Company Registration No. 00533087

Mothercare UK Limited

Annual Report and Financial Statements

For the 52 weeks ended 26 March 2016

Mothercare UK Limited

Annual report and financial statements
For the 52 weeks ended 26 March 2016

Contents

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Officers and professional advisers

Directors

T Ashby (resigned 24 July 2015)
C J Cull (resigned 11 April 2016)
M Newton-Jones
G Kibble
R Smothers
S Purkis
K Doyle
M Stringer
D Talisman (appointed 14 January 2016)

Company Secretary

T Ashby (resigned 24 July 2015)
L Medini (appointed 24 July 2015)

Registered Office

Cherry Tree Road
Watford
WD24 6SH

Bankers

HSBC Bank plc
City of London Corporate Office
8 Canada Square
London
E14 5XL

Barclays Bank plc
Level 27, 1 Churchill Place
London
E14 5HP

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Mothercare UK Limited

Strategic report

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

This enhanced business review is prepared for the members of Mothercare UK Limited and for no other purpose. Consequently, any forward looking statements have been made in good faith by the directors based on information available to them at that time. Such statements should be treated with caution given the inherent uncertainties including economic and business risk factors underlying such statements.

The results for the 52 weeks ended 26 March 2016 are set out at pages 10 to 40. They should be read in conjunction with the Key Performance Indicators (KPIs) set out in this report.

Activities and prospects

Mothercare UK Limited is the principal operating company within the Mothercare plc group.

The Company is a specialist retailer of products for mothers-to-be, babies and children up to the age of eight. Mothercare offers a wide range of maternity and children's clothing, furniture and home furnishings, bedding, feeding, bathing, travel equipment and toys through its retail and internet operations in the United Kingdom, and also operates internationally through retail franchises and retail partners in Europe, the Middle East, Africa, the Far East, Asia Pacific and Latin America under the Mothercare brand name.

The company is continuing to progress with improvements to the UK business and to further develop the International business for continued long term growth.

Review of the business

At Mothercare, we aim to be the leading global retailer for parents and young children. We aim to meet the needs of mothers-to-be, babies and children up to the age of eight years. Our clothing & footwear product includes ranges for babies, children and maternity wear and has a growing selection of branded product. Home & travel includes pushchairs, car seats, furniture, bedding, feeding and bathing equipment. The toys in Mothercare's range are mainly for babies and complement the Group's ELC ranges well.

This strategy is based on the following six strategic pillars:

- Become a digitally led business
- Supported by a modern retail estate
- Offering style, quality and innovation
- Stabilise and recapture margin
- Running a lean organisation while investing for the future
- Expanding further internationally

UK sales increased by 0.7%, with twenty five planned store closures during the period. The business continued to sell more at full price and this, along with improved buying margins and planned efficiencies, improved profitability.

Direct has benefited from the improvement in our online platform, customer interface and improved service with Direct in home growing by 9.6% and Direct in store by 24.3%. Direct sales now account for 29.8% of all UK stores, with click and collect now accounting for over a third of all online orders.

We operate the overseas stores through International franchising and retail partners, which remains a significant growth opportunity for the Company. It offers significant potential for growth in developed and emerging markets through our unique network of strong international partners and our logistics network. Recently, the Company has faced macro-economic challenges across our international markets and like for like international sales for the period have fallen 12.7% on a constant currency basis and 14.2% on actual currency rates.

Our International franchise model has allowed rapid growth with minimal capital investment for Mothercare. We earn profits from our royalties, as a fixed percentage of International retail sales.

Key performance indicators

Sales fell by £22.8 million to £564.0 million (2015: £586.8 million). International revenue is down 11.1% to £202.6 million (2015: £228.0 million) and UK revenue increased by 0.7% to £361.4 million (2015: £358.8 million). The number of UK stores at the reporting date was 162 (2015: 175), with 19 stores closed and 6 opened during the period. The number of stores operated by our international partners increased by 39 from 908 to 947.

There were exceptional costs in the period of £15.9 million (2015: £23.4 million), including £6.6 million for property and restructuring costs relating to store restructuring and a strategic review (2015: £30.5 million), a £0.7 million charge for non-cash foreign currency adjustments (2015: £6.9 million credit) and £8.3 million charge for impairment of goodwill (2015: £nil).

Loss before taxation has decreased to £9.5 million (2015: loss before tax £17.6 million) largely driven by a reduction in exceptional costs (down £7.5 million), as well as reduced losses in the UK due to improved trading and closures of underperforming stores.

Net liabilities have moved by £9.0m to £37.8m (2015: £28.8m net liabilities). This is driven by increases in tangible assets of £13.0 million, stock of £14.9 million and falling provisions of £12.3 million, offset by falling debtors of £5.9 million and increased creditors of £45.4 million.

Further details of the Company's results for the 52 weeks ended 26 March 2016 are shown in the profit and loss account, balance sheet and related notes to the financial statements.

Principal risks and uncertainties

The business review sets out progress made during the period against the challenges that the Mothercare plc board has set for the business. In this section some of the principal risks and uncertainties that face the business are set out. This section also forms part of the business review requirements.

The board and the Company do not represent that the risks identified below include all of the risks, whether material or otherwise, of which they ought to be aware. The principal risks and uncertainties facing the Company may include those set out below. It should be borne in mind that this is not an exhaustive list and that there may be other risks that have not been considered or risks that the board consider now are insignificant or immaterial in nature, but that may arise and have a larger effect than originally expected.

External risks

The Company is reliant upon manufacturers in other countries, particularly China, India and the Far East. Global economic conditions will affect the performance of the company's businesses through the effect of exchange rates, principally the US dollar; cost price (including raw material) inflation; governmental and other external regulations affecting imports; taxation; duties and levies.

