Company Registration No. 533087

Mothercare UK Limited

Report and Financial Statements for the

52 weeks ended 28 March 2009

MOTHERCARE UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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MOTHERCARE UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS
B Gordon
N Harrington
G Berkmen
A Carr
J Cull
S Malti
R Street
J Maxwell (appointed 4 August 2008)

SECRETARY
C E Revett

REGISTERED OFFICE
Cherry Tree Road
Watford
Hertfordshire
WD24 6SH

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

AUDITORS
Deloitte LLP
Chartered Accountants
London

MOTHERCARE UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 28 March 2009.

ACTIVITIES AND FUTURE PROSPECTS

The Company's principal activity remains the retailing of specialist goods and services for pregnant women, mothers, babies and young children up to the age of eight years.

REVIEW OF DEVELOPMENTS

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

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. Consequently 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 28 March 2009 are set out at pages 10 to 31. They should be read in conjunction with the Key Performance Indicators (KPIs) set out below:

KEY PERFORMANCE INDICATORS

Sales increased 3% to £536.6m (2008: £518.9m). Profit before taxation is £38.1m (2008:Profit before tax £8.0m). International revenue is up 26% to £122.4m (2008: £96.8m). The number of UK stores was 209 compared to 216 in the prior year and International stores increased by 66 from 379 to 445.

PERFORMANCE

The Company has grown sales and profit against the backdrop of a difficult global economic environment. The multi-channel UK business has again grown like-for-like sales, boosted by strong performances from Direct and the operation of Early Learning Centre inserts in 84 Mothercare out of town stores. Our International business had a record year with profits increasing by nearly 50 per cent. The Company also remains cash-generative and debt free.

Specialism and innovation are central to the Company's brand positioning as we continue to build Mothercare as a leading global parenting retailer. One of our exciting innovations this year was the launch of our exclusive Baby K range, designed in conjunction with celebrity mother Myleene Klass. The range has been successful in the UK and around the world and as a result we plan to extend Baby K into Home and Travel. We reached an exclusive licensing agreement with the BBC to produce "In the Night Garden" Home and Travel products, which are selling ahead of our expectations. We also continue to have great success with the MyChoice buggy system which is a real innovation in allowing customisation of products by our customers. With its series of interchangeable options, the MyChoice has become one of our best selling pushchairs ever.

The best in class expertise and specialism of our staff differentiates us from the competition and continues to be a key focus for us.

International represents the biggest single growth opportunity for Mothercare and we now have 445 stores in 48 countries outside the UK. International continues to develop rapidly with International profits increasing by nearly 50 per cent.

In Europe we saw positive like-for-like growth, particularly in Russia, which contributes the highest international sales numbers for us worldwide. The Middle East is a very important region for us where we see huge potential and a key part of our development strategy is to open large stores with the complete range of Home and Travel.

The largest single synergy from the Early Learning Centre acquisition has been through building Early Learning Centre inserts within Mothercare stores. Our 84 Early Learning Centre inserts performed at the top end of our expectations through Christmas and have continued to perform well since. The success of the inserts is due to the increased footfall each brand brings to the other.

The Early Learning Centre acquisition gave us a unique opportunity to accelerate our property strategy, allowing us to integrate and optimise the combined UK property portfolio, taking the best sites from both brands. At the end of last year, we announced a major restructure of our portfolio which included store rightsizing, consolidating two stores into one and store closures. In total, including the stores that received an Early Learning Centre insert or a new out of town refit, 145 stores will be affected across the group by property restructure activity.

We also plan to open new out of town "Parenting Centres" in key catchments and open new stores in higher traffic locations such as malls and city centres where we do not currently have a presence, taking further advantage of the beneficial property deals currently available.

The Direct business has continued its rapid growth during the year. Mothercare has been a pioneer in multi-channel retailing in the UK. Our online range and web offerings continue to improve and Web in Store in particular continues to be a great success with customers.

The Mothercare website offers customers a much wider choice of Home and Travel than is available in any store and two-thirds of our Clothing range is now available online. We are also planning to launch Mothercare websites overseas with our franchisees. We are working with our partners to open two trial sites in the next year. The model will be based on a centralised site and support structure which share the look and feel of Mothercare.com, but with local language and fulfilment. Based on the performance of these trials, we may roll out further sites in other countries.

PRINCIPAL RISKS AND UNCERTAINTIES

The business review sets out progress made during the year 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 group's businesses through the effect of exchange rates, principally the US dollar; cost price (including raw material) inflation; governmental and supra-national regulation affecting imports; taxation; duties and levies.

A failure to react appropriately to changes in the economic environment generally or consumer confidence issues affecting the group'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 as it pays for a large proportion of its goods in foreign currency, principally the US dollar. Whilst the Company effects transactions, the effect of which seeks to hedge the exposure to adverse exchange rates, there is no guarantee that the transactions will be sufficient to cover all likely exposure.

