

Statement of directors' responsibilities

The directors are responsible for preparing the annual report, directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under International Financial Reporting Standards ('IFRS') as adopted by the European Union. The group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, directors are also required to:

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

The directors have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the board on 20 May 2009 and signed on its behalf by:

Ben Gordon
Neil Harrington

Independent auditors' report

To the shareholders of Mothercare plc

We have audited the group financial statements of Mothercare plc for the 52 weeks ended 28 March 2009 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 34. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the parent Company financial statements of Mothercare plc for the 52 weeks ended 28 March 2009.

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

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the group financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view, whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited

has been properly prepared in accordance with the Companies Act 1985. We also report to you, whether in our opinion, the information given in the directors' report is consistent with the group financial statements. The information given in the directors' report includes that specific information presented elsewhere in the annual report that is cross referenced from the business review section of the directors' report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statement on internal control covers all risks and controls, or form an opinion of the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group financial statements and of whether the accounting policies are appropriate to the 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 group financial statements and the part of the directors' remuneration report to be audited are free from material mis-statement, 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 group financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 28 March 2009 and of its profit for the 52 weeks then ended; and
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the group financial statements.



Deloitte LLP

Chartered Accountants and Registered Auditors
London, UK
20 May 2009

Consolidated income statement

For the 52 weeks ended 28 March 2009

	Note	52 weeks ended 28 March 2009			52 weeks ended 29 March 2008		
		Underlying ¹ £ million	Non- underlying ² £ million	Total £ million	Underlying ¹ £ million	Non- underlying ² £ million	Total £ million
Revenue	4	723.6	–	723.6	676.8	–	676.8
Cost of sales		(644.8)	8.2	(636.6)	(602.1)	(10.4)	(612.5)
Gross profit		78.8	8.2	87.0	74.7	(10.4)	64.3
Administrative expenses		(41.2)	–	(41.2)	(36.1)	(7.3)	(43.4)
Profit from retail operations	8	37.6	8.2	45.8	38.6	(17.7)	20.9
Loss on disposal/termination of property interests		–	(2.1)	(2.1)	–	(16.3)	(16.3)
Share of results of joint ventures	15	(0.4)	–	(0.4)	(0.1)	(0.1)	(0.2)
Profit from operations		37.2	6.1	43.3	38.5	(34.1)	4.4
Investment income	9	0.4	–	0.4	1.6	–	1.6
Finance costs	10	(0.5)	(1.0)	(1.5)	(1.5)	–	(1.5)
Profit before taxation		37.1	5.1	42.2	38.6	(34.1)	4.5
Taxation	11	(10.3)	(1.6)	(11.9)	(10.8)	6.4	(4.4)
Profit for the period attributable to equity holders of the parent		26.8	3.5	30.3	27.8	(27.7)	0.1
Earnings per share							
Basic	13	32.1p	4.2p	36.3p	34.5p	(34.4)p	0.1p
Diluted	13	31.1p	4.1p	35.2p	33.7p	(33.6)p	0.1p

1. Before items described in note 2 below.

2. Includes exceptional items (loss on disposal/termination of property interests, integration costs and restructuring costs), amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments under IAS 39 and IAS 21 as set out in note 7 to the financial statements.

All results relate to continuing operations.

Consolidated statement of recognised income and expense

For the 52 weeks ended 28 March 2009

	Note	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Actuarial loss on defined benefit pension schemes	33	(31.2)	(3.6)
Tax on items taken directly to equity	11	8.7	1.0
Net loss recognised directly in equity		(22.5)	(2.6)
Profit for the period		30.3	0.1
Total recognised income and expense for the period attributable to equity holders of the parent		7.8	(2.5)

