Company Registration No. 533087

Mothercare UK Limited

Report and Financial Statements for the

52 weeks ended 26 March 2005

MOTHERCARE UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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MOTHERCARE UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B Gordon
S Glew (resigned 28 December 2005)
C Astbury
G Berkmen
A Carr
S Pomfret (resigned 12 June 2005)
C Tiney (resigned 31 December 2005)

SECRETARY

C E Revett

REGISTERED OFFICE

Cherry Tree Road
Watford
Hertfordshire
WD24 6SH

BANKERS

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

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

MOTHERCARE UK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 26 March 2005.

ACTIVITIES

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

Further information on the activities of the Company are disclosed in the Mothercare plc annual report.

REVIEW OF DEVELOPMENTS

Turnover for the period was £455.7m (2004 - £445.4m). The profit from retail operations before exceptional items and interest decreased to £10.2m (2004 - £15.7m) but included an operating exceptional charge of £6.5m relating to the costs associated with the reorganisation of the distribution network as a result of the move to the new National Distribution Centre (2004 – operating exceptional credit of £0.8 million relating to VAT).

UK operating profit before exceptional operating items increased by 9.2 per cent to £9.5m from £8.7m last year as a result of increased sales, improved margins and reduced distribution costs. Total UK sales increased by 0.5 per cent to £399.6m, with three new stores and five closures during the period. Within the UK, Direct sales reduced by 4.8 per cent to £17.0m, largely due to significant sales increases in the web–enabled stores.

Mothercare International increased operating profit by 19.7 per cent to £7.3m (2004 - £6.1m), with sales up 17.3 per cent to £56.1m (2004 – £47.8m). Thirty new franchise stores were opened in the period, taking the total to 220 at the year end.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2004 – £nil).

FUTURE PROSPECTS

Having achieved the objectives for the second year of the three-year turnaround programme, the next phase is the start of the programme for sustainable, long-term growth.

Long-term growth will come from continued improvements to the performance of the existing operations, together with the expansion of the International business, new UK stores and extending the Direct operations.

DIRECTORS AND THEIR INTERESTS

The following directors served throughout the year:

B Gordon
S Glew (resigned 28 December 2005)
C Astbury
G Berkmen
A Carr
S Pomfret (resigned 12 June 2005)
C Tiney (resigned 31 December 2005)

Since the year end, S Glew, S Pomfret and C Tiney have resigned. S Pomfret resigned on 12 June 2005, S Glew resigned on 28 December 2005 and C Tiney resigned on 31 December 2005.

The directors have no interests in the shares of the Company, or any other group company, other than by virtue of their interests in the shares of the ultimate parent company, Mothercare plc.

The interests of B Gordon and S Glew are disclosed in the accounts of Mothercare plc.

During the financial year a Long Term Incentive Plan (LTIP) and a Share Matching Scheme (SMS) were in operation and conditional awards of ordinary shares in Mothercare plc were held under these schemes. Details of both schemes are given in the accounts of Mothercare plc.

DIRECTORS AND THEIR INTERESTS (CONTINUED)

The interests of the other directors, as at the end of the financial year, in the shares of Mothercare plc are shown below:

	Ordinary shares		Ordinary shares under option			
	Number		Date of grant	Option price	Number	
	2005	2004			**2005**	2004
C Astbury	-	-	Jan 2003	87p	**275,863**	275,863
			Dec 2003	155p	**5,951***	5,951*
S Pomfret	-	40,000	June 2002	207p	**209,662**	209,662
			Dec 2003	155p	**5,951***	5,951*
C Tiney	**19,910**	6,901	July 2001	255p	-	3,799*
			June 2002	207p	**62,802**	62,802

* Options granted under the three-year SAYE option scheme

	Conditional awards			
	LTIP		SMS	
	Number of shares		Number of shares	
	2005	2004	**2005**	2004
C Astbury	**55,728**	55,728	-	-
G Berkmen	**48,562**	48,562	-	-
A Carr	**32,375**	32,375	-	-
S Pomfret	**100,774**	-	**39,099**	9,099
C Tiney	**62,183**	62,183	**7,550**	7,550

