Financial statements

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Company financial statements

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 year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company 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 accounts 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 the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and gives shareholders the information needed to assess the group's performance, business model and strategy.

By order of the Board on 18 May 2016 and signed on its behalf by:

Mark Newton-Jones
Chief Executive Officer

Richard Smothers
Chief Financial Officer

Independent auditor's report to the members of Mothercare plc

Opinion on financial statements of Mothercare plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 26 March 2016 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income/expense, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 31. The financial statements also comprise the parent company balance sheet and related notes 1 to 7. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting on page 38 and the Directors' statement of the longer-term viability of the Group on page 38.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 26 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 26-31 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement on page 38 about whether they consider it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- the Directors' explanation on page 38 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agree with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. The risks identified below are consistent with those we identified last year.

The Audit and Risk Committee has requested that, while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant findings in respect of these assessed risks of material misstatement.

Risk description	How the scope of our audit responded to the risk	Key observations
Classification and presentation of exceptional items		
The presentation and consistency of costs and income within exceptional items is a key determinant in the assessment of the quality of the Group's underlying earnings. Management judgement is required in determining whether an item of cost is exceptional. For the 52 weeks ended 26 March 2016, the Group incurred exceptional costs of £10.2 million. Refer to notes 2, 3 and 6 for further information and details of the exceptional items in the period.	We reviewed the nature of exceptional items, challenged management's judgements in this area and agreed the quantification to supporting documentation. We assessed whether the items are in line with both the Group's accounting policy and the guidance issued by the Financial Reporting Council. We considered whether management's application of the policy is consistent with previous accounting periods, including whether the reversal of any items originally recognised as exceptional has been appropriately recorded within exceptional items. We also assessed whether the disclosures within the financial statements provide sufficient detail for the reader to understand the nature of these items.	We are satisfied that the amounts classified as exceptional items are reasonable in all material respects and the related disclosure of these items in the financial statements is appropriate.
Recoverability of joint venture investments and receivables from these parties		
Management judgement is required in determining the appropriate level of provision to be held in respect of potentially non-recoverable receivables from joint ventures and in assessing what assumptions should be used to determine the carrying value of investments. At the year end, the Group held gross trade receivables from joint ventures of £5.7 million (net of a £0.9 million provision) and investments with nil carrying value, following the £3.3 million impairment of the China joint venture. Refer to notes 6, 13 and 30 for details of these balances.	We challenged the forecasts and growth assumptions used in management's impairment models for the joint venture investments, including an assessment of the projected cash flows, discount rates and perpetuity growth rates. We checked the recoverability of amounts receivable by agreement to subsequent cash receipts or other supporting evidence of recoverability, including assessment of the joint venture projected cash flows and its ability to pay.	We are satisfied that the assumptions used in the impairment models for the joint venture investments and the calculation of the joint venture bad debt provision are acceptable and that the methodology applied is appropriate in all material respects.
Valuation of the Group's property provisions		
The Group maintains property provisions in respect of store closures and onerous leases (£29.6 million). Management judgement, for example over future lease premiums and net present value of future store contributions, is involved in calculating the provisions, which are management's best estimates based on the expected future costs to exit those stores. Further information is included in notes 3 and 23.	We have challenged management's assumptions in arriving at the property provisions. We have verified the inputs used to calculate the provisions and agreed them to supporting documentation. We have reviewed the correspondence with the Group's independent property advisors to assess whether these experts' views have been reflected within the provision calculations. We have also assessed the historical accuracy of the provision.	We are satisfied that the assumptions used by management in calculating the Group's property provisions are acceptable and the methodology applied is appropriate in all material respects.

Independent auditor's report to the members of Mothercare plc
continued

Risk description	How the scope of our audit responded to the risk	Key observations
Accuracy of the inventory obsolescence provision		
Management's calculation of the inventory obsolescence provision of £3.7 million (£4.4 million including the shrinkage provision) against a gross inventory balance of £106.2 million requires judgement in estimating the level of future demand and therefore net realisable value for the individual products. Further information is included in notes 3 and 17.	We have confirmed that the book value of inventories does not exceed its net realisable value by comparing the actual sales value to the book value for a sample of lines. We have challenged the assumptions used in arriving at management's inventory provision. Specifically we have checked the discontinued dates of those relevant inventory lines to assess whether they have been aged correctly. We have also reviewed the actual and forecast sales of those provisioned inventory lines to check that the provision percentage applied is still appropriate. We have also assessed the historical accuracy of the provision.	We are satisfied that the provision calculation for the obsolescence of inventory is within the acceptable range and the methodology applied is appropriate in all material respects.
Recognition of supplier funding income		
There is management judgement involved in the timing, recognition and calculation of supplier funding income, requiring both a detailed understanding of the contractual arrangements themselves as well as complete and accurate source data to apply the arrangements to. The Group's supplier funding income mainly relates to early settlement discounts on certain product lines, promotional funding and volume based rebates. Further information is included in note 2.	We circularised a sample of suppliers to test whether the arrangements recorded are accurate and complete and also interviewed buyers to supplement our understanding of the contractual arrangements. Where responses were not received, we completed alternative procedures such as agreement to underlying contractual agreements. We tested the completeness and accuracy of the inputs for recording supplier funding by agreement to supporting evidence, including volume data and promotion dates.	We are satisfied that the accuracy, completeness and timing of recognition of supplier funding income is appropriate in all material respects, being recorded in a manner consistent with the Group's policy and the substance of the supplier contracts held. We consider the disclosure given around supplier funding to be appropriate and to provide an accurate understanding of the types of rebate income received and the impact on the balance sheet as at 26 March 2016.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on page 57.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £1.8 million (2015: £1.8 million), applying professional judgement and taking into account the profitability of the International segment and the loss making position of the UK segment, before exceptional items. These are excluded due to their volatility, which is consistent with the Group's internal and external reporting, to facilitate a better understanding of the underlying trading performance.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £90,000 (2015: £90,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our group audit scope on the UK trading companies (including both the UK and International operating segments) and the Group's sourcing operations in Hong Kong and India, all of which were subject to a full scope audit for the 52 weeks ended 26 March 2016. These locations represent the principal business units of the Group and account for 100% (2015: 100%) of the Group's revenue and 98% (2015: 98%) of the Group's profit before tax. The locations were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

Our audit work at these locations was executed at levels of materiality applicable to each individual location which were lower than Group materiality and ranged from 3% to 80% of Group materiality (2015: 3% to 80%).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team is directly involved in the audit of the UK trading companies. The component audit teams in Hong Kong and India participated in the Group audit planning process. We discussed their risk assessment and issued the component audit teams with audit referral instructions. We have held discussions with the component audit teams and reviewed documentation of the findings from their work.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Independent auditor's report to the members of Mothercare plc
continued

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Ian Waller

Ian Waller (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

18 May 2016

Consolidated income statement

For the 52 weeks ended 26 March 2016

	Note	52 weeks ended 26 March 2016			52 weeks ended 28 March 2015		
		Underlying[1] £ million	Non-underlying[2] £ million	Total £ million	Underlying[1] £ million	Non-underlying[2] £ million	Total £ million
Revenue	4, 5	**682.3**	**–**	**682.3**	713.9	–	713.9
Cost of sales		**(622.1)**	**–**	**(622.1)**	(658.8)	2.5	(656.3)
Gross profit		**60.2**	**–**	**60.2**	55.1	2.5	57.6
Administrative expenses		**(36.3)**	**(6.5)**	**(42.8)**	(36.9)	(0.9)	(37.8)
Profit/(loss) from retail operations	7	**23.9**	**(6.5)**	**17.4**	18.2	1.6	19.8
Other exceptional items	6	**–**	**(3.4)**	**(3.4)**	–	(26.2)	(26.2)
Share of results of joint ventures	13	**(1.1)**	**–**	**(1.1)**	(0.2)	–	(0.2)
Profit/(loss) from operations		**22.8**	**(9.9)**	**12.9**	18.0	(24.6)	(6.6)
Net finance costs	8	**(3.2)**	**–**	**(3.2)**	(5.0)	(1.5)	(6.5)
Profit/(loss) before taxation		**19.6**	**(9.9)**	**9.7**	13.0	(26.1)	(13.1)
Taxation	9	**(3.2)**	**(0.1)**	**(3.3)**	(2.5)	0.2	(2.3)
Profit/(loss) for the period attributable to equity holders of the parent		**16.4**	**(10.0)**	**6.4**	10.5	(25.9)	(15.4)
Earnings/(loss) per share							
Basic	11	**9.6p**		**3.8p**	8.6p		(12.6p)
Diluted	11	**9.3p**		**3.6p**	8.3p		(12.6p)

1 Before items described in footnote 2 below.
2 Includes exceptional items (restructuring costs, impairment charges and property related costs) and other non-underlying items of amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments under IAS 39 and IAS 21 as set out in note 6 to the consolidated financial statements.

All results relate to continuing operations.