Consolidated balance sheet

As at 28 March 2009

	Note	28 March 2009 £ million	29 March 2008 £ million
Non-current assets			
Goodwill	16	68.6	68.6
Intangible assets	16	35.9	35.6
Property, plant and equipment	17	92.4	95.8
Investments in joint ventures	15	0.7	0.8
Retirement benefit obligations	33	–	2.0
Deferred tax asset	18	0.8	–
		198.4	202.8
Current assets			
Inventories	19	94.1	70.8
Trade and other receivables	20	55.7	52.5
Current tax assets		–	0.6
Cash and cash equivalents	21, 30	24.8	22.7
Currency derivative assets	23	7.3	0.7
		181.9	147.3
Total assets		380.3	350.1
Current liabilities			
Trade and other payables	24	(108.4)	(95.6)
Current tax liabilities		(2.6)	–
Obligations under finance leases	25	–	(0.4)
Short term provisions	26	(11.9)	(24.0)
		(122.9)	(120.0)
Non-current liabilities			
Trade and other payables	24	(19.6)	(15.5)
Obligations under finance leases	25	(0.1)	(0.1)
Retirement benefit obligations	33	(25.4)	–
Deferred tax liability	18	–	(4.4)
Long term provisions	26	(13.7)	(12.1)
		(58.8)	(32.1)
Total liabilities		(181.7)	(152.1)
Net assets		198.6	198.0
Equity attributable to equity holders of the parent			
Called up share capital	27	43.8	43.6
Share premium account	28	4.3	3.4
Other reserve	28	50.8	50.8
Own shares	28	(10.6)	(9.8)
Translation reserves	28	1.2	–
Retained earnings	28	109.1	110.0
Total equity		198.6	198.0

Approved by the board and authorised for issue on 20 May 2009 and signed on its behalf by:

Ben Gordon
Neil Harrington

Consolidated cash flow statement

For the 52 weeks ended 28 March 2009

	Note	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Net cash flow from operating activities	29	34.9	51.8
Cash flows from investing activities			
Interest received		0.4	1.6
Purchase of property, plant and equipment		(17.5)	(17.3)
Purchase of intangibles – software		(5.3)	(3.1)
Proceeds from sale of property, plant and equipment		–	4.5
Acquisition of subsidiary		–	(36.4)
Cost of acquisition		–	(5.6)
Investments in joint ventures		(0.3)	(1.0)
Net cash used in investing activities		(22.7)	(57.3)
Cash flows from financing activities			
Interest paid		(0.4)	(1.1)
Repayment of obligations under finance leases		(0.4)	(0.5)
Equity dividends paid		(10.9)	(7.9)
Issue of ordinary share capital		1.1	0.1
Purchase of own shares		(1.1)	(2.5)
Net cash used in financing activities		(11.7)	(11.9)
Net increase/(decrease) in cash and cash equivalents		0.5	(17.4)
Cash and cash equivalents at beginning of period		22.7	40.1
Effect of foreign exchange rate changes		1.6	–
Cash and cash equivalents at end of period	30	24.8	22.7

Notes to the consolidated financial statements

1. General information

Mothercare plc is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is given in the shareholder information on page 87. The nature of the group's operations and its principal activities are set out in note 5 and in the business review on pages 5 to 18.

These financial statements were presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

2. Significant accounting policies

Basis of presentation

The group's accounting period covers the 52 weeks ended 28 March 2009. The comparative period covered the 52 weeks ended 29 March 2008.

Basis of accounting

The group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. They therefore comply with Article 4 of the EU IAS Regulation.

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 8 'Operating segments'
- IFRS 3 (revised January 2008) 'Business Combinations'
- IFRIC 11 'IFRS2 – Group and Treasury Share transactions'
- IFRIC 12 'Service commission agreements'
- IFRIC 13 'Customer Loyalty Programmes'
- IFRIC 15 'Agreements for the Construction of Real Estate'
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'
- Amendments to IFRS 1 and IAS 27 'Cost of an Investment in Subsidiary'
- Amendments to IAS 23 'Borrowing Costs'
- Amendments to IAS 27 'Consolidated and Separate Financial Statements'

- Amendments to IAS 1 'Presentation of Financial Statements: A revised presentation'
- Amendments to IFRS 2 'Share-based payment: vesting conditions and cancellations'
- Amendments to IAS 32 and IAS 1 'Puttable financial instruments and obligations arising on liquidation'
- Amendments to IFRS 7 'Financial Instruments: Disclosures'
- Amendments to IFRIC 9 and IAS 39 'Embedded Derivatives'
- Amendments to IAS 38 'Intangible Assets'
- Improvements to IFRSs
- IAS 39 'Financial Instruments Recognition and Measurement: Eligible Hedged Items'

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the group's financial statements when the relevant standards come into effect.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments, and on the going concern basis, as described in the going concern statement in the corporate governance report on page 29. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 28 March 2009. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

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

Goodwill

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

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

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

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

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

Revenue recognition

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

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

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

Profit from retail operations

Profit from retail operations represents the profit generated from normal retail trading, prior to any gains or losses on property transactions. It also includes the volatility arising from accounting for derivative financial instruments under IAS 39, 'Financial Instruments: Recognition and Measurement', as the Company has not adopted hedge accounting.