The options are normally exercisable between three and ten years after date of grant. Details of the share schemes are given in the accounts of Mothercare plc. Details of the options exercised during the financial year ended 26 March 2005 are as follows:

Director	Scheme	Number of options	Exercise price	Market price at exercise date
C Tiney	Mothercare 2000 Executive Share Option Plan	3,799*	255p	317.5p

* Options granted under the three-year SAYE option scheme

In addition, Mothercare Employee Trust and Mothercare Secondary Trust are discretionary trusts for the benefit of employees and former employees (and their dependants) of Mothercare plc and its subsidiaries. At 26 March 2005, Mothercare Employee Trust held 3,388,902 shares (2004 – 3,545,800) and Mothercare Secondary Trust held 13,151 shares (2004 – 13,151). The directors are technically deemed to be interested in the shares held by these trusts as potential beneficiaries.

CHARITABLE AND POLITICAL DONATIONS

The Mothercare Charitable Foundation was constituted during the prior year with a donation of £150,000 from the Company and achieved charitable status on 16 June 2004. Charitable donations for the 52 weeks ended 26 March 2005 were £250,000, which included £200,000 donated to the Foundation and a further £50,000 donated to the British Red Cross Asian Tsunami appeal.

It is the Company's policy not to make political donations.

PAYMENT OF SUPPLIERS

Payments to merchandise suppliers are made in accordance with the general conditions of purchase, which are communicated to suppliers at the beginning of the trading relationship. It is the Company's policy to make payments to non-merchandise suppliers, unless otherwise agreed, within the period set out in the supplier's invoice or within 45 days from the date of invoice. The amount owed to trade creditors at the end of the financial year represented 34 days' purchases (2004 – 35 days), based on the average daily amount invoiced by suppliers during the year.

MOTHERCARE UK LIMITED

DIRECTORS' REPORT (CONTINUED)

EMPLOYEES

The Company communicates, and reviews with all its employees, its corporate objectives, performance and economic activity relevant to its business. This is achieved through briefings, bulletins, e-mail and video presentations.

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

DIRECTORS' AND OFFICERS' LIABILITY

Directors' and officers' liability insurance has been purchased by the Company during the period.

Approved by the board of directors on 25 January 2006

and signed by order of the board by:

C E Revett
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOTHERCARE UK LIMITED

We have audited the financial statements of Mothercare UK Limited for the 52 weeks ended 26 March 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the reconciliation of movements in equity shareholders' funds and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 26 March 2005 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
25 January 2006

MOTHERCARE UK LIMITED

PROFIT AND LOSS ACCOUNT
For the 52 weeks ended 26 March 2005

	Note	**52 weeks ended 26 March 2005 £'000**	52 weeks ended 27 March 2004 £'000
TURNOVER	2	**455,683**	445,391
Cost of sales	8	**(413,338)**	(398,507)
GROSS PROFIT		**42,345**	46,884
Administrative expenses		**(32,182)**	(31,202)
PROFIT FROM RETAIL OPERATIONS	4	**10,163**	15,682
Exceptional items:			
Profit on disposal of stores	8	-	1,911
Investment income	5	**136**	131
Interest payable and similar charges	6	**(100)**	(207)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**10,199**	17,517
Tax (charge)/credit on profit on ordinary activities	7	**(4,408)**	5,952
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**5,791**	23,469
Dividends paid and proposed		-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		**5,791**	23,469

All results relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
52 weeks ended 26 March 2005

	52 weeks ended 26 March 2005 £'000	52 weeks ended 27 March 2004 £'000
Profit on ordinary activities after taxation	**5,791**	23,469
Reduction in share capital (see note 17)	-	53,518
Total recognised gains and losses	**5,791**	76,987

