Company Registration No. 01781095

Mini Club UK Limited

Annual Report and Financial Statements

For the 52 weeks ended 24 March 2018

Mini Club UK Limited

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For the 52 weeks ended 24 March 2018

Contents

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Officers and professional advisers

Directors

C Wain	(resigned 2 June 2017)
D Talisman	(resigned 4 August 2017)
T Anwar	(appointed 2 June 2017)
K Homer	(appointed 4 August 2017)

Company Secretary

L S Medini

Registered Office

Cherry Tree Road
Watford
Hertfordshire
WD24 6SH

Bankers

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

Auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London
United Kingdom
EC4A 3BZ

Mini Club UK Limited

Strategic report

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

Principal activities

The Company's principal activity is as a wholesaling company, with the Mini Club brand operating in conjunction with our strategic partner, Boots. There have not been any significant changes in the Company's principal activity in the period under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next financial period.

Mini Club UK Limited forms part of the Mothercare group of companies (the 'Group').

The Group of which this Company is a part, launched a comprehensive refinancing and restructuring package on 17 May 2018, to support its transformation plan. As part of this, the Group's existing Banks agreed to provide a revolving credit facility conditional on the approval of a Company Voluntary Arrangement ("CVA") in one of the Group's subsidiaries, Mothercare UK Limited, and a successful equity raise. The CVA was approved along with the Early Learning Centre Limited CVA on 1 June 2018 and the challenge period has been subsequently concluded. The equity raise, for £32.5 million gross proceeds, has been underwritten by Numis Securities Limited, and the related prospectus was launched on 9 July 2018. The equity raise is expected to be completed in July 2018.

Review of the period

The Company made a gross profit of £1.3 million (2017: £1.6 million), in the period and made a loss on ordinary activities before taxation of £32.8 million (2017: profit: £1.4 million), in the period. The strategic partnership with Boots first began in September 2010. The Mini Club range is now in its sixteenth season and is currently available in 427 Boots stores, with a small selection of items in a further 46 stores.

Key performance indicators

Turnover has decreased by 2.5% year on year to £29.8 million, reflecting a decline in footfall in a challenging retail environment. Loss on ordinary activities before tax was £32.8 million (2017: profit: £1.4m) following the provision for impairment of amounts due from group undertakings.

Principal risks and uncertainties

The business review sets out progress made during the year against the challenges that Mothercare plc, its ultimate parent company, 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.

Liquidity and cash management

Current trading challenges may not deliver sufficient cash and failures in cash management may result in breaches to banking covenants and forced administration. To mitigate any risk, the Group launched its comprehensive refinancing and restructuring package on 17 May 2018, as described above.

The Group has also secured the support of its franchise partners that will allow the Group to drawdown a loan against outstanding trade receivables. There is continued focus on liquidity management and a cash committee in place to regularly review the cash position.

Mini Club UK Limited

Strategic report (continued)

Brand and reputation

Mini Club UK Limited 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.

Supply chain and 3rd parties

The Company is reliant upon manufacturers in other countries, particularly China, India and the Far East. Global economic conditions will affect the performance of the company's businesses through the effect of exchange rates, principally the US dollar; cost price (including raw material) inflation; governmental and other external regulations affecting imports; taxation; duties and levies. A strategic review of supply chain is in place together with a Brexit risk perspective. Business continuity plans are regularly revisited and updated across the Company.

Political climate and uncertainty

The Company may be affected by challenging economic conditions and political developments affecting the home market in which it operates.

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

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

L S Medini
Company Secretary
19 July 2018

Mini Club UK Limited

Directors' report

The Directors present their annual report together with the audited financial statements and auditor's report for the 52 weeks ended 24 March 2018.

Dividends

During the reporting period a dividend of £nil was paid (2017: £5.4 million).

Directors

The Directors who served throughout the period are listed on page 1.

Directors' indemnities

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

Employees

The Company involves all of its employees in the delivery of its strategy. It regularly discusses with all its employees its corporate objectives, trading results and performance, as well as the economic environments in which the Company trades in. This is achieved through the Group briefings by the Group Chief Executive and Group Operating Board, updates on financial performance and through other email and video presentations. During the year an employee consultative form (ECF) was formed to support colleagues through a major restructuring. Following the conclusion of the restructuring the ECF was disbanded and three new colleague engagement groups (CEGs) were formed. The CEG is a forum for the exchange of information and view on matters that affect employees and serve as consultative bodies where required. They are made up of elected representatives.

The Company aspires to develop a loyal and high performing team through development of its culture and values. Annual and mid-year performance reviews are carried out with all employees and objectives set that align with the business strategy. The Company offers a wide variety of development opportunities to enable employees to improve their skills.

