Company Registration No. 533087

Mothercare UK Limited

Report and Financial Statements for the

52 weeks ended 29 March 2003

MOTHERCARE UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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MOTHERCARE UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B Gordon
S Glew
C Tiney
V Gunn
A King
S Pomfret
C Astbury

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 29 March 2003.

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 £430.2m (2002 - £273.3m). The operating loss before exceptional items and interest was £23.7m (2002 - £1.7m), but included £2.8m of exceptional operating costs for redundancy and distribution, and £9.3m of "one-off" items which do not fall within the accounting definition of exceptional items. Adjusting for these items the operating loss for the period is £11.6m (2002 - £1.7m). Full disclosure of these costs is available in the Mothercare plc annual report.

Adjusting for these items the operating loss for the period is £11.6m (2002 - £1.7m).

The loss before taxation of £30.1m (2002 – £6.7m) also includes net non-operating exceptional charges comprising a provision for losses on disposal of stores of £3.1m, offset by £0.2m profit on stores closed during the year.

Mothercare Direct, which includes the catalogue and website businesses, had a successful year generating its first operating profit of £0.7m (2002 – breakeven), while sales grew 21.9% to £16.2m (2002 - £13.3m).

Mothercare International increased operating profit by 20% to £4.8m (2002 - £4.0m), with sales up 18.8% to £46.2m (2002 – £38.9m).

During the period 5 new out of town stores were opened in Manchester, Walsall, Bradford, Newbury and Leicester, while the rationalisation of the store portfolio continued with the closure of 9 in town stores.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2002 – nil).

FUTURE PROSPECTS

Improvements in distribution, cash management and trading have helped to stabilise the business and provide the foundation for delivery of the necessary turnaround. The turnaround programme is now fully underway. The plans are focussed on five key priorities: store proposition, product and sourcing, supply chain, customer service and infrastructure.

DIRECTORS AND THEIR INTERESTS

The following directors served during the year:

A T J Greenhalgh	(resigned 30 May 2002)
C N Martin	(resigned 14 July 2002)
C Tiney	
V Gunn	
M McMenemy	(resigned 3 March 2003)
A King	
S Pomfret	(appointed 10 June 2002)
B Gordon	(appointed 2 December 2002)
C Astbury	(appointed 3 January 2003)
S Glew	(appointed 4 March 2003)

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.

DIRECTORS' REPORT

In addition, Mothercare Employee Trust is a discretionary trust for the benefit of employees and former employees (and their dependents) of Mothercare plc and its subsidiaries. The Mothercare Employee Trust held 3,523,434 shares at 29 March 2003 (2002-3,523,434) and the directors are technically deemed to be interested in the shares held by Mothercare Employee Trust as potential beneficiaries.

The interests of B Gordon, S Glew, C Martin and M McMenemy are disclosed in the accounts of Mothercare plc. The interests of the other directors who held office at 29 March 2003 in the shares of Mothercare plc are as follows:

	Ordinary shares		Ordinary shares under option			
	Number		Date of grant	Option price	Number	
	2003	2002			2003	2002
C Tiney	-	-	Jan 2001	165p	145,454	145,454
			July 2001*	255p	3,799	3,799
			June 2002	207p	62,802	-
V Gunn	-	-	Feb 2001	204.5p	141,809	141,809
			July 2001*	255p	3,799	3,799
			June 2002	207p	72,464	-
A King	-	-	Sept 2001	290p	134,483	134,483
			June 2002	207p	96,558	-
S Pomfret	3,000	-	June 2002	207p	209,662	-
C Astbury	-	-	Jan 2003	87p	275,863	-

* Options granted under the three-year SAYE option scheme.

No directors exercised options during the period.

CHARITABLE AND POLITICAL DONATIONS

The Company contributed £85,000 (2002 - £67,507) to charities, supporting activities closely aligned to the business. It is the Company's policy not to make political donations.

PAYMENT OF SUPPLIERS

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of the transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company as at 29 March 2003 were equivalent to 35 days' purchases (2002 – 34 days), based on the average daily amount invoiced by suppliers during the year.

EMPLOYEES

The Company communicates, and reviews with all its employees, corporate objectives and 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.

MOTHERCARE UK LIMITED

DIRECTORS' REPORT

AUDITORS

On 31 July 2002, Arthur Andersen resigned as the Company's auditors following the agreement it reached with Deloitte & Touche under which partners and staff from Arthur Andersen joined Deloitte & Touche. The directors used their powers under the Companies Act 1985 to appoint Deloitte & Touche as the Company's auditors to fill the vacancy created by Arthur Andersen's resignation.