The Company may be affected by challenging economic conditions and political developments affecting the UK and International markets in which it operates. A failure to react appropriately to changes in the economic environment generally or consumer confidence issues affecting the company's core customers in the UK, particularly from a reduction in real disposable income caused by, amongst other things, increases in personal and indirect taxation, interest rate movements affecting housing and social costs and the availability of consumer credit.

The Company is potentially vulnerable to adverse movements in exchange rates in both its payment to suppliers and its royalty income. The Company hedges the exposure to adverse exchange rates with the use of forward contracts.

Mothercare UK Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

With the continued expansion of the Company's international franchise operations the Company may be exposed to sales concentration risk as certain franchise partners extend their activities in their own and additional territories. In addition, the Company is potentially exposed to commercial risk in the default of payment for amounts due on royalties and goods supplied, as well as political restrictions on remittance of funds to the UK or refusal to enforce the Company's intellectual property against infringers.

Internal risks

The anticipated turnaround of the Company's UK business may not be achievable if it fails to implement effectively key aspects of its new strategic plan. In order to mitigate this risk, the Company is implementing its strategic plan to refurbish all ongoing stores, varying from light touch re-fits to full refurbishment, within the three-year plan, whilst maintaining a lean organisation through tight management of resources and controlling the Company's cost base.

Mothercare has a reputation for quality, safety and integrity. This may be seriously undermined by adverse press or regulatory comment on aspects of its business both in the UK and overseas, whether justified or not. To this end, the Company takes all reasonable care to safeguard the reputation of its brand, particularly in product manufacture and supply areas, by engaging independent third parties to validate critical areas of its manufacturing and supply chain for compliance with its ethical code.

Any disruption to the relationship with key suppliers could adversely affect the Company's ability to meet its sales and profit plans if suitable alternatives could not be found quickly.

Two of the key integration performance streams affect the Supply Chain and Information Technology functions of the brand. Any failure of the Company's logistics, distribution and information technology platforms may restrict the ability of the Company to make product available in its stores and Direct businesses thereby failing to meet customer expectations and thereby adversely affecting sales and profits.

Against this background, the system of internal control is designed to manage rather than eliminate risks.

In order to effectively manage risk, a rolling programme of structured risk assessments of those areas having a significant effect on the future of the business is carried out. The intended purpose of the programme is to identify the appropriate risk management processes, controls established, residual risks evaluated and take the necessary action, risk avoidance measures or monitoring required. Elements of the programme are reviewed by the group internal audit function during the period. The Mothercare plc Audit and Risk Committee regularly reviews the process and output of the programme of risk management on behalf of the group.

The internal audit function of the Mothercare plc group (a combination of internal resources and external resource provided by PricewaterhouseCoopers LLP) supplements the risk-based approach set out above. Furthermore, the group has adopted procedures to ensure auditor independence.

The board believes that the system of internal control described can provide only reasonable and not absolute assurance against material misstatement or loss.

During the course of its review of the system of internal control, the board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

Approved by the Board of Directors and signed on behalf of the Board:

L Medini
Company Secretary 21 July 2016

Mothercare UK Limited

Directors' report

The directors present their annual report together with the audited financial statements and the independent auditor's report for the 52 weeks ended 26 March 2016.

A review of the business strategy, including commentary on the performance of the Company and details of the principal risks and uncertainties facing the Company are set out in the preceding Strategic report.

Directors

The directors who served throughout the period, except as noted, are shown on page 1. T Ashby and C J Cull resigned during the period.

Directors' indemnities

Directors' and officers' indemnity insurance has been purchased by the ultimate parent company during the period.

Dividends

The Company did not pay any dividend during the period (2015: £nil).

Employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through briefings, bulletins, e-mail and video presentations and formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

The Company is an equal opportunities employer and ensures that recruitment and promotion decisions are made solely on the basis of suitability for the job. Disabled people are given due consideration for employment opportunities and, if employees become disabled, every effort is made to retain them by making reasonable adjustments.

Going concern

The Company's focus remains to put its UK business on a firmer footing and further develop its International business for continued long-term growth. This approach will help the group realise its goal of being the leading global retailer for parents and young children.

The directors have reviewed the going concern principle according to revised guidance provided by the FRC.

The Company's business activities and the factors likely to affect its future development are set out in the Strategic Report.

At the end of the year the Mothercare plc Group, of which Mothercare UK Limited is part, had a cash balance of £13.5 million and was debt free with sufficient headroom against covenants. Therefore the directors believe that the Group is able to continue to support the company as necessary.

The directors have reviewed the Group's latest forecasts and projections, which have been sensitivity-tested for reasonably possible adverse variations in performance. This indicates the Group will operate within the terms of its borrowing facilities and covenants for the foreseeable future. To the extent that future trading is worse than a reasonably possible downside, which the directors do not consider a likely scenario, then there are mitigating actions available, which would enable the Group to continue to operate within the terms of the borrowing facilities and covenants for the foreseeable future. Based on this, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements are therefore prepared on the going concern basis.

Mothercare UK Limited

Directors' report (continued)

Financial risk management objectives and policies

Foreign currency risk

All international sales to franchisees are invoiced in pounds sterling or US dollars. International sales represent approximately 36 per cent of Company sales. Of these sales, 28 per cent were invoiced in foreign currency. The Company therefore has some currency exposure on these sales, but it is used to offset or hedge in part the Company's dollar denominated product purchases.

The Company purchases product in foreign currency, representing some 45 per cent of purchases. The Company policy is that all material exposures are hedged by using forward currency contracts.

Interest rate risk

The Group's revolving credit facility has not had any amounts drawn down on it as at 26 March 2016. However, should the Group draw down on this facility in the future, the Company would incur interest rate risk again.

Treasury policy and financial risk management

The Company operates treasury policies approved by the Mothercare plc board and senior management directly controls day-to-day operations within these policies.

The major financial risks to which the Company is exposed relate to movements in exchange rates. Where appropriate, cost effective and practicable the Company uses financial instruments and derivatives to manage these risks. No speculative use of derivatives, currency or other instruments is permitted.