Consolidated statement of comprehensive income/(expense)

For the 52 weeks ended 26 March 2016

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Profit/(loss) for the period	**6.4**	(15.4)
Items that will not be reclassified subsequently to the income statement:		
Remeasurement of net defined benefit liability – actuarial gain/(loss) on defined benefit pension schemes	**1.1**	(34.4)
Deferred tax relating to items not reclassified	**(1.5)**	7.0
	(0.4)	(27.4)
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**(0.4)**	1.6
Cash flow hedges: gains arising in the period	**3.2**	13.3
Deferred tax relating to items reclassified	**(0.3)**	(1.7)
	3.5	13.2
Other comprehensive income/(expense) for the period	**3.1**	(14.2)
Total comprehensive income/(expense) for the period wholly attributable to equity holders of the parent	**9.5**	(29.6)

Consolidated balance sheet
As at 26 March 2016

	Note	26 March 2016 £ million	28 March 2015 £ million
Non-current assets			
Goodwill	14	**26.8**	26.8
Intangible assets	14	**27.1**	19.1
Property, plant and equipment	15	**69.4**	56.4
Investments in joint ventures	13	**–**	7.3
Deferred tax asset	16	**20.3**	23.6
Derivative financial instruments	21	**0.2**	–
		143.8	133.2
Current assets			
Inventories	17	**101.8**	87.7
Trade and other receivables	18	**75.9**	69.4
Current tax asset		**0.3**	–
Derivative financial instruments	21	**12.1**	9.3
Cash and cash equivalents	19	**13.5**	31.5
		203.6	197.9
Total assets		**347.4**	331.1
Current liabilities			
Trade and other payables	22	**(130.1)**	(107.0)
Borrowings	20	**–**	–
Current tax liabilities		**–**	(0.3)
Derivative financial instruments	21	**(1.1)**	–
Short-term provisions	23	**(14.6)**	(26.5)
		(145.8)	(133.8)
Non-current liabilities			
Trade and other payables	22	**(22.1)**	(20.4)
Borrowings	20	**–**	–
Retirement benefit obligations	29	**(74.4)**	(81.2)
Long-term provisions	23	**(16.0)**	(18.0)
		(112.5)	(119.6)
Total liabilities		**(258.3)**	(253.4)
Net assets		**89.1**	77.7
Equity attributable to equity holders of the parent			
Share capital	24	**85.4**	85.2
Share premium account	24	**61.0**	60.8
Own shares		**(0.3)**	(0.4)
Translation reserve	25	**0.5**	0.9
Hedging reserve	25	**9.7**	6.8
Retained deficit		**(67.2)**	(75.6)
Total equity		**89.1**	77.7

Approved by the Board and authorised for issue on 18 May 2016 and signed on its behalf by:

Richard Smothers
Chief Financial Officer

Consolidated statement of changes in equity

For the 52 weeks ended 26 March 2016

	Equity attributable to equity holders of the parent						
	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained earnings £ million	**Total equity £ million**
Balance at 28 March 2015	85.2	60.8	(0.4)	0.9	6.8	(75.6)	77.7
Other comprehensive expense for the period	–	–	–	(0.4)	3.9	(0.4)	3.1
Profit for the period	–	–	–	–	–	6.4	6.4
Total comprehensive income/ (expense) for the period	–	–	–	(0.4)	3.9	6.0	9.5
Removal from equity to inventories during the period	–	–	–	–	(1.0)	–	(1.0)
Issue of equity shares	0.2	0.2	0.1	–	–	–	0.5
Credit to equity for equity-settled share-based payments	–	–	–	–	–	2.4	2.4
Balance at 26 March 2016	**85.4**	**61.0**	**(0.3)**	**0.5**	**9.7**	**(67.2)**	**89.1**

For the 52 weeks ended 28 March 2015

	Equity attributable to equity holders of the parent						
	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained earnings £ million	**Total equity £ million**
Balance at 29 March 2014	44.4	6.3	(0.4)	(0.7)	(0.4)	(34.0)	15.2
Other comprehensive income for the period	–	–	–	1.6	11.6	(27.4)	(14.2)
Loss for the period	–	–	–	–	–	(15.4)	(15.4)
Total comprehensive income/ (expense) for the period	–	–	–	1.6	11.6	(42.8)	(29.6)
Removal from equity to inventories during the period	–	–	–	–	(4.4)	–	4.4
Issue of equity shares	40.8	54.5	–	–	–	–	95.3
Credit to equity for equity-settled share-based payments	–	–	–	–	–	1.2	1.2
Balance at 28 March 2015	**85.2**	**60.8**	**(0.4)**	**0.9**	**6.8**	**(75.6)**	**77.7**

Consolidated cash flow statement
For the 52 weeks ended 26 March 2016

	Note	26 March 2016 £ million	28 March 2015 £ million
Net cash flow from operating activities	26	**21.9**	(1.1)
Cash flows from investing activities			
Interest received		**0.2**	–
Purchase of property, plant and equipment		**(27.8)**	(6.5)
Purchase of intangibles – software		**(11.4)**	(6.2)
Net cash used in investing activities		**(39.0)**	(12.7)
Cash flows from financing activities			
Interest paid		**(1.4)**	(2.7)
Facility fees paid		**–**	(1.1)
Bank loans paid		**–**	(65.0)
Issue of ordinary share capital		**0.4**	95.3
Net cash (used)/raised in financing activities		**(1.0)**	26.5
Net (decrease)/increase in cash and cash equivalents		**(18.0)**	12.7
Cash and cash equivalents at beginning of period		**31.5**	17.3
Effect of foreign exchange rate changes		**0.1**	1.5
Net cash and cash equivalents at end of period	26	**13.5**	31.5

Notes to the consolidated financial statements

1. General information

Mothercare plc is a company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given in the shareholder information on page 149. The nature of the Group's operations and its principal activities are set out in note 5 and in the business review on pages 6 to 11.

These financial statements are presented in UK pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

2. Significant accounting policies

Basis of presentation

The Group's accounting period covers the 52 weeks ended 26 March 2016. The comparative period covered the 52 weeks ended 28 March 2015.

Basis of accounting

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the European Union, International Financial Reporting Interpretations Committee ('IFRIC') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They therefore comply with Article 4 of the EU IAS Regulation.

New Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements.

IFRIC 21 'Levies', addresses the issue as to when to recognise a liability to pay a levy imposed by the government. The interpretation defines a levy, specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation.

New Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

- IFRS 9 'Financial Instruments'
- IFRS 14 'Regulatory Deferral Accounts'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'

The Directors anticipate that, with the exception of IFRS 15 'Revenue from Contracts with Customers', and IFRS 16 'Leases', adoption of these standards and interpretations in future periods will have no material impact on the Group's financial statements when the relevant standards come into effect.

IFRS 16 will result in the recognition of additional assets and liabilities on the Group's consolidated balance sheet. Until management's detailed review has been completed it is not possible to quantify these additional assets and liabilities, nor is it possible to provide details of the impact that the adoption of IFRS 16 will have on the Group's consolidated income statement. The full impact of IFRS 15 and IFRS 16 on the Group's financial statements is being reviewed.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments, and on the going concern basis, as described in the going concern statement in the corporate governance report on page 48. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 26 March 2016. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange. Acquisition related costs are recognised in profit and loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) 'Business combinations' are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell and deferred tax assets or liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 'Income taxes' and IAS 19 'Employee Benefits' respectively.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

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

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

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

Profit from retail operations

Profit from retail operations represents the profit generated from normal retail trading, prior to any gains or losses on property transactions. It also includes the volatility arising from accounting for derivative financial instruments prior to adopting IAS 39, hedge accounting for new contracts from 5 January 2014.

Supplier funding income

The Company receives income from its suppliers, mainly in the form of early settlement discounts and volume based rebates. They are recognised as a reduction in cost of sales in the year to which they relate. Any supplier funding income received in respect of unsold stock at the period end is deferred on the balance sheet. At the period end the Group is sometimes required to estimate supplier income due from annual agreements for volume rebates. The Group also receives promotional contributions which are recognised when the promotional period it relates to has ended. Promotional income is recognised as a deduction to cost of sales.

Included in the balance sheet are amounts receivable of £3.2 million in respect of supplier funding income, comprising £2.7 million of settlement discounts invoiced but not yet settled and £1.6 million of promotional contributions earned but not yet invoiced, netted against £1.1 million of deferred rebate income on stock not yet sold.

2. Significant accounting policies continued

Underlying earnings

The Group believes that underlying profit before tax and underlying earnings provides additional useful information for shareholders. The term underlying earnings is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for IFRS measures of profit.

As the Group has chosen to present an alternative earnings per share measure, a reconciliation of this alternative measure to the statutory measure required by IFRS is given in note 11.

To meet the needs of shareholders and other external users of the financial statements the presentation of the income statement has been formatted to show more clearly, through the use of columns, our underlying business performance which provides more useful information on underlying trends.

The adjustments made to reported results are as follows:

Exceptional items

Due to their significance or one-off nature, certain items have been classified as exceptional. The gains and losses on these discrete items, such as profits/losses on the disposal/termination of property interests, provision for onerous leases, receivables, impairment charges, restructuring costs and other non-operating items can have a material impact on the absolute amount of and trend in the profit from operations and the result for the period. Therefore any gains and losses on such items are analysed as non-underlying on the face of the income statement. Further details of the exceptional items are provided in note 6.

Amortisation of intangible assets

The balance sheet includes identifiable intangible assets which arose on the acquisition of Early Learning Centre and the Blooming Marvellous brand and are amortised on a straight-line basis over their expected economic lives. The average estimated useful life of the assets is as follows:

Trade name	– 20 years
Customer relationships	– 10 years

The amortisation of these intangible assets does not reflect the underlying performance of the business.

Unwinding of discount on exceptional provisions

Where property provisions are charged to exceptional items, the associated unwinding of the discount on these provisions is classified as non-underlying.

Joint ventures

Joint ventures are accounted for using the equity method whereby the interest in the joint venture is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets less any impairment in the value of individual investments. The profit or loss of the Group includes the Group's share of the profit or loss of the joint ventures.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment.

Where a group entity transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

If the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified within other comprehensive income, accumulated in equity in the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Hedge accounting

The Group designates its interest rate swaps and its forward currency contracts as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Changes in the fair value of financial instruments designated as effective are recognised in the comprehensive income statement and any ineffective portion is recognised immediately in the income statement. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item. Movements in the hedging reserve in equity are detailed in note 25.

2. Significant accounting policies continued

Retirement benefit costs

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

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

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

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

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

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 Group'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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the 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 Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and assets in the course of construction, over their estimated useful lives, using the straight-line method, on the following bases:

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets – software

Where computer software is not an integral part of a related item of computer hardware, the software is classified as an intangible asset. The capitalised costs of software for internal use include external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the software is substantially complete and ready for its intended internal use. These costs are amortised on a straight-line basis over their expected useful lives, which is normally five years.

Impairment of tangible and intangible assets excluding goodwill

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost formula. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

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

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. 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 initially measured at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective rate 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 payables

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

2. Significant accounting policies continued

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

Derivative financial instruments
The Group uses forward foreign currency contracts to mitigate the transactional impact of foreign currencies on the group's performance, and interest rate swaps to mitigate the risk of movements in interest rates. The Group'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.