MOTHERCARE UK LIMITED

BALANCE SHEET
As at 26 March 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Intangible assets	9	**17,702**	18,748
Tangible assets	10	**97,094**	91,486
Investments	11	**63,700**	63,700
		178,496	173,934
CURRENT ASSETS			
Stocks	12	**46,752**	44,916
Debtors	13	**49,213**	48,118
Cash at bank and in hand		**482**	1,740
		96,447	94,774
CREDITORS: amounts falling due within one year	14	**(158,700)**	(162,097)
NET CURRENT LIABILITIES		**(62,253)**	(67,323)
TOTAL ASSETS LESS CURRENT LIABILITIES		**116,243**	106,611
CREDITORS: amounts falling due after more than one year	15	**(74,566)**	(75,260)
PROVISIONS FOR LIABILITIES AND CHARGES	16	**(8,045)**	(3,510)
NET ASSETS		**33,632**	27,841
CAPITAL AND RESERVES			
Called up share capital	17	**24,372**	24,372
Profit and loss account	18	**9,260**	3,469
EQUITY SHAREHOLDERS' FUNDS		**33,632**	27,841

These financial statements were approved by the board of directors on 25 January 2006

and signed on behalf of the board of directors by:

B Gordon
Director

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS
52 weeks ended 26 March 2005

	52 weeks ended 26 March 2005 £'000	52 weeks ended 27 March 2004 £'000
Profit for the financial period	**5,791**	23,469
Dividends paid and proposed	-	-
Net increase in equity shareholders' funds	**5,791**	23,469
Opening equity shareholders' funds	**27,841**	4,372
Closing equity shareholders' funds	**33,632**	27,841

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The main accounting policies, which have been applied consistently throughout the 52 weeks ended 26 March 2005 and the preceding 52 weeks ended 27 March 2004, are described below:

Accounting convention

The financial statements are prepared under the historical cost convention.

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is currently estimated at 20 years. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and assets in course of construction, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

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

Residual value is calculated on prices prevailing at the date of acquisition.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Stocks

Stocks consist substantially of goods for resale and are stated at the lower of cost and net realisable value. Cost includes an appropriate element of overhead expenditure.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

1. ACCOUNTING POLICIES (continued)

Leases

All of the Company's leased assets are held under operating leases.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as incentives to enter into property leases are spread evenly over the lease term or, if shorter than the full lease term, over the period to the first rent review date on which the rent is expected to be adjusted to the prevailing market rate.

Employee share schemes

No cost is recognised in the profit and loss account in respect of awards made under SAYE option schemes.

The cost of awards made under the group's share based compensation schemes is based on the intrinsic value of the awards and is charged to the profit and loss account over the related period of employment.

Pension costs

The cost of providing pensions is calculated using actuarial valuation methods which reflect the long-term costs. The amount charged to the profit and loss account is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from the regular cost so calculated are allocated to the profit and loss account over the average remaining service lives of employees.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are taken directly to reserves.

Cash flow statement

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

Consolidation

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

2. TURNOVER

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

	52 weeks ended 26 March 2005 £'000	52 weeks ended 27 March 2004 £'000
UK	**399,617**	397,582
Rest of Europe	**28,053**	22,617
Rest of world	**28,013**	25,192
	455,683	445,391

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	52 weeks ended 26 March 2005 £'000	52 weeks ended 27 March 2004 £'000
Directors' emoluments		
Emoluments	**1,627**	1,883
Company contributions to money purchase pension schemes	**199**	201
Compensation for loss of office	**-**	294
	1,826	2,378
Remuneration of the highest paid director	**502**	749

One director exercised share options in the period (2004 - one). Details of share option schemes are disclosed in the directors' report.

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

	52 weeks ended 26 March 2005 Number	52 weeks ended 27 March 2004 Number
Money purchase schemes	**7**	7
Defined benefit schemes	**7**	7

Highest paid director

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

	52 weeks ended 26 March 2005 £'000	52 weeks ended 27 March 2004 £'000
Emoluments including annual and retention bonuses	**427**	688
Money purchase pension scheme	**75**	61
	502	749

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 26 March 2005 was £8,000 per annum (2004 - £4,000 per annum).