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

Going concern

The Group of which this Company is a part, launched a comprehensive refinancing and restructuring package on 17 May 2018, to support its transformation plan. The Directors are of the view that upon the successful completion of the Company Voluntary Arrangement ("CVA") and subsequent equity issue, the Group will have sufficient financing to deliver its transformation plan, with a significantly reduced store estate, supported by ongoing savings in store costs and a lower working capital requirement. As part of the refinancing package, the Group's existing banks agreed to provide a revolving credit facility conditional on the approval of a CVA in one of the Group's subsidiaries, Mothercare UK Limited, and a successful equity raise. The CVA was approved on 1 June 2018 and the challenge period has been subsequently concluded. The equity raise, for £32.5 million gross proceeds, has been underwritten by Numis Securities Limited, and the related prospectus was launched on 9 July 2018. The equity raise is expected to be completed in July 2018.

Based on this and on a written commitment of financial support from its ultimate parent company, Mothercare plc, the Directors are of the opinion that the Group and the Company will operate within the terms of its revised borrowing facilities and covenants for the foreseeable future. Notwithstanding this, and therefore our preparation of the financial statements on a going concern basis, we recognise that the dependency on the final completion of the equity raise represents a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

Mini Club UK Limited

Directors' report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be reappointed as auditor in the absence of an Annual General Meeting.

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

L S Medini
Company Secretary
19 July 2018

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Mini Club UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Mini Club UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 24 March 2018 and of its loss for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that following the parent company's (Mothercare plc) refinancing and restructuring package, including a Company Voluntary Arrangement, announced on 17 May 2018 and approved on 1 June 2018, Mini Club UK Limited remains dependent on the successful completion of the forthcoming £32.5 million equity raise. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of Mini Club UK Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Mini Club UK Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by 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 period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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.

Sukhbinder Kooner (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London

19th July 2018

Mini Club UK Limited

Income statement
For the 52 weeks ended 24 March 2018

	Notes	52 weeks ended 24 March 2018 £'000	52 weeks ended 25 March 2017 £'000
Revenue	3	29,823	30,599
Cost of sales		(28,493)	(29,018)
Gross profit		1,330	1,581
Provision for impairment of amounts due from group undertakings	4	(33,961)	-
Other operating expenses		(147)	(144)
(Loss)/profit on ordinary activities before taxation	4	(32,778)	1,437
Tax on (loss)/profit on ordinary activities	5	3	-
(Loss)/profit for the period	12	(32,775)	1,437

The accompanying notes form an integral part of these financial statements.

All results relate to continuing operations.

There are no recognised gains or losses in either period other than the above. Accordingly no statement of total comprehensive income is presented.

Mini Club UK Limited

Balance sheet as at 24 March 2018

	Notes	As at 24 March 2018 £'000	As at 25 March 2017 £'000
Non current assets			
Tangible assets	6	46	73
Current assets			
Inventories	7	2,621	2,985
Debtors	8	2,340	31,277
Cash at bank and in hand		-	1
		4,961	34,263
Current liabilities	9	(36,325)	(32,876)
Net current (liabilities)/assets		(31,364)	1,387
Total assets less current liabilities		(31,318)	1,460
Provision for liabilities	10	-	(3)
Net (liabilities)/ assets		(31,318)	1,457
Capital and reserves			
Called-up share capital	11	-	-
Profit and loss account	12	(31,318)	1,457
Shareholders' (deficit)/funds	12	(31,318)	1,457

The financial statements of Mini Club UK Limited (registered number 01781095) were approved by the Board of Directors and authorised for issue on 19 July 2018.

Signed on behalf of the Board of Directors:

T Anwar

Director

Mini Club UK Limited

Statement of changes in equity
For the 52 weeks ended 24 March 2018

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 27 March 2016	-	5,420	5,420
Profit for the period	-	1,437	1,437
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,437	1,437
Dividends paid		(5,400)	(5,400)
Balance at 25 March 2017	-	1,457	1,457
Loss for the period	-	(32,775)	(32,775)
Other comprehensive income for the period	-	-	-
Total comprehensive expense for the period	-	(32,775)	(32,775)
Balance at 24 March 2018	-	(31,318)	(31,318)

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 24 March 2018 and the preceding 52 weeks ended 25 March 2017 are described below:

General information

Mini Club UK Limited is a company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

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

Basis of accounting

These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The 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.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Mothercare plc. The group financial statements of Mothercare plc are available to the public and can be obtained as set out in note 15.