Post balance sheet events

There have been no post balance sheet events.

Auditor

Each of the persons who is a director of the Company at the date when this report was approved confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

L Medini
Company Secretary
21 July 2016

Mothercare UK Limited

Directors' responsibilities statement

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 period. 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) including FRS 101 'Reduced Disclosure Framework'. 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; and
- 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 to 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 auditor's report to the members of Mothercare UK Limited

We have audited the financial statements of Mothercare UK Limited for the fifty-two weeks ended 26 March 2016 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 28. 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) including FRS 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, 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.

Scope of the audit of 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 26 March 2016 and of its loss 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 matters prescribed in the Companies Act 2006

In our opinion the information in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Mothercare UK 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.

Ian Waller

Ian Waller (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
21 July 2016

Mothercare UK Limited

Profit and loss account
For the 52 weeks ended 26 March 2016

	Notes	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015[1] £m
Revenue	3	564.0	586.8
Cost of sales (including an exceptional charge of £9.3m, 2015: credit of £6.9m, see note 6)		(523.0)	(537.0)
Gross profit		41.0	49.8
Other operating expenses (including an exceptional charge of £6,6m, 2015: £30.3m, see note 6)		(47.2)	(65.6)
Operating (loss)/profit	5	(6.2)	(15.8)
Interest receivable and similar income	7	10.1	11.6
Interest payable and similar charges	8	(13.4)	(13.4)
Loss on ordinary activities before taxation		(9.5)	(17.6)
Tax on loss on ordinary activities	9	(0.6)	(1.1)
Loss for the financial period		(10.1)	(18.7)

All results relate to continuing operations.

[1] Restated on adoption of Financial Reporting Standard 101 (FRS 101) reduced disclosure framework (see note 28).

Statement of comprehensive income
For the 52 weeks ended 26 March 2016

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Loss for the financial period	(10.1)	(18.7)
Items that will not be reclassified subsequently to the profit and loss account:		
Remeasurement of net defined benefit liability - actuarial gain/(loss) on defined benefit pension schemes	1.1	(34.4)
Deferred tax relating to items not reclassified	(2.6)	7.1
	(1.5)	(27.3)
Items that may be reclassified subsequently to the profit and loss account:`		
Cash flow hedges: gains/(losses) arising in the period	-	8.4
Deferred tax relating to items reclassified	0.2	(1.6)
	0.2	6.8
Other comprehensive income/(expense) for the period	(1.3)	(20.5)
Total comprehensive expense for the period attributable to owners of the Company	(11.4)	(39.2)

Mothercare UK Limited

Balance sheet
As at 26 March 2016

	Notes	26 March 2016 £m	28 March 2015[1] £m
Non current assets			
Intangible assets	10	19.3	18.8
Tangible assets	11	72.1	59.1
Investments in subsidiaries	12	63.9	66.1
Derivative financial instruments	15	0.2	-
		155.5	144.0
Current assets			
Stocks	13	88.1	73.2
Debtors	16	268.4	274.3
Cash at bank and in hand		4.3	4.9
Derivative financial instruments	15	8.8	9.0
		369.6	361.4
Creditors: amounts falling due within one year	17	(371.3)	(325.9)
Derivative financial instruments	15	(1.2)	(0.5)
Net current (liabilities)/assets		(2.9)	35.0
Total assets less current liabilities		152.6	179.0
Creditors: amounts falling due after more than one year	18	(93.3)	(91.6)
Provisions for liabilities	19	(22.7)	(35.0)
Retirement benefit obligations	21	(74.4)	(81.2)
Net liabilities		(37.8)	(28.8)
Capital and reserves			
Called-up share capital	23	28.4	28.4
Share premium account		35.5	35.5
Profit and loss account		(108.5)	(100.8)
Hedging reserve		6.8	8.1
Shareholders' deficit		(37.8)	(28.8)

[1] Restated on adoption of Financial Reporting Standard 101 (FRS 101) reduced disclosure framework (see note 28)

The financial statements of Mothercare UK Limited (registered number 00533087) were approved by the Board of Directors and authorised for issue on 21 July 2016.

Signed on behalf of the Board of Directors:

R Smothers
Director

Mothercare UK Limited

Statement of changes in equity
For the 52 weeks ended 26 March 2016

	Called up share capital £m	Share premium account £m	Hedging reserve £m	Profit and loss account £m	Total £m
Balance at 30 March 2014 as previously stated	28.4	35.5	(0.3)	(40.1)	23.5
Effects of transition to FRS 101 (see note 28)	-	-	-	(14.3)	(14.3)
Balance at 30 March 2014 as restated	28.4	35.5	(0.3)	(54.4)	9.2
Loss for the period	-	-	-	(18.7)	(18.7)
Other comprehensive income for the period	-	-	8.4	(28.9)	(20.5)
	-	-	8.4	(47.6)	(39.2)
Capital contribution for equity-settled share based payments	-	-	-	1.2	1.2
Balance at 28 March 2015[1]	28.4	35.5	8.1	(100.8)	(28.8)
Loss for the period	-	-	-	(10.1)	(10.1)
Other comprehensive income for the period	-	-	0.2	(1.5)	(1.3)
	-	-	0.2	(11.6)	(11.4)
Transfers	-	-	(1.5)	1.5	-
Capital contribution for equity-settled share based payments	-	-	-	2.4	2.4
Balance at 26 March 2016	28.4	35.5	6.8	(108.5)	(37.8)

[1] Restated on adoption of Financial Reporting Standard 101 (FRS 101) reduced disclosure framework (see note 28)

Notes to the financial statements
For the 52 weeks ended 26 March 2016

1. Accounting policies

The financial statements are prepared in accordance with Financial Reporting Standard 101 reduced disclosure framework (FRS 101) and the UK Companies Act. The main accounting policies are summarised below. They have been applied consistently throughout the 52 weeks ended 26 March 2016 and the preceding 52 weeks ended 28 March 2015 are described below.

