

# ***Mothercare UK Limited***

**Accounts For The 52 Weeks**

**Ended 29 March 1997**

**Together With**

**Directors' and Auditors' Reports**



The company's registered number is 533087

# ***Mothercare UK Limited***

## **Directors' Report For The 52 Weeks Ended 29 March 1997**

The directors present their annual report on the affairs of the Company together with the accounts and auditors' report for the 52 weeks ended 29 March 1997.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

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.

The period saw the completion of the acquisition of Childrens World Limited from the Boots Company Plc; 11 new stores commenced trading in the year, of which three were resited stores.

Turnover for the period increased by £12.4m to £332.2m (1996 £319.8m). Trading profit for the period was £21.3m (1996 £19.1m).

### **RESULTS FOR THE PERIOD**

The results for the period are as follows:

	£'000
Accumulated surplus at 31 March 1996	15,840
Profit for the period	11,524
Accumulated surplus at 29 March 1997	<u>27,364</u>

The directors do not recommend the payment of a final dividend (1996 £Nil).

## **DIRECTORS AND THEIR INTERESTS**

The following directors served during the year:

A T J Greenhalgh	
A Clifford-King	(appointed 13.9.96)
P J Davies	(resigned 27.2.97)
E K Davies	
S D Hughes	
P J Kitchen	(appointed 30.7.96/resigned 27.2.97)
C N Martin	(resigned 13.9.96)
A D Meehan	
J O'Leary	(appointed 17.5.96)
P F Sprague	(resigned 19.7.96)
T C Todd	(appointed 30.7.96)
A Thorne	(appointed 27.11.96)

The directors have no interests in the shares of the Company, other than by virtue of their interests in the shares of the ultimate parent company, Storehouse Plc.

Under the long term Incentive Plan, selected directors and full-time executives may, subject to the achievement of pre-defined performance criteria over a three year period, receive shares in Storehouse Plc. Storehouse Employee Trust is a discretionary trust for the benefit of employees and former employees (and their dependants) of Storehouse Plc and its subsidiaries. The Storehouse Employee Trust held 411,759 shares at 29 March 1997 and all the executive directors of the Company except for Alison Thorne are technically deemed to be interested in the shares held by Storehouse Employee Trust as potential beneficiaries. Storehouse Employees Share Trustee Limited held 472,816 shares at 29 March 1997 (1996 - 723,841 shares). Simon Hughes is technically deemed to be interested in the shares held by Storehouse Employees Trustee Limited as a potential beneficiary.

The interests of the directors (and their spouses) who held office at 29 March 1997 in the shares of Storehouse PLC are as follows:

### **STOREHOUSE PLC 10 PENCE ORDINARY SHARES**

	<b><u>As at 29 March 1997</u></b>	<b><u>As at 30 March 1996</u></b> <b><u>(or appointment)</u></b>
A T J Greenhalgh	5284	5284
S D Hughes	9181	441
T C Todd	200	-

In addition, the directors are entitled to options under the Storehouse Executive Share Option scheme and the Storehouse Sharesave Scheme (SAYE) to subscribe for ordinary shares in Storehouse PLC once a required period of service has elapsed. Details of the schemes are given in the accounts of Storehouse PLC. The unexpired options awarded to each of the above directors under these schemes are as follows:

# STOREHOUSE PLC 10 PENCE ORDINARY SHARES

	<u>As at 29 March 1997</u>	<u>As at 30 March 1996</u> <u>(or appointment)</u>
A T J Greenhalgh	162,594	141,079
A Clifford-King	45,482	17,601
E K Davies	151,125	119,579
S D Hughes	219,336	192,616
A D Meehan	208,225	173,525
J O'Leary	46,070	20,833
A Thorne	102,648	102,648
T Todd	70,631	-

Details of these options are set out below.

There have been no movements in directors' interests, either ordinary shares or options to acquire ordinary shares, between 29 March 1997 and 21 May 1997.

