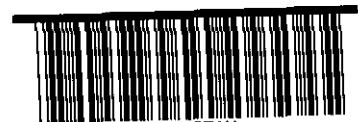


KIDSUNLIMITED LIMITED

ANNUAL REPORT

YEAR ENDED 30 APRIL 2002



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KIDSUNLIMITED LIMITED

COMPANY INFORMATION

Directors	Jean Pickering Stewart Pickering Graham Smith Adam Holloway Stephen Chalmers-Morris Christopher Winstanley
Secretary	Stephen Chalmers Morris
Company Number	4210086
Registered Office	Westhead 10 West Street Alderley Edge Cheshire SK9 7EG
Auditors	PKF Sovereign House Queen Street Manchester M2 5HR
Bankers	National Westminster Bank Plc Trafford Corporate Office 16 Kingsway Altrincham Cheshire WA14 1PJ

KIDSUNLIMITED LIMITED

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KIDSUNLIMITED LIMITED
CHAIRMAN'S STATEMENT
YEAR ENDED 30 APRIL 2002

These accounts represent the first ten months of trading of Kidsunlimited Limited, following the acquisition of Kids of Wilmslow Limited on 25th June 2001. This acquisition was made possible as a result of the company receiving funding from Isis Capital plc, a member of the Friends Provident Group, who invested £419,430 in ordinary shares, and £4,455,000 in fixed rate guaranteed loan notes on the same day.

The operating loss for the period to 30th April 2002 pre interest, depreciation, goodwill amortisation and exceptional items was £346,212. The loss for the period after interest, depreciation and exceptional items was £1,892,931. This result was heavily impacted, not only by the costs of £372,000 attributable from the raising of funds, but also by start up losses in the new nurseries which opened in the period.

The net effect of the above openings and closures was that at the end of April 2002, the company operated 33 nurseries, with a total of 2,686 registered places. Following the period end, we have opened one further nursery which increases the total of registered places to 2,840. In addition, we have exchanged contracts to develop a further two nurseries which will have a combined anticipated total of 238 registered places. Two further sites with a combined anticipated total of 280 registered places are at the legal stages of negotiation, and a number of other sites are under active consideration.

At the time the acquisition of Kids of Wilmslow Limited was made, two new directors were appointed to assist the existing executive directors to rapidly develop the business. Unfortunately, things did not work out as planned, and in April 2002, the two directors, John Hirst and David Hirst, resigned. The accounts for the period to 30th April 2002 include £309,000 in respect of payments made to these two directors.

I am pleased to report that in June 2002, a new Managing Director, Chris Winstanley, was appointed. Chris has worked for over twenty years in senior management positions with leading national and international retail companies. I am sure that this experience, when harnessed with the experience of the founder directors Jean and Stewart Pickering, will materially benefit the company in consolidating its position as a market leader in the rapidly growing childcare market.

The board's confidence in the future of the business has been underpinned by further investment in the company by our major shareholder, Isis Capital plc, and by myself and Chris Winstanley. On 11th July 2002, the company increased its authorised share capital by £135,000, and issued £750,000 of fixed rate guaranteed loan notes. As a result of this new investment, the company had pro-forma shareholders funds, before any operating losses, but including guaranteed loan notes and accrued interest thereon of £4,009,674, and consolidated net debt of £1,200,000.

Kidsunlimited has been involved in childcare for twenty years. During that time, it has built up a wealth of employee experience. I would like to this opportunity to thank these employees who have contributed to the company's success to date and whose support the company depends on to achieve success in the future.

The company will continue to report losses in the current year as recently opened nurseries move towards maturity, and new openings impact for the first time. However the results for the first quarter of this financial year indicate that the company is moving towards breakeven at the operating level before depreciation and interest on shareholders loans. If this trend continues, the outlook for the future is encouraging.

KIDSUNLIMITED LIMITED
DIRECTORS' REPORT
YEAR ENDED 30 APRIL 2002

The directors submit their report and the consolidated financial statements for the year ended 30 April 2002.

Results and dividends

The loss for the year, after taxation, amounted to **£1,892,931**.