General information

Mothercare UK Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 37. The nature of the company's operations and its principal activities are set out in the Strategic report on pages 2 to 4.

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the period ended 26 March 2016 the company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The prior year financial statements were re-stated for material adjustments on adoption of FRS 101 in the current year. For more information see note 28.

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below, and on a going concern basis in accordance with the rationale set out in the going concern statement in the Directors' report.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group financial statements of Mothercare plc. Details of the parent in whose consolidated financial statements the company is included are shown in note 25 to the financial statements.

1. Accounting policies (continued)

Basis of accounting (continued)

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Mothercare plc. The group financial statements of Mothercare plc are available to the public and can be obtained as set out in note 25.

Going concern

After making enquiries and taking into account the Company's latest forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual financial statements. Further information is included in the Directors' report.

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is stated at cost subject to annual impairment reviews. The Directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under FRS 101.

Intangible assets - software

Where computer software is not an integral part of a related item of computer hardware, the software is classified as an intangible asset. The capitalised costs of software for internal use include external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project.

Capitalisation of these costs ceases no later than the point at which the software is substantially complete and ready for its intended internal use. These costs are amortised on a straight-line basis over their expected useful lives, which is normally five years.

Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation and any recognised impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and assets in course of construction, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	50 years
Fixed equipment in freehold buildings	20 years
Leasehold improvements	the lease term
Fixtures, fittings, and equipment	3 to 20 years

Residual value is calculated on prices prevailing at the date of acquisition.

Impairment of tangible and intangible fixed assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that an asset may be impaired.

1. Accounting policies (continued)

Impairment of tangible and intangible fixed assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

Investments

Fixed asset investments, including investments in subsidiaries, are shown at cost less provision for impairment.

Stocks

Stocks consist substantially of goods for resale and are stated at the lower of cost and net realisable value. Cost includes an appropriate element of overhead expenditure. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolescence, slow moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the financial period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other financial periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

1. **Accounting policies (continued)**

Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Revenue

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed. Sales to international franchise partners are recognised when the significant risks and rewards of ownership have transferred which is on dispatch.

Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be measured reliably). Royalty arrangements that are based on sales and other measures are recognised by reference to the underlying arrangement.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's carrying amount.

Leases

All of the Company's leased assets are held under operating leases.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as incentives to enter into property leases are spread evenly over the lease term.

The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Financial instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Hedge accounting

The Company designates its forward currency contracts as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Changes in the fair value of financial instruments designated as effective are recognised in the statement of comprehensive income and any ineffective portion is recognised immediately in the profit and loss account. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss in the periods when the hedged item is recognised in profit or loss in the same line of the profit and loss account as the recognised hedged item. Movements in the hedging reserve in equity are detailed in note 24.

1. **Accounting policies (continued)**

Trade debtors

Trade debtors are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Onerous leases

Present obligations arising out of onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Property fit out contributions

Contributions received in respect of property fit-out costs are amortised over the shorter of the lease term and the period to the first rent review.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade creditors

Trade creditors are measured at fair value.

Derivative financial instruments

The Company uses forward foreign currency contracts to mitigate the transactional impact of foreign currencies on its performance to mitigate the risk of movements in interest rates. The Company's financial risk management policy prohibits the use of derivative financial instruments for speculative or trading purposes and the Company does not therefore hold or issue any such instruments for such purposes.

1. Accounting policies (continued)

Derivative financial instruments (continued)

Forward foreign currency contracts are recognised initially at fair value, which is updated at each balance sheet date. Changes in the fair values are recognised either in the profit and loss account or through reserves depending on whether the contract is designated as a hedging instrument.

Derivative financial instruments that are economic hedges that do not meet the strict IAS 39 'Financial Instruments: Recognition and Measurement' hedge accounting rules are accounted for as financial assets or

liabilities at fair value through profit or loss and hedge accounting is not applied.

The forward contracts in place are considered an effective cash flow hedge and are accounted for by recognising the gain/loss on the hedge through reserves rather than the profit and loss account, removing volatility within the profit and loss account.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Share based payments

Mothercare plc issues cash-settled and equity-settled share-based payments to certain employees of Mothercare UK Limited. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis in Mothercare UK Limited over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the valuation technique considered to be most appropriate for each class of award, including Black-Scholes calculations and Monte Carlo simulations. The expected life used in the formula is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date in Mothercare UK Limited.

The Company also provides employees with the ability to purchase Mothercare plc's ordinary shares at 80 per cent of the current market value within an approved Save As You Earn scheme. Mothercare UK Limited records an expense based on an estimate of the 20 per cent discount related to shares expected to vest on a straight-line basis over the vesting period.

Pension costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside of the profit and loss account and presented in other comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

1. Accounting policies (continued)

Pension costs (continued)

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

In consultation with the independent actuaries to the schemes, the valuation of the retirement benefit obligations has been updated to reflect current market discount rates, and also considering whether there have been any other events that would significantly affect the pension liabilities. The impact of these changes in assumptions and events has been estimated in arriving at the valuation of the retirement benefit obligations.

Foreign currency

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Transactions in foreign currencies are translated into sterling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

2. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, which are described in note 1, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Retirement benefits

Retirement benefits are accounted for under IAS 19 'Employee Benefits'. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value.

Because of changing market and economic conditions, the expenses and liabilities actually arising under the plans in the future may differ materially from the estimates made on the basis of these actuarial assumptions. The plan assets are partially comprised of equity and fixed-income instruments. Therefore, declining returns on equity markets and markets for fixed-income instruments could necessitate additional contributions to the plans in order to cover future pension obligations. Also, higher or lower withdrawal rates or longer or shorter life of participants may have an impact on the amount of pension income or expense recorded in the future.