<i>Option Date</i>	<i>Price P</i>	<i>A T J Greenhalgh</i>	<i>E K Davies</i>	<i>A Clifford-King</i>	<i>S D Hughes</i>	<i>A D Meehan</i>	<i>J D O'Leary</i>	<i>A Thorne</i>	<i>T C Todd</i>
18.6.87	290				1,872				
17.6.88	254				17,619				
24.5.93	199	60,954	68,466		50,251				
22.11.93	201					39,800			
31.5.94	208	43,269	24,038		29,279	81,730		24,519	
30.5.95	264	18,939	18,939		56,818	41,666	20,833	24,621	
30.6.95	212		8,136						
1.12.95	339							25,000	
10.6.96	317	39,432	31,546	17,601	55,205	34,700	25,237	19,495	
29.11.96	269			27,881					70,631
		162,594	151,125	45,482	211,044	197,896	46,070	93,635	70,631
<i>Save As You Earn</i>									
1993	160				4,312				
1994	167					10,329		4,131	
1995	212							4,882	
1996	260				3,980				
		162,594	151,125	45,482	219,336	208,225	46,070	102,648	70,631

The following directors exercised options in respect of Storehouse PLC shares as set out below:

<i>Name</i>	<i>Date of Disposal</i>	<i>Exercise Price (P)</i>	<i>23.6.86 297p</i>	<i>1991 SAYE 79p</i>	<i>24.5.93 199p</i>	<i>Total</i>
S D Hughes	14.6.96	328.5	18,225			18,225
S D Hughes	14.6.96	305.0		5,500		5,500
A T J Greenhalgh	19.6.96	322.0	17,917			17,917
A Thorne	14.6.96	330.0			22,613	22,613

In addition S D Hughes completed and exercised a SAYE Share Option Scheme over 14,240 shares at 79p each at the end of the contractual SAYE period.

### **FIXED ASSETS**

Information relating to changes in tangible fixed assets is given in Note 11 to the accounts.

### **CHARITABLE AND POLITICAL DONATIONS**

The Company contributed £111,000 (1996 - £236,000) to charities. There were no political donations.

### **EMPLOYEES**

The Company places considerable value on involving its employees in the affairs of the Company, and in matters that affect them as employees, through meetings and frequent communications.

It is the Company's policy to consider applications for employment from disabled persons, having regard to their particular aptitudes and the extent of their disabilities at the time. The services of existing employees who are or who become disabled are retained wherever practicable. All disabled employees enjoy equal opportunities for advancement, training and career progression within any constraints imposed by their particular disability.

### **CREDITOR PAYMENT POLICY**

Payments are made to merchandise suppliers in accordance with the general conditions of purchase (which are communicated to suppliers) or the specific terms agreed with suppliers. It is the Company's policy to make payments to non-merchandise suppliers, unless otherwise agreed, within the period set out in the suppliers invoice or within 30 days of date of invoice.

## **DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS**

The directors are required to prepare accounts which give a true and fair view of the state of affairs of the Company as at the end of its financial year, and of the profit or loss for the financial year. The directors are also required to ensure that adequate records are maintained. In preparing the accounts, the directors consider that appropriate accounting policies consistently applied and supported by reasonable and prudent judgements have been used. Applicable accounting standards have been followed. The accounts have been prepared on a going concern basis.

The directors are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

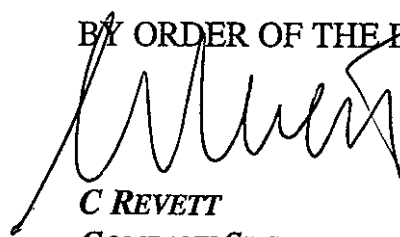
## AUDITORS

Arthur Andersen have expressed their willingness to continue as auditors of the Company for the ensuing year and a resolution proposing their reappointment will be put before the Annual General Meeting.

Cherry Tree Road  
Watford  
Hertfordshire  
WD2 5SH

5 August 1997

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'C Revett', written over the typed name.