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

Derivative financial instruments that are economic hedges that do not meet the strict IAS 39 'Financial Instruments: Recognition and Measurement' hedge accounting rules are accounted for as financial assets or liabilities at fair value through profit or loss and hedge accounting is not applied.

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

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.

Market risk
The group is exposed to market risk, primarily related to foreign exchange and interest rates. The Group's objective is to reduce, where it deems appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates, foreign currency rates and of the currency exposure of certain net investments in foreign subsidiaries. It is the Group's policy and practice to use derivative financial instruments to manage exposures of fluctuations on exchange rates. The Group only sells existing assets or enters into transactions and future transactions (in the case of anticipatory hedges) that it confidently expects it will have in the future, based on past experience. The Group expects that any loss in value for these instruments generally would be offset by increases in the value of the underlying transactions.

Foreign exchange rate risk
Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Group uses UK pounds sterling as its reporting currency. As a result, the Group is exposed to foreign exchange rate risk on financial assets and liabilities that are denominated in a currency other than UK sterling, primarily in US dollars and Hong Kong dollars.

Consequently, it enters into various contracts that reflect the changes in the value of foreign exchange rates to preserve the value of assets, commitments and anticipated transactions. The Group also uses forward contracts and options, primarily in US dollars and Russian roubles.

Interest rate risk
The Group remained cash positive during the year ended 26 March 2016 and is not currently exposed to any material interest rate risk.

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

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

Share-based payments
The Group has applied the requirements of IFRS 2 'Share-based Payments'.

The Group issues equity-settled share-based payments to certain employees. 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 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, updated at each balance sheet date.

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, with any changes in fair value recognised in the profit or loss for the year.

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

Onerous leases

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

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

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

Retirement benefits

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

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

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

Pension and other post-retirement benefits are inherently long-term and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post-retirement charges'. Note 29 to the consolidated financial statements describes the principal discount rate, inflation and pension retirement benefit obligation assumptions that have been used to determine the pension and post-retirement charges in accordance with IAS 19. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on prior experience, market conditions and the advice of plan actuaries.

At 26 March 2016, the Group's pension liability was £74.4 million (2015: £81.2 million). Further details of the accounting policy on retirement benefits are provided in note 2.

Impairment of stores' property, plant and equipment

Stores' property, plant and equipment (see note 15) are reviewed for impairment on a periodic basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Such circumstances or events could include: a pattern of losses involving the fixed asset; a decline in the market value for a particular store asset; and an adverse change in the business or market in which the store asset is involved. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining what cash flow is directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets involve the exercise of a significant amount of judgement. Further details of the accounting policy on the impairment of stores' property, plant and equipment are provided in note 2.

Notes to the consolidated financial statements
continued

3. Critical accounting judgements and key sources of estimation uncertainty continued

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate future cash flows expected to arise from the cash-generating unit, a suitable long term growth rate and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £26.8 million (2015: £26.8 million).

Property provisions
Descriptions of the provisions held at the balance sheet date are given in note 23. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any differences between expectations and the actual future liability are accounted for in the period when such determination is made.

Onerous leases
Provision has been made in respect of leasehold properties for vacant, partly let and loss making trading stores and costs relating to Early Learning Centre's supply chain warehouse, for the shorter of the remaining period of the lease and the period until, in the Directors' opinion, they will be able to exit the lease commitment. The amount provided is based on the future rental obligations together with other fixed outgoings, net of any sub-lease income and in the case of trading stores the expected future shortfall in contribution to cover the fixed outgoings. In determining the provision, the cash flows have been discounted on a pre-tax basis using a risk free rate of return. Significant assumptions are used in making these calculations and changes in assumptions and future events could cause the value of these provisions to change.

Allowances against the carrying value of inventory
The Group 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 Group 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 (see note 17).

Allowances against the carrying value of trade receivables
Using information available at the balance sheet date, the Group reviews its trade receivable balances and makes judgements based on an assessment of past experience, debt ageing and known customer circumstance in order to determine the appropriate level of allowance required to account for potential irrecoverable trade receivables (see note 18).

Allowances against the carrying value of investments in joint ventures
The Group reviews the recoverable amount of its investments on a periodic basis. If the recoverable amount is lower than the carrying value the asset is impaired (see note 13).

4. Revenue
An analysis of the Group's revenue, all of which relates to continuing operations, is as follows:

	52 weeks 26 March 2016 £ million	52 weeks 28 March 2015 £ million
Total revenue	**682.3**	713.9

5. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's Board in order to allocate resources to the segments and assess their performance. The Group's reporting segments under IFRS 8 are UK and International.

UK comprises the Group's UK store and wholesale operations, catalogue and web sales. The International business comprises the Group's franchise and wholesale revenues outside the UK. The unallocated corporate expenses represent Board and company secretarial costs and other head office costs including audit, professional fees, insurance and head office property.

	52 weeks ended 26 March 2016			
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
Revenue				
External sales	459.7	222.6	–	682.3
Result				
Segment result (underlying)	(6.4)	40.3	(8.1)	25.8
Share-based payments				(3.0)
Non-cash foreign currency adjustments (non-underlying)				1.2
Amortisation of intangible assets (non-underlying)				(0.9)
Exceptional items (note 6)				(10.2)
Profit from operations				12.9
Net finance costs (underlying)				(3.2)
Profit before taxation				9.7
Taxation				(3.3)
Profit for the period				6.4

	52 weeks ended 28 March 2015			
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
Revenue				
External sales	485.1	255.8	–	713.9
Result				
Segment result (underlying)	(18.0)	45.9	(8.6)	19.3
Share-based payments				(1.3)
Non-cash foreign currency adjustments (non-underlying)				6.9
Amortisation of intangible assets (non-underlying)				(1.0)
Exceptional items (note 6)				(30.5)
Loss from operations				(6.6)
Net finance costs (including £1.5 million non-underlying)				(6.5)
Loss before taxation				(13.1)
Taxation				(2.3)
Loss for the period				(15.4)

Revenues are attributed to countries on the basis of the customer's location. The largest International customer represents approximately 16.3% (2015: 18.5%) of Group sales.

Notes to the consolidated financial statements
continued

5. Segmental information continued

	52 weeks ended 26 March 2016		
	UK £ million	International £ million	Consolidated £ million
Other information			
Capital additions	33.9	11.2	45.1
Depreciation and amortisation	14.3	4.0	18.3
Balance sheet			
Assets			
Segment assets	190.7	110.4	301.1
Unallocated corporate assets			46.3
Consolidated total assets			347.4
Liabilities			
Segment liabilities	179.3	3.5	182.8
Unallocated corporate liabilities			75.5
Consolidated total liabilities			258.3

In addition to the depreciation and amortisation reported above, impairment losses of £1.5 million (2015: impairment losses of £1.0 million) were recognised in respect of property, plant and equipment. These impairment losses were attributable to the UK segment. A £1.8 million credit for the reduction in store impairment within plant and equipment is included within non-underlying administrative expenses and a £3.4 million charge is included within exceptional property costs.

	52 weeks ended 28 March 2015		
	UK £ million	International £ million	Consolidated £ million
Other information			
Capital additions	12.1	5.1	17.2
Depreciation and amortisation	13.4	4.3	17.7
Balance sheet			
Assets			
Segment assets	161.5	105.2	266.7
Unallocated corporate assets			64.4
Consolidated total assets			331.1
Liabilities			
Segment liabilities	167.6	4.3	171.9
Unallocated corporate liabilities			81.5
Consolidated total liabilities			253.4

Corporate assets not allocated to UK or International represent current tax assets/liabilities, deferred tax assets/liabilities, cash at bank and in hand, currency derivative assets/liabilities, borrowings and retirement benefit obligations.

6. Exceptional and other non-underlying items

Due to their significance or one-off nature, certain items have been classified as exceptional or non-underlying as follows:

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Exceptional items:		
Restructuring costs in cost of sales	**(0.3)**	(3.4)
Restructuring costs and property impairment included in administrative expenses	**(6.5)**	(0.9)
Property related costs in other exceptional items	**(0.1)**	(25.9)
Impairment of investment in joint venture in other exceptional items	**(3.3)**	(0.3)
Restructuring costs included in finance costs	**–**	(1.5)
Total exceptional items:	**(10.2)**	(32.0)
Other non-underlying items:		
Non-cash foreign currency adjustments under IAS 39 and IAS 21[1]	**1.2**	6.9
Amortisation of intangibles[1]	**(0.9)**	(1.0)
Exceptional and other non-underlying items	**(9.9)**	(26.1)

1 Included in non-underlying cost of sales is a credit of £0.3 million (2015: credit of £5.9 million).

Restructuring costs in cost of sales

During the 52 weeks ended 26 March 2016 a charge of £0.3 million (2015: £3.4 million) was recognised relating to store restructuring. In FY2014/15, this related to store restructuring and disruption costs relating to a major supplier of distribution going into administration.

Restructuring and property related costs included in administrative expenses

During the 52 weeks ended 26 March 2016 a charge of £6.5 million (2015: £0.9 million) was recognised. Total restructuring costs resulted in a charge of £8.3 million (2015: £5.7 million). £5.6 million related to fixed assets written off with respect to the store restructuring and refurbishment programme and £1.9 million related to the write off of amounts owed by a franchisee. In FY2014/15 this related to head office restructuring, implementation costs, indirect professional fees associated with the rights issue, recruitment and relocation costs. Partially offsetting this is a property impairment credit of £1.8 million (2015: a credit £4.8million). This arose due to the carrying value of property, plant and equipment being higher than the fair value and value in use. This is mainly driven by better trading performance of stores after refurbishment programme and more planned store closure.

Property related costs

Provisions of £0.1 million (2015: £25.9 million) have been made for onerous leases and losses on disposal/termination of property interests.

Impairment of joint venture investment

During the year, the group fully impaired its investment in Mothercare-Goodbaby China Retail Limited ('China JV') due to uncertainties in respect of the future cash flows. The impairment was recorded at the start of January 2016. The charge in the period amounts to £3.3 million. In FY2014/15, the amount related to the loss on disposal of our India JV.