Incorporation and change of name

The company was incorporated on 2 May 2001 as Cobco (393) Limited and changed its name on 6 December 2001 to Kidsunlimited Limited. The company commenced trading on 26 June 2001.

Principal activity and review of business

The principal activity of the company during the year was a holding company

A review of business is included in the Chairmans Statement on page 1.

Future developments

On 11th July 2002, the company increased its issued share capital by £135,000, and issued £750,000 of fixed rate guaranteed loan notes to Isis Capital plc. This investment will assist the company's plans to open new facilities.

Directors

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at date of appointment were:

	Ordinary Shares of 1p each
	2002
Jean Pickering (appointed 25 June 2001)	1,690,346
Stewart Pickering (appointed 25 June 2001)	1,690,353
Graham Smith (appointed 16 January 2002)	-
Adam Holloway (appointed 25 June 2001)	-
Stephen Chalmers-Morris (appointed 4 June 2001)	300,900

The following directors also served during the period: -

David Hirst (appointed 25 June 2001)(resigned 16 April 2002)
John Hirst (appointed 4 June 2001)(resigned 16 April 2002)
Cobbetts Limited (appointed 2 May 2001)(resigned 4 June 2001)
Cobbetts (Secretarial) Limited (appointed 2 May 2001)(resigned 4 June 2001)

Christopher Winstanley was appointed as a director on 20 June 2002.

Employee involvement and employment of disabled persons

It is the company's policy to ensure that its employees are kept fully informed on matters which affect them in order to provide the necessary understanding of the company's aims. The company communicates on a regular basis with its employees, and provides training and career development at all levels. It does not discriminate against current or potential staff on any grounds, and fully recognises all relevant employee legislation.

KIDSUNLIMITED LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 30 APRIL 2002

Auditors

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board



Stephen Chalmers Morris
Secretary

23 September 2002

KIDSUNLIMITED LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group 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, subject to any material departures disclosed and explained in the financial statements;
- 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 the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
KIDSUNLIMITED LIMITED**

We have audited the financial statements of Kidsunlimited Limited for the year ended 30 April 2002 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group'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 and group's affairs as at 30 April 2002 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PKF
Registered Auditors

Manchester, UK

26 September 2002

KIDSUNLIMITED LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 APRIL 2002

	Notes	2002 £
TURNOVER - acquisitions		9,254,588
Cost of sales		<u>(8,190,671)</u>
GROSS PROFIT		1,063,917
Administrative expenses - normal		(2,018,963)
- exceptional	2	<u>(469,383)</u>
OPERATING LOSS - acquisitions	3	<u>(1,424,429)</u>
Interest receivable and similar income	6	8,504
Interest payable and similar charges	7	<u>(477,006)</u>
LOSS FOR THE FINANCIAL YEAR		<u><u>(1,892,931)</u></u>

There were no recognised gains or losses for the year other than those included in the profit and loss account.

There was no material difference between the reported result and the result calculated on an unmodified historical cost basis.

KIDS UNLIMITED LIMITED
CONSOLIDATED BALANCE SHEET
30 APRIL 2002

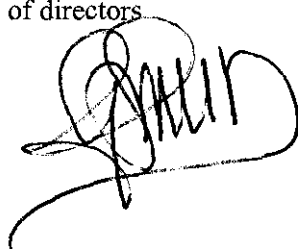
	Notes	2002
		£
FIXED ASSETS		
Intangible	9	2,815,998
Tangible	10	4,062,847
		<u>6,878,845</u>
CURRENT ASSETS		
Stocks	12	27,398
Debtors	13	1,985,124
Cash at bank and in hand		3,749
		<u>2,016,271</u>
CREDITORS: amount falling due within one year	14	<u>(4,760,048)</u>
NET CURRENT LIABILITIES		<u>(2,743,777)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,135,068</u>
CREDITORS: amounts falling due After more than one year		
Bank loans	15	770,845
Finance leases	16	85,346
Other creditors		201,446
Shareholders loans	17	4,455,000
		<u>5,512,717</u>
CAPITAL AND RESERVES		
Called up share capital	18	107,380
Share premium account	19	407,892
Profit and loss account	19	(1,892,931)
		<u>(1,377,659)</u>
SHAREHOLDERS' FUNDS	18	<u>(1,377,659)</u>
		<u>4,135,068</u>