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's brands are 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 failure in whole or in part to deliver the integration plan for the Mothercare and ELC businesses, such that the reputation of the Mothercare brand is diminished in the eyes of its core customer base. This risk may include damage to the value of the Company through adversely affecting sales performance of the brand by insufficient or incorrect interpretation of customer preferences regarding inventories or poor management of the integration programme or discrete elements of it.

DIRECTORS' REPORT (CONTINUED)

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 that the necessary action and risk avoidance measures taken or monitoring undertaken. Elements of the programme are reviewed by the internal audit function during the year. The Mothercare plc audit committee regularly reviews the process and output of the programme of risk management on behalf of the board.

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 Company has adopted procedures to ensure auditor independence, the details of which are set out in the section below detailing the work of the audit committee.

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

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.

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 23 per cent of Company sales. Of these sales, 2 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 22 per cent of purchases. The Company policy is that all material exposures are hedged by using forward currency contracts.

Interest rate risk
The Company does not anticipate incurring substantial sustained levels of debt in the short term. Consequently, interest rate hedging is not considered necessary.

Treasury policy and financial risk management
The Mothercare plc board approve treasury policies and senior management directly controls day-to-day operations within these policies.

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

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN

The current economic conditions may create uncertainty around the Company's trading position and particularly over the level of demand for the Company's products. The Company's latest forecasts and projections have been sensitivity tested for reasonably possible adverse variations in trading performance. The results of this testing show that the Company is expected to operate for the foreseeable future.

After making enquiries, 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 accounts.

DIVIDENDS

The directors do not recommend the payment of a dividend (2008: £nil).

DIRECTORS

The directors who served throughout the year are shown on page 2.

CHARITABLE AND POLITICAL DONATIONS

The Mothercare Group Foundation continued to make donations as more specifically detailed in its annual trustees' report and accounts.
It is the Company's policy not to make political donations.

PAYMENT OF SUPPLIERS

It is the Company's policy to make payments to non-merchandise suppliers, unless otherwise agreed, within the period set out in the supplier's invoice or within 45 days from the date of invoice. The amount owed to trade creditors at the end of the financial year represented 52 days' purchases (2008: 41 days), based on the average daily amount invoiced by suppliers during the year.

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.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who were directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them was proposed at the last Annual General Meeting.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' AND OFFICERS' LIABILITY

Directors' and officers' liability insurance has been purchased on behalf of the Company during the period and remains in force at the date of this report.

Approved by the board of directors on 1 September 2009 and signed by order of the board by:

C E Revett
Secretary

1 September 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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; 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 proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOTHERCARE UK LIMITED

We have audited the financial statements of Mothercare UK Limited for the fifty-two weeks ended 28 March 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 28 March 2009 and of its profit for the fifty-two weeks then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP

Chartered Accountants and Registered Auditors

London, UK

September 2009

MOTHERCARE UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

PROFIT AND LOSS ACCOUNT
For the 52 weeks ended 28 March 2009

	Note	52 weeks ended 28 March 2009 £'000	52 weeks ended 29 March 2008 £'000
TURNOVER	2	**536,618**	518,864
Cost of sales (including an exceptional credit of £7,686,000 (2008: £1,136,000) – see note 9)		**(460,508)**	(462,253)
GROSS PROFIT		**76,110**	56,611
Other administrative expenses		**(36,180)**	(34,250)
OPERATING PROFIT	5	**39,930**	22,361
Exceptional items:	9		
Loss on disposal of stores		**(2,068)**	(9,467)
Costs of a fundamental reorganisation		**(1,263)**	(8,459)
Share of results of joint ventures	12	**-**	(67)
Investment income	6	**13,034**	13,900
Interest payable and similar charges	7	**(11,497)**	(10,259)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**38,136**	8,009
Tax charge on profit on ordinary activities	8	**(10,707)**	(3,768)
PROFIT FOR THE FINANCIAL PERIOD		**27,429**	4,241

All results relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
52 weeks ended 28 March 2009

	52 weeks ended 28 March 2009 £'000	52 weeks ended 29 March 2008 £'000
Profit for the financial period	**27,429**	4,241
Actuarial loss on defined benefit pension schemes	**(31,200)**	(3,600)
UK deferred tax attributable to actuarial loss	**8,736**	1,008
Total recognised gains and losses for the financial year	**4,965**	1,649
Total gains and losses recognised since last financial statements	**4,965**	1,649