Restructuring costs included in net finance costs

In FY2014/15, following a renegotiation of new banking facilities, a charge of £1.5 million for the write off of the previous unamortised facility charge was recognised. No costs have been incurred in the current year.

7. Profit/(loss) from retail operations

Profit/(loss) from retail operations has been arrived at after (crediting)/charging:

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Net total foreign exchange gains	**(7.6)**	(12.1)
Cost of inventories recognised as an expense	**420.1**	449.4
Write down of inventories to net realisable value	**(0.4)**	(1.4)
Depreciation of property, plant and equipment	**13.3**	13.1
Amortisation of intangible assets – software	**4.1**	3.6
Amortisation of intangible assets – other included in non-underlying cost of sales	**1.0**	1.0
Impairment of property, plant and equipment	**(1.8)**	(4.8)
Loss on disposal of property, plant and equipment	**4.2**	0.2
Net rent of properties (see note 27)	**44.6**	48.2
Amortisation of lease incentives	**(4.1)**	(4.8)
Hire of plant and equipment	**0.9**	0.7
Staff costs (including directors):		
Wages and salaries (including cash bonuses, excluding share-based payment charges)	**66.7**	70.9
Social security costs	**4.7**	4.5
Pension costs (see note 29)	**5.0**	3.8
Share-based payment charges (see note 28)	**3.0**	1.3
Exceptional costs included in cost of sales (see note 6)	**0.3**	3.4
Exceptional costs included in administrative expenses (see note 6)	**6.5**	0.9

An analysis of the average monthly number of full and part-time employees throughout the Group, including Executive Directors, is as follows:

	52 weeks ended 26 March 2016 Number	52 weeks ended 28 March 2015 Number
Number of employees comprising:		
UK stores	**4,488**	4,637
Head Office	**682**	624
Overseas	**176**	172
	5,346	5,433
Full time equivalents	**3,153**	3,304

Details of Directors' emoluments, share options and beneficial interests are provided within the remuneration report on pages 72 to 78.

For the 52 weeks ended 26 March 2016, profit from retail operations is stated after a non-underlying net credit of £1.2 million (2015: £6.9 million credit) to cost of sales as a result of non-cash foreign currency adjustments under IAS 39 and IAS 21.

7. Profit/loss from retail operations continued

The analysis of auditor's remuneration is as follows:

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	0.1
Fees payable to the Company's auditor for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.2
Total audit fees	**0.3**	0.3
Corporate finance fees	**–**	0.5
Total non-audit fees	**–**	0.5

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 are required to disclose such fees on a consolidated basis.

The corporate finance fees for 52 weeks ended 28 March 2015 are fees relating to the rights issue.

The policy for the approval of non-audit fees, together with an explanation of the services provided, is set out on page 60, in the corporate governance report.

8. Net finance costs

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Interest and bank fees on bank loans and overdrafts	**0.5**	4.4
Net interest on liabilities/return on assets on pension	**2.7**	2.1
Net finance costs	**3.2**	6.5

Notes to the consolidated financial statements
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9. Taxation

The charge for taxation on profit/(loss) for the period comprises:

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Current tax:		
Current year	**1.8**	2.0
Adjustment in respect of prior periods	**–**	0.2
	1.8	2.2
Deferred tax: (see note 16)		
Current year	**0.6**	–
Change in tax rate in respect of prior periods	**0.2**	–
Adjustment in respect of prior periods	**0.7**	0.1
	1.5	0.1
Charge for taxation on profit/(loss) for the period	**3.3**	2.3

UK corporation tax is calculated at 20% (2015: 21%) of the estimated assessable profit/(loss) for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the period can be reconciled to the profit/(loss) for the period before taxation per the consolidated income statement as follows:

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Profit/(loss) for the period before taxation	**9.7**	(13.1)
Profit/(loss) for the period before taxation multiplied by the standard rate of corporation tax in the UK of 20 % (2015: 21 %)	**1.9**	(2.8)
Effects of:	**1.6**	5.7
Expenses not deductible for tax purposes		
Change in tax rate	**0.2**	–
Impact of overseas tax rates	**1.5**	1.2
Relief for losses brought forward	**(1.9)**	(0.7)
Impact of double tax relief	**(0.7)**	(1.1)
Adjustment in respect of prior periods	**–**	0.2
Relief for exercise of share options	**–**	(0.3)
Impact of write-off of prior year deferred tax asset	**0.7**	0.1
Charge for taxation on profit/(loss) for the period	**3.3**	2.3

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations, share-based payments and cash flow hedges amounting to £1.8 million (2015: £5.3 million) has been credited directly to other comprehensive income.

10. Dividends

The Directors are not recommending the payment of a final dividend for the year (2015: £nil) and no interim dividend was paid during the year (2015: £nil).

11. Earnings per share

	52 weeks ended 26 March 2016 million	52 weeks ended 28 March 2015 million
Weighted average number of shares in issue	**170.6**	122.2
Dilution – option schemes	**6.0**	3.6
Diluted weighted average number of shares in issue	**176.6**	125.8
Number of shares at period end	**170.9**	170.5
	£ million	£ million
Profit/(loss) for basic and diluted earnings per share	**6.4**	(15.4)
Exceptional and other non-underlying items (note 6)	**9.9**	26.1
Tax effect of above items	**0.1**	(0.2)
Underlying earnings	**16.4**	10.5
	pence	pence
Basic earnings/(loss) per share	**3.8**	(12.6)
Basic underlying earnings per share	**9.6**	8.6
Diluted earnings/(loss) per share	**3.6**	(12.6)
Diluted underlying earnings per share	**9.3**	8.3

The increase in underlying earnings per share is lower than the increase in underlying profit. This is driven by a higher number of weighted average shares in issue during FY2015/16 due to the rights issue in October 2014.

12. Subsidiaries

Details of all the Group's investments in subsidiaries, all of which are wholly owned and included in the consolidation, at the end of the reporting period is as follows:

	Country	% owned	Nature of Business	Direct/ indirect
Chelsea Stores Holdings Limited	UK	100%	Holding Company	Direct
Chelsea Stores (EBT Trustees) Limited	UK	100%	Dormant	Indirect
Early Learning Holdings Limited	UK	100%	Holding Company	Indirect
Early Learning Centre Limited	UK	100%	Trading	Indirect
Early Learning Limited	UK	100%	Property Company	Indirect
Mothercare Group Sourcing Limited	Hong Kong	100%	Trading	Indirect
ELC Limited	UK	100%	Dormant	Indirect
Galleria Limited	UK	100%	Dormant	Direct
Mothercare Shops Group	UK	100%	Dormant	Indirect
TCR Properties Limited	UK	100%	Dormant	Direct
Mothercare (Jersey) Limited	Jersey	100%	Trading	Direct
Mothercare Finance Limited	UK	100%	Holding Company	Direct
Mothercare Sourcing Division (Bangladesh) Private Limited	Bangladesh	100%	Trading	Indirect
Mothercare Finance Overseas Limited	Cayman Islands	100%	Dormant	Direct
Mothercare Group Limited (The)	UK	100%	Investment Holding Company	Direct
Mini Club UK Limited	UK	100%	Trading	Indirect
Mothercare (Holdings) Limited	UK	100%	Dormant	Indirect
Mothercare UK Limited	UK	100%	Trading	Indirect
Childrens World Limited	UK	100%	Dormant	Indirect
Gurgle Limited	UK	100%	Trading	Indirect
Mothercare International (Hong Kong) Limited	Hong Kong	100%	Investment Holding Company	Indirect
Mothercare Sourcing India Private Limited	India	100%	Trading	Indirect
Mothercare Inc	US	100%	Non Trading	Indirect
Princess Products Limited	UK	100%	Dormant	Direct
Mothercare Operations Limited	UK	100%	Non Trading	Direct
Mothercare Procurement Limited	Hong Kong	100%	Trading	Direct
Mothercare Sourcing Limited	UK	100%	Dormant	Direct
Mothercare Trademarks AG	Switzerland	100%	Trading	Direct
Clothing Retailers Limited	UK	100%	Non Trading	Indirect
Retail Clothing Limited	UK	100%	Dormant	Indirect
Strobe (2) Investments Limited	Jersey	100%	Non Trading	Direct
Strobe Investments Limited	Jersey	100%	Trading	Direct

13. Investments in joint ventures

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Investments at start of period	**7.3**	7.7
Disposals	**(2.9)**	–
Share of loss	**(1.1)**	(0.2)
Impairment	**(3.3)**	(0.2)
Investments at end of period	**–**	7.3
Summary aggregate financial results and position of joint ventures:		
Current assets	**16.3**	27.1
Non-current assets	**8.5**	12.2
Total assets	**24.8**	39.3
Current liabilities	**(15.7)**	(17.2)
Non-current liabilities	**–**	(0.1)
Total liabilities	**(15.7)**	(17.3)
Total joint venture revenue	**28.6**	42.8
Total loss for the period	**(5.7)**	(0.7)

Details of the joint ventures are as follows:

	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %
Mothercare-Goodbaby China Retail Limited	Hong Kong	30	50
Wadicare Limited	Cyprus	30	30

During the year, the group fully impaired its investment in Mothercare-Goodbaby China Retail Limited ('China JV') due to uncertainties in respect of the future cash flows. The impairment was recorded at the start of January 2016, which corresponded with a sharp downturn in retail sales during the second half of the year, which in turn followed a more modest but persistent decline in retail sales in the preceding periods.

The Group is not obliged to make future funding payments and accordingly has not consolidated its share of the China JV's losses in the period from January to March 2016. These losses amounted to £0.6 million. The Group continues to trade with the China JV.

During the prior year the Group made a provision of £0.2 million against its holdings in Rhea Retail Private Limited and Juno Retail Private Limited to reflect the sale proceeds received in May 2015.