The financial statements were approved by the board on

23 September 2002

Signed on behalf of the board of directors

Director



KIDS UNLIMITED LIMITED**BALANCE SHEET****30 APRIL 2002**


	Notes	2002 £
FIXED ASSETS		
Investments	11	3,655,599
CURRENT ASSETS		
Debtors	13	942,673
		<u>942,673</u>
CREDITORS: amount falling due within one year	14	<u>(375,381)</u>
NET CURRENT LIABILITIES		<u>567,292</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,222,891</u>
CREDITORS: amounts falling due after more than one year		
Shareholders loans	17	4,455,000
CAPITAL AND RESERVES		
Called up share capital	18	107,380
Share premium account	19	407,892
Profit and loss account	19	(747,381)
		<u>(232,109)</u>
SHAREHOLDERS' FUNDS	20	<u>4,222,891</u>

The financial statements were approved by the board on

23 September 2002

Signed on behalf of the board of directors

Director



KIDSUNLIMITED LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 30 APRIL 2002

	2002 £
Reconciliation of operating loss to net cash inflow from operating activities	
Operating loss	(1,424,429)
Amortisation of intangible assets	122,521
Depreciation of tangible fixed assets	487,796
Profit on sale of fixed assets	(8,598)
Increase in debtors	(336,306)
Decrease in stocks	11,477
Increase in creditors	7,871,476
Net cash inflow from operating activities	<u><u>6,723,937</u></u>
 CASH FLOW STATEMENT (note 22)	
Net cash inflow from operating activities	6,723,937
Returns on investments and servicing of finance	(85,953)
Taxation	37
Capital expenditure	(1,138,646)
Acquisitions and disposals	(2,587,092)
	<u>2,912,283</u>
Financing	<u><u>(3,033,359)</u></u>
Decrease in cash	<u><u>(121,076)</u></u>
 Reconciliation of net cash flow to movement in net debt (note 23)	
Decrease in cash in the year	(121,076)
	<u>(1,421,641)</u>
 Change in net debt	(1,542,717)
Net debt at 2 May 2001	<u>-</u>
Net debt at 30 April 2002	<u><u>(1,542,717)</u></u>

KIDSUNLIMITED LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2002

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

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

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 30 April 2002.

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230(2) of the Companies Act 1985. The loss for the financial year of the parent company was £(747,381).

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

(c) Intangible fixed assets

Intangible fixed assets are stated at cost or valuation less amortisation. Amortisation is provided at rates calculated to write off the cost or valuation of intangible fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Trade marks	20 years
Goodwill	20 years

(d) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates as applied in the financial statements of subsidiary undertakings, calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	2 % straight line
Leasehold land & buildings	Over the life of the lease
Fixtures, fittings tools and equipment	10% -20% straight line
Computer equipment	33 % straight line
Motor vehicles	25 % straight line

Freehold land is not depreciated.

(e) Finance and operating leases

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

KIDSUNLIMITED LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2002

1 ACCOUNTING POLICIES (continued)

(f) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

(g) Deferred taxation

Provision is made for deferred tax using the full provision method.

(h) Pensions

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

2 EXCEPTIONAL ITEMS

	2002 £
Administrative charges	
Professional fees	372,000
Management reorganisation	218,383
Employee costs	(94,000)
	<hr/> 496,383 <hr/>

Professional fees were incurred in connection with the raising of additional finance and investment in Kids of Wilmslow Limited.

In April 2002, the company restructured the group's management team.

Employee costs arise in respect of adjustment to release of provisions in Kids of Wilmslow Limited in prior years, and taken over by the group on acquisition.