The interest rate used to discount post-employment benefit obligations to present value is derived from the yields of senior, high-quality corporate bonds at the balance sheet date. These generally include AA-rated securities. The discount rate is based on the yield of a portfolio of bonds whose weighted residual maturities approximately correspond to the duration necessary to cover the entire benefit obligation.

Pension and other post-retirement benefits are inherently long-term and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post-retirement charges'. Note 21 describes the principal discount rate, inflation and pension retirement benefit obligation assumptions that have been used to determine the pension and post-retirement charges in accordance with IAS 19. The

Notes to the financial statements (continued)
For the 52 weeks ended 26 March 2016

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Retirement benefits (continued)

calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on prior experience, market conditions and the advice of plan actuaries.

At 26 March 2016, the Company's pension liability was £74.4 million (2015: £81.2 million). Further details of the accounting policy on retirement benefits are provided in note 1.

Impairment of stores' tangible fixed assets

Stores' tangible fixed assets (see note 11) are reviewed for impairment on a periodic basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Such circumstances or events could include: a pattern of losses involving the fixed asset; a decline in the market value for a particular store asset; and an adverse change in the business or market in which the store asset is involved. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining what cash flow is directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets involve the exercise of a significant amount of judgement.

Further details of the accounting policy on the impairment of stores' tangible fixed assets are provided in note 1.

Property provisions

Descriptions of the provisions held at the balance sheet date are given in note 19. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any differences between expectations and the actual future liability are accounted for in the period when such determination is made.

3. Revenue

Revenue comprises the value of sales (excluding sales taxes and net of discounts) of goods and services provided in the normal course of business. All revenue is derived from one class of business in the United Kingdom. An analysis of the Company's revenue is as follows:

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Sales of goods	537.2	558.2
Royalties	26.8	28.6
Revenue	564.0	586.8
Interest receivable and similar income (note 7)	10.1	11.6
Total revenue	574.1	598.4

Notes to the financial statements (continued)
For the 52 weeks ended 26 March 2016

3. Revenue (continued)

Revenue by geographical market can be analysed as follows:

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
UK	361.4	358.8
International	202.6	228.0
	564.0	586.8

4. Staff costs

The average monthly number of employees (including executive directors) was:

	52 weeks ended 26 March 2016 number	52 weeks ended 28 March 2015 number
Average number of persons employed (including directors)		
UK stores	4,374	4,379
Head Office	682	624
	5,056	5,003
Full-time equivalent	2,920	3,002

Staff costs during the period (including directors)	**£m**	**£m**
Wages and salaries (including bonuses, excluding share-based payment charges)	59.9	64.9
Social security costs	4.6	4.4
Pension costs	4.8	3.6
	69.3	72.9

Notes to the financial statements (continued)
For the 52 weeks ended 26 March 2016

5. Operating (loss)/profit

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Operating (loss)/profit is stated after charging:		
Depreciation - owned assets	12.2	15.0
Rentals under operating leases	43.8	46.0
Fees payable to the Company's auditor for the audit of annual financial statements	0.1	0.1
Staff costs (including bonuses, excluding share-based payment charges)	69.3	72.9

Fees disclosed above payable to Deloitte LLP for audit services include the Company accounts only.

6. Exceptional items

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Exceptional charges/(credits) in cost of sales		
Restructuring costs	0.3	-
Non-cash foreign currency adjustments	0.7	(6.9)
Impairment of goodwill	8.3	-
	9.3	(6.9)
Exceptional items included in administrative expenses		
Property related costs	0.2	20.8
Organisational restructure costs	8.3	8.7
Store intangible assets impairment	(1.9)	1.0
Total exceptional charges/(credits) in administrative expenses	6.6	30.5
Exceptional other administrative expenses		
(Reversal)/Impairment of investment in joint venture	-	(0.2)
Total exceptional charges/(credits) in administrative expenses	6.6	30.3
Total exceptional items	15.9	23.4

6. Exceptional items (continued)

Property related costs

During the period, a charge of £0.2 million (2015: £20.8 million) was recognised against onerous leases and disposal/termination of property interests.

Organisational restructure costs

During the 52 weeks ended 26 March 2016 a charge of £8.3 million (2015: £8.7 million) was recognised mainly relating to store restructuring and including £1.9 million relating to the write off of amounts owed by a franchisee. In 2015, this related to store restructuring and disruption costs relating to a major supplier of distribution going into administration.

Store tangible fixed assets impairment

During the 52 weeks ended 26 March 2016 the Company has recognised a credit of £1.9 million (2015: charge of £1.0 million) for store impairment where the carrying value of tangible fixed assets is higher than the realisable value and value in use.

Non-cash foreign currency adjustments

During the period, a net charge of £0.7 million (2015: net credit of £6.9 million) was recognised in cost of sales as a result of non-cash foreign currency adjustments.

Impairmant of goodwill

Goodwill, recognised on the acquisition of the trade and assets of Childrens World Limited in 2002, has been written down to zero as these assets are no longer distinguishable or separable from those of Mothercare.

7. Interest receivable and similar income

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Bank and other interest receivable	0.4	0.3
Interest income on pension assets	9.7	11.3
	10.1	11.6

8. Interest payable and similar charges

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Bank fees	1.0	-
Interest expense on pension liabilities (see note 21)	12.4	13.4
	13.4	13.4

9. Tax charge on loss on ordinary activities

The credit for tax on loss on ordinary activities comprises:

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Current tax:		
UK corporation tax charge at 20% (2015: 21%)	(1.1)	(1.2)
Adjustment in respect of prior periods	-	(0.2)
Total current tax	(1.1)	(1.4)
Deferred tax: (see note 14)		
Current period credit	0.6	0.5
Adjustment in respect of prior periods	(0.1)	(0.2)
Adjustment in respect of change in rate	-	-
Total deferred tax	0.5	0.3
Tax charge on loss on ordinary activities	(0.6)	(1.1)

UK corporation tax is calculated at 20% (2015: 21%) of the estimated assessable loss for the period.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 18% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 18%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

A reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods subject to this reduced rate. This rate change is to be included in the Finance Bill 2016 but this has not been substantively enacted at the balance sheet date.