BALANCE SHEET
As at 28 March 2009

	Note	2009	2008 restated (note 26)
		£'000	£'000
FIXED ASSETS			
Intangible assets	10	**13,518**	14,564
Tangible assets	11	**99,968**	98,720
Investments	12	**64,225**	63,908
		177,711	177,192
CURRENT ASSETS			
Stocks	13	**68,052**	53,973
Debtors	15	**62,551**	50,429
Cash at bank and in hand		**58,801**	46,860
		189,404	151,262
CREDITORS: amounts falling due within one year	16	**(156,363)**	(138,256)
NET CURRENT ASSETS		**33,041**	13,006
TOTAL ASSETS LESS CURRENT LIABILITIES		**210,752**	190,198
CREDITORS: amounts falling due after more than one year	17	**(78,299)**	(79,264)
PROVISIONS FOR LIABILITIES AND CHARGES	18	**(10,612)**	(16,295)
NET ASSETS EXCLUDING PENSION ASSET		**121,841**	94,639
Pension (liability)/asset	20	**(18,287)**	1,429
NET ASSETS INCLUDING PENSION ASSET		**103,554**	96,068
CAPITAL AND RESERVES			
Called up share capital	22	**28,446**	28,446
Share premium account	23	**35,542**	35,542
Profit and loss account	23	**39,566**	32,080
SHAREHOLDERS' FUNDS		**103,554**	96,068

These financial statements were approved by the board of directors on 1 September 2009 and signed on behalf of the board of directors by:

N Harrington
Director

1 September 2009

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
52 weeks ended 28 March 2009

	52 weeks ended 28 March 2009 £'000	52 weeks ended 29 March 2008 £'000
Total gains and losses recognised for the financial year	**4,965**	1,649
New shares issued	**-**	-
Share based payments	**2,521**	1,810
Net addition to shareholders' funds	**7,486**	3,459
Opening shareholders' funds	**96,068**	92,609
Closing shareholders' funds	**103,554**	96,068

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 28 March 2009

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The main accounting policies, which have been applied consistently throughout the 52 weeks ended 28 March 2009 and the preceding 52 weeks ended 29 March 2008 are described below.

Basis of presentation

The financial statements have been prepared on the historical cost basis and on a going concern basis in accordance with the rationale set out in the going concern statement 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 capitalised and written off on a straight–line basis over its useful economic life, which is currently estimated at 20 years. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. 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.

Investments

Fixed asset investments 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 disposal. 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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted.

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

1 ACCOUNTING POLICIES (CONTINUED)

Turnover

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

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 or except where the period to review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

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.

Trade debtors

Trade debtors are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement 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.

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 group 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 income statement using 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 initially 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. The Company's financial risk management policy prohibits the use of derivative financial instruments for speculative or trading purposes and the group does not therefore hold or issue any such instruments for such purposes. Derivative financial instruments that are economic hedges but that do not meet the strict FRS 26 '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. 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 in the profit and loss account.

1 ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

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.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds are received, net of direct issue costs.

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 the 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

For defined benefit schemes, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Foreign currency

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.

Cash flow statement

The Company is exempt from the requirement of FRS1 (Revised) to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary of Mothercare plc, which prepares a consolidated cash flow statement, which includes the cash flows of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 28 March 2009

1 ACCOUNTING POLICIES (CONTINUED)

Consolidation

The Company has taken advantage of the exemption from preparing consolidated accounts in accordance with Section 228 Companies Act 1985.

2. TURNOVER

Turnover comprises the value of sales (excluding sales taxes and net of discounts) of goods and services provided in the normal course of business. All turnover is derived from one class of business in the United Kingdom. Turnover by destination can be analysed as follows:

	52 weeks ended 28 Mar 09 £'000	52 weeks ended 29 Mar 08 £'000
UK	**414,266**	422,051
International	**122,352**	96,813
	536,618	518,864

3. DIRECTORS' REMUNERATION AND TRANSACTIONS

	52 weeks ended 28 Mar 09 £'000	52 weeks ended 29 Mar 08 £'000
Directors' emoluments		
Emoluments	**3,091**	3,693
Company contributions to money purchase pension schemes	**137**	144
	3,228	3,837

One director exercised share options in the period (2008 - none). One director received shares under long-term incentive schemes in the period (2008 – one). Details of share option schemes and long-term incentive plans are disclosed in the Mothercare plc Annual Report and Accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 28 March 2009

3. DIRECTORS' REMUNERATION AND TRANSACTIONS (CONTINUED)

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

	52 weeks ended 28 Mar 09 £'000 Number	52 weeks ended 29 Mar 08 £'000 Number
Money purchase schemes	**4**	4
Defined benefit schemes	**9**	10

Highest paid director

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

	52 weeks ended 28 Mar 09 £'000	52 weeks ended 29 Mar 08 £'000
Emoluments including annual and retention bonuses	**985**	1,463
Money purchase pension scheme	**82**	82
	1,067	1,545

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 28 March 2009 was £24,500 per annum (2008 - £19,700 per annum).