Underlying earnings

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

As the Company has chosen to present an alternative earnings per share measure, a reconciliation of this alternative measure to the statutory measure required by IFRS is given in note 13.

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

The adjustments made to reported results are as follows:

Exceptional items

Due to their significance and one-off nature, certain items have been classified as exceptional. The gains and losses on these discrete items, such as profits/losses on the disposal/termination of property interests, integration costs, restructuring costs, and other non-operating items can have a material impact on the absolute amount of and trend in the profit from operations and the result for the year. Therefore any gains and losses on such items are analysed as non-underlying on the face of the income statement. Further details of the exceptional items are provided in note 7.

Non-cash foreign currency adjustments

The Company has taken the decision not to adopt hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement'. The effect of not applying hedge accounting under IAS 39 means that the reported results reflect the actual rate of exchange ruling on the date of a transaction regardless of the cash flow paid by the group at the predetermined rate of exchange. In addition, any gain or loss accruing on open contracts at a reporting period end is recognised in the result for the period (regardless of the actual outcome of the contract on close-out). Whilst the

impacts described above could be highly volatile depending on movements in exchange rates, this volatility will not be reflected in the cash flows of the group, which will be based on the hedged rate. In addition, foreign currency monetary assets and liabilities are revalued to the closing balance sheet rate under IAS 21 'The Effects of Changes in Foreign Exchange Rates'. The adjustment made by the group therefore is to report its underlying performance consistently with the cash flows, reflecting the hedging which is in place.

Amortisation of intangible assets

The balance sheet includes identifiable intangible assets which arose on the acquisition of the Early Learning Centre. The average estimated useful life of the assets is as follows:

Trade name	– 20 years
Customer relationships	– 5 to 10 years

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

Joint ventures

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

Leasing

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

The group as lessor

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

The group as lessee

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

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

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

Foreign currencies

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are

included in the income statement. Exchange differences arising on non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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

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

Retirement benefit costs

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

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

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

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme

assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Notes to the consolidated financial statements

continued

2. Significant accounting policies continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

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

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

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

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

Intangible assets – software

Where computer software is not an integral part of a related item of computer hardware, the software is classified as an intangible asset. The capitalised costs of software for internal use include external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote substantial

time to the project. Capitalisation of these costs ceases no later than the point at which the software is substantially complete and ready for its intended internal use. These costs are amortised on a straight-line basis over their expected useful lives, which are reviewed annually.

Impairment of tangible and intangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Inventories

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

Financial instruments

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

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using effective interest method and are added to the carrying

amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

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

Equity instruments

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

Derivative financial instruments

The group uses forward foreign currency contracts to mitigate the transactional impact of foreign currencies on the group's performance. The group's financial risk management policy prohibits the use of derivative financial instruments for speculative or trading purposes and the group does not therefore hold or issue any such instruments for such purposes. Derivative financial instruments that are economic hedges but that do not meet the strict IAS 39 'Financial Instruments: Recognition and Measurement' hedge accounting rules are accounted for as financial assets or liabilities at fair value through profit or loss and hedge accounting is not applied. Forward foreign currency contracts are recognised initially at fair value, which is updated at each balance sheet date. Changes in the fair values are recognised in the income statement.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Market risk

The group is exposed to market risk, primarily related to foreign exchange and interest rates. The group's objective is to reduce, where it deems appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates, foreign currency rates and of the currency exposure of certain net investments in foreign subsidiaries. It is the group's policy and practice to use derivative financial instruments to manage exposures of fluctuations on exchange rates. The group

only sells existing assets or enters into transactions and future transactions (in the case of anticipatory hedges) that it confidently expects it will have in the future, based on past experience. The group expects that any loss in value for these instruments generally would be offset by increases in the value of the underlying transactions.