Going concern

As stated in the Directors' report, the Group of which this Company is a part, launched a comprehensive refinancing and restructuring package on 17 May 2018, to support its transformation plan. The Directors are of the view that upon the successful completion of the Company Voluntary Arrangement ("CVA") and subsequent equity issue, the Group will have sufficient financing to deliver its transformation plan, with a significantly reduced store estate, supported by ongoing savings in store costs and a lower working capital requirement. As part of the refinancing package, the Group's existing banks agreed to provide a revolving credit facility conditional on the approval of a CVA in one of the Group's subsidiaries, Mothercare UK Limited, and a successful equity raise. The CVA was approved on 1 June 2018 and the challenge period has been subsequently concluded. The equity raise, for £32.5 million gross proceeds, has been underwritten by Numis Securities Limited, and the related prospectus was launched on 9 July 2018. The equity raise is expected to be completed in July 2018.

Based on this and on a written commitment of financial support from its ultimate parent company, Mothercare plc, the Directors are of the opinion that the Group and the Company will operate within the terms of its revised borrowing facilities and covenants for the foreseeable future. Notwithstanding this, and therefore our preparation of the financial statements on a going concern basis, we recognise that the dependency on the final completion of the equity raise represents a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

1. Accounting policies (continued)

Taxation

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

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

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

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

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

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

Revenue Recognition

Revenue comprises the value of wholesale sales as well as the profit share from operations net of discounts and VAT.

Sales of goods are recognised when goods are delivered and title has passed. Profit share is recognised on an accruals basis in accordance with the substance of the relevant agreement.

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 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:

Fixtures, fittings and equipment	5 to 20 years
Warehouse fixtures	5 to 10 years

Inventories

Inventories consist substantially of goods for resale and are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion of disposal. Provision is made for obsolescence, slow moving or defective items where appropriate.

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.

Trade creditors

Trade creditors are measured at fair value.

Pensions

Contributions to individual employee pension plans under stakeholder pension arrangements are charged in the income statement as they become payable in accordance with the rules of the arrangement.

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.

2. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, which are described in Note 1, management has made the following judgements that have an effect on the application of policies and reported amounts.

Critical judgements represent key decisions made by management in the application of the Company's accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a critical accounting estimate. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

2a. Critical accounting judgements

Deferred tax

The Directors have to consider the recoverability of the deferred tax assets based on forecast profits and whether tax assets should be retained. To the extent that it is considered that there are future profits available to utilise the tax assets the value of the asset has been retained on the balance sheet.

Impairment of assets

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

2b. Key sources of estimation uncertainty

Allowances against the carrying value of inventory

The Company reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of inventories, the Company is required to make judgements as to future demand requirements and to compare these with current inventory levels. Factors that could impact estimated demand and selling prices are timing and success of product ranges.

Allowances against the carrying value of amounts due from group undertakings

Amounts due from group undertakings are recognised at fair value. The terms of the Company Voluntary Arrangements "CVAs" of Mothercare UK Limited and Early Learning Centre Limited referred to in the Strategic report include the compromise of inter group liabilities to 5% at the date of the CVA approval. This includes the compromise of amounts due to Mothercare Plc and other group companies. As a result the Company believes it prudent to provide £33.9 million against the amounts due from group undertakings.

3. Revenue

All revenue and (loss)/profit on ordinary activities is derived from one class of business in the United Kingdom.

4. (Loss)/profit on ordinary activities before tax

	52 weeks ended 24 March 2018 £'000	52 weeks ended 25 March 2017 £'000
(Loss)/profit on ordinary activities before tax is stated after charging:		
Depreciation - owned assets	27	28
Cost of inventories recognised as an expense	28,563	29,008
Provision for impairment of amounts receivable from group undertakings	33,961	-

Impairment of amounts receivable from group undertakings

Amounts due from group undertakings are recognised at fair value. The terms of the Company Voluntary Arrangements "CVAs" of Mothercare UK Limited and Early Learning Centre Limited referred to in the Strategic report include the compromise of inter group liabilities to 5% at the date of the CVA approval. This includes the compromise of amounts due to Mothercare Plc and other group companies. As a result the Company believes it prudent to provide £33.9 million against the amounts due from group undertakings.

Auditor's remuneration, for the audit of the Company's financial statements, of £1,000 (2017: £1,000) has been borne by Mothercare UK Limited in the current and preceding periods. No fees were paid to the auditor for non-audit services (2017: £nil).

Staff costs are fully recharged back to the third party partner and hence no staff costs or average number of persons employed are shown in these financial statements.

The Directors received no emoluments during the period (2017: £nil).

Notes to the financial statements (continued)
For the 52 weeks ended 24 March 2018

5. Tax on (loss)/profit on ordinary activities

The tax assessed for the period differs from the result from applying the standard rate of corporation tax in the UK of 19% (2017: 20%).