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14. Goodwill and intangible assets

		Intangible assets				
	Goodwill £ million	Trade name £ million	Customer relationships £ million	Software £ million	Software under development £ million	Total £ million
Cost						
As at 29 March 2014	68.6	28.8	5.7	26.6	0.3	61.4
Additions	–	–	–	4.0	2.3	6.3
Disposals	–	–	–	–	–	–
Transfers	–	–	–	0.3	(0.3)	–
As at 28 March 2015	68.6	28.8	5.7	30.9	2.3	67.7
Additions	–	–	–	11.4	1.6	13.0
Disposals	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
As at 26 March 2016	**68.6**	**28.8**	**5.7**	**42.3**	**3.9**	**80.7**
Amortisation and impairment losses						
As at 29 March 2014	41.8	20.1	5.3	18.6	–	44.0
Amortisation	–	0.8	0.2	3.6	–	4.6
Disposals	–	–	–	–	–	–
As at 28 March 2015	41.8	20.9	5.5	22.2	–	48.6
Amortisation	–	0.8	0.1	4.1	–	5.0
Disposals	–	–	–	–	–	–
As at 26 March 2016	**41.8**	**21.7**	**5.6**	**26.3**	**–**	**53.6**
Net book value						
As at 29 March 2014	26.8	8.7	0.4	8.0	0.3	17.4
As at 28 March 2015	26.8	7.9	0.2	8.7	2.3	19.1
As at 26 March 2016	**26.8**	**7.1**	**0.1**	**16.0**	**3.9**	**27.1**

Goodwill, trade name and customer relationships relate to the acquisition of Early Learning Centre on 19 June 2007, Gurgle Limited on 8 September 2009 and the Blooming Marvellous brand on 7 July 2010. Trade name and customer relationships are amortised over a useful life of 10-20 and 5-10 years respectively.

Impairment of goodwill
The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Goodwill acquired through the business combination has been allocated to the two groups of cash-generating units ('CGUs') that are expected to benefit from that business combination, being UK (£nil, 2015: £nil) and International (£26.8 million, 2015: £26.8 million). These segments represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amounts of the CGUs are determined from value in use calculations with a discounted cash flow model being used to calculate this amount. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to selling prices. Management has used a pre-tax discount rate of 10.7% (2015: 11.7%) which reflects the time value of money and risks related to the CGUs. The cash flow projections are based on financial budgets and forecasts approved by the Board covering a three year period. Cash flows beyond the three year period assume a 2% growth rate (2015: 2%), which does not exceed the long-term growth rate for the market in which the Group operates. The growth rates are based on the Group's latest five year plan. The value in use calculations use this growth rate to perpetuity.

The Group has conducted sensitivity analysis on the impairment test of the International CGU. With reasonable possible changes in key assumptions, there is no indication that the carrying amount of goodwill and intangible assets would be reduced to a lower amount.

Software
Software additions include £2.8 million (2015: £1.5 million) of internally generated intangible assets.

At 26 March 2016, the Group had entered into contractual commitments for the acquisition of software amounting to £3.2 million (2015: £0.8 million).

15. Property, plant and equipment

	Properties including fixed equipment				
	Freehold £ million	Leasehold £ million	Fixtures, fittings, equipment £ million	Assets in course of construction £ million	Total £ million
Cost					
As at 29 March 2014	7.9	100.7	147.1	1.4	257.1
Transfers	–	–	1.4	(1.4)	–
Additions	–	3.3	5.3	2.4	11.0
Disposals	–	(4.2)	(5.6)	–	(9.8)
Exchange differences	–	–	0.1	–	0.1
As at 28 March 2015	7.9	99.8	148.3	2.4	258.4
Transfers	–	–	2.4	(2.4)	–
Additions	–	11.0	14.1	7.0	32.1
Disposals	(1.6)	(9.2)	(16.0)	–	(26.8)
As at 26 March 2016	**6.3**	**101.6**	**148.8**	**7.0**	**263.7**
Accumulated depreciation and impairment					
As at 29 March 2014	2.6	77.3	117.6	–	197.5
Charge for period	–	4.3	8.8	–	13.1
Impairment	–	0.8	0.2	–	1.0
Disposals	–	(4.1)	(5.5)	–	(9.6)
Exchange differences	–	–	–	–	–
As at 28 March 2015	2.6	78.3	121.1	–	202.0
Charge for period	–	4.6	8.7	–	13.3
Impairment	–	(0.7)	2.2	–	1.5
Disposals	–	(7.7)	(14.8)	–	(22.5)
As at 26 March 2016	**2.6**	**74.5**	**117.2**	**–**	**194.3**
Net book value					
As at 29 March 2014	5.3	23.4	29.5	1.4	59.6
As at 28 March 2015	5.3	21.5	27.2	2.4	56.4
As at 26 March 2016	**3.7**	**27.1**	**31.6**	**7.0**	**69.4**

The net book value of leasehold properties includes £27.0 million (2015: £21.4 million) in respect of short leasehold properties. A £1.9 million credit against the impairment on property, plant and equipment has been included within non-underlying administrative expenses and a £3.4 million charge is included within exceptional property costs.

At 26 March 2016, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £4.8 million (2015: £4.7 million).

Freehold land and buildings with a carrying amount of £5.3 million (2015: £5.3 million) have been pledged to secure the Group's borrowing facility (see note 20). The Group is not allowed to pledge these assets as security for other borrowings.

16. Deferred tax assets and liabilities

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

	Accelerated tax depreciation £ million	Short-term timing differences £ million	Retirement benefit obligations £ million	Share-based payments £ million	Intangible assets £ million	Losses £ million	Total £ million
At 29 March 2014	2.4	7.4	9.9	0.2	(1.4)	–	18.5
Credit/(charge) to income	1.3	(1.2)	(0.6)	0.2	0.1	–	(0.2)
Credit/(charge) to other comprehensive income	–	(1.7)	7.0	–	–	–	5.3
At 28 March 2015	3.7	4.5	16.3	0.4	(1.3)	–	23.6
Credit/(charge) to income	1.9	(2.2)	(1.3)	(0.2)	0.3		(1.5)
Credit/(charge) to other comprehensive income	–	(0.4)	(1.5)	0.1	–	–	(1.8)
At 26 March 2016	**5.6**	**1.9**	**13.5**	**0.3**	**(1.0)**	**–**	**20.3**

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

	26 March 2016 £ million	28 March 2015 £ million
Deferred tax assets	**30.4**	32.3
Deferred tax liabilities	**(10.1)**	(8.7)
	20.3	23.6

At the balance sheet date the Group has unused tax losses of £19.5 million (2015: £32.0 million) available for offset against future profits. No deferred tax asset has been recognised for such losses.

At the reporting date, deferred tax liabilities of £0.1 million (2015: £0.1 million) relating to withholding taxes have not been provided in respect of the aggregate amount of unremitted earnings of £19.9 million (2015: £22.7 million) in respect of subsidiaries and joint ventures. No liability has been recognised because the Group, being in a position to control the timing of the distribution of intra group dividends, has no intention to distribute intra group dividends in the foreseeable future that would trigger withholding tax. There are no unremitted earnings in connection with interests in joint ventures.

At 26 March 2016, the Group has unused capital losses of £644.6 million (2015: £645.2 million) available for offset against future capital gains. No asset has been recognised in respect of the capital losses as it is not considered probable that there will be future taxable capital gains. The capital losses may be carried forward indefinitely.

17. Inventories

	26 March 2016 £ million	28 March 2015 £ million
Gross value	106.2	92.5
Allowance against carrying value of inventories	(4.4)	(4.8)
Finished goods and goods for resale	**101.8**	87.7

The amount of write down of inventories to net realisable value recognised within net income in the period is a credit of £0.4 million (2015: £1.4 million credit).

18. Trade and other receivables

	26 March 2016 £ million	28 March 2015 £ million
Trade receivables gross	58.8	54.6
Allowance for doubtful debts	(1.6)	(1.6)
Trade receivables net	57.2	53.0
Prepayments and accrued income	15.6	13.6
Prepaid facility fees	0.3	0.4
Other receivables	2.8	2.4
Trade and other receivables due within one year	**75.9**	69.4

The following summarises the movement in the allowance for doubtful debts:

	26 March 2016 £ million	28 March 2015 £ million
Balance at beginning of period	(1.6)	(1.6)
Released in the period	–	–
Balance at end of period	**(1.6)**	(1.6)

The Group's exposure to credit risk inherent in its trade receivables is discussed in note 21. The Group has no significant concentration of credit risk. The Group operates effective credit control procedures in order to minimise exposure to overdue debts and where possible also carries insurance against the cost of bad debts. The insurance counterparties involved in transactions are limited to high quality financial institutions. Before accepting any new credit customer, the Group obtains a credit check from an external agency to assess the credit quality of the potential customer and then sets credit limits on a customer-by-customer basis.

The historical level of customer default is minimal and as a result the 'credit quality' of year end trade receivables is considered to be high.

18. Trade and other receivables continued

The ageing of the Group's current trade receivables is as follows:

	26 March 2016 £ million	28 March 2015 £ million
Trade receivables gross	**58.8**	54.6
Allowance for doubtful debts	**(1.6)**	(1.6)
Trade receivables net	**57.2**	53.0
Of which trade receivables gross comprise:		
Amounts not past due on the reporting date	**50.4**	46.4
Amounts past due:		
Less than one month	**2.8**	3.3
Between one and three months	**2.8**	2.8
Between three and six months	**1.3**	0.7
Greater than six months	**1.5**	1.4
Allowance for doubtful debts:		
Amounts not past due on the reporting date	**–**	(0.1)
Less than one month	**–**	–
Between one and three months	**–**	–
Between three and six months	**(0.7)**	(0.5)
Greater than six months	**(0.9)**	(1.0)
Trade accounts receivable net carrying amount	**57.2**	53.0

Provisions for doubtful trade accounts receivable are established based upon the difference between the receivable value and the estimated net collectible amount. The Group establishes its provision for doubtful trade accounts receivable based on its historical loss experiences and an analysis of the counterparty's current financial position.

The average credit period taken on sales of goods is disclosed in note 21. No interest is charged on trade receivables, however, the right to charge interest on outstanding balances is retained.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

19. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

20. Borrowing facilities
The Group had outstanding borrowings at 28 March 2016 of £nil million (2015: £nil million).

Committed borrowing facilities
Following the rights issue during the prior year, the Group repaid the term loan and Revolving Credit Facility, previously in place, in full. New banking facilities with the Group's existing banks were signed on 22 October 2014 for £50 million, a Revolving Credit Facility expiring in May 2018. At the year end the Group had not drawn down on this facility.