KIDSUNLIMITED LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2002

3 OPERATING LOSS

The operating loss is stated after charging:

	2002 £
Amortisation of intangible assets	122,521
Depreciation of tangible fixed assets:	
- owned by the company	438,423
- held under finance lease or hire purchase contracts	49,373
Audit fees	15,073
Auditors' remuneration - non-audit services	9,674
Operating lease rentals:	
- plant & machinery	57,563
- nursery premises	824,049
Amortisation of revaluation reserve	(1,483)
	<u> </u>

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	2002 £
Directors' emoluments	424,661
Contributions to money purchase pension schemes	20,000
	<u> </u>

The number of directors accruing benefits under pension schemes were:

	No
Money purchase schemes	2
	<u> </u>

The highest paid director received emoluments and benefits as follows:

	2002 £
Emoluments and benefits under long term incentive schemes	93,500
	<u> </u>

KIDSUNLIMITED LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2002

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2002 £
Wages and salaries	7,697,843
Social security costs	426,511
Other pension costs	38,903
	<u>8,163,257</u>

The average monthly number of employees, including executive directors, during the year was:

	No
Administration	37
Nursery staff	740
	<u>777</u>

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £
Other interest receivable	8,504
	<u>8,504</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £
Bank loans and overdrafts	94,457
Other loans	382,549
	<u>477,006</u>

KIDSUNLIMITED LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2002

8 TAXATION

Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30 per cent). Reconciling items are explained below:

Loss on ordinary activities before tax	(1,892,931)
	<u> </u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(567,879)
Effects of:	
Expenses not deductible for tax purposes	111,830
Depreciation in excess of capital allowances	16,205
Trading losses carried forward	439,844
	<u> </u>
	<u> </u>

Deferred tax assets have not been recognised to 30 April 2002 as it is not anticipated that tax losses will be utilised in the foreseeable future. Group tax losses carried forward at 30 April 2002 amounted to £586,417.

9 INTANGIBLE FIXED ASSETS

Group

	Trademarks £	Goodwill £	Total £
Cost			
Additions	10,012	2,928,507	2,938,519
	<u> </u>	<u> </u>	<u> </u>
At 30 April 2002	10,012	2,928,507	2,938,519
	<u> </u>	<u> </u>	<u> </u>
Amortisation			
Charge for the year	500	122,021	122,521
	<u> </u>	<u> </u>	<u> </u>
At 30 April 2002	500	122,021	122,521
	<u> </u>	<u> </u>	<u> </u>
Net book amount			
At 30 April 2002	9,512	2,806,486	2,815,998
	<u> </u>	<u> </u>	<u> </u>

KIDSUNLIMITED LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2002

10 TANGIBLE FIXED ASSETS

Group

	Land & buildings £	Motor vehicles £	Fixtures, fittings, tools & equipment £	Total £
Cost				
Additions	2,472,519	187,797	1,966,227	4,626,543
Disposals	-	(79,524)	(39,895)	(119,419)
At 30 April 2002	<u>2,472,519</u>	<u>108,273</u>	<u>1,926,332</u>	<u>4,507,124</u>
Depreciation				
Charge for year	104,883	12,677	370,236	487,796
On disposals	-	(17,678)	(25,841)	(43,519)
At 30 April 2002	<u>104,883</u>	<u>(5,001)</u>	<u>344,395</u>	<u>444,277</u>
Net book amount				
At 30 April 2002	<u>2,367,636</u>	<u>113,274</u>	<u>1,581,937</u>	<u>4,062,847</u>

The net book amounts of motor vehicles, fixtures, fittings, tools and equipment above include **£251,006** in respect of assets held under finance leases or hire purchase contracts.

11 FIXED ASSET INVESTMENTS

Company

	Shares in subsidiary undertakings £
Cost	
Additions	3,655,599
At 30 April 2002	<u>3,655,599</u>

On 25 June 2001, the company acquired the entire share capital of Kids of Wilmslow Limited.

12 STOCKS

	Group 2002 £	Company 2002 £
Finished goods	<u>27,398</u>	<u>-</u>

KIDSUNLIMITED LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2002

13 DEBTORS

	Group 2002 £	Company 2002 £
Due within one year		
Trade debtors	1,177,123	-
Amounts due from group undertakings	-	942,673
Other debtors	100,779	-
Prepayments & accrued income	707,222	-
	<u>1,985,124</u>	<u>942,673</u>

14 CREDITORS

	Group 2002 £	Company 2002 £
Amounts falling due within one year		
Bank loans and overdrafts (note 15)	578,531	-
Trade creditors	710,463	-
Corporation tax	37	-
Other tax and social security	398,896	-
Net obligations under finance lease and hire purchase contracts (note 16)	111,654	-
Other creditors	1,311,950	375,381
Accruals and deferred income	1,648,517	-
	<u>4,760,048</u>	<u>375,381</u>

15 BANK LOANS

Bank loans fall due for payment as follows:

	Group 2002 £	Company 2002 £
Bank loans		
Within one year	453,706	-
Between one and two years	232,227	-
Between two and five years	348,930	-
After more than five years	189,688	-
	<u>1,224,551</u>	<u>-</u>

Banks loans are secured on the assets of the group.