The highest paid director exercised no share options during the year. On 2 December 2007, shares were transferred to the highest paid director under the terms of the long term incentive scheme.

4. STAFF COSTS

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

	52 weeks ended 28 Mar 09	52 weeks ended 29 Mar 08
Average number of persons employed (including directors)	**Number**	Number
(all employed in the UK and all employed in retail operations)		
Number employed	**5,377**	5,347
Full-time equivalent	**3,252**	3,146
Staff costs during the period (including directors)	**£'000**	£'000
Wages and salaries	**69,040**	59,862
Social security costs	**5,841**	3,542
Pension costs	**2,500**	3,800
	77,381	67,204

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 28 March 2009

5. OPERATING PROFIT

	52 weeks ended 28 Mar 09 £'000	52 weeks ended 29 Mar 08 £'000
Operating profit is stated after charging:		
Depreciation - owned assets	**14,818**	13,933
Amortisation of goodwill	**1,046**	1,046
Rentals under operating leases:		
- Hire of plant and machinery	**1,006**	933
- Other property operating leases	**50,930**	52,800
Fees payable to the Company's auditors for the audit of annual accounts	**386**	365
Staff costs	**77,381**	67,204

Fees disclosed above payable to Deloitte LLP for audit services include the parent company only accounts, the consolidated group accounts and the audit of all the subsidiary statutory accounts.

Fees payable to Deloitte LLP and their associates for non audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent Company are required to disclose such fees on a consolidated basis.

6. INVESTMENT INCOME

	52 weeks ended 28 Mar 09 £'000	52 weeks ended 29 Mar 08 £'000
Bank interest receivable	**34**	-
Retirement benefit schemes (see note 20)	**13,000**	13,900
	13,034	13,900

7. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 28 Mar 09 £'000	52 weeks ended 29 Mar 08 £'000
Bank loans, overdrafts and other loans (repayable within five years, not by instalments)	**97**	59
Retirement benefit schemes – interest on liabilities (see note 20)	**11,400**	10,200
	11,497	10,259

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 28 March 2009

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

The charge for tax on profit on ordinary activities comprises:

	52 weeks ended 28 Mar 09 £'000	52 weeks ended 29 Mar 08 £'000
Current tax:		
UK corporation tax charge at 28% (2008 - 30%)	**7,892**	1,696
Adjustment in respect of prior years	**-**	(60)
	7,892	1,636
Deferred tax:		
Current year	**2,712**	3,738
Adjustment in respect of prior years	**103**	(1,532)
Effect of change in tax rate	**-**	(74)
	2,815	2,132
	10,707	3,768

Factors affecting the tax charge for the period:

	52 weeks ended 28 Mar 09 £'000	52 weeks ended 29 Mar 08 £'000
Profit on ordinary activities before taxation	**38,136**	8,009
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2008 – 30%)	**10,678**	2,403
Expenses not deductible for tax purposes	**909**	6,428
Tax relief on special contribution to pension scheme	**(371)**	(1,148)
Depreciation in excess of capital allowances	**214**	(867)
Utilisation of tax losses	**-**	(3,874)
Group relief claimed free of charge from other Group Companies	**(1,297)**	-
Utilisation of capital losses against capital gains	**-**	(851)
Tax relief on employee share gains	**(199)**	429
Tax relief for pension contributions	**(1,058)**	(1,138)
Goodwill amortisation	**314**	314
Other Timing differences	**(1,298)**	-
Adjustments in respect of prior periods	**-**	(60)
Current tax charge	**7,892**	1,636

Deferred tax therefore comprises:

	52 weeks ended 28 Mar 09 £'000	52 weeks ended 29 Mar 08 £'000
Accelerated capital allowances	**(4,560)**	(4,775)
Other timing differences	**1,134**	3,154
Deferred tax liability	**(3,426)**	(1,621)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 28 March 2009

9. EXCEPTIONAL ITEMS

	52 weeks ended 28 Mar 09 £'000	52 weeks ended 29 Mar 08 £'000
Costs of a fundamental reorganisation		
Loss on disposal of property	(2,068)	(9,467)
Integration costs	(1,263)	(8,459)
	(3,331)	(17,926)
Exceptional income/(costs) in cost of sales		
Non-cash foreign currency adjustments	7,686	1,216
Sourcing	-	(80)
	7,686	1,136
	4,355	(16,790)

Loss on disposal of property interests

During the year, the Company recognised a net charge of £2.1 million relating to provisions against subleases and vacant property. During the prior year, a net charge of £9.5 million was recognised relating to the optimisation of the UK portfolio which involved the closure and resiting of Mothercare stores. The tax effect on the disposal of property interests in the current year was a credit of £0.6 million. The tax effect of the disposal of property interests in the prior year was a credit of £0.4 million.