The highest paid director exercised no share options during the year. On 2 December 2004 125,000 shares were transferred to the highest paid director under the terms of the long term incentive scheme.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	52 weeks ended 26 March 2005	52 weeks ended 27 March 2004
Average number of persons employed (including directors)	**Number**	Number
(all employed in the UK and all employed in retail operations)		
Number employed	**5,128**	4,987
Full-time equivalent	**3,038**	3,024
Staff costs during the period (including directors)	**£'000**	£'000
Wages and salaries	**54,121**	52,681
Social security costs	**3,369**	3,028
Pension costs	**2,572**	2,955
	60,062	58,664

4. PROFIT FROM RETAIL OPERATIONS

	52 weeks ended 26 March 2005 £'000	52 weeks ended 27 March 2004 £'000
Profit from retail operations is stated after charging:		
Depreciation - owned assets	**12,003**	12,960
Amortisation of goodwill	**1,046**	1,046
Rentals under operating leases:		
- Hire of plant and machinery	**1,927**	1,810
- Other property operating leases	**47,117**	45,611
Auditors' remuneration - audit fee	**217**	193
- non-audit services	**372**	541
Staff costs	**60,062**	58,664

5. INVESTMENT INCOME

	52 weeks ended 26 March 2005 £'000	52 weeks ended 27 March 2004 £'000
Other interest receivable	**136**	131

6. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 26 March 2005 £'000	52 weeks ended 27 March 2004 £'000
Bank loans, overdrafts and other loans (repayable within five years, not by instalments)	**100**	207

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

7. TAX CHARGE/(CREDIT) ON PROFIT ON ORDINARY ACTIVITIES

The charge/(credit) for tax on profit on ordinary activities comprises:

	52 weeks ended 26 March 2005 £'000	52 weeks ended 27 March 2004 £'000
Current tax:		
UK corporation tax credit at 30% (2004 - 30%) representing group relief with other group companies	**356**	-
Prior year adjustment	**474**	483
	830	483
Deferred tax:		
Reversal of deferred tax asset in respect of tax losses utilised against profits for the financial year	**4,052**	-
Adjustment in respect of prior years	**(474)**	-
Exceptional credit for deferred tax	**-**	(6,435)
	3,578	(6,435)
	4,408	(5,952)

Factors affecting the tax charge/(credit) for the period:

	52 weeks ended 26 March 2005 £'000	52 weeks ended 27 March 2004 £'000
Profit on ordinary activities before taxation	**10,199**	17,517
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2004 – 30%)	**3,060**	5,255
Expenses not deductible for tax purposes	**1,495**	480
Tax relief on special contribution to pension scheme	**(750)**	-
Expenses allocated to Company under transfer pricing legislation	**(632)**	-
Tax liability transferred to Company under transfer pricing legislation	**356**	-
Capital allowances in excess of depreciation	**(616)**	315
Utilisation of tax losses	**(2,557)**	(6,050)
Prior year adjustment	**474**	483
Current tax charge	**830**	483

Factors that may affect future tax charges:

The Company had tax losses carried forward of approximately £25.2 million as at 26 March 2005 (2004 - £36 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

7. TAX CHARGE/(CREDIT) ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Deferred tax:

A deferred tax asset in respect of tax losses has been recognised to the extent of any deferred tax liabilities. A further tax asset of £2.8 million (2004 - £6.4m) has been recognised as the directors are of the opinion that it is more likely than not that this will be recoverable.

Deferred tax therefore comprises:

	52 weeks ended 26 March 2005 £ million	52 weeks ended 27 March 2004 £ million
Accelerated capital allowances	**(4.7)**	(4.8)
Other timing differences	**(0.1)**	0.5
Tax losses	**7.6**	10.7
	2.8	6.4

The movement on deferred tax in the balance sheet can be analysed as follows:

	£ million
Balance at 27 March 2004	6.4
Deferred tax charge for the 52 weeks ended 26 March 2005	(3.6)
Balance at 26 March 2005	2.8

8. EXCEPTIONAL ITEMS

As mentioned in the directors' report, cost of sales and profit for retail operations in the period includes an operating exceptional charge of £6.5m to provide for the direct revenue costs associated with the reorganisation of the distribution network, as a result of the move to a new National Distribution Centre (2004 - operating exceptional credit of £0.8 million relating to VAT).

In the 52 weeks ended 27 March 2004, the profit for the period included net non-operating items of £1.9m, comprising lease premiums received on the sale of 4 stores of £2.5m, partly offset by a further provision for losses on disposal of stores of £0.6m.