Foreign exchange rate risk

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

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

Provisions

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

Share-based payments

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

The group issues cash-settled and equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the valuation technique considered to be most appropriate for each class of award,

including Black-Scholes calculations and Monte Carlo simulations. The expected life used in the formula is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Retirement benefits

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

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

Notes to the consolidated financial statements

continued

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

or shorter life of participants may have an impact on the amount of pension income or expense recorded in the future.

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

Pension and other post-retirement benefits are inherently long term, and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post-retirement charges'. Note 33 to the consolidated financial statements describes the principal discount rate, earnings increase, and pension retirement benefit obligation assumptions that have been used to determine the pension and post-retirement charges in accordance with IAS 19. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on prior experience, market conditions and the advice of plan actuaries.

At 28 March 2009, the group's pension liability was £25.4 million (2008: £2.0 million asset). Further details of the accounting policy on retirement benefits are provided in note 2.

Impairment of stores' property, plant and equipment

Stores' property, plant and equipment are reviewed for impairment on a periodic basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Such circumstances or events could include: a pattern of losses involving the fixed asset; a decline in the market value for a particular store asset; and an adverse change in the business or market in which the store asset is involved. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining what cash flow is

directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets involve the exercise of a significant amount of judgement.

Further details of the accounting policy on the impairment of stores' property, plant and equipment are provided in note 2.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the group to estimate future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £68.6 million.

Property restructuring and integration provisions

Descriptions of the provisions held at the balance sheet date are given at note 26. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any differences between expectations and the actual future liability is accounted for in the period when such determination is made.

As a result of the purchase of Chelsea Stores Holdings Limited on 19 June 2007, the group has provided for certain costs relating to the integration of the business into the existing group and the resulting restructure of the combined property portfolio. The majority of the provision relates to property integration costs, comprising mainly of payments to be made to landlords on vacating premises, and to restructure of Early Learning Centre's head offices, stock write offs, vacant space costs and legal fees. Management have estimated the costs based on third party valuations and known costs.

Allowances against the carrying value of inventory

The group reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of inventories, the group is

required to make judgements as to future demand requirements and to compare these with current inventory levels. Factors that could impact estimate demand and selling prices are timing and success of product ranges.

Allowances against the carrying value of trade receivables

Using information available at the balance sheet date, the group reviews its trade receivable balances and makes judgements based on an assessment of past experience, debt ageing and known customer circumstance in order to determine the appropriate level of allowance required to account for potential irrecoverable trade receivables.

4. Revenue

An analysis of the group's revenue, all of which relates to continuing operations, is as follows:

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Revenue – sales of goods	723.6	676.8
Investment income	0.4	1.6
Total revenue	724.0	678.4

5. Segmental information

For management purposes, the group is currently organised into two operating segments: UK and International. UK comprises the UK store and wholesale operations, catalogue and web sales. The International business comprises the group's franchise and wholesale operations outside of the UK. These two segments are distinguished by the different nature of their risks and returns. It is considered that there are no secondary segments as all business originates in the UK.

Segmental information about the UK and International businesses is presented below.

	52 weeks ended 28 March 2009			
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
Revenue				
External sales	578.8	144.8	–	723.6
Result				
Segment result (underlying)	32.1	13.9	(8.8)	37.2
Non-cash foreign currency adjustments				11.8
Amortisation of intangibles				(2.1)
Exceptional items (note 7)				(3.6)
Profit from operations				43.3
Investment income				0.4
Finance costs				(1.5)
Profit before taxation				42.2
Taxation				(11.9)
Profit for the period				30.3

Notes to the consolidated financial statements

continued

5. Segmental information continued

	52 weeks ended 29 March 2008			
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
Revenue				
External sales	565.0	111.8	–	676.8
Result				
Segment result (underlying)	38.0	9.6	(9.1)	38.5
Non-cash foreign currency adjustments				2.7
Amortisation of intangibles				(1.6)
Exceptional items (note 7)				(35.2)
Profit from operations				4.4
Investment income				1.6
Finance costs				(1.5)
Profit before taxation				4.5
Taxation				(4.4)
Profit for the period				0.1

Corporate expenses not allocated to UK or International represent head office costs, board and senior management costs, insurance, annual and interim reporting costs and audit and professional fees.