Notes to the financial statements (continued)
For the 52 weeks ended 26 March 2016

9. Tax charge on loss on ordinary activities (continued)

The charge for the period can be reconciled to the loss for the period in profit and loss account as follows:

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Loss on ordinary activities before taxation	(9.5)	(17.6)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	1.9	3.7
Effects of:		
Expenses not deductible for tax purposes	(1.1)	(5.6)
Group relief claimed free of charge (from)/to other group companies	(0.1)	0.7
Relief for exercise of share options	-	0.6
Impact of difference in current tax and deferred tax rates	(0.1)	-
Double tax relief	-	1.1
Impact of overseas tax rates	(1.1)	(1.1)
Adjustment in respect of prior periods	(0.1)	(0.5)
Rate change on deferred tax	-	-
Total tax charge	(0.6)	(1.1)

In addition to the amount charged to the profit and loss account, deferred tax relating to retirement benefit obligations, share-based payments and cash flow hedges amounting to £2.4 million (2015: credit of £5.5 million) has been charged directly to other comprehensive income.

Notes to the financial statements (continued)
For the 52 weeks ended 26 March 2016

10. Intangible assets

	Goodwill £m	Software £m	Total £m
Cost			
At 28 March 2015	20.9	30.5	51.4
Additions	-	12.9	12.9
Disposals	-	-	-
At 26 March 2016	20.9	43.4	64.3
Amortisation and impairment			
At 28 March 2015	12.6	20.0	32.6
Charge for the period	-	4.1	4.1
Impairment	8.3	-	8.3
Disposals	-	-	-
At 26 March 2016	20.9	24.1	45.0
Net book value			
At 26 March 2016	-	19.3	19.3
At 28 March 2015	8.3	10.5	18.8

Goodwill, recognised on the acquisition of the trade and assets of Childrens World Limited in 2002, has been written down to zero as these assets are no longer distinguishable or separable from those of Mothercare.

11. Tangible assets

	Freehold properties £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Total £m
Cost				
At 28 March 2015	11.5	90.3	144.0	245.8
Additions	-	11.1	20.2	31.3
Disposals	(1.6)	(9.1)	(15.7)	(26.4)
At 26 March 2016	9.9	92.3	148.5	250.7
Accumulated depreciation				
At 28 March 2015	1.2	68.7	116.8	186.7
Charge for the period	0.1	4.5	7.6	12.2
Impairment	-	(0.7)	2.3	1.6
Disposals	(0.1)	(7.4)	(14.4)	(21.9)
At 26 March 2016	1.2	65.1	112.3	178.6
Net book value				
At 26 March 2016	8.7	27.2	36.2	72.1
At 28 March 2015	10.3	21.6	27.2	59.1

11. Tangible assets (continued)

The net book value of leasehold improvements includes £26.7 million (2015: £21.1 million) in respect of short leasehold properties.

12. Investments in subsidiaries

The Company's investments are as follows:

Name	Holding	Interest	Country of incorporation
Childrens World Limited	Ordinary shares	100%	Great Britain
Gurgle Limited	Ordinary shares	100%	Great Britain
Mothercare International (Hong Kong) Limited	Ordinary shares	100%	Hong Kong
Mothercare Sourcing India Private Limited	Ordinary shares	100%	India

	£m
Cost	
At 28 March 2015	68.0
Disposal	(2.2)
At 26 March 2016	65.8
Provision for impairment	
At 28 March 2015 and 26 March 2016	(1.9)
Net book value	
At 26 March 2016	63.9
At 28 March 2015	66.1

During the year the Company disposed of its Indian joint venture (Rhea Retail Private Limited).

13. Stocks

	26 March 2016 £m	28 March 2015 £m
Finished goods and goods for resale	88.1	73.2

14. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period:

	Accelerated Tax depreciation £m	Other temporary differences £m	Retirement benefit obligations £m	Share based payments £m	Tax Losses £m	Total £m
At 28 March 2015	0.7	4.2	16.2	0.6	-	21.7
Charge to profit or loss	1.7	(2.4)	(0.3)	(0.2)	1.7	0.5
Charge to other comprehensive income	-	0.2	(2.5)	(0.1)	-	(2.4)
At 26 March 2016	2.4	2.0	13.4	0.3	1.7	19.8

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	26 March 2016 £m	28 March 2015 £m
Deferred tax liabilities	(1.4)	(1.6)
Deferred tax assets	21.2	23.3
	19.8	21.7

At the balance sheet date the Company has unused tax losses of £9.6 million (2015: £nil) available for offset against future profits. A deferred tax asset of £1.7 million has been recognised for such losses (2015: £nil).

15. Derivative financial instruments

The Company uses forward foreign currency contracts to reduce its exposure to exchange rate movements, primarily on the US dollar. The Company does not hold derivatives for speculative or trading purposes. The Company recognises derivative financial instruments as assets and liabilities measured at their fair values at the balance sheet date and gains/losses have been recognised through reserves. These arrangements are designed to address significant exchange exposures on forecast future purchases of goods for the following period and are renewed on a revolving basis as required. The fair value of foreign currency forward contracts is measured using quoted foreign exchange rates and yield curves from quoted rates matching the maturities of the contracts.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 50 per cent to 100 per cent of the exposure generated depending on period covered up to 15 months forward.

Derivatives embedded in non-derivative host contracts have been recognised separately as derivative financial instruments when their risks and characteristics are not closely related to those of the host contract and the host contract is not stated at its fair value with changes in its fair value recognised in the profit and loss account.