	26 March 2016 £ million	28 March 2015 £ million
Borrowings:		
Secured borrowings at amortised cost:		
Committed facility	–	–
Revolving credit facility	–	–
Facility fee	–	–
Amount due for settlement within one year	–	–
Amount due for settlement after one year	–	–
Total borrowings	–	–
Weighted average interest rate paid (for when borrowings in place)	**0.0%**	**3.97%**

21. Risks arising from financial instruments
A. Terms, conditions and risk management policies
The Board approves 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 foreign exchange rates and interest 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. The Group's financial risk management policy is described in note 2.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

B. Foreign currency risk management
The Group incurs foreign currency risk on purchases whenever they are denominated in a currency other than the functional currency. This risk is managed through holding derivative financial instruments and through the natural offset of sales and purchases denominated in foreign currency.

The Group uses forward foreign currency contracts to reduce its cash flow exposure to exchange rate movements, primarily on the US dollar. For forward contracts taken out prior to 5 January 2014 the Group did not hedge account for its forward foreign currency contracts under the requirements of IAS 39. These derivative financial instruments were recognised 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 income statement. For contracts taken out after 5 January 2014 the Group has applied hedge accounting and the contracts are considered effective cash flow hedges and are accounted for by recognising the gain/loss on the hedge through reserves rather than the income statement.

These arrangements are designed to address significant foreign exchange exposures on forecast future purchases of goods for the following year and are renewed on a revolving basis as required.

In addition the Group also incurs foreign currency risk on royalty income as local sales are translated into Sterling amounts on which royalties are calculated. To help mitigate against further currency impacts, we hedge our major marked currency exposure. Hedge accounting has been applied for the contracts and the gain/loss on the hedge has been recognised through reserves.

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continued

21. Risks arising from financial instruments continued
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 income statement.

International sales represent 33% (2015: 36%) of Group sales. Of these sales, 32% (2015: 31%) were invoiced in foreign currency. The Group purchases product in foreign currencies, representing approximately 50% (2015: 53%) of purchases.

The following table provides an overview of the notional value of derivative financial instruments outstanding at year end by maturity profile:

	26 March 2016 £ million	28 March 2015 £ million
Foreign currency forward exchange contracts:		
Less than one year	163.0	174.7
After one year but not more than five years	13.9	–
	176.9	174.7

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	26 March 2016 £ million	28 March 2015 £ million	26 March 2016 £ million	28 March 2015 £ million
US dollar	(1.0)	(1.4)	21.4	17.7
Euro	–	(0.5)	4.6	–
Hong Kong dollar	(1.5)	(2.3)	0.8	1.0
Indian rupee	(3.8)	(0.8)	3.9	4.0
Chinese renminbi	(0.5)	(0.4)	0.3	0.2
Bangladeshi taka	(0.1)	–	0.2	0.2
	(6.9)	(5.4)	31.2	23.1

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

	26 March 2016 £ million	28 March 2015 £ million
At notional value	176.9	174.7
At fair value – less than one year	11.0	9.3
At fair value – more than one year	0.2	–
Total fair value	11.2	9.3

Of the outstanding forward foreign currency contracts fair valued at £11.0 million (2015: £9.3 million), £1.1 million (2015: £nil) are liabilities and £12.1 million (2015: £9.3 million) are current assets.

At 26 March 2016, the average hedged rate for outstanding forward foreign currency contracts is 1.52 for US dollars, 1.39 for Euros and 106.67 for Russian roubles. These contracts mature between April 2016 and May 2017.

The fair value of foreign currency forward contracts is measured using quoted foreign exchange rates and yield curves from quoted rates matching the maturities of the contracts, and they therefore are categorised within level 2 of the fair value hierarchy set out in IFRS 7.

The fair value of embedded derivatives is £0.1 million below notional value (2015: £0.2 million).

21. Risks arising from financial instruments continued

Currency sensitivity analysis

The Group's foreign currency financial assets and liabilities are denominated mainly in US dollars. The following table details the impact of a 10% increase in the value of pounds sterling against the US dollar. A negative number indicates a net decrease in the carrying value of assets and liabilities and a corresponding loss in non-underlying profit or in other comprehensive income where pounds sterling strengthens against the US dollar.

	Reflected in profit and loss		Reflected in equity	
	26 March 2016 £ million	28 March 2015 £ million	**26 March 2016 £ million**	28 March 2015 £ million
US dollar impact	**(2.7)**	(4.0)	**(17.8)**	(18.7)

C. Credit risk

Credit risk is the risk that a counterparty may default on their obligation to the Group in relation to lending, hedging, settlement and other financial activities. The Group's credit risk is primarily attributable to its trade receivables. The Group has a credit policy in place and the exposure to counterparty credit risk is monitored. The Group mitigates its exposure to counterparty credit risk through minimum counterparty credit guidelines, diversification of counterparties, working within agreed counterparty limits and trade insurance and bank guarantees where appropriate.

The carrying amount of the financial assets represents the maximum credit exposure of the Group. The carrying amount is presented net of impairment losses recognised. The maximum exposure to credit risk comprises trade receivables as shown in note 18, and cash and cash equivalents of £13.5 million and derivative financial assets.

The average credit period on trade receivables was 30 days (2015: 27 days) based on total Group revenue. The average credit period on International trade receivables based on international revenue was 91 days (2015: 74 days).

D. Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities and monitoring covenant compliance and headroom. Included in note 20 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

E. Interest rate risk

Prior to the repayment of the term loan and revolving credit facility these instruments gave rise to interest rate risk. Subsequent to the rights issue and the repayment of these balances, no such risk exists.

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

22. Trade and other payables

	26 March 2016 £ million	28 March 2015 £ million
Current liabilities		
Trade payables	**75.8**	54.2
Payroll and other taxes including social security	**3.7**	1.9
Accruals and deferred income	**44.4**	47.1
Lease incentives	**4.5**	3.8
VAT payable	**1.7**	–
	130.1	107.0
Non-current liabilities		
Lease incentives	**22.1**	20.4

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 68 days (2015: 50 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amount of trade payables approximates to their fair value.

23. Provisions

	26 March 2016 £ million	28 March 2015 £ million
Current liabilities		
Property provisions	**14.1**	25.6
Other provisions	**0.5**	0.9
Short-term provisions	**14.6**	26.5
Non-current liabilities		
Property provisions	**15.5**	17.2
Other provisions	**0.5**	0.8
Long-term provisions	**16.0**	18.0
Property provisions	**29.6**	42.8
Other provisions	**1.0**	1.7
Total provisions	**30.6**	44.5

23. Provisions continued

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 28 March 2015	42.8	1.7	44.5
Utilised in period	(12.9)	(0.5)	(13.4)
Charged in period	7.9	0.2	8.1
Released in period	(8.2)	(0.4)	(8.6)
Balance at 26 March 2016	**29.6**	**1.0**	**30.6**

Property provisions principally represent the costs of store disposals or closures relating to the optimisation of the UK portfolio which involves the closure of Mothercare and Early Learning Centre stores and provisions for onerous lease costs. Provisions for onerous leases have been made for vacant, partly let and trading stores for the shorter of; the remaining period of the lease and the period until the Group will be able to exit the lease commitment. For trading stores the amount provided is based on the shortfall in contribution required to cover future rental obligations together with other fixed outgoings. The majority of this provision is expected to be utilised over the next three financial years.

Other provisions represent provisions for uninsured losses (£1.0 million), hence the timing of the utilisation of these provisions is uncertain.

24. Share capital

	52 weeks ended 26 March 2016 Number of shares	52 weeks ended 28 March 2015 Number of shares	**52 weeks ended 26 March 2016 £ million**	52 weeks ended 28 March 2015 £ million
Issued and fully paid				
Ordinary shares of 50 pence each:				
Balance at beginning of period	**170,469,020**	88,813,598	**85.2**	44.4
Issued under the Mothercare Sharesave Scheme	**393,843**	1,713,128	**0.2**	0.8
Rights issue	**–**	79,942,294	**–**	40.0
Balance at end of period	**170,862,863**	170,469,020	**85.4**	85.2

Further details of employee and executive share schemes are given in note 28.

The own shares reserve of £0.3 million (2015: £0.4 million) represents the cost of shares in Mothercare plc purchased in the market and held by the Mothercare Employee Trusts to satisfy options under the Group's share option schemes (see note 28). The total shareholding is 55,386 (2015: 133,511) with a market value at 26 March 2016 of £0.1 million (2015: £0.3 million).

In October 2014, the Group completed a rights issue which was 94.6% subscribed and gave rise to net proceeds of £93.7 million. These proceeds are being used to progress the Group's store closure and refurbishment plan as well as to repay the Group's external borrowings and to upgrade its IT infrastructure.