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26 (5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors
and signed by order of the board by:

C.E.Revett
Secretary
5 August 2003

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;
- 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 to 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 29 March 2003 which comprise the profit and loss account, the reconciliation of movements in shareholders' funds, the balance sheet 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 29 March 2003 and of its loss 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

5 August 2003

MOTHERCARE UK LIMITED

PROFIT AND LOSS ACCOUNT
For the 52 weeks ended 29 March 2003

	Note	52 weeks ended 29 March 2003 £'000	52 weeks ended 30 March 2002 £'000
TURNOVER	2	430,232	273,274
Cost of sales		(425,585)	(261,981)
GROSS PROFIT		4,647	11,293
Administrative expenses		(28,369)	(13,030)
OPERATING LOSS	4	(23,722)	(1,737)
Investment income	5	594	212
Interest payable and similar charges	6	(4,044)	(2,821)
Exceptional items:	8		
Loss on disposal of stores		(2,909)	-
Provision for costs of separation		-	(2,386)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(30,081)	(6,732)
Tax credit on loss on ordinary activities	7	731	2,020
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(29,350)	(4,712)
Dividends paid and proposed		-	-
RETAINED LOSS FOR THE FINANCIAL YEAR		(29,350)	(4,712)
Profit and loss account brought forward		(44,168)	(39,456)
Profit and loss account carried forward		(73,518)	(44,168)

There are no recognised gains and losses in either period other than the loss for the period.
All results relate to continuing operations.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
52 weeks ended 29 March 2003

	52 weeks ended 29 March 2003 £'000	52 weeks ended 30 March 2002 £'000
Loss for the financial year	(29,350)	(4,712)
Dividends paid and proposed	-	-
Net reduction in shareholders' funds	(29,350)	(4,712)
Opening shareholders' funds	33,722	38,434
Closing shareholders' funds	4,372	33,722

MOTHERCARE UK LIMITED

BALANCE SHEET
29 March 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Intangible assets	9	19,794	20,840
Tangible assets	10	98,387	101,869
Investments	11	63,700	63,700
		181,881	186,409
CURRENT ASSETS			
Stocks	12	47,855	54,885
Debtors	13	38,121	45,759
Cash at bank and in hand		1,259	918
		87,235	101,562
CREDITORS: amounts falling due within one year	14	(185,283)	(180,839)
NET CURRENT LIABILITIES		(98,048)	(79,277)
TOTAL ASSETS LESS CURRENT LIABILITIES		83,833	107,132
CREDITORS: amounts falling due after more than one year	15	(76,247)	(71,335)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(3,214)	(2,075)
NET ASSETS		4,372	33,722
CAPITAL AND RESERVES			
Called up share capital	17	77,890	77,890
Profit and loss account	18	(73,518)	(44,168)
EQUITY SHAREHOLDERS' FUNDS		4,372	33,722

These financial statements were approved by the board of directors on 5 August 2003.

Signed on behalf of the board of directors by:

S Glew
Director

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 29 March 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The main accounting policies, which have been applied consistently throughout the 52 weeks ended 29 March 2003 and the preceding 52 weeks ended 30 March 2002, 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, 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	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.

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.

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 29 March 2003

1. ACCOUNTING POLICIES (continued)

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 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 sheet 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 UK.

Turnover by destination can be analysed as follows:

	2003	**2002**
	£'000	**£'000**
UK	384,002	234,431
Rest of Europe	21,643	16,675
Rest of world	24,587	22,168
	430,232	273,274

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003	**2002**
	£'000	**£'000**
Directors' emoluments		
Emoluments	1,542	1,151
Company contributions to money purchase pension schemes	162	84
Compensation for loss of office	827	-
	2,531	1,235
Remuneration of the highest paid director	660	392

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 29 March 2003

3. **INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

No director exercised share options in the period (2002 - nil) and no shares were received or receivable under long-term incentive schemes (2002 - nil).

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

	2003 Number	2002 Number
Money purchase schemes	7	2
Defined benefit schemes	7	6

Highest paid director

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

	2003 £'000	2002 £'000
Emoluments including annual and retention bonuses	258	336
Money purchase pension scheme	63	56
Compensation for loss of office	339	-
	660	392

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 29 March 2003 was £6,000 per annum (2002 - £22,245 per annum).

The highest paid director exercised no share options and no shares were receivable under long-term incentive schemes.

Average number of persons employed	2003 Number	2002 Number
Number employed (all in UK)	5,016	2,767
Full-time equivalent	3,101	1,941
Staff costs during the year (including directors)	**£'000**	**£'000**
Wages and salaries	44,757	27,201
Social security costs	2,109	1,449
Pension costs	2,996	19
	49,862	28,669

Recent actuarial advice has indicated that the pension surplus on a SSAP 24 basis has now been eliminated. In accordance with SSAP 24, this advice has been taken into account when determining the appropriate pensions charge for the year. A brought forward pension prepayment of £1.5 million has therefore been written off as a result of the latest actuarial view. In addition, contributions made during the year of £1.5 million have been expensed.

