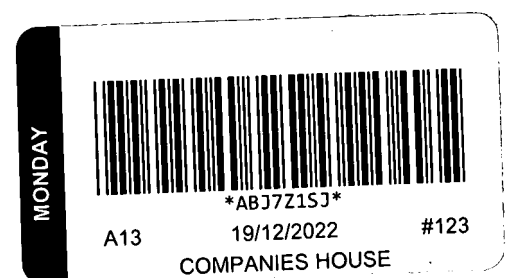


Company Registration No. 01781095

Mothercare Services Limited
(formerly Mini Club UK Limited)

Annual Report and Financial Statements

For the 52 weeks ended 26 March 2022



Mothercare Services Limited

Annual report and financial statements For the 52 weeks ended 26 March 2022

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Mothercare Services Limited

Annual report and financial statements For the 52 weeks ended 26 March 2022

Officers and professional advisers

Directors

A Cook
K Rusling
L Medini

Company Secretary

L S Medini

Registered Office

Westside 1, London Road
Hemel Hempstead
Hertfordshire
United Kingdom
HP3 9TD

Bankers

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London

Gordon Brothers
Lilly House, 13 Hanover Square,
Mayfair,
London
W1S 1HN

Auditor

Jeffreys Henry Audit Ltd
Finsgate
5-7 Cranwood Street
London
EC1V 9EE

Mothercare Services Limited

Directors' report

The Directors present their annual report together with the audited financial statements and auditor's report for the 52 weeks ended 26 March 2022. This Directors' report has been prepared in accordance with the special provisions relating to small companies under s415A of the Companies Act 2006. Accordingly, no Strategic Report has been prepared

Directors

The Directors of the Company who served during the year are shown on page 1.

Directors' indemnities

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

Dividends

During the reporting period a dividend of £nil was paid.

Future activities

The Company is not expected to trade for the foreseeable future.

Events after the balance sheet date

There were no events after the balance sheet date.

Financial risk objectives and policies

Due to the size and nature of the Company the Directors have considered that the Company is not exposed to any significant financial risks including credit, liquidity and cash flow risks.

Going concern

The Group's business activities and the factors likely to affect its future development are set out in the principal risks and uncertainties section of the Group financial statements. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the financial review.

Given the business ceased trading in a previous period and given this entity is being held by the Group for possible future use, the going concern assessment for this Company, as made by the Directors, is linked to the wider going concern assessment for the Mothercare plc group as a whole.

The consolidated financial information has been prepared on a going concern basis. When considering the going concern assumption, the Directors of the Group have reviewed a number of factors, including the Group's trading results and its continued access to sufficient borrowing facilities against the Group's latest forecasts and projections, comprising:

- A Base Case forecast which excludes any income from Russia; and
- A Sensitised forecast, which applies sensitivities against the Base Case for reasonably possible adverse variations in performance, reflecting the ongoing volatility in our key markets.

Mothercare Services Limited

Directors' report

Going concern (continued)

In making the assessment on going concern the Directors have assumed that it is able to mitigate the material uncertainty in relation to levels of recovery in retail sales post COVID-19 coupled with the heightened global economic uncertainty. The impact of these issues on the future prospects of the Group is not fully quantifiable at the reporting date, as the complexity and scale of these issues at a global level is outside of what any business could accurately reflect in a financial forecast.

However, we have attempted to capture the impact on both our supply chain and key franchise partners based on what is currently known. We have modelled a substantial reduction in global retail sales as a result of subdued, consumer confidence or disposable income, throughout the remainder of FY23 with recovery in FY24.

The Sensitised scenario assumes the following additional key assumption:

- A delayed recovery that assumes that retail sales remain subdued throughout the majority of the forecast period as a result of consumer confidence returning more slowly post COVID-19, coupled with the potential impact on customers disposable income due to the current heightened global economic uncertainty.