KIDSUNLIMITED LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2002

16 FINANCE LEASES

Net obligations under finance lease and hire purchase agreements fall due as follows:

	Group 2002 £	Company 2002 £
Within one year	111,654	-
Between one and five years	85,436	-
	<u>197,090</u>	<u>-</u>

Finance lease and hire purchase creditors are secured on the assets concerned.

17 SHAREHOLDER LOANS

Shareholder loans in the company balance sheet consists of 4,455,000 £1 9.923% Fixed Rate Guaranteed Secured Loan Notes. The loan notes were issued at par, and are redeemable as follows: -

Date	Proportion of Principal Amount to be Redeemed
30 June 2006	one sixth of the balance outstanding.
31 December 2002	one fifth of the balance outstanding.
30 June 2007	one quarter of the balance outstanding.
31 December 2997	one third of the balance outstanding.
30 June 2008	one half of the balance outstanding.
31 December 2008	the whole of the balance outstanding.

KIDSUNLIMITED LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2002

18 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No	£
Movements in year:			
Ordinary shares of 1P each	69,620	5,900,000	59,000
'A' Ordinary shres of 1P each	41,000	4,100,000	41,000
Deferred 'A' Ordinary shares of 1P	7,380	738,000	7,380
	<u>118,000</u>	<u>10,738,000</u>	<u>107,380</u>
At 30 April 2002			
Ordinary shares of 1P each	69,620	5,900,000	59,000
'A' Ordinary shres of 1P each	41,000	4,100,000	41,000
Deferred 'A' Ordinary shares of 1P	7,380	738,000	7,380
	<u>118,000</u>	<u>10,738,000</u>	<u>107,380</u>

The company's authorised share capital on incorporation was £1,000 divided into 1000 ordinary shares of £1 each. Two shares were issued on incorporation.

On 25 June 2001, the nominal capital of the company was increased by £117,000 divided into 6,862,000 ordinary shares of 1p each, 4,100,000 'A' ordinary shares of 1p each and 738,000 deferred 'A' ordinary shares of 1p each.

On 25 June 2001, the 2 issued and the 998 unissued ordinary shares of £1 each were converted into 100 ordinary shares of 1p each.

The company issued 4,100,000 'A' ordinary shares of 1p each and 738,000 deferred 'A' ordinary shares of 1p each on 25 June 2001 for cash at a premium of 9.23p per share; 1,690,250 ordinary shares of 10p each were issued for cash at a premium of 13.79p per share and 300,800 ordinary shares of 10p each were issued for cash at a premium of 21.11p per share.

On the same date, 3,908,749 ordinary shares of 1p each were allotted as consideration for the purchase of certain shares in the capital of Kids of Wilmslow Limited.

'A' ordinary shareholders and deferred 'A' ordinary shareholders are entitled to a cumulative dividend based on the issued share capital represented by the 'A' ordinary shares.

On return of capital, 'A' ordinary shareholders are entitled to unpaid participating dividends not exceeding 50% of assets available for distribution in preference to amounts due to other subsidiaries.

Deferred 'A' ordinary shares may be converted to 'A' ordinary shares on a designated issue of ordinary shares.

The voting rights and dividend rights of allocated 'A' ordinary shares are restricted.

On a return of capital, the maximum amount payable to the deferred 'A' ordinary shares is limited by the Articles of Association and dividend rights are also restricted.