Notes to the financial statements (continued)
For the 52 weeks ended 26 March 2016

15. Derivative financial instruments (continued)

The total amounts of outstanding forward foreign currency contracts to which the Company has committed is as follows:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	26 March 2016 rate	28 March 2015 rate	26 March 2016 £m	28 March 2015 £m	26 March 2016 £m	28 March 2015 £m
US dollar	1.52	1.59				
Assets less than 1 year			104.7	123.6	8.3	8.7
Assets more than 1 year			13.9	-	0.2	-
Embedded derivatives			-	-	(0.1)	(0.2)
Other currencies	various	various				
Assets less than 1 year			5.9	9.3	0.5	0.3
Liabilities less than 1 year			13.3	10.3	(1.1)	(0.3)
			137.8	143.2	7.8	8.5

Disclosures in respect of the Group's financial instruments are provided in note 21 to the consolidated financial statements.

16. Debtors

	26 March 2016 £m	28 March 2015 £m
Amounts falling due within one year:		
Trade debtors	45.7	41.2
Amounts owed by group undertakings	183.2	193.1
Other debtors	6.8	7.0
Prepayments and accrued income	12.8	11.3
Deferred tax	19.8	21.7
Corporation tax receivable	0.1	-
	268.4	274.3

17. Creditors: amounts falling due within one year

	26 March 2016 £m	28 March 2015 £m
Bank loans and overdrafts	-	16.5
Trade creditors	65.7	46.4
Amounts owed to group undertakings	254.9	213.1
Other taxes and social security	1.4	1.3
Other creditors	10.0	9.9
Accruals and deferred income	34.8	34.5
Landlords' contributions	4.5	3.8
Corporation tax creditor	-	0.4
	371.3	325.9

18. Creditors: amounts falling due after more than one year

	26 March 2016 £m	28 March 2015 £m
Amounts due to ultimate parent	71.3	71.3
Landlords' contributions	22.0	20.3
	93.3	91.6

Notes to the financial statements (continued)
For the 52 weeks ended 26 March 2016

19. Provisions for liabilities

The movement on provisions can be analysed as follows:

	Property provisions £m	Other provisions £m	Total £m
Balance at 28 March 2015	33.3	1.7	35.0
Charged in period	6.4	0.2	6.6
Utilised in period	(10.1)	(0.5)	(10.6)
Released in period	(7.9)	(0.4)	(8.3)
Balance at 26 March 2016	21.7	1.0	22.7

Property provisions principally represent the costs of store disposals and provisions for onerous leases. The timing of the utilisation of these provisions is variable dependent upon the lease expiry dates of the properties concerned.

Other provisions principally represent provisions for uninsured losses, hence the timing of the utilisation of these provisions is uncertain.

20. Financial commitments

Banking arrangements:

Under the Mothercare plc group banking arrangements, the Company is party to a set-off agreement against other Mothercare plc group member bank accounts.

VAT:

The Company is party to the Mothercare plc group VAT registration.

Operating lease arrangements

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	26 March 2016		28 March 2015	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	42.8	0.4	44.1	0.3
Within two to five years	128.2	0.2	141.7	0.6
After five years	84.4	-	92.3	-
	255.4	0.6	278.1	0.9

The rents payable under these leases are subject to renegotiations at various intervals specified in the leases, typically every five years.

21. Retirement benefit schemes

Defined contribution schemes

The Company operates a defined contribution scheme for which the total cost charged to income was £2.0 million (2015: £2.2 million).

Defined benefit schemes

The Company previously operated two defined benefit schemes in the UK, these were both closed to future accrual with effect from 30 March 2013.

The most recent full actuarial valuations as at March 2014 were updated as at 26 March 2016 for the purpose of these disclosures with the advice of professionally qualified actuaries. The present value of the defined benefit obligation, the related current service costs and the past service cost were measured using the projected unit credit method.

The scheme exposes the Company to actuarial risks such as longevity risk, interest rate risk and market (investment) risk.

The IAS 19 valuation conducted for the period ending 26 March 2016 disclosed a net defined pension deficit of £74.4 million (2015: £81.2 million).

The major assumptions used for the updated actuarial valuations were:

	2016	2015	2014
Rate of increase in pensions in payment	3.0%	3.0%	3.2%
Discount rate	3.6%	3.5%	4.5%
Inflation assumption - RPI	3.1%	3.1%	3.4%
Inflation assumption - CPI	2.0%	2.0%	2.4%

Mortality assumptions are disclosed in the Mothercare plc annual report and accounts.

The effects of movements in the principal assumptions used to measure the scheme liabilities for every change in the relevant assumption are set out below:

Assumption	Change in assumption	Impact on scheme liabilities £ million
Discount rate	+/- 0.1%	- 6.4/+ 6.4
Rate of price inflation	+/- 0.1%	+ 6.3/- 6.3
Life expectancy	+ 1 year	+ 9.0

The above sensitivities are applied to adjust the defined benefit obligation at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide an approximation to the sensitivity of the assumptions shown.

21. Retirement benefit schemes (continued)

Amounts expensed in the profit and loss account in respect of the defined benefit schemes are as follows:

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Running costs	2.7	1.4
Net interest on liabilities/ return on assets	2.7	2.1
	5.4	3.5

Running costs are included in underlying administrative expenses, and net interest on liabilities/ return on assets is included in finance costs.

The amount recognised in other comprehensive income for the period ending 26 March 2016 is a gain of £1.1 million (2015: a loss of £34.4 million).

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement schemes is as follows:

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Present value of defined benefit obligations	361.9	364.6
Fair value of schemes' assets	(287.5)	(283.4)
Liability recognised on the balance sheet	74.4	81.2

Movements in the present value of defined benefit obligations, movements in the fair value of scheme assets and the major categories of scheme assets are disclosed in the Mothercare plc annual report and accounts.

22. Share-based payments

Mothercare plc issues cash-settled and equity-settled share-based payments to certain employees of Mothercare UK Limited. An expense is recognised in Mothercare UK Limited based on the fair value of the awards at the date of grant, the estimated number of shares that will vest and the vesting period of each award.