	52 weeks ended 28 March 2009		
	UK £ million	International £ million	Consolidated £ million
Other information			
Capital additions	21.3	–	21.3
Depreciation and amortisation	22.0	–	22.0
Balance sheet			
Assets			
Segment assets	207.5	42.0	249.5
Unallocated corporate assets			130.8
Consolidated total assets			380.3
Liabilities			
Segment liabilities	165.9	13.2	179.1
Unallocated corporate liabilities			2.6
Consolidated total liabilities			181.7

52 weeks ended 29 March 2008

	UK £ million	International £ million	Consolidated £ million
Other information			
Capital additions	20.4	–	20.4
Depreciation and amortisation	19.7	–	19.7
Balance sheet			
Assets			
Segment assets	191.4	30.4	221.8
Unallocated corporate assets			128.3
Consolidated total assets			350.1
Liabilities			
Segment liabilities	133.6	14.1	147.7
Unallocated corporate liabilities			4.4
Consolidated total liabilities			152.1

Corporate assets not allocated to UK or International represent goodwill, intangible assets, interests in joint ventures, current tax assets/liabilities, deferred tax assets/liabilities and cash at bank and in hand.

6. Seasonality of the Early Learning Centre

Sales for the Early Learning Centre, which relate mainly to toys, are more heavily weighted towards the second half of the calendar year, with approximately 40 per cent of annual sales occurring in the third quarter (mid-October to early January).

7. Exceptional and other non-underlying items

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

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Exceptional items:		
Loss on disposal/termination of property interests	(2.1)	(16.3)
Integration of ELC included in cost of sales ¹	(1.5)	(11.5)
Integration of ELC included in admin expenses	–	(7.3)
UK central and sourcing restructure	–	(0.1)
Unwinding of discount on exceptional provisions included in finance costs	(1.0)	–
Other non-underlying items:		
Non-cash foreign currency adjustments ¹	11.8	2.7
Amortisation of intangibles ¹	(2.1)	(1.6)
Exceptional and other non-underlying items	5.1	(34.1)

1. Included in non-underlying cost of sales, a credit of £8.2 million (2008: a charge of £10.4 million)

Loss on disposal/termination of property interests

During the 52 weeks ended 28 March 2009 ('current year') a net charge of £2.1 million has been recognised in profit from operations relating to provisions against subleases and vacant property.

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continued

7. Exceptional and other non-underlying items continued

During the 52 weeks ended 29 March 2008 ('prior year'), a net charge of £16.3 million was recognised in profit from operations relating to the optimisation of the UK portfolio which involves the closure and resiting of Mothercare and Early Learning Centre stores.

The tax effect of the loss on disposal of property interests in the current year was a credit of £0.6 million (2008: credit of £0.8 million).

Integration of the Early Learning Centre

In the current year, costs of £1.5 million (2008: £11.5 million) were charged to cost of sales relating to the restructure of the Early Learning Centre's supply chain and the opening of Early Learning Centre inserts in Mothercare stores.

In the current year, costs of £nil million (2008: £7.3 million) were charged to administrative expenses relating to the restructure of the Early Learning Centre's head offices in Swindon and London, the realignment of international franchise agreements and the integration programme.

The tax effect of the above costs in the current year was a credit of £0.4 million (2008: credit of £5.3 million).

Unwinding of discount on exceptional provisions

In the current year, a charge of £1.0 million was recognised in finance costs relating to the unwinding of the discount on exceptional property provisions.

Non-cash foreign currency adjustments

In the current year, a net profit of £11.8 million (2008: net profit of £2.7 million) was recognised in cost of sales as a result of non-cash foreign currency adjustments under IAS 39 and IAS 21.

Amortisation of intangibles

In the current year, amortisation of intangibles arising on the acquisition of the Early Learning Centre of £2.1 million (2008: £1.6 million) was charged to cost of sales.