KIDSUNLIMITED LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2002

19 RESERVES

	Group £	Company £
Share premium account		
Premium on shares issued during the year	407,892	407,892
At 30 April 2002	<u>407,892</u>	<u>407,892</u>
 Profit and loss account	 £	 £
Loss for the year	(1,892,931)	(747,381)
At 30 April 2002	<u>(1,892,931)</u>	<u>(747,381)</u>

20 SHAREHOLDERS' FUNDS

	2002 £
Loss for the year	(1,892,931)
New shares issued	515,272
Shareholders' funds at 30 April 2002	<u>(1,377,659)</u>

21 ACQUISITIONS AND DISPOSALS

	Book Value £	Fair value £
Trademarks	10,012	10,012
Tangible fixed assets	3,403,399	3,403,399
Stocks	38,875	38,875
Debtors	1,648,818	1,648,818
Cash	80,746	80,746
Overdrafts and loans	(1,109,895)	(1,109,895)
Creditors	(3,208,863)	(3,208,863)
Other loans	(136,000)	(136,000)
Net assets acquired	<u>727,092</u>	<u>727,092</u>
Goodwill arising	2,928,507	2,928,507
	<u>3,655,599</u>	<u>3,655,599</u>
 Satisfied by:		
Cash		3,616,511
Issue of shares		39,088
Total consideration for acquisitions in the year		<u>3,655,599</u>

On 25 June 2001, the company acquired the entire share capital of Kids of Wilmslow Limited.

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22 GROSS CASH FLOWS

	2002 £
Returns on investments and servicing of finance	
Interest received	8,504
Interest paid	(94,457)
	<u>(85,953)</u>
 Capital expenditure	
Payments to acquire tangible fixed assets	(1,223,144)
Receipts from sales of tangible fixed assets	84,498
	<u>(1,138,646)</u>
 Acquisitions and disposals	
Cash consideration	(3,616,511)
Cash and loans acquired	1,029,419
	<u>(2,587,092)</u>
 Financing	
New loans	(4,455,000)
Loans repaid	1,224,551
Capital element of finance lease rentals	197,090
	<u>(3,033,359)</u>

23 ANALYSIS OF CHANGES IN NET DEBT

	At 2 May 2001 £	Cash flows £	Other changes £	At 30 April 2002 £
Cash at bank and in hand	-	3,749	-	3,749
Overdrafts	-	(124,825)	-	(124,825)
		<u>(121,076)</u>		
Debt due within 1 year	-	(453,706)	-	(453,706)
Debt due after 1 year	-	(770,845)	-	(770,845)
Finance leases	-	(197,090)	-	(197,090)
Total	<u>-</u>	<u>(1,542,717)</u>	<u>-</u>	<u>(1,542,717)</u>

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24 OTHER COMMITMENTS

Group

At 30 April 2002 the group had annual commitments under operating leases as follows:

	Land and buildings 2002 £	Other 2002 £
Expiry date:		
Within one year	-	1,015
Between one and five years	78,500	16,352
After more than five years	1,006,115	-
	<u>1,084,615</u>	<u>17,367</u>

25 CONTINGENT LIABILITIES

Terms and conditions attending to the development of certain sites are the subject of continuous negotiations. The directors consider that all the obligations have been fully provided for in the financial statements.

26 TRANSACTIONS WITH RELATED PARTIES

The group has taken advantage of the exemptions available under the provisions of Financial Reporting Standard 8 in respect of transactions with group companies. Included in other creditors falling due after one year is an amount of £122,000 due to the group's pension scheme. Interest of £6,113 was charged on this loan during the year ended 30 April 2002. Rent was paid to the pension fund in the year of £16,450.

27 POST BALANCE SHEET EVENTS

On 11 July 2002, the company increased its issued share capital by £135,000, and issued £750,000 of fixed rate guaranteed loan notes to Isis Capital plc. This investment will assist the company's plans to open new facilities.

28 PENSION COSTS

The group operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund.

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29 GOING CONCERN

The net liabilities of the group and the company amount to £1,387,888 and £232,109 respectively after including shareholder loans of £4,455,600.

The group meets its day to day working capital requirement through an agreed facility. The validity of the going concern basis depends upon the group's ability to operate within agreed working capital facilities. The directors consider that current and future funding facilities, together with the group's ability to raise additional funds will be sufficient to meet the group's requirements for the foreseeable future.

On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.