The charge for share based payments is £3.0 million (2015: £1.3 million) of which £2.4 million (2015: £1.2 million) was equity settled across the following schemes:

A. Save As You Earn Schemes
B. Company Share Option plan
C. Long Term Incentive Plan

Details of the share schemes that the group operates are provided in the Mothercare plc Annual Report and Accounts 2016 on pages 134 to 137.

For each scheme, expected volatility was determined with reference to the 90-day volatility of Mothercare plc's share price over the previous three years. The expected life used in each model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

A. Save As You Earn Schemes

The employee Save As You Earn schemes are open to all employees and provide for a purchase price equal to the daily average market price for three days prior to the date of grant, less 20 per cent.

The share options can be applied for during a two week period in the year of the grant and funds are placed on trust for a three-year period.

The shares outstanding at 26 March 2016 had a weighted average remaining contractual life of 2.9 years and ranged in price from 148p to 244p.

B. Company Share Option Plan

The company share option plan is open for all employees excluding directors and senior employees who are awarded shares under the long term incentive plan. Shares granted in FY2014/15 will be awarded to employees still in employment at end of May 2018 subject to achieving the group profit before tax target for financial year ending March 2018.

C. Long Term Incentive Plans

In December 2013 the group granted further awards under the Mothercare plc 2012 Long Term Incentive Plan. The Performance conditions relate to group profit before tax, UK profit before tax and share price performance, these conditions will be tested in relation to financial year March 2017 to determine what percentage of the shares vests. Specifically the performance period for the group profit before tax and share price performance measures is 31 March 2013 to 26 March 2016, and the performance period for the UK profit before tax performance measure is 31 March 2013 to 25 March 2017. No consideration is payable for the grant of these awards.

In December 2014 and March 2015 the group granted further awards under Mothercare plc 2012 Long Term Incentive Plan. The performance conditions relate to group profit before tax and share price performance. These conditions will be tested in relation to FY March 2018 and March 2017 respectively to determine what % of the shares vest. No consideration is payable for the grant of these awards.

Notes to the financial statements (continued)
For the 52 weeks ended 26 March 2016

22. Share-based payments (continued)

In June 2015, December 2015 and February 2016 the group granted further awards under Mothercare plc 2012 Long Term Incentive Plan. The performance conditions relate to group profit before tax and relative total shareholder return weighted equally 50:50. These conditions will be tested in relation to financial year ending March 2019 and financial year ending March 2018 respectively to determine what % of the shares vest. No consideration is payable for the grant of these awards.

23. Called-up share capital

	26 March 2016 £m	28 March 2015 £m
Called-up, allotted and fully paid		
28,446,000 ordinary shares of £1 each	28.4	28.4

24. Ultimate and controlling parent company

The Company's ultimate controlling entity and parent company is Mothercare plc.

The largest and smallest group in which the results of the Company are consolidated is that headed by Mothercare plc, a company incorporated in Great Britain and registered in England and Wales. Copies of these consolidated financial statements may be obtained from Cherry Tree Road, Watford, WD24 6SH.

25. Related party transactions

The Company has taken advantage of the exemption in FRS 101 'Reduced Disclosure Framework' not to disclose compensation for key management personnel.

During the period, the Company entered into the following transactions with joint ventures and associates:

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Sale of goods	13.5	14.1
Amounts owed by related parties	5.9	4.3

Sales of goods to related parties were made at the Company's usual cost prices.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received at the period end. A provision of £0.9 million (2015: £0.8 million) has been made for doubtful debts in respect of the amounts owed by related parties.

26. Directors' remuneration and transactions

The directors' remuneration is set out below.

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Directors' remuneration		
Emoluments	3.0	3.8
Company contributions to money purchase pension schemes	0.3	0.2
	3.3	4.0

The number of directors who were members of pension schemes during the period was as follows:

	52 weeks ended 26 March 2016 number	52 weeks ended 28 March 2015 number
Money purchase schemes	9	5

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Emoluments including annual and retention bonuses	0.7	1.3
Money purchase pension scheme	0.1	0.1
	0.8	1.4

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 26 March 2016 was £nil per annum (2015: £nil per annum).

The highest paid director exercised no share options during the period (2015: nil).

27. Events after the balance sheet date

There have been no post balance sheet events.

Notes to the financial statements (continued)
For the 52 weeks ended 26 March 2016

28. Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (pre-2015 UK GAAP) were for the period ended 28 March 2015 and the date of transition to FRS 101 was therefore 30 March 2014.

Reconciliation of equity/(deficit)

Note		At 30 March 2014 £m	At 28 March 2015 £m
	Equity/(deficit) reported under previous UK GAAP	23.5	(17.3)
	Adjustments to equity/(deficit) on transition to FRS 101		
1	Lease incentives	(17.9)	(15.9)
	Deferred tax relating to lease incentives	3.6	3.2
2	Deferred tax relating to share based payments	-	0.2
3	Amortisation reversal	-	1.0
	Total adjustments	(14.3)	(11.5)
	Equity reported under FRS 101	9.2	(28.8)

Notes to the reconciliation of equity/(deficit) at 30 March 2014

1 UK GAAP to FRS 101 adjustment for recognition of lease incentives

2 UK GAAP to FRS 101 adjustment for treatment of share based payments

3 Reversal of goodwill amortisation required under UK GAAP, disallowed under FRS 101

Reconciliation of total comprehensive income for the period ended 28 March 2015

Note		£m
	Total comprehensive expense for the financial period under previous UK GAAP	(42.0)
1	Lease incentives	2.0
2	Amortisation reversal	1.0
	Tax adjustment on pension and lease incentives	(0.4)
	Deferred tax relating to share based payments	0.2
	Total comprehensive expense for the financial period under FRS 101	(39.2)

Notes to the reconciliation of profit or loss for the period ended 28 March 2015

1 UK GAAP to FRS 101 adjustment for recognition of lease incentives

2 Reversal of goodwill amortisation required under UK GAAP, disallowed under FRS 101