25. Translation and hedging reserves

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Translation reserve		
Balance at beginning of period	**0.9**	(0.7)
Exchange differences on translation of foreign operations	**(0.4)**	1.6
Balance at end of period	**0.5**	0.9
Hedging reserve		
Balance at beginning of period	**6.8**	(0.4)
Cash flow hedges: gains arising in the period	**4.2**	13.3
Removal from equity to inventories during the period	**(1.0)**	(4.4)
Deferred tax on cash flow hedges	**(0.3)**	(1.7)
Balance at end of period	**9.7**	6.8

26. Reconciliation of cash flow from operating activities

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Profit from retail operations	**17.4**	19.8
Adjustments for:		
Depreciation of property, plant and equipment	**13.3**	13.1
Amortisation of intangible assets	**5.1**	4.6
Impairment of property, plant and equipment and intangible assets	**1.5**	(4.8)
Losses on disposal of property, plant and equipment and intangible assets	**4.2**	0.2
Profit on non-underlying non-cash foreign currency adjustments	**(1.2)**	(6.9)
Equity-settled share-based payments	**3.0**	1.3
Movement in provisions	**(13.9)**	(10.6)
Cash payments for other exceptional items	**2.8**	0.1
Amortisation of lease incentives	**(4.1)**	(4.8)
Lease incentives received	**5.3**	1.6
Payments to retirement benefit schemes	**(11.1)**	(6.4)
Charge to profit from operations in respect of retirement benefit schemes	**2.7**	1.4
Operating cash flow before movement in working capital	**25.0**	8.6
(Increase)/decrease in inventories	**(12.9)**	7.7
Increase in receivables	**(1.1)**	(9.6)
Increase/(decrease) in payables	**13.3**	(5.4)
Cash generated from operations	**24.3**	1.3
Income taxes received/(paid)	**(2.4)**	(2.4)
Net cash flow from operating activities	**21.9**	(1.1)

26. Reconciliation of cash flow from operating activities continued

Analysis of net cash

	28 March 2015 £ million	Cash flow £ million	Foreign exchange £ million	Other non-cash movements £ million	26 March 2016 £ million
Cash and cash equivalents	31.5	(18.0)	–	–	**13.5**
Borrowings	–	–	–	–	**–**
Facility Fee	–	–	–	–	**–**
Net cash	31.5	(18.0)	–	–	**13.5**

27. Operating lease arrangements

The Group as lessee:

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Amounts recognised in cost of sales for the period:		
Minimum lease payments paid	**44.5**	47.8
Contingent rents	**0.3**	0.6
Minimum sublease payments received	**(0.2)**	(0.2)
Net rent expense for the period	**44.6**	48.2

Contingent rent relates to store properties where an element of the rent payable is determined with reference to store turnover.

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

	26 March 2016 £ million	28 March 2015 £ million
Not later than one year	**45.1**	47.3
After one year but not more than five years	**132.6**	147.5
After five years	**84.5**	93.0
Total future minimum lease payments	**262.2**	287.8

At the balance sheet date, the Group had contracted with sub-tenants for the following future minimum lease payments:

	26 March 2016 £ million	28 March 2015 £ million
Not later than one year	**0.5**	0.7
After one year but not more than five years	**2.0**	1.9
After five years	**0.3**	0.6
Total future minimum lease payments	**2.8**	3.2

28. Share-based payments

An expense is recognised for share-based payments based on the fair value of the awards (at the date of grant for those awards due to be equity settled and at year end for those due to be cash settled), the estimated number of shares that will vest and the vesting period of each award.

The underlying charge for share-based payments is £3.0 million (2015: £1.3 million), including national insurance, of which £2.4 million (2015: £1.2 million) was equity-settled. At 26 March 2016 the liability in the balance sheet is £0.6 million related to the expected national insurance charge when share-based payment schemes vest (2015: £0.1 million).

These charges relate to the following schemes:

A. Save As You Earn Schemes

B. Company Share Option Plan

C. Long Term Incentive Plans

Details of the share schemes that the Group operates are provided in the Directors' remuneration report on page 85.

For each scheme, expected volatility was determined with reference to the 90-day volatility of the Group'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. The dates of exercise are not disclosed, as it is not deemed practicable to do so.

A. Save As You Earn Schemes

The employee Save As You Earn schemes are open to all employees and provide for a purchase price equal to the daily average market price on the days prior to the offer date, less 20%.

The share options can be applied for during a two-week period in the year of invitation and savings are placed in an employee Save As You Earn bank account on trust for a three-year period.

	Weighted average exercise price	52 weeks ended 26 March 2016 Number of shares	52 weeks ended 28 March 2015 Number of shares
Balance at beginning of period	**149p**	**1,733,876**	2,237,016
Granted during period	**169p**	**1,216,606**	998,535
Rights issue options during the period	**91p**	**588**	536,914
Forfeited during period	**166p**	**(110,714)**	(145,958)
Exercised during period	**106p**	**(393,843)**	(1,713,128)
Cancelled in the period	**169p**	**(106,830)**	(161,069)
Expired during period	**142p**	**(92,581)**	(18,434)
Balance at end of period	**166p**	**2,247,102**	1,733,876

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

28. 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 2015	December 2014	December 2013	December 2012
Number of options granted	1,216,606	998,525	199,071	299,407
Share price at grant date	224p	178p	410p	340p
Exercise price	169p	148p	310p	242p
Expected volatility	42.0%	42.0%	43.0%	50.0%
Risk free rate	0.54%	0.60%	0.86%	0.46%
Expected dividend yield	Nil	Nil	Nil	Nil
Time to expiry	3.25 years	3.25 years	3.25 years	3.25 years
Fair value of option	90.83p	165.8p	169.2p	158.5p

The resulting fair value is expensed over the service period of three years on the assumption that 20% of options will lapse over the service period as employees leave the Group.

B. Company Share Option Plan

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

The fair value of Company Share Option Plan share options is calculated based on a Black-Scholes model with the following assumptions:

Grant date	December 2014
Number of options granted	2,679,515
Share price at grant date	183p
Exercise price	184p
Expected volatility	56.0%
Risk free rate	0.97%
Expected dividend yield	Nil
Time to expiry	3.5 years
Fair value of option	74p

28. Share-based payments continued

C. Long Term Incentive Plans

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

	December 2013	December 2013	December 2013
Grant date	PBT awards	PBT awards	Share price awards
Number of shares awarded	242,961	404,934	647,895
Share price at date of grant	443p	443p	443p
Exercise price	Nil	Nil	Nil
Expected volatility	56.4%	49.3%	43.7%
Risk-free rate	0.68%	1.08%	0.63%
Expected dividend yield	Nil	Nil	Nil
Fair value of shares granted	443p	443p	228p
Average time to expiry	3 years	4 years	3.5 years

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

	December 2014	December 2014	March 2015	March 2015
Grant date	PBT awards	Share price awards	PBT awards	Share price awards
Number of shares awarded	1,466,718	1,466,718	412,000	412,000
Share price at date of grant	184p	184p	192p	192p
Exercise price	Nil	Nil	Nil	Nil
Expected volatility	56.3%	47.7%	56.3%	47.7%
Risk-free rate	0.92%	0.60%	0.92%	0.60%
Expected dividend yield	Nil	Nil	Nil	Nil
Fair value of shares granted	184p	71p	184p	71p
Average time to expiry	3.3 years	2.3 years	3.3 years	2.3 years

28. Share-based payments continued

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

Grant date	June 2015 PBT awards	June 2015 TSR awards	December 2015 PBT awards	December 2015 TSR awards	February 2016 PBT awards	February 2016 TSR awards
Number of shares awarded	1,303,870	1,303,870	71,096	71,096	79,802	79,802
Share price at date of grant	229p	229p	229p	229p	216p	216p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	54.14%	44.76%	54.14%	44.76%	54.14%	44.76%
Risk-free rate	1.21%	0.87%	1.21%	0.87%	1.21%	0.87%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Fair value of shares granted	2.58p	1.83p	2.58p	1.83p	2.58p	1.83p
Average time to expiry	4.0 years	3.0 years	3.5 years	2.5 years	3.3 years	2.3 years

29. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of Early Learning Centre Limited and Mothercare UK Limited.

The total cost charged to the income statement of £2.0 million (2015: £2.2 million) represents contributions due and paid to these schemes by the Group at rates specified in the rules of the plan.

Defined benefit schemes

The Group previously operated two defined benefit pension schemes for employees of Mothercare UK Limited; these were both closed to future accrual with effect from 30 March 2013.

The pension scheme assets are held in a separate trustee administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interest of the fund's beneficiaries.

For the protection of members' interests, the Group has appointed three trustees, two of whom are independent of the Group. To maintain this independence, the trustees and not the Group are responsible for appointing their own successors.

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

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

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

29. Retirement benefit schemes continued

The major assumptions used in the updated actuarial valuations were:

	26 March 2016	28 March 2015
Discount rate	**3.6%**	3.5%
Inflation rate – RPI	**3.1%**	3.1%
Inflation rate – CPI	**2.0%**	2.0%
Future pension increases	**3.0%**	3.0%
Male life expectancy at age 65	**23.9 years**	23.8 years
Male life expectancy at age 65 (currently aged 45)	**25.7 years**	25.6 years

1 Following the closure of the Scheme to future benefit accrual, a salary increase assumption is not required.

The mortality assumptions used are the SAPS tables published by the CMI allowing for future improvements in line with the CMI 2013 projections with a long-term annual rate of improvement of 1.25%.

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

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

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

Amounts expensed in the income statement in respect of the defined benefit schemes are as follows:

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

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

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

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

	26 March 2016 £ million	28 March 2015 £ million
Present value of defined benefit obligations	**361.9**	364.6
Fair value of schemes' assets	**(287.5)**	(283.4)
Liability recognised in balance sheet	**74.4**	81.2

29. Retirement benefit schemes continued

Movements in the present value of defined benefit obligations were as follows:

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
At beginning of period	**364.6**	303.0
Interest expense	**12.4**	13.4
Actuarial losses arising from changes in demographic assumptions	**3.6**	5.4
Actuarial (gains)/losses arising from changes in financial assumptions	**(9.8)**	47.5
Experience losses on liabilities	**–**	3.6
Benefits paid	**(8.9)**	(8.3)
At end of period	**361.9**	364.6

Movements in the fair value of schemes' assets were as follows:

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
At beginning of period	**283.4**	253.3
Interest income	**9.7**	11.3
Scheme administration expenses	**(2.7)**	(1.4)
Return on scheme assets excluding interest income	**(5.1)**	22.1
Company contributions	**11.1**	6.4
Benefits paid	**(8.9)**	(8.3)
At end of period	**287.5**	283.4

The major categories of scheme assets are as follows:

	26 March 2016 £ million	26 March 2016 £ million	28 March 2015 £ million	28 March 2015 £ million
	Quoted market price in active market	No quoted market price in active market	Quoted market price in active market	No quoted market price in active market
UK equities	**41.2**	**–**	38.2	–
Overseas equities	**70.7**	**–**	55.0	–
Corporate bonds	**58.5**	**–**	116.9	–
Property	**–**	**–**	–	–
Index-linked government bonds	**49.9**	**–**	–	
Hedge funds	**65.2**	**–**	70.1	–
Cash and cash equivalents	**2.0**	**–**	3.2	–
	287.5	**–**	283.4	–

29. Retirement benefit schemes continued

The scheme assets do not include any of the Groups own financial instruments nor any property occupied by or other assets used by the Group.

