounts falling due within one year	7	<u>(21,369,646)</u>	<u>(21,369,646)</u>
		<u>(21,369,646)</u>	<u>(21,369,646)</u>
<b>NET CURRENT ASSETS</b>		<u>2,006,202</u>	<u>2,007,425</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>16,615,365</u>	<u>16,616,586</u>
<b>NET ASSETS</b>		<u>16,615,365</u>	<u>16,616,586</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	<u>5,500,000</u>	<u>5,500,000</u>
Revaluation reserve	9	<u>2,117,343</u>	<u>2,117,341</u>
Profit and loss account	9	<u>8,998,022</u>	<u>8,999,245</u>
<b>TOTAL SHAREHOLDER'S FUNDS</b>	10	<u>16,615,365</u>	<u>16,616,586</u>
<b>ANALYSIS OF SHAREHOLDER'S FUNDS</b>			
Equity		<u>16,615,365</u>	<u>16,616,586</u>
Non-equity		<u>600,000</u>	<u>600,000</u>
		<u>17,215,365</u>	<u>17,216,586</u>

The financial statements on pages 5 to 10 were approved by the Board of Directors and signed on its behalf

by 

J P Seigal  
Director

13<sup>th</sup> April 2011



# **MRG Department Stores (JOP) Limited**

## **Notes to the financial statements for the 52 weeks ended 25 December 2010**

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### **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**

Fees in respect of auditors' remuneration have been met by The Perfume Shop Limited in both the current and previous years.

### **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 52 weeks ended 25 December 2010 (continued)

### 4 TAX ON LOSS OF ORDINARY ACTIVITIES

	52 weeks ended 25 December 2010 £	52 weeks ended 26 December 2009 £
<b>a) Analysis of credit in the year</b>		
<b>Current tax</b>		
Tax credit on profit on ordinary activities at 28%	476	118
Adjustment to tax credit in respect of prior period	-	875,881
<b>Total current tax credit</b>	<b>476</b>	<b>875,999</b>

### b) Factors affecting tax credit for the year

The tax credit for the year at the standard rate of corporation tax in the UK at 28% The differences are explained below

	£	£
Loss on ordinary activities before taxation	(1,699)	(421)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)		
Effects of	476	118
Adjustment to tax charge in respect of prior period	-	875,881
<b>Total current tax credit</b>	<b>476</b>	<b>875,999</b>

The Finance (No 2) Act 2010, enacted in July 2010, includes legislation to reduce the main rate of corporation tax from 28% to 26% from 1 April 2011 Further reductions to the main rate are proposed, to reduce the rate by 1% per annum to 23% by 1 April 2014

### 5 INVESTMENT IN SUBSIDIARIES

	£
Investment in subsidiary undertakings	
At 26 December 2009	14,609,161
Revaluation of investments during the year	2
<b>At 25 December 2010</b>	<b>14,609,163</b>

Investments in subsidiary undertakings are revalued at the net asset value of the year 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 52 weeks ended 25 December 2010 (continued)

### 6 DEBTORS: amounts falling due within one year

	52 weeks ended 25 December 2010 £	52 weeks ended 26 December 2009 £
Amounts owed by group undertakings	23,292,634	23,292,634
Corporation tax	83,214	82,738
	<u>23,375,848</u>	<u>23,375,372</u>

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

### 7 CREDITORS: amounts falling due within one year

	52 weeks ended 25 December 2010 £	52 weeks ended 26 December 2009 £
Amounts owed to group undertakings	20,569,679	20,569,679
Preference shares	600,000	600,000
Other creditors and accruals	58,710	58,710
Corporation tax	-	-
Other taxes and social security	141,258	141,257
	<u>21,369,646</u>	<u>21,369,646</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 and 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 52 weeks ended 25 December**  
**2010 (continued)**

**8 CALLED UP SHARE CAPITAL**

	Authorised		Allotted and fully paid	
	2010	2009	2010	2009
	£	£	£	£
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 26 December 2009	2,117,341	8,999,245
Revaluation of investments in subsidiaries	2	-
Profit / (loss) for the year	-	(1,223)
At 25 December 2010	<u>2,117,343</u>	<u>8,998,022</u>

**10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**

	52 weeks ended 25 December 2010	52 weeks ended 26 December 2009
	£	£
Profit for the financial year	(1,223)	875,578
Revaluation of investment in subsidiaries	2	79,510
Net change in shareholder's funds	<u>(1,221)</u>	<u>955,088</u>
Opening shareholder's funds	16,616,586	15,661,498
Closing shareholder's funds	<u>16,615,365</u>	<u>16,616,586</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.