The Board's confidence in the Group's Base Case forecast, which indicates the Group will operate within the terms of its revised borrowing facilities which now includes more appropriate covenants following the cessation of the Russian operation and the Group's proven cash management capability, supports our preparation of the financial statements on a going concern basis.

However, if trading conditions were to deteriorate beyond the level of risks applied in the Sensitised forecast, or the Group was unable to mitigate the material uncertainties assumed in the Base Case Forecast and the Group were not able to execute further cost or cash management programmes, the Group would at certain points of the working capital cycle have insufficient cash. If this scenario were to crystallise the Group would need to renegotiate with its lender in order to secure waivers to potential covenant breaches and consequential cash remedies or secure additional funding. Therefore, we have concluded that, in this situation, there is a material uncertainty that casts significant doubt that the Group will be able to operate as a going concern without such waivers or new financing facilities.

Since the Company is reliant on the wider Group for financial support, we have therefore concluded that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Disclosure of information to 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.

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

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

DocuSigned by:



7FE279ABEFD8406...
L S Medini

Company Secretary

13 December 2022

Mothercare Services Limited

Directors' responsibilities statement

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

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

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

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

Independent auditor's report to the members of Mothercare Services Limited

Opinion

We have audited the financial statements of Mothercare Services Limited (the 'company') for the 52 weeks ended 26 March 2022, which comprise the Income Statement, the Balance Sheet, the Statement of changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 March 2022 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 relating to going concern

We draw attention to note 1 in the financial statements, which indicates that the Company is reliant on support from its ultimate parent, Mothercare plc. The potential ongoing impact of Covid-19 on the Group and its exposure to the current European conflict may affect its ability to operate within the headroom and covenants of its finance facility.

As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, 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.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosure in financial statements or, if such disclosures are inadequate, to modify the auditor's opinion.

Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for financial statements' section of this report.

Independent auditor's report to the members of Mothercare Services Limited

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 this regard.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 material misstatements in the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

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.

Independent auditor's report to the members of Mothercare Services Limited

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company through our general commercial and sector experience and discussions with management and determined that the most significant, which could reasonably be expected to have a material effect on the financial statements and which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (UK GAAP, the Companies Act 2006) and the relevant tax compliance regulations in the UK.
- We discussed the policies and procedures regarding compliance with laws and regulations with management. We obtained an understanding of how the Company is complying with those legal and regulatory frameworks by making enquiries of management.
- We enquired of management concerning the Company's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. None were noted and we corroborated the results of our enquires to board minutes.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on those with unusual account combinations and those posted directly to the financial statements;
 - challenging assumptions and judgements made by management in its significant accounting estimates;
- We completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

Independent auditor's report to the members of Mothercare Services Limited

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
- knowledge of the industry in which the entity operates; and
- understanding of the legal and regulatory requirements specific to the entity

We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

DocuSigned by:

Sanjay Parmar

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Sanjay Parmar (Senior Statutory Auditor)

For and on behalf of Jeffreys Henry Audit Ltd

Finsgate

5-7 Cranwood Street

London

EC1V 9EE

13 December 2022

Mothercare Services Limited

Income Statement For the 52 weeks ended 26 March 2022

	Notes	52 weeks ended 26 March 2022 £'000	52 weeks ended 27 March 2021 £'000
Revenue	3	-	5,924
Cost of sales		-	(5,985)
		-	(61)
Impairment (charge)/reversal of amounts due from group undertakings	4	(101)	698
Other operating expenses		(3)	(308)
(Loss)/profit on ordinary activities before taxation	4	(104)	329
Tax on (loss)/profit on ordinary activities	6	-	-
(Loss)/profit for the year		(104)	329