The tax effect of the above exceptional items was £nil.

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 27 March 2004 and 26 March 2005	20,920
Amortisation	
At 27 March 2004	2,172
Charge for the period	1,046
At 26 March 2005	3,218
Net book value	
At 27 March 2004	18,748
At 26 March 2005	17,702

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

10. TANGIBLE FIXED ASSETS

	Freehold properties £'000	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 27 March 2004	27,241	90,169	111,485	228,895
Additions	252	2,938	15,079	18,269
Disposals	(8)	(1,116)	(1,389)	(2,513)
At 26 March 2005	27,485	91,991	125,175	244,651
Accumulated depreciation				
At 27 March 2004	413	49,589	87,407	137,409
Charge for the period	130	4,779	7,094	12,003
Disposals	-	(608)	(1,247)	(1,855)
At 26 March 2005	543	53,760	93,254	147,557
Net book value				
At 27 March 2004	26,828	40,580	24,078	91,486
At 26 March 2005	26,942	38,231	31,921	97,094

The net book value of leasehold properties includes £38.1m (2004 - £40.4m) in respect of short leasehold properties.

11. INVESTMENTS

The Company's investment in its wholly owned subsidiary undertaking (Childrens World Limited), which is non-trading and incorporated in Great Britain, is as follows:

	26 March 2005 £'000	27 March 2004 £'000
Cost of investment less amounts written off of £7,000 (2004 - £7,000)	**63,700**	63,700

12. STOCKS

	26 March 2005 £'000	27 March 2004 £'000
Finished goods and goods for resale	**46,752**	44,916

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

13. DEBTORS

	26 March 2005 £'000	27 March 2004 £'000
Trade debtors	**11,958**	10,126
Amounts owed by group undertakings:		
Subsidiary undertakings	**2,750**	2,750
Other group undertakings	**5,065**	5,247
Other debtors	**2,908**	4,419
Prepayments and accrued income	**13,698**	11,804
Prepaid special contribution to pension scheme	**10,000**	-
UK corporation tax recoverable in respect of group relief	**-**	7,337
Deferred tax (note 7)	**2,834**	6,435
	49,213	48,118

The amount due from subsidiary undertakings of £2,750,000 (2004 - £2,750,000) is due after more than one year. All other debtors are due within one year.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	26 March 2005 £'000	27 March 2004 £'000
Bank loans and overdrafts	**36,300**	40,734
Trade creditors	**29,748**	25,605
Amounts owed to group undertakings:		
Subsidiary undertakings	**63,997**	63,986
Other group undertakings	**-**	-
Other taxes and social security	**1,191**	1,203
Corporation tax payable	**356**	-
Other creditors	**536**	489
Accruals and deferred income	**25,811**	29,093
Landlords' contributions	**761**	987
	158,700	162,097

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

	26 March 2005 £'000	27 March 2004 £'000
Amounts due to ultimate parent	**74,092**	74,092
Landlords' contributions	**474**	1,168
	74,566	75,260

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

16. PROVISIONS FOR LIABILITIES AND CHARGES

The movement on provisions can be analysed as follows:

	Property provisions £'000	**Distribution provisions £'000**	**Other provisions £'000**	**Total £'000**
Balance at 27 March 2004	2,512	-	998	3,510
Charged in period	-	6,542	300	6,842
Utilised in period	(1,045)	(945)	(317)	(2,307)
Balance at 26 March 2005	1,467	5,597	981	8,045

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

Distribution provisions principally represent the costs of the reorganisation of the distribution network, of which the main components relate to lease provisions on vacant property and start up costs. It is expected that substantially all of the distribution provisions will be utilised by March 2007.

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

17. CALLED UP SHARE CAPITAL

	26 March 2005 £'000	27 March 2004 £'000
Authorised:		
46,482,000 (2004: 46,482,000) ordinary shares of £1 each	**46,482**	46,482
Called up, allotted and fully paid:		
24,372,000 (2004: 24,372,000) ordinary shares of £1 each	**24,372**	24,372

During the prior period, by Court Order filed at Companies House on 26 March 2004, the Company reduced its share capital by £53,518,000.

