

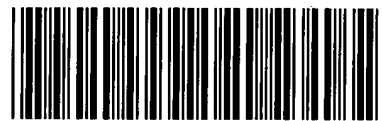
Company Registration No. 05410177

Toys 'R' Us Properties (UK) Limited

Annual Report and Financial Statements

**For the period from 31 January 2016
to 28 January 2017**

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Toys 'R' Us Properties (UK) Limited
Annual Report and Financial Statements
For the period ended 28 January 2017

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'Toys 'R' Us Properties (UK) Limited
Annual Report and Financial Statements
For the period ended 28 January 2017

Company Information

Directors	F. C. Muzika R. S. Zarra G. J. Barker
Company secretary	Mitre Secretaries Limited
Registered office	Cannon Place 78 Cannon Street London EC4N 6AF United Kingdom
Independent auditor	Ernst & Young LLP Chartered Accountants and Statutory Auditor 1 More London Place London SE1 2AF United Kingdom

Strategic Report

The directors of Toys 'R' Us Properties (UK) Limited ("the Company") present their Strategic Report and financial statements for the period ended 28 January 2017.

Principal activities

The Company has acquired sites in the United Kingdom and rents them to a fellow subsidiary of Toys 'R' Us Holdings Ltd. The directors consider the results achieved from ordinary activities before taxation to be satisfactory.

Business review

Rental income in the period of £24,177,000 (2016: £23,907,000) has covered bank interest payable of £18,604,907 (2016: £18,728,000) by 1.3 times (2016: 1.28 times).

The Toys 'R' Us Holdings Ltd group manages its operations on a group basis. For this reason the Company's directors believe that further key performance indicators are not necessary or appropriate for an understanding of the development, performance or position of the business.

The Statement of Financial Position on page 7 of the financial statements shows that net assets have decreased to £99,184,000 (2016: £107,561,000), a decrease of 7.79%. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the financial statements.

There have been no significant events since the Statement of Financial Position date.

Principal risks and uncertainties

Prior to the re-financing of the PropCo facility agreement in March 2013 the Senior Loan was at a fixed rate and the Company had entered into hedging arrangements in relation to its floating rate exposure under the credit agreement, whereby the Company effectively fixed the interest under the Junior Loan at 6.8075% plus mandatory costs per annum. It therefore had no interest rate exposure. The new PropCo facility agreement is at a fixed rate.

The Company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America, whose financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has access to considerable financial resources from across the Toys 'R' Us Group. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Approved by the Board on 27 July 2017 and signed on its behalf by:



F. C. Muzika
Director

Directors' Report

The directors of Toys 'R' Us Properties (UK) Limited present their Directors' Report and audited financial statements for the period from 31 January 2016 to 28 January 2017.

Results and dividends

The loss for the financial period, amounted to £8,377,000 (2016: loss of £7,664,000). The directors do not recommend the payment of any dividends (2016: £nil).

Directors

The directors who held office during the year were as follows:

F. C. Muzika
R. S. Zarra
G. J. Barker

Future development

The Company intends to continue in its principal activity of leasing its property to a fellow subsidiary of Toys R Us Holdings Limited.

Political contributions

The Company made no political donations or incurred any political expenditure during the period (2016: £nil).

Environment

The Company recognises the importance of its environmental responsibilities monitors its impact on the environment, and designs and implement policies to reduce any damage that might be caused by the Company's activities. Initiatives designed to minimise the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Employees

The Company does not employ any staff; all services and administration are provided by a fellow subsidiary.

Creditor payment policy and practice

The Company does not have any third party trade creditors. All creditors are settled by Toys 'R' Us Limited, via intercompany account, and that company's policies on payment of creditors and trade creditors days are disclosed in its Directors' Report of those companies.

Going concern

The directors expect that the Company has adequate resources to continue in operational existence for foreseeable future. The Company interest coverage exceeds the covenant requirement and is expected to continue to do so. The Company has received confirmation from the Group creditors that there is no intention to call in any loans within 12 months from the date of signing the accounts. Thus the Directors continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies of the financial statements.

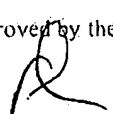
Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and will therefore continue in office.

Approved by the Board of Directors on 27 July 2017 and signed on its behalf by:


F. C. Muzika
Director

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The directors are responsible for preparing the Strategic Report, 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 period. Under that law they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 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 including FRS 101 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 enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Independent Auditor's Report To The Members Of Toys 'R' Us Properties (UK) Limited

We have audited the financial statements of Toys 'R' Us Properties (UK) Limited for the period ended 28 January 2017 which comprises the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the related notes 1 to 17. 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, FRS 101 "The Financial Reporting standard applicable in the UK and Republic of Ireland").