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

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

Mothercare Services Limited


Balance Sheet As at 26 March 2022

	Notes	As at 26 March 2022 £'000	As at 27 March 2021 £'000
Current assets			
Debtors	7	-	386
Cash at bank and in hand		108	66
		<u>108</u>	<u>452</u>
Current liabilities			
Trade and other payables	8	(39,722)	(39,962)
Net current liabilities		<u>(39,614)</u>	<u>(39,510)</u>
Total assets less current liabilities		<u>(39,614)</u>	<u>(39,510)</u>
Net liabilities		<u>(39,614)</u>	<u>(39,510)</u>
Capital and reserves			
Called-up share capital	9	-	-
Profit and loss account		(39,614)	(39,510)
Shareholders' deficit		<u>(39,614)</u>	<u>(39,510)</u>

The financial statements of Mothercare Services Limited (registered number 01781095) were approved by the Board of Directors and authorised for issue on 13 December 2022.

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

Signed on behalf of the Board of Directors:

DocuSigned by:

 76A8CC13E07F4C0...
 A Cook

Director

Mothercare Services Limited

Statement of changes in equity For the 52 weeks ended 26 March 2022

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 28 March 2020	-	(39,839)	(39,839)
Profit for the period	-	329	329
Total comprehensive expense for the period	-	-	-
Balance at 27 March 2021	-	(39,510)	(39,510)
Loss for the period	-	(104)	(104)
Total comprehensive income for the period	-	(104)	(104)
Balance at 26 March 2022	-	(39,614)	(39,614)

Mothercare Services Limited

Notes to the financial statements (continued) For the 52 weeks ended 26 March 2022

1. Accounting policies

Mothercare Services Limited is a Company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

These financial statements are presented in UK pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The accounting policies have been applied consistently throughout the 52 weeks ended 26 March 2022 and the preceding 52 weeks ended 27 March 2021.

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards.

Basis of accounting

The Company is a qualifying entity and 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 a going concern basis and on the historical cost basis.

The Company ceased trading on 10 October 2020 and is not expected to trade for the foreseeable future. Given the business ceased trading in a previous period and given this entity is being held by the Group for possible future use, the going concern assessment for this Company, as made by the Directors, is linked to the wider going concern assessment for the Mothercare plc group as a whole.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the Group financial statements of Mothercare plc. The Group financial statements of Mothercare plc are available to the public and can be obtained as set out in Note 10.

Going concern

The Company did not trade during the financial period. The Company is not expected to trade in the foreseeable future.

Given the business ceased trading in a previous period and given this entity is being held by the Group for possible future use, the going concern assessment for this Company, as made by the Directors, is linked to the wider going concern assessment for the Mothercare plc group as a whole.

As at 26 March 2022, the current liabilities of the Company exceeded its current assets. The Company is part of the wider Mothercare plc group, and Mothercare plc, a Company incorporated in Great Britain, 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. Therefore, the Company is dependent on the parent Company's and the wider Group's ability to continue trading. Mothercare plc prepares consolidated financial statements for the Group, of which this Company is a part.

The Group's business activities and the factors likely to affect its future development are set out in the principal risks and uncertainties section of the Group financial statements. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the financial review.

The consolidated financial information has been prepared on a going concern basis. When considering the going concern assumption, the Directors of the Company have reviewed a number of factors, including the Company's trading results and its continued access to sufficient borrowing facilities against the Company's latest forecasts and projections, comprising:

Mothercare Services Limited

Notes to the financial statements (continued)

For the 52 weeks ended 26 March 2022

1. Accounting policies (continued)

Going concern (continued)

- A Base Case forecast which excludes any income from Russia; and
- A Sensitised forecast, which applies sensitivities against the Base Case for reasonably possible adverse variations in performance, reflecting the ongoing volatility in our key markets.

In making the assessment on going concern the Directors have assumed that it is able to mitigate the material uncertainty in relation to levels of recovery in retail sales post COVID-19 coupled with the heightened global economic uncertainty. The impact of these issues on the future prospects of the Company is not fully quantifiable at the reporting date, as the complexity and scale of these issues at a global level is outside of what any business could accurately reflect in a financial forecast.