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 29 March 2003

4. OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £'000	2002 £'000
Operating loss is stated after charging		
Depreciation – owned assets	14,228	6,603
Amortisation of goodwill	1,046	80
Rentals under operating leases:		
- Hire of plant and machinery	932	764
- Other property operating leases	45,428	27,916
Operating exceptional redundancy costs	2,023	-
Operating exceptional distribution costs	765	-
Auditors' remuneration - audit fee	180	111
- non -audit services	139	1,134
Staff costs	49,862	28,669

The Company incurred £2.8 million exceptional costs charged to operating loss during the year. These costs related to directors' and head office staff redundancy costs £1.9 million, store staff redundancies £0.1 million and £0.8 million one-off costs incurred in renegotiating the Company's warehouse and distribution contract during the year.

5. INVESTMENT INCOME

	2003 £'000	2002 £'000
Interest receivable	594	212

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Bank loans, overdrafts and other loans (repayable within five years, not by instalments)	4,044	2,821

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The credit for tax on ordinary activities comprises:

	2003 £'000	2002 £'000
UK corporation tax credit at 30% (2002 - 30%) representing group relief with other group companies	731	2,020

Factors affecting the tax credit for the period:

	2003 £'000	2002 £'000
Loss on ordinary activities before taxation	(30,081)	(6,732)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2002 – 30%)	(9,024)	(2,020)
Expenses not deductible for tax purposes	2,138	200
Capital allowances in excess of depreciation	(879)	(200)
Tax losses generated and carried forward to offset future profits	7,034	-
Current tax credit	(731)	(2,020)

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 29 March 2003

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges:

Based on current capital investment plans, the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years.

The company had tax losses carried forward of approximately £58 million as at 29 March 2003 (2002 - £35 million).

Deferred tax:

A deferred tax asset in respect of tax losses has been recognised to the extent of any deferred tax liabilities. No further tax asset has been recognised for the remaining tax losses of £49.9 million (2002 - £19 million) as the directors are of the opinion that there is sufficient uncertainty over their recoverability at this time.

Deferred tax therefore comprises:

	2003 £ million	2002 £ million
Accelerated capital allowances	(2.8)	(5.3)
Other timing differences	0.4	0.4
Tax losses	2.4	4.9
	-	-

8. EXCEPTIONAL ITEMS

As mentioned in the directors' report, the loss for the year includes a charge for the rationalisation of the store porfolio. The impact for the year has been partly mitigated by profits made on the disposal of stores as follows:

	2003 £'000	2002 £'000
Provision for losses on disposal of stores	(3,117)	-
Profit on disposal of stores	208	-
Amounts charged to cost of separation of Bhs and Mothercare	-	(2,386)
	(2,909)	(2,386)

The directors have conducted a full review of store profitability and identified a number of stores which are not expected to achieve acceptable levels of profitability. As a result, actions to close these stores commenced in February 2003. An exceptional charge of £3.1 million has been recognised to provide for the loss on disposal these stores. This has been offset by £0.2 million profit on stores disposed during the year. The net exceptional cost of £2.9 million has been charged to loss before taxation.

In the 52 weeks ended 30 March 2002 exceptional costs of £2.4 million were charged to profit before taxation in relation to the additional costs incurred as a result of the warehouse transition. This was the last stage of the reorganisation in relation to the disposal of Bhs that occurred in May 2000.

The tax effect of the above exceptional items is £nil (2002 - £nil).

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 29 March 2003

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 30 March 2002	20,920
At 29 March 2003	20,920
Amortisation	
At 30 March 2002	80
Charge for the year	1,046
At 29 March 2003	1,126
Net book value	
At 30 March 2002	20,840
At 29 March 2003	19,794

10. TANGIBLE FIXED ASSETS

	Freehold properties £'000	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 30 March 2002	28,811	87,953	112,154	228,918
Additions	-	7,285	6,060	13,345
Disposals	(900)	(3,079)	(3,574)	(7,553)
At 29 March 2003	27,911	92,159	114,640	234,710
Accumulated depreciation				
At 30 March 2002	252	43,451	83,346	127,049
Charge for the year	71	5,875	8,282	14,228
Disposals	-	(2,007)	(2,947)	(4,954)
At 29 March 2003	323	47,319	88,681	136,323
Net book value				
At 30 March 2002	28,559	44,502	28,808	101,869
At 29 March 2003	27,588	44,840	25,959	98,387

11. INVESTMENTS

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

	2003 £'000	2002 £'000
Cost of investment less amounts written off	63,700	63,700

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 29 March 2003

12. STOCKS

	2003 £'000	2002 £'000
Finished goods and goods for resale	47,855	54,885

During the year there was a change in the basis of estimation of overhead expenditure attributable to stocks such that an element of payroll cost is now excluded. This change reduced the overheads attributable to stocks by £0.5m and increased cost of sales by £0.5m.