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 Statement of Directors' Responsibilities set out on page 4 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, or materially inconsistent with 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 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 28 January 2017 and of the Company's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "The Financial Reporting standard and applicable in the UK and Republic of Ireland"; 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements,
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

Ernst & Young LLP

Christine Chua (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

27/7/2017

Toys 'R' Us Properties (UK) Limited
Annual Report and Financial Statements
For the period ended 28 January 2017

Statement of Comprehensive Income
For the period ended 28 January 2017

		Period from 31 January 2016 to 28 January 2017 £'000	Period from 1 February 2015 to 30 January 2016 £'000
	Note		
Turnover	5	24,177	23,907
Cost of sales		-	-
		<hr/> 24,177	<hr/> 23,907
Gross profit		24,177	23,907
Administrative expenses		(6,981)	(7,109)
		<hr/> 17,196	<hr/> 16,798
Operating profit		17,196	16,798
Interest receivable and similar income	8	5	18
Interest payable and similar expenses	9	(25,557)	(24,701)
		<hr/> (8,356)	<hr/> (7,885)
Loss before taxation		(8,356)	(7,885)
Tax on loss	10	(21)	221
		<hr/> (8,377)	<hr/> (7,664)
Loss for the financial period		(8,377)	(7,664)
Other comprehensive income			
Remeasurements of defined benefit liability net of tax		-	-
		<hr/> -	<hr/> -
Total comprehensive expense for the period		<hr/> (8,377)	<hr/> (7,664)

There is no other comprehensive income for the period.

All results derive from continuing operations.

The notes on pages 9 to 17 form an integral part of these financial statements.

Toys 'R' Us Properties (UK) Limited
Annual Report and Financial Statements
For the period ended 28 January 2017

**Statement of Financial Position
at 28 January 2017**

		28 January 2017 £'000	30 January 2016 £'000
Fixed assets	Note		
Tangible assets	11	430,959	437,942
		<u>430,959</u>	<u>437,942</u>
Current assets			
Debtors	12	11,061	6,573
Cash at bank and in hand		25,313	24,253
		<u>36,374</u>	<u>30,826</u>
Creditors: amounts falling due within one year	13	(110,409)	(105,179)
Net current liabilities		<u>(74,035)</u>	<u>(74,353)</u>
Total assets less current liabilities		356,924	363,589
Creditors: amounts falling due after more than one year	14	(257,304)	(255,578)
Provision for liabilities			
Deferred tax liability	15	(436)	(450)
Net assets		<u>99,184</u>	<u>107,561</u>
Capital and reserves			
Called up share capital	16	167,394	167,394
Other reserves		4,138	4,138
Profit and loss account		<u>(72,348)</u>	<u>(63,971)</u>
Shareholders' funds		<u>99,184</u>	<u>107,561</u>

The notes on pages 9 to 17 form an integral part of these financial statements.

The financial statements of Toys 'R' Us Properties (UK) Limited were approved by the Board of Directors on 27 July 2017 and signed on its behalf by:



F. C. Muzika
Director

Company number: 05410177

Toys 'R' Us Properties (UK) Limited
Annual Report and Financial Statements
For the period ended 28 January 2017

Statement of Changes in Equity

	Called up share capital £'000	Other reserves £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 February 2015	167,394	6,638	(56,307)	117,725
Loss for the financial period	-	-	(7,664)	(7,664)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the period	-	-	(7,664)	(7,664)
Transactions with owners, recorded directly in equity				
Reserves reduction (see Note 14)	-	(2,500)	-	(2,500)
Total contributions by and distributions to owners	-	(2,500)	-	(2,500)
Balance at 30 January 2016	167,394	4,138	(63,971)	107,561

	Called up share capital £'000	Other reserves £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 31 January 2016	167,394	4,138	(63,971)	107,561
Loss for the financial period	-	-	(8,377)	(8,377)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the period	-	-	(8,377)	(8,377)
Balance at 28 January 2017	167,394	4,138	(72,348)	99,184

The Other Reserves were stated as Share Premium in prior year accounts. The reserves have been restated as Other Reserves as this amount was not the result of issuance of shares above par value. The reserves are additional capital provided to the Company from the immediate holding company.

Notes to the financial statements

1 Accounting policies

Toys 'R' Us Properties (UK) Limited ("the Company") is a wholly-owned subsidiary of TRU (UK) HS Limited. The Company is a private company, incorporated, domiciled and registered in England in the UK. The registered number is 05410177 and the registered address is Cannon Place, 78 Cannon Street, London, EC4N 6AF, United Kingdom.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The amendments to FRS 101 (2015/16 Cycle) issued in July 2016 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000, unless stated otherwise.