Integration of Early Learning Centre

During the year, £1.3 million (2008: £8.5 million) was incurred relating to the opening of ELC inserts in Mothercare and the integration program.

UK Central and sourcing restructure

During the prior year, costs of £0.1 million were charged relating to the restructure of the UK head office and the closure of the sourcing facility in Manchester.

Non-cash foreign currency adjustments

During the year, a net profit of £7.7 million (2008: net profit of £1.2 million) was recognised in cost of sales as a result of non-cash foreign currency adjustments under FRS 26 and FRS 23.

10. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 29 March 2008 and 28 March 2009	20,920
Amortisation	
At 29 March 2008	6,356
Charge for the period	1,046
At 28 March 2009	7,402
Net book value	
At 29 March 2008	14,564
At 28 March 2009	13,518

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 28 March 2009

11. TANGIBLE FIXED ASSETS

	Freehold properties £'000	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 29 March 2008 (restated)	23,274	91,210	156,272	270,756
Additions	-	3,601	14,555	18,156
Disposals	-	(2,494)	(5,242)	(7,736)
At 28 March 2009	23,274	92,317	165,585	281,176
Accumulated depreciation				
At 29 March 2008	851	62,017	109,168	172,036
Charge for the period	243	4,394	10,181	14,818
Disposals	-	(1,335)	(4,311)	(5,646)
At 28 March 2009	1,094	65,076	115,038	181,208
Net book value				
At 29 March 2008 (restated)	22,423	29,193	47,104	98,720
At 28 March 2009	22,180	27,241	50,547	99,968

The net book value of leasehold properties includes £26.3 million (2008: £28.3 million) in respect of short leasehold properties.

12. INVESTMENTS

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	50%	Great Britain

	£m
Cost	
At 29 March 2008	64.0
Additions	0.3
At 28 March 2009	64.3
Provisions for impairment	
At 29 March 2008	(0.1)
Charged in period	-
At 28 March 2009	(0.1)
Net book value	
At 29 March 2008	63.9
At 28 March 2009	64.2

13. STOCKS

	28 March 2009 £'000	29 March 2008 £'000
Finished goods and goods for resale	**68,052**	53,973

There is no material difference between the balance sheet value of the stocks and their replacement cost.

14. 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 and has chosen not to hedge account for its forward foreign currency contracts. The Company has chosen to adopt FRS 26 'Financial Instruments: Recognition and Measurement' and therefore recognises derivative financial instruments as assets and liabilities measured at their fair values at the balance sheet date and changes in their fair values have been recognised in the profit and loss account. These arrangements are designed to address significant exchange exposures on forecast future purchases of goods for the following year and are renewed on a revolving basis as required.

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.

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

	28 March 2009 £'000	29 March 2008 £'000
At notional value	**12,399**	44,504
At fair value	**5,022**	370
Fair value of forward foreign currency contracts:		
Included in trade and other receivables	**5,022**	370
Included in trade and other payables	**-**	-
	5,022	370
Fair value of embedded derivatives:		
Included in trade and other receivables	**(299)**	-
Included in trade and other payables	**-**	161
	(299)	161
Currency derivative assets	**4,723**	531
Currency derivative liabilities	**-**	-
	4,723	531

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 28 March 2009

15. DEBTORS

	28 March 2009 £'000	29 March 2008 £'000 (restated)
Amounts falling due within one year:		
Trade debtors	**26,790**	20,373
Amounts owed by group undertakings	**10,361**	7,378
Other debtors	**8,489**	4,257
Prepayments and accrued income	**14,161**	15,517
Corporation tax receivable	**-**	154
Amounts falling due after more than one year:		
Amounts owed by group undertakings	**2,750**	2,750
	62,551	50,429

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 March 2009 £'000	29 March 2008 £'000
Trade creditors	**40,619**	30,901
Amounts owed to group undertakings:	**72,563**	66,473
Other taxes and social security	**1,952**	2,606
Other creditors	**655**	421
Corporation tax payable	**2,607**	-
Accruals and deferred income	**34,512**	35,603
Landlords' contributions	**3,455**	2,252
	156,363	138,256

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	28 March 2009 £'000	29 March 2008 £'000
Amounts due to ultimate parent	**71,291**	74,092
Landlords' contributions	**7,008**	5,172
	78,299	79,264

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 28 March 2009

18. PROVISIONS FOR LIABILITIES AND CHARGES

The movement on provisions can be analysed as follows:

	Deferred Tax provisions £'000	Property provisions £'000	Integration provisions £'000	Other provisions £'000	Total £'000
Balance at 30 Mar 2008	1,621	9,317	4,136	1,221	16,295
Transfer (to)/from fellow subsidiary	-	(5,218)	1,494	(115)	(3,839)
Charged in period	1,805	2,572	-	200	4,577
Utilised in period	-	(1,973)	(3,986)	(462)	(6,421)
Balance at 28 Mar 2009	**3,426**	**4,698**	**1,644**	**844**	**10,612**

Deferred tax comprises accelerated capital allowances, tax losses and other timing differences. See note 8 for further details.