The estimated amount of cash contributions expected to be paid to the schemes during the 52 weeks ending 25 March 2017 is £9.9 million.

The scheme is funded by the Company. Funding of the scheme is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the trustees and the Company.

The weighted average duration of the defined benefit obligation at 26 March 2016 is approximately 23.5 years (2015: 23.5 years).

The defined benefit obligation at 26 March 2016 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2015: 0%)
- Deferred members: 67% (2015: 67%)
- Pensioner members: 33% (2015: 33%)

All benefits are vested at 26 March 2016 (unchanged from 28 March 2015).

30. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

52 weeks ended 26 March 2016	**Sales of goods £ million**	**Purchase of goods £ million**	**Amounts owed by related parties £ million**	**Amounts owed to related parties £ million**
Joint ventures	**8.9**	**–**	**4.8**	**–**

52 weeks ended 28 March 2015	Sales of goods £ million	Purchase of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
Joint ventures	14.7	–	3.9	–

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

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received at the year end. A provision of £0.9 million (2015: £1.0 million) has been made for doubtful debts in respect of the amounts owed by related parties. No amounts (2015: £nil) have been written off in respect of amounts owed by related parties.

30. Related party transactions continued

Remuneration of key management personnel

The remuneration of the Board (including executive and non-executive directors), who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited part of the remuneration report on pages 72 to 80.

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Short-term employee benefits	**4.0**	4.4
Post-employment benefits	**0.4**	0.2
Compensation for loss of office	**0.3**	0.3
	4.7	4.9

Mothercare Pension schemes

Details of other transactions and balances held with the two pension schemes are set out in note 29.

Other transactions with key management personnel

There were no other transactions with key management personnel

31. Events after the balance sheet date

There have been no post balance sheet events.

Company financial statements

Contents

Company balance sheet
As at 26 March 2016

	Note	26 March 2016 £ million	28 March 2015 £ million
Fixed assets			
Investments in subsidiary undertakings	3	**164.6**	162.2
		164.6	162.2
Current assets			
Debtors – amounts falling due within one year	4	**145.3**	158.8
Cash at bank and in hand and time deposits		**6.2**	50.2
		151.5	209.0
Creditors – amounts falling due within one year	5	**(124.3)**	(182.2)
Net current assets/(liabilities)		**27.2**	26.8
Total assets less current liabilities		**191.8**	189.0
Net assets		**191.8**	189.0
Capital and reserves attributable to equity interests			
Called up share capital	6	**85.4**	85.2
Share premium	7	**61.0**	60.8
Own shares	7	**(0.3)**	(0.4)
Profit and loss account	7	**45.7**	43.4
Equity shareholders' funds		**191.8**	189.0

Approved by the Board on 18 May 2016 and signed on its behalf by:

Richard Smothers
Chief Financial Officer

Company Registration Number: 1950509

Financial statements

Statement of changes in equity

	Share capital £ million	Share premium account £ million	Own share reserve £ million	Profit and loss account £ million	**Total equity £ million**
Balance at 28 March 2015	85.2	60.8	(0.4)	43.4	189.0
Profit for the period	–	–	–	–	–
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–
Issue of share capital	0.2	0.2	–	–	0.4
Capital contribution for equity-settled share based payments	–	–	–	2.4	2.4
Shares transferred to employees on vesting	–	–	0.1	(0.1)	–
Balance at 26 March 2016	**85.4**	**61.0**	**(0.3)**	**45.7**	**191.8**
Balance at 29 March 2014	44.4	6.3	(0.4)	47.2	97.5
Loss for the period	–	–	–	(5.1)	(5.1)
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	(5.1)	(5.1)
Issue of share capital	40.8	54.5	–	–	95.3
Capital contribution for equity-settled share based payments	–	–	–	1.3	1.3
Balance at 28 March 2015	**85.2**	**60.8**	**(0.4)**	**43.4**	**189.0**

Notes to the Company financial statements

1. Significant accounting policies

Basis of presentation

The Company's accounting period covers the 52 weeks ended 26 March 2016. The comparative period covered the 52 weeks ended 28 March 2015.

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Accordingly, in the 52 week period ended 26 March 2016 the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The prior period financial statements did not require restatement for material adjustments on adoption of FRS 101 in the current year.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemption available under the standard in relation to presentation of cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidation financial statements.

The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries, joint ventures and associates are stated at cost less, where appropriate, provisions for impairment.

Explanation of transition to FRS 101

This is the first time that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (pre-2015 UK GAAP) were for the 52 week period ended 28 March 2015 and the date of transition to FRS 101 was therefore 29 March 2015.

There have been no adjustments on transition to FRS 101.

2. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. The Company's result for the 52 weeks ended 26 March 2016 was £nil (2015: loss of £5.1 million). The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

3. Investments in subsidiary undertakings

Investments in the Company's balance sheet consist of its investments in subsidiary undertakings. The Company's subsidiaries, all of which are wholly owned, are included in note 12 of the Group financial statements.

The Company's investment in its subsidiary undertakings is as follows:

	26 March 2016 £ million	28 March 2015 £ million
Cost of investments (less amounts written off £153.0 million (2015: £153.0 million))	**153.9**	151.5
Loans to subsidiary undertakings	**65.5**	65.5
	219.4	217.0

	£ million
Cost	
At 28 March 2015	217.0
Share-based payments to employees of subsidiaries	2.4
At 26 March 2016	219.4
Impairment	
At 28 March 2015	(54.8)
Charged during the period	–
At 26 March 2016	(54.8)
Net book value	**164.6**

4. Debtors

	26 March 2016 £ million	28 March 2015 £ million
Amounts due from subsidiary undertakings	**145.2**	158.4
Other debtors	**0.1**	0.4
	145.3	158.8

5. Creditors

Creditors: amounts due within one year

	26 March 2016 £ million	28 March 2015 £ million
Amounts due to subsidiary undertakings	**123.6**	181.4
Accruals and other creditors	**0.7**	0.8
	124.3	182.2

6. Called up share capital

	Number of shares	£ million
Issued and fully paid		
Ordinary shares of 50p each:		
Balance at 28 March 2015	170,469,020	85.2
Issued under the Mothercare Sharesave Scheme	393,843	0.2
Balance at 26 March 2016	**170,862,863**	**85.4**

Further details of employee and executive share schemes are provided in note 28 to the consolidated financial statements.

7. Reserves

	Share premium £ million	Own shares £ million	Profit and loss account £ million
Balance at 28 March 2015	60.8	(0.4)	43.4
Net premium on shares issued	0.2	–	–
Fair value of share-based payments	–	–	2.4
Shares transferred to employees on vesting	–	0.1	(0.1)
Loss for the financial year	–	–	–
Balance at 26 March 2016	**61.0**	**(0.3)**	**45.7**

The own shares reserve of £0.3 million (2015: £0.4 million) represents the cost of shares in Mothercare plc purchased in the market and held by the Mothercare Employee Trusts to satisfy options under the Group's share option schemes (see note 28 to the consolidated financial statements). The total shareholding is 55,386 (2015: 133,511) with a market value at 26 March 2016 of £0.1 million (2015: £0.3 million).

Five year record
(unaudited)

	2016 £ million	2015 £ million	2014 £ million	2013[4] Restated £ million	2012 £ million
Summary of consolidated income statements					
Revenue	**682.3**	713.9	724.9	749.4	812.7
Underlying[1] profit from operations before interest	**22.8**	18.0	15.9	11.8	2.0
Non-underlying[2] items	**(9.9)**	(24.6)	(35.0)	(29.4)	(104.4)
Interest (net)	**(3.2)**	(6.5)	(7.2)	(6.3)	(0.5)
Profit/(loss) before taxation	**9.7**	(13.1)	(26.3)	(23.9)	(102.9)
Taxation	**(3.3)**	(2.3)	(1.2)	0.1	11.1
Profit/(loss) for the financial year	**6.4**	(15.4)	(27.5)	(23.8)	(91.8)
Basic earnings/(loss) per share	**3.8p**	(12.6p)	(31.0p)	(26.9p)	(105.2p)
Basic underlying earnings per share	**9.6p**	8.6p	7.7p	4.2p	1.8p
Summary of consolidated balance sheets					
Deferred tax asset	**20.3**	23.6	18.5	21.7	17.6
Other non-current assets	**123.5**	109.6	111.5	124.1	145.2
Net current assets	**57.8**	64.1	12.2	45.6	24.0
Retirement benefit obligations	**(74.4)**	(81.2)	(49.7)	(61.6)	(52.7)
Other non-current liabilities	**(38.1)**	(38.4)	(77.3)	(91.0)	(61.4)
Total net assets	**89.1**	77.7	15.2	38.8	72.7
Other key statistics					
Share price at year end	**180.0**	206.5p	189.0p	315.0p	166.0p
Net (debt)cash/equity	**15.0%**	40.5%	(238.5%)	(83.5%)	(27.6%)
Number of issued shares	**170,862,863**	170,469,020	88,813,598	88,653,417	88,636,762
Capital expenditure	**32.1**	12.7	10.9	16.2	24.9
Depreciation and amortisation	**13.4**	17.7	20.3	21.4	22.8
Rents	**44.6**	48.2	48.7	54.2	65.4
Number of UK stores	**170**	189	220	255	311
Number of International stores[3]	**1,310**	1,273	1,221	1,069	1,028
UK selling space (000's sq.ft.)	**1,552**	1,658	1,737	1,805	1,946
International selling space (000's sq.ft.)[3]	**3,027**	2,895	2,656	2,347	2,283
Average number of employees	**5,346**	5,433	5,613	6,226	6,943
Average number of full time equivalents	**3,153**	3,304	3,486	3,959	4,350

1 Before items described in note 2 below.
2 Includes exceptional items (property costs, restructuring costs, impairment charges) and other non-underlying items of amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments under IAS 39 and IAS 21 as set out in note 6 to the consolidated financial statements.
3 International stores are owned by franchise partners, joint ventures and associates.
4 Restated for amendments to IAS 19.