The Company's ultimate parent undertaking, Toys 'R' Us Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Toys 'R' Us Inc. are available to the public and may be obtained from the Investor Relations Department at 1 Geoffrey Way, Wayne, New Jersey ,07470, United States of America.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- The requirement of paragraphs 30 and 31 of IAS 8 Accounting Policies, changes in Accounting Estimates and Errors to disclose new IFRSs that have been issued but are not yet effective;
- The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Toys 'R' Us Inc., include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of the following disclosure:

- Certain disclosures required by IFRS 13 fair value measurements and the disclosures required by IFRS 7 financial instruments disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement convention

The financial statements are prepared on the historical cost basis.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2. The financial position of the Company is as shown in the Statement of Financial Position on page 7.

After making enquiries and taking into consideration the profitability and financial position of the Company, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation.

Investment properties are derecognised when either they have been disposed of or when the investment property has been permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss arising from a disposal is recognised in the Statement of Comprehensive Income in the period of de recognition.

Depreciation is provided on all investment properties, other than freehold land, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Long leasehold land	over the period of relevant long lease
Freehold and long leasehold buildings	50 years

Depreciation is only charged once investment properties are brought into use.

Depreciation methods, useful lives and residual values are reviewed at each Statement of Financial Position date.

Leases

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Statement of Financial Position date. All differences are taken to the Statement of Comprehensive Income.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax is measured on an un discounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

The carrying amount of deferred tax is reviewed at each Statement of Financial Position date.

Impairment of non-financial assets

The Company assesses at each financial reporting date whether any asset shows indication of impairment. If such an indication exists, or there is a requirement, the Company calculates the recoverable amount to determine the impairment. Any impairment calculated is recognised in the Statement of Comprehensive Income in the same category as the continuing operation of the asset. The recoverable amount is the cash generating fair value amount, or in the case of a non-cash generating asset, the fair market value. Any impairment loss recognised, is not reversed if the recoverable amount of the asset increases in a later period.

Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable and net foreign exchange losses that are recognised in the Statement of Comprehensive Income (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, loans and borrowings and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and borrowings

Debt issue costs are capitalised and netted against the associated proceeds. Debt is stated at the amount of net proceeds after deduction of finance costs. Finance costs are amortised to the Statement of Comprehensive Income over the term of the debt at a constant rate on the carrying amount.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2 Accounting estimates and judgements

Management makes best estimates and judgements in accordance with group company policy and takes into account the relevant provisions and rules set out in statute and the newly adopted accounting policy of FRS 101 reduced disclosure.

3 Restricted cash

The cash in bank and on hand includes £22,300,000 that is restricted cash. This is held in accounts controlled by the lenders of the bank loan (note 14) as security against payment default. This cash remains the property of the Company and will be de-restricted at the maturity date of the financing agreement in July 2020.

4 Expenses and auditor's remuneration

Audit fees payable to the Company's auditor of £10,000 (2016: £10,000) were borne by another group company.

5 Turnover

Turnover comprises rental income from properties, exclusive of VAT. All turnover relates to continuing activities within the UK.

6 Staff costs (including directors)

No staff costs were incurred during the period (2016: £nil) as the Company does not employ any staff (2016: none). All services and administration are provided by a fellow subsidiary.

7 Directors' emoluments

Directors' emoluments have been borne by other group companies. The directors of the Company are also directors or officers of a number of the companies within the Toys 'R' Us Inc. group. The directors' services to the Company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the Company for the current or prior period.

Notes to the financial statements (continued)

8 Interest receivable and similar income

	Period from 31 January 2016 to 28 January 2017 £'000	Period from 1 February 2015 to 30 January 2016 £'000
Bank interest receivable	5	18
Total interest receivable and similar income	<u>5</u>	<u>18</u>

9 Interest payable and similar expenses

	Period from 31 January 2016 to 28 January 2017 £'000	Period from 1 February 2015 to 30 January 2016 £'000
Interest payable on intercompany loans	5,416	5,416
Bank interest payable	18,605	18,728
Deferred finance expense	1,536	557
Total interest payable and similar expenses	<u>25,557</u>	<u>24,701</u>

Notes to the financial statements (continued)

10 Taxation

Recognised in the Statement of Comprehensive Income

	Period from 31 January 2016 to 28 January 2017 £'000	Period from 1 February 2015 30 January 2016 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	34	(183)
Adjustment in respect of previous period	-	-
Total current tax	34	(183)
<i>Deferred tax</i>		
Originating and reversal of timing differences	(14)	(38)
Reduction in tax rate	1	-
Total deferred tax	(13)	(38)
Tax on loss	21	(221)