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

Integration provisions relate to the costs associated with the restructuring following the acquisition of ELC by the Mothercare plc group (see note 9). It is expected that the majority of the integration provisions will be utilised by March 2010.

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

19. 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 commitments

	28 March 2009 £'000 Land and buildings	**28 March 2009 £'000 Other**	**29 March 2008 £'000 Land and buildings**	**29 March 2008 £'000 Other**
Leases which expire:				
Within one year	**4,422**	**175**	4,350	81
Within two to five years	**13,079**	**940**	7,950	563
After five years	**36,454**	**-**	43,315	-
	53,955	**1,115**	55,615	644

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

20. PENSION ARRANGEMENTS

The Company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2008 by qualified actuaries.

The major assumptions used for the updated actuarial valuations were:

	2009	2008	2007
Rate of increase in salaries	4.2 per cent	5.0 per cent	4.5 per cent
Rate of increase in pensions in payment	3.1 per cent	3.5 per cent	3.0 per cent
Discount rate	6.5 per cent	6.9 per cent	5.4 per cent
Inflation assumption	3.2 per cent	3.5 per cent	3.0 per cent

The fair value of the assets in the schemes, the present value of the liabilities in the schemes and the expected rate of return at each balance sheet date were:

	2009	**2009**	2008	2008	2007	2007
	per cent	**£ million**	per cent	£ million	per cent	£ million
Equities	**8.3**	**64.5**	8.5	88.1	8.4	95.5
Bonds	**5.8**	**48.5**	6.0	36.7	5.4	35.9
Property	**7.2**	**23.3**	7.4	31.3	7.4	34.3
Alternative assets	**7.2**	**11.3**	7.4	25.6	7.4	26.4
Other assets	**5.7**	**2.6**	6.0	(0.6)	-	-
Special contribution	-	-	-	-	7.7	1.5
Total fair value of assets		**150.2**		181.1		193.6
Present value of scheme		**(175.6)**		(167.3)		(191.6)
(Deficit)/surplus in the schemes		**(25.4)**		13.8		2.0
Unrecognised surplus		-		(11.8)		-
Related deferred tax		**7.1**		(0.6)		(0.6)
Net pension (liability)/asset		**(18.3)**		1.4		1.4

Notes:

The contribution rate for the 52 weeks ended 28 March 2009 was 6.7% of pensionable earnings for the Staff scheme, and 13.4% of pensionable earnings for the Executive scheme.

Until February 2008, the scheme received employer and employee contributions to the pension scheme. A SMART pension contribution arrangement was introduced in February 2008 whereby employees may agree to sacrifice a proportion of salary equal to their normal pension contributions and in return the company makes additional employer contributions to the scheme on behalf of those members. Participation in SMART results in national insurance savings for both employer and employee. Members who are opted out of SMART pay employee contributions directly to the scheme from their salary.

Therefore, the current employer contribution rate is 6.7% and 13.4% of active members' pensionable salaries for the Staff scheme and Executive scheme respectively plus SMART contributions.

20. PENSION ARRANGEMENTS (continued)

The analysis of the amount to be charged to operating profit:

	2009	2008
	£ million	£ million
Current service cost	**2.5**	3.8

Analysis of the amount to be credited to net interest receivable:

	2009	2008
	£ million	£ million
Expected return on pension scheme assets	**13.0**	13.9
Interest on pension scheme liabilities	**(11.4)**	(10.2)
	1.6	3.7

Analysis of the actuarial gain recognised in the statement of total recognised gains and losses under FRS 17:

	2009	2008
	£ million	£ million
Actual return less than expected return on pension scheme assets	**(44.9)**	(26.9)
Experience gains and losses arising on the scheme liabilities	**1.9**	35.1
Unrecognised surplus	**11.8**	(11.8)
	(31.2)	(3.6)

Movement in scheme (deficit)/surplus during the year:

	2009	2008
	£ million	£ million
Surplus at beginning of year	**2.0**	2.0
Current service costs	**(2.5)**	(3.8)
Normal contributions	**2.9**	2.4
Special contribution	**1.8**	1.3
Finance income	**1.6**	3.7
Actuarial loss	**(31.2)**	(3.6)
(Deficit)/surplus at end of year	**(25.4)**	2.0

History of experience gains and losses:

	2009	2008	2007	2006	2005
	£ million	£ million	£ million	£ million	£ million
Difference between the expected and actual return on scheme assets	(£44.9m)	(£26.9m)	(£1.2m)	£19.0m	£3.2m
As a percentage of scheme assets	(29.9%)	(14.9%)	(0.6%)	10.5%	2.2%
Experience gains and losses on scheme liabilities	£1.9m	£35.1m	£17.3m	(£19.8m)	(£2.9m)
As a percentage of the present value of scheme liabilities	1.1%	21.0%	9.0%	(10.0%)	(1.8%)
Total actuarial loss recognised in the statement of total recognised gains and losses	(£31.2m)	(£3.6m)	£16.1m	(£0.8m)	(£9.5m)
As a percentage of the present value of scheme liabilities	(17.8%)	(2.2%)	8.4%	(0.4%)	(5.7%)

21. 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 under UK GAAP is £7.6 million (2008: £3.8 million) of which £2.5 million (2008: £1.8 million) was equity settled across the following schemes:

A. Equity incentive awards
B. Long term incentive plan and share matching scheme
C. Executive share option scheme
D. Save As You Earn schemes
E. Executive Incentive Plan
F. Performance Share Plan

Details of the share schemes that the group operates are provided in the Mothercare plc Annual Report and Accounts 2009 on pages 67 to 71.

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. Equity incentive awards

The number of shares outstanding under the chief executive's equity incentive award is as follows:

	52 weeks ended 28 March 2009 Number of shares	52 weeks ended 29 March 2008 Number of shares
Balance at beginning of year	-	45,000
Vested during year	-	(45,000)
Lapsed during year	-	-
Balance at end of year	-	-

B. Equity awards under the long term incentive plan and the share matching scheme

The number of shares outstanding under the long term incentive plan and the share matching scheme is as follows:

	52 weeks ended 28 March 2009 Number of shares	52 weeks ended 29 March 2008 Number of shares
Balance at beginning of year	**230,807**	539,043
Awarded during year	-	-
Lapsed during year	**(6,921)**	(308,236)
Vested during year	**(223,886)**	-
Balance at end of year	-	230,807

The fair value of the long term incentive plan and the share matching scheme awards is calculated using a Monte Carlo model to determine the present economic value, with the following assumptions:

Grant date	June 2005
Number of shares awarded	362,067
Share price at award date	292p
Expected volatility	30.0%
Expected dividend yield	3.00%
Time to expiry	3.25 years
Correlation to comparators	15.0%
TSR element fair value	151p
EPS element fair value	186p

Under FRS 20, the fair value of the EPS element of the award is calculated assuming that the TSR of the Company will be at least median within the comparator group.

21. SHARE-BASED PAYMENTS (continued)

C. Executive share option scheme

Share options may be granted to executives and senior managers at a price equal to the average quoted market price of the group's shares on the date of grant. The options vest after three years, conditional on the group's share price exceeding 3% per annum compound growth over the vesting period. If the options remain unexercised after a period of ten years from the date of grant, they expire. Furthermore, options are forfeited if the employee leaves the group before the options vest.

The number of options outstanding under the executive share option scheme is as follows:

	Weighted Average Exercise Price	52 weeks ended 28 March 2009 Number of shares	52 weeks ended 29 March 2008 Number of shares
Balance at beginning of year	**225p**	**748,441**	868,396
Granted during year	-	-	-
Forfeited during year	**318p**	**(20,000)**	(17,500)
Exercised during year	**309p**	**(138,838)**	(102,455)
Expired during year	-	-	-
Balance at end of year	**202p**	**589,603**	748,441

The weighted average share price at the date of exercise for share options exercised during the period was 394p, ranging from 355p to 420p. The options outstanding at 29 March 2008 had a weighted average remaining contractual life of 4.1 years.

The fair value of executive share options granted during the year is calculated based on a Black-Scholes model with the following assumptions:

Grant date	June 2005	November 2004
Number of options granted	205,000	20,000
Share price at grant date.	284p	299p
Exercise price	284p	299p
Expected volatility	25.0%	19.0%
Risk free rate	4.75%	4.75%
Expected dividend yield	2.60%	2.60%
Time to expiry	3.25 years	3.25 years
Fair Value of option	54.3p	46.1p

D. 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 percent.

The shares can be purchased during a two week period each year and are placed in the employee Save As You Earn trust for a three-year period.

The number of shares outstanding under the Save As You Earn schemes is as follows:

	Weighted Average Exercise Price	52 weeks ended 28 March 2009 Number of shares	52 weeks ended 29 March 2008 Number of shares
Balance at beginning of year	**283p**	**980,953**	342,620
Granted during year	**237p**	**635,038**	743,552
Forfeited during year	**281p**	**(197,933)**	(75,255)
Exercised during year	**282p**	**(188,976)**	(29,964)
Expired during year	-	-	-
Balance at end of year	**260p**	**1,229,082**	980,953

The shares outstanding at 29 March 2008 had a weighted average remaining contractual life of 2.7 years.