**C REVETT**  
**COMPANY SECRETARY**

# Auditors' Report

To the Shareholders of Mothercare UK Limited.

We have audited the accounts on pages 9 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 13.

## **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 6, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

## **BASIS OF OPINION**

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company, 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 accounts 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 accounts.

## **OPINION**

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 29 March 1997 and of the profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen  
Chartered Accountants & Registered Auditors  
1 Surrey Street  
London  
WC2R 2PS

5 August 1997



# ***Mothercare UK Limited***

## **Profit and Loss Account For The 52 Weeks Ended 29 March 1997 (Note 1)**

	<u>Notes</u>	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
TURNOVER, excluding sales taxes	3	332,208	319,831
Cost of sales		<u>(298,444)</u>	<u>(287,001)</u>
GROSS PROFIT		33,764	32,830
Administrative expenses		<u>(12,426)</u>	<u>(13,750)</u>
TRADING PROFIT		21,338	19,080
Investment Income	5	273	634
Interest payable and similar charges	6	(8)	(638)
Exceptional item: Costs of restructuring	7	<u>(4,425)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	17,178	19,076
Taxation on profit on ordinary activities	10	<u>(5,654)</u>	<u>(5,111)</u>
PROFIT FOR THE FINANCIAL YEAR		11,524	13,965
Dividends paid and proposed	18	<u>-</u>	<u>(4,982)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	19	<u>11,524</u>	<u>8,983</u>

There were no recognised gains or losses in the period other than the profit for the period included above. Also, the Company uses the unmodified historical cost convention which means the profit for the period included above is equal to the profit under the historical cost convention. A statement of movements on reserves and reconciliation of the movement in shareholders funds is given in Note 19.

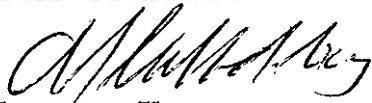
The accompanying notes are an integral part of these accounts.

# Mothercare UK Limited

## Balance Sheet - 29 March 1997 (Note 1)

	<u>Notes</u>	<u>1997</u> £'000	<u>1996</u> £'000
<b>FIXED ASSETS</b>			
Tangible assets	11	66,471	70,843
Investments	12	63,707	-
		<u>130,178</u>	<u>70,843</u>
<b>CURRENT ASSETS</b>			
Stocks		47,794	41,455
Debtors	13	38,395	26,463
Cash at bank and in hand		1,307	1,128
		<u>87,496</u>	<u>69,046</u>
<b>CREDITORS:</b>			
Bank loans and overdrafts		(4,583)	(2,325)
Other amounts falling due within one year	14	(102,904)	(38,527)
NET CURRENT (LIABILITIES)/ASSETS		<u>(19,991)</u>	<u>28,194</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>110,187</u>	<u>99,037</u>
<b>CREDITORS:</b>			
Amounts falling due after more than one year	14	(3,148)	(4,677)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
	15	(1,785)	(630)
NET ASSETS		<u>105,254</u>	<u>93,730</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	17	77,890	77,890
Profit and loss account	19	27,364	15,840
		<u>105,254</u>	<u>93,730</u>

SIGNED ON BEHALF OF THE BOARD

  
**A CLIFFORD-KING**  
**FINANCE DIRECTOR**

5 August 1997

The accompanying notes are an integral part of this balance sheet.

# ***Mothercare UK Limited***

## **Notes to the Accounts 29 March 1997**

### **1. BASIS OF PRESENTATION**

The Company's accounting period covers the fifty-two weeks ended 29 March 1997.  
The previous accounting period covered the fifty-two weeks ended 30 March 1996

### **2. ACCOUNTING POLICIES**

A summary of the principal accounting policies, all of which have been applied consistently throughout the period and the preceding period, is set out below.

#### **(a) Accounting Convention**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### **(b) 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.

#### **(c) Tangible Assets**

Tangible fixed assets are included at cost less accumulated depreciation.