8. Profit from retail operations

Profit from retail operations has been arrived at after charging (note that 2008 figures include ELC from the effective date of acquisition):

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Cost of inventories recognised as an expense	375.6	345.1
Write down of inventories to net realisable value recognised as an expense	(0.1)	(0.2)
Depreciation of property, plant and equipment	17.3	16.0
Amortisation of intangible assets – software	2.6	2.1
Amortisation of intangible assets – other included in non-underlying cost of sales	2.1	1.6
Net rent of properties	71.0	71.2
Hire of plant and equipment	1.5	1.1
Staff costs (including directors):		
Wages and salaries (including bonuses)	91.2	81.0
Social security costs	7.0	4.6
Pension costs (see note 33)	1.2	0.7
Integration of ELC included in non-underlying cost of sales	1.5	11.5
Integration of ELC included in non-underlying admin expenses	–	7.3

Staff costs include a total charge in respect of share-based payments of £7.6 million (2008: £3.8 million), analysed in detail in note 32.

An analysis of the average monthly number of full and part-time employees throughout the group, including executive directors, is as follows:

	52 weeks ended 28 March 2009 number	52 weeks ended 29 March 2008 number
Number of employees	7,715	7,626
Full time equivalents	4,653	4,244

Details of directors' emoluments, share options and beneficial interests are provided within the remuneration report on pages 34 to 37 and 76 to 79.

For the 52 weeks ended 28 March 2009, profit from retail operations is stated after a net credit of £11.8 million (2008: net credit of £2.7 million) to cost of sales as a result of non-cash foreign currency adjustments under IAS 39 and IAS 21.

The analysis of auditors' remuneration is as follows:

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.1	0.1
Fees payable to the Company's auditors for other services: The audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
Total audit fees	0.4	0.4
Tax services	0.2	0.1
Other services pursuant to legislation	–	0.2
Corporate finance services	–	0.5
Total non-audit fees	0.2	0.8

The nature of tax services comprises corporation tax advice and compliance services.

Other services pursuant to legislation relates to shareholder prospectus and circular work in connection with the acquisition of Chelsea Stores Holdings Limited ('CSHL').

Corporate finance services relates to work in connection with the acquisition of CSHL.

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

The policy for the approval of non-audit fees, together with an explanation of the services provided, is set out on page 32.

9. Investment income

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Interest on bank deposits	0.4	1.6
Investment income	0.4	1.6

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continued

10. Finance costs

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Interest and bank fees on bank loans and overdrafts	0.4	1.1
Unwinding of discounts on provisions ¹	1.1	0.4
Finance costs	1.5	1.5

1. Includes a non-underlying charge of £1.0 million (2008: £nil) of unwinding of discounts on exceptional provisions. See note 7.

11. Taxation

The charge for taxation on profit for the period comprises:

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Current tax:		
Current year	8.4	3.9
Adjustment in respect of prior periods	–	0.1
	8.4	4.0
Deferred tax: (see note 18)		
Current year	4.5	2.0
Adjustment in respect of prior periods	(1.0)	(1.6)
	3.5	0.4
Charge for taxation on profit for the period	11.9	4.4

UK corporation tax is calculated at 28 per cent (2008: 30 per cent) of the estimated assessable profit for the period.

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

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Profit for the period before taxation	42.2	4.5
Profit for the period before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	11.8	1.4
Effects of:		
Expenses not deductible for tax purposes	1.0	5.8
Impact of overseas tax rates	0.1	(0.2)
Change in tax rate	–	(0.2)
Utilisation of tax losses not previously recognised against capital gains	–	(0.9)
Adjustment in respect of prior periods	(1.0)	(1.5)
Charge for taxation on profit for the period	11.9	4.4

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations amounting to £8.7 million (2008: £1.0 million) has been credited directly to equity.

12. Dividends

	52 weeks ended 28 March 2009		52 weeks ended 29 March 2008	
	pence per share	£ million	pence per share	£ million
<i>Amounts recognised as distributions to equity holders in the period</i>				
Final dividend for the prior year	8.3p	6.9	6.7p	4.7
Interim dividend for the current year	4.6p	4.0	3.7p	3.2
		10.9		7.9

The proposed final dividend of 9.9p per share for the 52 weeks ended 28 March 2009 was approved by the board after 28 March 2009, on 20 May 2009, and so, in line with the requirements of IAS 10 'Events After the Balance Sheet Date', the related cost of £8.5 million has not been included as a liability as at 28 March 2009. This dividend will be paid on 7 August 2009 to shareholders on the register on 5 June 2009.