	52 weeks ended 24 March 2018 £'000	52 weeks ended 25 March 2017 £'000
Current tax:		
UK corporation tax at 19% (2017: 20%)	-	-
Deferred tax		
Current year	(4)	(1)
Change in tax rate in respect of prior periods	-	(1)
Adjustment in respect of prior periods	1	2
Deferred tax	(3)	-
Tax credit for the period	(3)	-

	52 weeks ended 24 March 2018 £'000	52 weeks ended 25 March 2017 £'000
(Loss)/profit on ordinary activities before tax	(32,775)	1,437
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	(6,227)	287
Effects of:		
Expenses not deductible	6,452	-
Rate change on deferred tax	-	(1)
Adjustment in respect of prior periods	1	2
Deferred tax written off	11	-
Impact of difference in current tax and deferred tax rates	2	-
Group relief claimed free of charge from other group members	(242)	(288)
Tax credit for the period	(3)	-

6. Tangible fixed assets

	Fixtures, fittings and equipment £'000	Warehouse fixtures £'000	Total £'000
Cost			
At 26 March 2017 and at 24 March 2018	441	157	598
Accumulated depreciation			
At 26 March 2017	439	86	525
Charge for the period	1	26	27
At 24 March 2018	440	112	552
Net book value			
At 25 March 2017	2	71	73
At 24 March 2018	1	45	46

7. Inventories

	As at 24 March 2018 £'000	As at 25 March 2017 £'000
Finished goods and goods for resale	2,621	2,985

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

8. Debtors

	As at 24 March 2018 £'000	As at 25 March 2017 £'000
Trade debtors	2,232	3,101
Other debtors	108	80
Amounts due from ultimate parent undertaking	-	28,033
Prepayments and accrued income	-	63
	2,340	31,277

8. Debtors (continued)

Impairment of amounts receivable from group undertakings

Amounts due from group undertakings are recognised at fair value. The terms of the Company Voluntary Arrangements "CVAs" of Mothercare UK Limited and Early Learning Centre Limited referred to in the Strategic report include the compromise of inter group liabilities to 5% at the date of the CVA approval. This includes the compromise of amounts due to Mothercare Plc and other group companies. As a result the Company believes it prudent to provide £33.9 million against the amounts due from group undertakings.

Amounts due from ultimate parent undertaking are repayable on demand. No interest is receivable on outstanding balances.

9. Creditors: amounts falling due within one year

	As at 24 March 2018 £'000	As at 25 March 2017 £'000
Trade creditors	4,094	3,176
Other taxes and social security	275	382
Other creditors	139	24
Amounts due to other group undertakings	31,328	28,550
Accruals and deferred income	489	744
	36,325	32,876

Amounts due to group undertakings are repayable on demand. No interest is payable on outstanding balances.

10. Provision for liabilities

	Provision for deferred tax £'000
Balance at 26 March 2017	3
Deferred tax movement in period	(3)
Balance at 24 March 2018	-

Deferred tax comprises accelerated capital allowances and other timing differences.

Notes to the financial statements (continued)
For the 52 weeks ended 24 March 2018

11. Called-up share capital

	As at 24 March 2018 £	As at 25 March 2017 £
Called-up, allotted and fully paid		
2 ordinary shares of £1 each	2	2

12. Reserves

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 26 March 2017	-	1,457	1,457
Loss for the period	-	(32,775)	(32,775)
At 24 March 2018	-	(31,318)	(31,318)

13. Related party transactions

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

14. Events after the balance sheet date

The Group of which this Company is a part, launched a comprehensive refinancing and restructuring package on 17 May 2018, to support its transformation plan. The capital refinancing plan comprises the following key elements:

- debt facilities of £67.5 million, with a final maturity extended to December 2020 and certain interim step downs;
- £8.0 million of shareholder loans, received on 18 May 2018;
- £32.5 million Capital Raising, due to complete in July 2018;
- working capital initiatives releasing up to £10.0 million from the Group's existing trade debtor balances;
- restructuring of the Group's UK store portfolio through company voluntary arrangements of the Group's subsidiaries, Mothercare UK Limited and Early Learning Centre Limited, approved on 1 June 2018; and
- the administration of Childrens World Limited on 9 July 2018.

15. Ultimate parent company

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

The largest and smallest group in which the results of the Company are consolidated is that headed by Mothercare plc, a company incorporated and registered in England and Wales. Copies of these consolidated financial statements may be obtained from www.mothercareplc.com/financial-reports.

As at 24 March 2018, the liabilities of the Company exceeded its total assets. The Company is a subsidiary of Mothercare plc, a company incorporated in England and Wales which has indicated its intention to offer continued financial support for a period of twelve months following the date of the signing of these financial statements.