However, we have attempted to capture the impact on both our supply chain and key franchise partners based on what is currently known. We have modelled a substantial reduction in global retail sales as a result of subdued, consumer confidence or disposable income, throughout the remainder of FY23 with recovery in FY24.

The Sensitised scenario assumes the following additional key assumption:

- A delayed recovery that assumes that retail sales remain subdued throughout the majority of the forecast period as a result of consumer confidence returning more slowly post COVID-19, coupled with the potential impact on customers disposable income due to the current heightened global economic uncertainty.

The Board's confidence in the Company's Base Case forecast, which indicates the Company will operate within the terms of its revised borrowing facilities which now includes more appropriate covenants following the cessation of the Russian operation and the Company's proven cash management capability, supports our preparation of the financial statements on a going concern basis.

However, if trading conditions were to deteriorate beyond the level of risks applied in the Sensitised forecast, or the Company was unable to mitigate the material uncertainties assumed in the Base Case Forecast and the Company were not able to execute further cost or cash management programmes, the Company would at certain points of the working capital cycle have insufficient cash. If this scenario were to crystallise the Company would need to renegotiate with its lender in order to secure waivers to potential covenant breaches and consequential cash remedies or secure additional funding. Therefore, we have concluded that, in this situation, there is a material uncertainty that casts significant doubt that the Company will be able to operate as a going concern without such waivers or new financing facilities.

Therefore, we have concluded that, in this situation, there is a material uncertainty that casts significant doubt that the Group will be able to operate as a going concern. Consequently, this also extends to our going concern assessment for this Company.

Mothercare Services Limited

Notes to the financial statements (continued) For the 52 weeks ended 26 March 2022

1. Accounting policies (continued)

Revenue Recognition

Revenue is recognised only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time. Revenue is measured at the fair value of the consideration the Company expects to be entitled to in a contract with a customer and excludes amounts collected on behalf of third parties discounts, value-added taxes (VAT) and other sales-related taxes.

Revenue recognition has been considered in accordance with IFRS 15 and the individual performance obligations have been identified. Two separate performance obligations have been identified in relation to income received from the retailer:

The first performance obligation identified relates to the sale of goods, which is recognised when goods are delivered and the title has passed. For sale of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail store, at which time payment of the transaction price is due immediately.

The second performance obligation is in relation to the profit share recognition on an accruals basis from the trading activity under the Miniclub brand name, in accordance with the substance of the relevant agreement.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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 recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 based on the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in 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.

Mothercare Services Limited

Notes to the financial statements (continued) For the 52 weeks ended 26 March 2022

1. Accounting policies (continued)

Taxation (continued)

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

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 receivables

Trade receivables are initially measured at the transaction price, and subsequently measured at amortised cost less provision or impairment. The Company recognises a loss allowance for expected credit losses on trade receivables, which is updated at each financial reporting date to reflect changes in credit risk since initial recognition.

Expected credit losses are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Foreign currencies

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement.

Amounts owed by group undertakings

Amounts owed by group undertakings are initially measured at fair value and subsequently measured at amortised cost less provision or impairment. The Company recognises a loss allowance for expected credit losses on amounts owed by group undertakings, which is updated at each financial reporting date to reflect changes in credit risk since initial recognition. Amounts owed by group undertakings are derecognised when the rights to receive cash flows from the asset have expired.

Amounts owed to group undertakings

Amounts owed to group undertakings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Amounts owed to group undertakings are derecognised when the obligation under the liability is discharged, cancelled or expires.

Mothercare Services Limited

Notes to the financial statements (continued) For the 52 weeks ended 26 March 2022

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.

Critical accounting adjustments:

No critical accounting adjustments were identified as applicable to this Company.

Key sources of estimation uncertainty:

Allowances against the carrying value of amounts due from group undertakings

Amounts due from group undertakings are recognised at fair value. 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. Indications that a debt requires a provision against it are where the fellow subsidiary company has net liabilities, insufficient cash or liquid resources to immediately repay the debt, or insufficient forecast cashflows to repay the debt which involves the exercise of a significant amount of judgement.