18. RESERVES

	26 March 2005 £'000	27 March 2004 £'000
Balance at beginning of period	**3,469**	(73,518)
Profit for the financial period	**5,791**	23,469
Reduction in share capital (see note 17)	-	53,518
Balance at end of period	**9,260**	3,469

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

19. FINANCIAL COMMITMENTS

Banking arrangements

Under the Mothercare plc group banking arrangements, the Company is party to a set-off agreement against other Mothercare plc group member bank accounts

VAT

The Company is party to the Mothercare plc group VAT registration.

	26 March 2005 £'000	27 March 2004 £'000
Operating lease commitments		
Leases which expire:		
Within one year	2,667	1,849
Within two to five years	8,305	7,820
After five years	43,331	42,503
	54,303	52,172

The rents payable under these leases are subject to renegotiations at various intervals specified in the leases, typically every five years. The non-property commitments included above are £1,520,000 (2004 - £1,897,000).

20. PENSION ARRANGEMENTS

a) SSAP 24 disclosures

The Company has operated two funded defined benefit pension schemes for its employees during the year.

The pension costs of the schemes were assessed in accordance with the advice of qualified actuaries using primarily the projected unit and current unit methods. The latest valuations were carried out at 31 March 2003. The next actuarial valuations have been brought forward and will be carried out as at 31 March 2005.

The assumptions which have the most significant effect on the results of the valuation are set out below:

Rate of return on investments	6.5 – 7.0 per cent
Rate of increase in salaries	5.0 – 6.0 per cent
Rate of increase in pensions	3.0 per cent

The total pension cost to the Company is £2.4 million (2004 - £2.7 million). Total contributions made to the pension schemes in the year were £12.4 million, including a special contribution of £10 million, and the contribution rate for 2005/06 will be 13 per cent of pensionable earnings. Actuarial advice indicated that the assets of the schemes no longer fully cover the liabilities for the benefits accrued to members and, in mitigation, the Company made a special contribution of £10 million during the year. In accordance with SSAP 24, this is held as a prepayment of £10 million in the balance sheet as at 26 March 2005 (2004 - £nil).

Effective 28 March 2004, the final salary scheme was closed to new entrants and a 'career average' scheme was introduced to replace it. Existing members were asked to either increase their contributions from an average of 4.8 per cent to an average of 6.8 per cent or accrue future benefits on a 'career average' basis.

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 Company are responsible for appointing their own successors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

20. PENSION ARRANGEMENTS (CONTINUED)

b) FRS 17 disclosures

Additional disclosures regarding the Company's defined benefit pension schemes are required under the transitional provisions of FRS 17 'Retirement Benefits' and these are set out below. They provide information which would have been necessary for full implementation of FRS 17 in the 53 weeks ending 1 April 2006; however, due to changes in the regulatory requirements, the Company's ultimate parent company Mothercare plc is required to prepare its financial statements for the 53 weeks ending 1 April 2006 under International Financial Reporting Standards and therefore the Company also intends to prepare its financial statements for the 53 weeks ending 1 April 2006 under International Financial Reporting Standards, in line with Mothercare plc.

The full actuarial valuation described above was updated at 26 March 2005 by qualified actuaries using revised assumptions that were consistent with the requirements of FRS 17. Investments were valued, for this purpose, at fair value.

The major assumptions used for the updated actuarial valuations were:

	2005	2004	2003
Rate of increase in salaries	**4.3 per cent**	4.7 per cent	4.4 – 5.4 per
Rate of increase in pensions in payment	**2.8 per cent**	2.7 per cent	2.4 per cent
Discount rate	**5.5 per cent**	5.5 per cent	5.4 per cent
Inflation assumption	**2.8 per cent**	2.7 per cent	2.4 per cent