Depreciation is charged on a straight-line basis over the following periods:

Leasehold buildings and     - the period of the lease  
improvements

Fixtures, fittings  
and equipment                     - 3 to 20 years

#### **(d) Leased Assets**

All of the Company's leased assets are under operating leases. Rentals under the operating leases are charged to profit and loss as incurred.

(e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided on the excess of capital allowances over book depreciation, and in respect of short-term timing differences to the extent that the directors are of the opinion that such tax will become payable in the foreseeable future.

(f) Foreign Currency

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the rates ruling at each balance sheet date. Resulting exchange gains and losses are included in cost of sales.

(g) 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 estimated average remaining service lives of employees.

(h) Turnover

Turnover comprises the value of sales (excluding sales taxes and net of discounts) of goods and services in the normal course of business.

(i) Cashflow Statement

The Company is exempt for the requirement of FRS1 Revised to include a cashflow statement as part of its financial statements because it is a wholly-owned subsidiary of Storehouse Plc in whose financial statements the Company is consolidated.

(j) Investments

The Company's investment in subsidiary undertakings is stated at cost less amounts written off.

(k) Consolidation

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

3. SEGMENT INFORMATION

Turnover and trading profit are derived substantially from activities performed within the U.K.

Turnover by destination can be analysed as follows:

	<u>1997</u> £'000	<u>1996</u> £'000
United Kingdom including Channel Islands	286,858	283,931
Rest of Europe	13,727	10,306
Middle East	19,914	16,414
Other	11,709	9,180
	<u>332,208</u>	<u>319,831</u>

In both 1996 and 1997 the United Kingdom turnover was derived from retail operations and the overseas turnover was derived from franchise operations.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following items:

	<u>1997</u> £'000	<u>1996</u> £'000
Depreciation	11,157	11,065
Rental of properties	34,517	33,596
Auditors' remuneration - audit fee	46	44
- non-audit services	25	-
Staff costs (see Note 8)	33,009	31,677

5. INVESTMENT INCOME

	<u>1997</u> £'000	<u>1996</u> £'000
Interest receivable	<u>273</u>	<u>634</u>

6. **INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>1997</u> £'000	<u>1996</u> £'000
Bank loans and overdrafts (repayable within five years, not by instalments)	8	638

7. **EXCEPTIONAL ITEM**

Includes the cost of integrating the Childrens World business into Mothercare's Head Office at Watford, and the closure of certain surplus stores.

Tax relief on the exceptional item is £988,000.

8. **STAFF COSTS**

Staff costs (including directors emoluments) were as follows:

	<u>1997</u> £'000	<u>1996</u> £'000
Wages and salaries	31,295	29,879
Social Security costs	1,678	1,765
Other pension costs (see also Note 21)	36	33
	<u>33,009</u>	<u>31,677</u>

An analysis of the average monthly number of persons employed by the Company is as follows:

	<u>1997</u>	<u>1996</u>
Number employed (all in UK)	4,527	4,467
Full-time equivalent	2,326	2,301

9. **DIRECTORS' EMOLUMENTS**

Emoluments of directors:

	<u>1997</u> £'000	<u>1996</u> £'000
Emoluments (including pension contributions)	1,034	862
Compensation for loss of office	90	-
	<u>1,124</u>	<u>862</u>

Directors received emoluments (excluding pension contributions and compensation for loss of office) in the following ranges:

		<u>Number of Directors</u>	
		<u>1997</u>	<u>1996</u>
£15,001	- £20,000	-	1
£30,001	- £35,000	1	-
£40,001	- £45,000	1	-
£50,001	- £55,000	1	-
£60,001	- £65,000	2	-
£70,001	- £75,000	1	-
£80,001	- £85,000	1	-
£105,001	- £110,000	-	1
£115,001	- £120,000	1	2
£130,001	- £135,000	1	-
£140,001	- £145,000	-	1
£150,001	- £155,000	-	1
£155,001	- £160,000	1	-
£185,001	- £190,000	-	1
£205,001	- £210,000	1	-

The above figures do not include any amount for the value of share options granted to or held by directors.