Factors affecting current tax charge/(credit):

The tax assessed on the loss on ordinary activities for the period is higher (2016: higher) than the standard rate of corporation tax in the UK of 20.00% (2016: 20.17%). The differences are reconciled below

Reconciliation of effective tax rate

	Period from 31 January 2016 to 28 January 2017 £'000	Period from 1 February 2015 to 30 January 2016 £'000
Loss for the year	(8,377)	(7,664)
Total tax expense	(21)	221
Loss excluding taxation	(8,356)	(7,885)
Tax using the UK corporation tax rate of 20.00% (2016: 20.17%)	(1,671)	(1,590)
Depreciation on non-qualifying assets	1,381	1,392
Unrecognised deferred tax	310	-
Tax rate difference	1	(23)
Total tax expense/(credit)	21	(221)

Factors that may affect future tax charges

The Finance (No.2) Act 2015 included a reduction in the UK corporation tax rate from 20% to 19% from April 2017 and to 18% from April 2020. A further reduction to 17% (effective from April 2020, to replace the previous 18%) has also been substantively enacted at the Statement of Financial Position date. Accordingly, deferred tax has been provided on all temporary differences at the rate in force when they are anticipated to reverse.

Notes to the financial statements (continued)

11 Investment properties

	Freehold property £'000	Long term leasehold property £'000	Total £'000
Cost:			
At 30 January 2016	338,920	168,613	507,533
Balance at 28 January 2017	338,920	168,613	507,533
Depreciation			
At 30 January 2016	42,550	27,041	69,591
Charge for the period	4,256	2,727	6,983
Balance at 28 January 2017	46,806	29,768	76,574
Net book value			
At 30 January 2016	296,370	141,572	437,942
At 28 January 2017	292,114	138,845	430,959

12 Debtors

	28 January 2017 £'000	30 January 2016 £'000
Amounts owed by group undertakings	11,061	6,390
Current tax	-	183
	11,061	6,573

13 Creditors: amounts falling due within one year

	28 January 2017 £'000	30 January 2016 £'000
Amounts owed to other group undertakings	103,793	99,928
Corporation tax	34	-
VAT	1,031	822
Accruals and deferred income	5,551	4,429
	110,409	105,179

Notes to the financial statements (continued)

14 Creditors: amounts falling due after more than one year

	28 January 2017 £'000	30 January 2016 £'000
Bank loan	263,159	263,159
Less: unamortised debt issue costs	(5,855)	(7,581)
	<u>257,304</u>	<u>255,578</u>

Unamortised debt issue costs comprises the £14.8m of fees that were capitalised during fiscal 2013 to facilitate the bank loan. The fees are amortised over the life of the loan. Of the £14.8m in fees, £6.6m was paid by and contributed to the Company by our Parent undertaking and recorded in the Other Reserves Account. The Capitalised amount was reduced by £2.5m in January 2016 when this amount was waived by the Group Sponsors. This reduction in the unamortised fees was charged against the Company's Other Reserves account and is shown in the Statement of Changes in Equity.

The Company entered into a new Propco facilities agreement in March 2013 which matures in July 2020. Interest is payable quarterly at three different interest rates that average 6.851%, and the Property rental income from Toys R Us Limited is utilised to cover the interest payments. In the period ended 28 January 2017 the interest coverage was 1.3 times (2016: 1.28 times).

15 Provision for liabilities

Deferred tax liabilities

	28 January 2017 £'000	30 January 2016 £'000
Capital allowances in excess of depreciation	436	450
Provision for deferred taxation	<u>436</u>	<u>450</u>
		Deferred tax £'000
At 31 January 2016		450
Charged to Statement of Comprehensive Income		(14)
At 28 January 2017		<u>436</u>

Notes to the financial statements (continued)

16 Called up share capital

	28 January 2017 £'000	30 January 2016 £'000
Allotted, called up and fully paid 167,393,998 ordinary shares of £1 each	167,394	167,394

17 Ultimate parent company and parent company of larger group

The Company is a wholly-owned subsidiary undertaking of TRU (UK) H5 Limited (the immediate parent company), a company incorporated in the United Kingdom and registered in England and Wales.

The Company's ultimate parent company and controlling party is Toys 'R' Us Inc., incorporated in the United States of America. The largest and smallest group in which the results of the Company are consolidated is that headed by Toys 'R' Us Inc. The consolidated financial statements are available from Toys 'R' Us Inc. 1 Geoffrey Way, Wayne, New Jersey, 07470, United States of America.