21. SHARE-BASED PAYMENTS (continued)

The fair value of Save As You Earn share options is calculated based on a Black-Scholes model with the following assumptions:

Grant date	December 2008	December 2007	November 2005
Number of options granted	635,038	743,552	373,584
Share price at grant date	237p	284p	282p
Exercise price	237p	284p	282p
Expected volatility	30.0%	25.0%	25.0%
Risk free rate	2.00%	5.00%	4.50%
Expected dividend yield	3.50%	3.00%	2.60%
Time to expiry	3.25 years	3.25 years	3.25 years
Fair value of option	41.1p	53.1p	53.0p

E. Executive Incentive Plan

The Executive Incentive Plan is a conditional award based on surplus value created over a three year performance period. The surplus value is calculated as the difference between the Total Shareholder Return of Mothercare and that of the FTSE All-Share General Retailers Index, multiplied by Mothercare's market capitalisation. The Remuneration Committee has the discretion to allow 50% of the award to be paid in shares and deferred for one year. For accounting purposes it is assumed that the Remuneration Committee will exercise this discretion, so the cost of the equity-settled half of the award is now fixed at the grant date. The cash-settled half of the award will be fair valued each year and a true-up adjustment made.

The fair value of the plan award is calculated using a binomial model with the following assumptions:

Grant date	July 2008	July 2007	July 2006
Market capitalisation at award date	£337.2m	£274.0m	£261.8m
Expected Mothercare share price volatility	25.0%	25.0%	30.0%
Expected Index volatility	20.0%	15.0%	15.0%
Risk free rate	5.05%	5.83%	4.90%
Correlation between Mothercare and the index	45.0%	35.00%	35.00%
Time to expiry	3 years	3 years	3 years
Fair value at grant date	£2.2m	£2.0m	£1.3m
Fair value at 29 March 2008	£4.6m	£5.0m	£1.5m

F. Performance Share Plan

The Performance Share Plan is a conditional award of shares based on the expected growth in Mothercare's profit before taxation over 3 years. The number of shares outstanding under the Performance Share Plan is as follows:

	52 weeks ended 28 March 2009 Number of shares	52 weeks ended 29 March 2008 Number of shares
Balance at beginning of year	**1,099,010**	627,173
Awarded during year	**1,006,482**	628,623
Lapsed during year	**(135,477)**	(156,786)
Vested during year	**-**	-
Balance at end of year	**1,970,015**	1,099,010

21. SHARE-BASED PAYMENTS (continued)

The fair value of the plan award is calculated based on Mothercare's estimate of future profit growth. As at 29 March 2008, the level of vesting is assumed to be 84% for the 2006 awards and 76% for the 2007 awards.

Grant date	November 2008	June 2008	November 2007	June 2007	December 2006	July 2006
Number of shares awarded	39,576	958,500	59,671	568,952	15,051	652,294
Share price at date of grant	284p	374p	368p	400p	374p	343p
Exercise price	nil	nil	nil	nil	nil	nil
Time to expiry	3 years	3 years	3 years	3 years	3 years	3 years
Fair value per share	nil	nil	280p	304p	314p	288p

22. CALLED UP SHARE CAPITAL

	28 March 2009 £'000	29 March 2008 £'000
Authorised:		
46,482,000 (2008: 46,482,000) ordinary shares of £1 each	**46,482**	46,482
Called up, allotted and fully paid:		
28,446,000 (2008: 28,446,000) ordinary shares of £1 each	**28,446**	28,446

23. RESERVES

	Share premium account £'000	Profit and loss Account £'000	Total £'000
Balance as at 29 March 2008	35,542	32,080	67,622
Total gains recognised for the financial year	-	7,486	7,486
Balance as at 28 March 2009	**35,542**	**39,566**	**75,108**

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 this 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

As a wholly owned subsidiary of Mothercare plc, the Company has taken advantage of the exemption in FRS 8 'Related party disclosures' not to disclose transactions with other members of the group headed by Mothercare plc. No other related party transactions in the current or prior year were noted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 28 March 2009

26. PRIOR YEAR ADJUSTMENT

A prior year adjustment has been made to the carrying value of fixed assets to correctly reflect the cost to Mothercare UK Limited, following an intra-group transaction at market value during the prior year, rather than the original purchase price to the Mothercare plc group. The impact on the balance sheet is as follows:

	29 March 2008 restated	Adjustment	29 March 2008 reported
	£'000	£'000	£'000
Tangible assets	98,720	2,085	96,635
Debtors (amounts owed by group undertakings)	50,429	(2,085)	52,514