A review of the carrying value of amounts due from group undertakings was performed in the period and led to an impairment charge of £0.1 million (2021: impairment reversal of £0.7 million).

Determination of Expected credit losses (ECL) on trade and other receivables

Judgment is required in determining the rate of expected default applicable for receivables. A risk matrix includes judgments for the rates used by age and risk level of a receivable. There is also inherent judgment in selecting the appropriate risk level for the Company's sole customer.

3. Revenue

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

Mothercare Services Limited

Notes to the financial statements (continued) For the 52 weeks ended 26 March 2022

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

	52 weeks ended 26 March 2022 £'000	52 weeks ended 27 March 2021 £'000
(Loss)/profit on ordinary activities before tax is stated after charging/(crediting):		
Cost of inventories recognised as an expense	-	5,985
Impairment charge/(reversal) of amounts due from group undertakings	101	(698)

Amounts due from group undertakings are recognised at fair value. 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. Indications that a debt requires a provision against it are where the fellow subsidiary company has net liabilities, insufficient cash or liquid resources to immediately repay the debt, or insufficient forecast cashflows to repay the debt which involves the exercise of a significant amount of judgement. During the current financial year total impairment charges was £100k, in prior year Mothercare plc, paid VAT liabilities of £698k on behalf of the Company, as a result, this reduced the debtor due from Mothercare plc and led to an impairment reversal of £0.7m against intercompany receivables.

The audit fee due to Jeffrey's Henry Audit Ltd for the audit of the annual financial statements was borne by Mothercare Plc.

5. Staff costs

The average monthly number of employees (including executive directors) in the period was Nil (2021: 247).

	52 weeks ended 26 March 2022 £'000	52 weeks ended 27 March 2021 £'000
Wages and salaries	3	1,948
Other pension costs	-	9
	<u>3</u>	<u>1,957</u>

No emoluments were paid to the directors in respect of their services to the Company in either period. Directors were remunerated by another Group Company.

Mothercare Services Limited

Notes to the financial statements (continued) For the 52 weeks ended 26 March 2022

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

There was current income tax expense or deferred income tax expense in the current or prior year

The tax assessed for the period differs from the result from applying the standard rate of corporation tax in the UK of 19% (2021: 19%).

	52 weeks ended 26 March 2022 £'000	52 weeks ended 27 March 2021 £'000
(Loss)/profit on ordinary activities before tax	(104)	329
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	(20)	63
Effects of:		
Expenses not deductible	19	126
Deferred tax not recognised	1	
Group relief claimed free of charge from other group members	-	(189)
Tax charge for the year	-	-

At the balance sheet date, the Company has unrecognised deferred tax asset of £nil million (2021: £nil) available for offset against future profits. No deferred tax asset has been recognised for any losses (2021: £nil).

7. Debtors

	As at 26 March 2022 £'000	As at 27 March 2021 £'000
Trade debtors	-	293
Other debtors	-	93
	-	386

Mothercare Services Limited

Notes to the financial statements (continued) For the 52 weeks ended 26 March 2022

8. Trade and other payables

	As at 26 March 2022 £'000	As at 27 March 2021 £'000
Amounts due to other group undertakings	38,804	39,044
Accruals and deferred income	918	918
	<u>39,722</u>	<u>39,962</u>

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

9. Called-up share capital

	As at 26 March 2022 £	As at 27 March 2021 £
Authorised, called-up, allotted and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

10. Ultimate controlling party

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

The largest and smallest group in which the results of the Company are consolidated is that headed by Mothercare plc, a Company incorporated in the United Kingdom and registered in England and Wales, with registered office address: Westside 1, London Road, Hemel Hempstead, Hertfordshire, HP3 9TD. Copies of these consolidated financial statements may be obtained from: www.mothercareplc.com/financial-reports.

11. Events after the balance sheet date

There were no events after the balance sheet date.