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

	2005 per cent	**2005 £ million**	2004 per cent	2004 £ million	2003 per cent	2003 £ million
Equities	**8.5**	**88.7**	8.5	88.2	9.0	67.7
Bonds	**5.5**	**19.5**	5.5	8.9 [1]	5.4	8.7
Property	**7.5**	**25.0**	7.5	23.1	7.5	20.4
Other assets	**4.5**	**0.5**		-	-	-
Special contribution [2]	**8.0**	**10.0**		-	-	-
Total fair value of assets		**143.7**		120.2		96.8
Present value of scheme liabilities		**(165.8)**		(142.4)		(128.5)
Deficit in the schemes		**(22.1)**		(22.2)		(31.7)
Related deferred tax asset		**6.6**		6.7		9.5
Net pension liability		**(15.5)**		(15.5)		(22.2)

Notes:
1. The information received from the investment manager and supplied to the actuary for the fair value of bonds held by the schemes as at 27 March 2004 was incorrect. Accordingly the comparative figure has been amended from £7.0 million to £8.9 million which has had the effect of reducing the net deficit in the schemes from £16.9 million to £15.5 million.
2. The special contribution of £10.0 million received from the Company was held in cash at the balance sheet date and has subsequently been invested in line with the scheme's investment asset allocation policy.

Movement in the deficit in the schemes during the year:

	2005 £ million	2004 £ million
Deficit at beginning of year	**(22.2)**	(31.7)
Operating costs	**(4.5)**	(4.9)
Normal contributions	**2.4**	2.7
Special contribution	**10.0**	-
Other finance income	**1.7**	1.1
Actuarial (loss)/gain	**(9.5)**	10.6
Deficit at end of year	**(22.1)**	(22.2)

The contribution rate for the 52 weeks ended 26 March 2005 was 13 per cent of pensionable earnings and the agreed contribution rate for the next year is 13 per cent of pensionable earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 weeks ended 26 March 2005

21. PENSION ARRANGEMENTS (CONTINUED)

b) FRS 17 disclosures (continued)

Analysis of the amount that would have been charged to operating profit under FRS 17:

	2005	2004
	£ million	£ million
Current service cost	**4.5**	4.9

Analysis of the amount that would have been credited to net finance income under FRS 17:

	2005	2004
	£ million	£ million
Expected return on pension scheme assets	**9.6**	8.1
Interest on pension scheme liabilities	**(7.9)**	(7.0)
	1.7	1.1

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

	2005	2004
	£ million	£ million
Actual return less expected return on pension scheme assets	**3.2**	14.7
Experience gains and losses arising on the scheme liabilities	**(2.9)**	0.2
Changes in assumptions underlying present value of the scheme liabilities	**(9.8)**	(4.3)
	(9.5)	10.6

History of experience gains and losses:

	2005	2004	2003
	£ million	£ million	£ million
Difference between the expected and actual return on scheme assets	**£3.2m**	£14.7m	(£36.4m)
As a percentage of scheme assets	**2.2%**	12.2%	(37.6%)
Experience gains and losses on scheme liabilities	**(£2.9m)**	£0.2m	-
As a percentage of the present value of scheme liabilities	**(1.8%)**	0.1%	0.0%
Total actuarial loss recognised in the statement of total recognised gains and losses	**(£9.5m)**	£10.6m	(£45.4m)
As a percentage of the present value of scheme liabilities	**(5.7%)**	7.4%	(35.3%)

The analysis of reserves that would have arisen if FRS 17 had been fully implemented is as follows:

	2005	2004
	£ million	£ million
Profit and loss account reserves excluding pension liability	**9.3**	3.5
Amount relating to defined benefit pension schemes' liability, net of deferred	**(15.5)**	(15.5)
Prepaid special contribution to pension scheme, net of deferred tax	**(7.0)**	-
Profit and loss account reserves	**(13.2)**	(12.0)

22. ULTIMATE AND CONTROLLING PARENT COMPANY

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

The largest and smallest group in which the results of this Company are consolidated is that headed by Mothercare plc, a company incorporated in Great Britain and registered in England and Wales. Copies of these consolidated financial statements may be obtained from Cherry Tree Road, Watford, WD24 6SH.

23. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of Mothercare plc, the Company has taken advantage of the exemption in FRS 8 "Related party disclosures" not to disclose transactions with other members of the group headed by Mothercare plc.