The emoluments of the highest paid director for services principally performed within the UK (excluding pension contributions) were £206,618 (1996 - £189,683).

#### 10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge on profit on ordinary activities comprises:

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
UK Corporation Tax at 33 %	6,083	5,815
Deferred Taxation (Note 16)		
- Current year	(629)	5
- Adjustment in respect of prior periods	(590)	(709)
Adjustment to current tax in respect of prior periods	790	-
	<u>5,654</u>	<u>5,111</u>

## 11. TANGIBLE FIXED ASSETS

The following are included in the net book value of tangible fixed assets:

	<u>Short L/Holds £'000</u>	<u>Fixtures Fittings &amp; Equipment £'000</u>	<u>Total £'000</u>
<b>COST</b>			
Beginning of year	59,632	73,805	133,437
Additions	2,858	6,792	9,650
Disposals	(2,796)	(2,747)	(5,543)
End of year	<u>59,694</u>	<u>77,850</u>	<u>137,544</u>
<b>DEPRECIATION</b>			
Beginning of year	20,748	41,846	62,594
Charge for year	3,059	8,098	11,157
Disposals	(870)	(1,808)	(2,678)
End of year	<u>22,937</u>	<u>48,136</u>	<u>71,073</u>
<b>NET BOOK VALUE</b>			
Beginning of year	<u>38,884</u>	<u>31,959</u>	<u>70,843</u>
<b>NET BOOK VALUE</b>			
End of year	<u>36,757</u>	<u>29,714</u>	<u>66,471</u>

## 12. INVESTMENTS

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

	<u>1997 £'000</u>	<u>1996 £'000</u>
Cost of investments less amounts written off	<u>63,707</u>	<u>-</u>

On 17 May 1996 the Company acquired 100 percent of the ordinary share capital of Childrens World Limited for cash. The fair value of the total consideration was £62.5 million. There were acquisition costs of £1.2 million.



13. **DEBTORS**

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Trade debtors	14,713	11,817
Amount due from subsidiary undertakings	9,327	2,750
Amounts due from other group undertakings	497	55
Other debtors	4,639	3,875
Prepayments and accrued income	8,630	7,966
Deferred tax asset (see Note 16)	589	-
	<u>38,395</u>	<u>26,463</u>

Of the amount due from subsidiary undertakings £2,750,000 (1996 - £2,750,000) is due after more than one year. All other debtors are due within one year.

14. (a) **CREDITORS (amounts falling due within one year)**

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Trade creditors	12,245	13,359
Amounts due to subsidiary undertakings	203	186
Amounts due to other group undertakings	73,536	6,590
Social Security and PAYE	889	847
Other creditors	339	303
Accruals and deferred income	6,590	9,016
Landlords' contributions	2,399	2,071
UK Corporation tax payable	6,703	6,155
	<u>102,904</u>	<u>38,527</u>

(b) **CREDITORS (amounts falling due after more than one year)**

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Landlords' contributions	<u>3,148</u>	<u>4,677</u>

15. **PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Deferred taxation (see Note 16)	-	630
Restructuring provision	1,785	-
	<u>1,785</u>	<u>630</u>

15. **PROVISIONS FOR LIABILITIES AND CHARGES (Cont'd)**

The restructuring provision comprises further costs of integrating the Childrens World business into Mothercare.