13. DEBTORS

	2003 £'000	2002 £'000
Trade debtors	11,892	13,628
Amounts owed by group undertakings		
Subsidiary undertakings	2,750	2,840
Other group undertakings	1,787	331
Other debtors	2,363	6,961
Prepayments and accrued income	11,384	14,785
UK corporation tax recoverable in respect of group relief	7,945	7,214
	38,121	45,759

The amount due from subsidiary undertakings of £2,750,000 (2002 - £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

	2003 £'000	2002 £'000
Bank loans and overdrafts	67,470	60,619
Trade creditors	27,733	26,838
Amounts owed to group undertakings		
Subsidiary undertakings	63,964	63,946
Other group undertakings	3,942	7,052
Other taxes and social security	2,134	1,516
Other creditors	514	218
Accruals and deferred income	18,227	19,456
Landlords' contributions	1,299	1,194
	185,283	180,839

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

	2003 £'000	2002 £'000
Landlords' contributions	2,155	2,798
Amounts due to ultimate parent	74,092	68,537
	76,247	71,335

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 29 March 2003

16. PROVISIONS FOR LIABILITIES AND CHARGES

The provisions for liabilities and charges comprise property provisions for the costs of store disposals.

The movement on the property provisions is as follows:

	£'000
Balance at 31 March 2002	2,075
Charged to the profit and loss account	3,117
Utilised in the year	(1,978)
Balance at 29 March 2003	3,214

17. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised		
100,000,000 ordinary shares of £1 each	100,000	100,000
Called up, allotted and fully paid		
77,890,000 ordinary shares of £1 each	77,890	77,890

18. RESERVES

	2003 £'000	2002 £'000
Balance at beginning of year	(44,168)	(39,456)
Loss for the financial year	(29,350)	(4,712)
Balance at end of year	(73,518)	(44,168)

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 29 March 2003

19. FINANCIAL COMMITMENTS

	2003 £'000	2002 £'000
Capital commitments		
Contracted for but not provided	-	5,212

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.

	2003 £'000	2002 £'000
Operating lease commitments		
Leases which expire:		
Within one year	652	2,237
Within two to five years	5,913	4,687
After five years	41,558	38,837
	48,123	45,761

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 £1,023,000 (2002 - £1,354,000).

20. PENSION ARRANGEMENTS

a) SSAP 24 disclosures

The Company has continued to participate in 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 2000. The next actuarial valuations will be carried out as at 31 March 2003.

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

Rate of return on investments	8.25 per cent
Rate of increase in salaries	6.0 – 7.0 per cent
Rate of increase in pensions	3.5 per cent

Recent actuarial advice has indicated that the pension surplus on a SSAP 24 basis may now have been eliminated. In accordance with SSAP 24, this advice has been taken into account when determining the appropriate pensions charge for the year. A brought forward pension prepayment of £1.5 million has therefore been written off as a result of the latest actuarial view. In addition, contributions made during the year of £1.5 million have been expensed.

In the 52 weeks ended 29 March 2002, the total pension cost to the Company was £0.1 million and included a credit of £2.8 million in respect of amortisation of pension surpluses arising in earlier years which were being allocated to the remaining estimated service lives of members.

Total contributions made to the pension schemes in the year were £1.5 million and the contribution rate for 2003/4 currently continues at 6.75 per cent of pensionable earnings although this is expected to be revised to an estimated 10-12 per cent when the actuarial valuations as at 31 March 2003 have been concluded.

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20. PENSION ARRANGEMENTS (continued)

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.

b) FRS 17 disclosures

Additional disclosures regarding the Company's defined benefit pension schemes are required under the transitional provisions of FRS17 "Retirement benefits". In accordance with FRS17, the company will account for its contributions to the schemes as if they were defined contribution schemes because it is not possible to identify the Company's share of the assets and liabilities in the schemes on a consistent and reasonable basis. The latest actuarial valuations of the schemes, prepared for the purpose of making the transitional disclosures in accordance with FRS 17 in the consolidated financial statements of the parent company, Mothercare plc, show a deficit of £31.7m. Further details of these valuations can be found in the consolidated financial statements of the ultimate parent company, Mothercare plc. These financial statements are available from the address shown in note 21.

21. 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.

22. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of Mothercare plc, the Company has taken advantage of the exemption in FRS8 "Related party transactions" not to disclose transactions with other members of the group headed by Mothercare plc.