The movement on the restructuring provision is as follows:

	<u>1997</u> £'000
Balance at beginning of year:	-
Charged to profit and loss account	4,425
Utilised in year	(2,640)
Balance at end of year	<u>1,785</u>

16. **DEFERRED TAX**

	<u>1997</u> £'000	<u>1996</u> £'000
Deferred taxation comprises:		
Excess of tax allowances over book depreciation of fixed assets	1,000	1,000
Other timing differences	(1,589)	(370)
	<u>(589)</u>	<u>630</u>

The movement on deferred tax comprises:

Beginning of year	630	625
(Credited)/charged to profit and loss in respect of:		
Short term timing differences	(1,219)	5
End of year	<u>(589)</u>	<u>630</u>

The amount of deferred taxation cumulatively not provided because the directors are of the opinion that such tax will not become payable in the foreseeable future comprises:

	<u>1997</u> £'000	<u>1996</u> £'000
Excess of tax allowances over book depreciation of fixed assets	<u>13,242</u>	<u>10,966</u>

17. **CALLED-UP SHARE CAPITAL**

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Authorised:		
100,000,000 ordinary £1 shares	100,000	100,000
Allotted, called-up and fully paid:		
77,890,000 ordinary £1 shares	77,890	77,890

18. **DIVIDENDS PAID AND PROPOSED**

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
1996 - Interim at 6.4p per ordinary share	-	4,982

19. **PROFIT AND LOSS ACCOUNT**

a) The balance on the profit and loss account is analysed as follows:

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Balance at beginning of year	15,840	6857
Profit for the year	11,524	8983
Balance at end of year	27,364	15,840

b) Reconciliation of movement in total Shareholder's Funds:

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Retained profit for the financial year	11,524	8,983
Opening Shareholder's Funds	93,730	84,747
Closing Shareholder's Funds	105,254	93,730

20. **FINANCIAL COMMITMENTS**

a) Lease Commitments

Current annual commitments under operating leases, principally relating to land and buildings, are as follows:

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Leases which expire:		
- within one year	499	633
- between two and five years	1,302	1,106
- over five years	33,293	31,473
	35,094	33,212

20. **FINANCIAL COMMITMENTS (cont'd)**

Included in the above commitment is £2,332,000 (1996 - £4,174,000) payable to another group undertaking.

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 £1,511,000 (1996 - £1,325,000).

b) **Capital Commitments**

	<b><u>1997</u></b>	<b><u>1996</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Contracted for but not provided for	<u>2,281</u>	<u>3,331</u>

c) **Banking Arrangements**

Under the Storehouse PLC Group banking arrangements the Company is a party to a set-off agreement against other Storehouse PLC Group member bank accounts.

The Company is party to the Storehouse Group VAT registration.

21. **PENSION ARRANGEMENTS**

Employees of the Company are members of the defined benefit pension schemes operated by the Storehouse PLC Group for its UK employees. The majority of the assets of each of the schemes are held in a separate trustee Common Investment Fund. The pension costs relating to the schemes were assessed in accordance with the advice of qualified actuaries using primarily the projected unit and current unit methods. The latest actuarial valuations were carried out on 1 April 1994, and a further valuation is being carried out effective 1 April 1997.

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

Rate of return on investments	9%
Rate of increase in salaries	7%-8%
Rate of increase in pensions	4.5%

The aggregate market value of the investments at 1 April 1994 was £292.6 million and the actuarial values were sufficient to cover between 130 percent and 165 percent (average (138 percent) of the benefits that had accrued to members after allowing for expected future increases in earnings.

21. **PENSION ARRANGEMENTS (Cont'd)**

The total pensions cost for the Company is £36,000 (1996 - £33,000) and includes a credit of £2.8 million (1996 - £2.3 million) in respect of the amortisation of pension surpluses arising in prior years which are now being allocated over the remaining estimated service lives of employees of between 6 and 16 years.

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

22. **ULTIMATE PARENT COMPANY**

The ultimate parent company is Storehouse Plc.

The largest and smallest group in which the results of Mothercare UK Limited are consolidated is that headed by Storehouse PLC. The consolidated accounts of this group are available to the public and may be obtained from Marylebone House, 129-137 Marylebone Road, London NW1 5QD.

23. **RELATED PARTY TRANSACTIONS**

As a subsidiary of Storehouse Plc, the Company has taken advantage of the exemption in FRS8 "related party disclosures" not to disclose transactions with other members of the group headed by Storehouse Plc.