13. Earnings per share

	52 weeks ended 28 March 2009 million	52 weeks ended 29 March 2008 million
Weighted average number of shares in issue	83.5	80.6
Dilution – option schemes	2.7	1.9
Diluted weighted average number of shares in issue	86.2	82.5
	£ million	£ million
Earnings for basic and diluted earnings per share	30.3	0.1
Non-cash foreign currency adjustments	(11.8)	(2.7)
Amortisation of intangibles arising on acquisition of ELC	2.1	1.6
Exceptional items (note 7)	4.6	35.2
Tax effect of above items	1.6	(6.4)
Underlying earnings	26.8	27.8
	pence	pence
Basic earnings per share	36.3	0.1
Basic underlying earnings per share	32.1	34.5
Diluted earnings per share	35.2	0.1
Diluted underlying earnings per share	31.1	33.7

Notes to the consolidated financial statements

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14. Subsidiaries

A list of the group's significant investments in subsidiaries, all of which are wholly owned, including the name and country of incorporation is given in note 4 to the Company financial statements. All subsidiaries are included in the consolidation.

15. Investments in joint ventures

Aggregated amounts relating to joint ventures:

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Investments at start of year	0.8	–
Additions	0.3	1.0
Share of loss	(0.4)	(0.2)
Investments at end of year	0.7	0.8
Summary financial results and position of joint ventures:		
Total assets	3.5	2.9
Total liabilities	(0.7)	(0.1)
Total loss for the period	(1.3)	(0.4)

Details of the joint ventures are as follows:

	Place of incorporation	Proportion of ownership interest per cent	Proportion of voting power held per cent
Mothercare-Goodbaby China Retail Limited	Hong Kong	30	50
Gurgle Limited	Great Britain	50	50

16. Goodwill and intangible assets

	Intangible assets				
	Goodwill £ million	Trade name £ million	Customer relationships £ million	Software £ million	Total £ million
Cost					
As at 31 March 2007	–	–	–	7.4	7.4
Additions	–	–	–	3.1	3.1
Acquisition of subsidiary	68.6	25.0	5.5	0.5	31.0
As at 29 March 2008	68.6	25.0	5.5	11.0	41.5
Additions	–	–	–	5.0	5.0
As at 28 March 2009	68.6	25.0	5.5	16.0	46.5
Amortisation and impairment					
As at 31 March 2007	–	–	–	2.2	2.2
Amortisation	–	1.0	0.6	2.1	3.7
As at 29 March 2008	–	1.0	0.6	4.3	5.9
Amortisation	–	1.2	0.9	2.6	4.7
As at 28 March 2009	–	2.2	1.5	6.9	10.6
Net book value					
As at 31 March 2007	–	–	–	5.2	5.2
As at 29 March 2008	68.6	24.0	4.9	6.7	35.6
As at 28 March 2009	68.6	22.8	4.0	9.1	35.9

Goodwill, trade name and customer relationships relate to the acquisition of the Early Learning Centre on 19 June 2007. Trade name and customer relationships are amortised over a useful life of 20 and five to ten years respectively.

The remaining amortisation periods for intangible assets are as follows:

Trade name – 18 years

Customer relationships – 6 years

Software – 3 years

Impairment of goodwill

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

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

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates, the anticipated future operating synergies from the combination of Mothercare and Early Learning Centre businesses arising through optimising the enlarged UK store portfolio, sourcing benefits and cost efficiencies and expected changes to selling prices. Management estimates the discount rate using a pre tax rate of 11.3% (2008: 9.1%) which reflects the time value of money and risks related to the CGUs. The cash flow projections are based on financial budgets approved by the board covering a three-year period. Cash flows beyond the three-year period assume a nil growth rate, which does not exceed the long term growth rate for the market in which the group operates. The value in use calculations use this growth rate to perpetuity.

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

Software

Software additions include £1.3 million (2008: £1.4 million) of internally generated intangible assets.

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17. Property, plant and equipment

	Properties including fixed equipment		Fixtures, fittings, equipment £ million	Assets in course of construction £ million	Total £ million
	Freehold £ million	Leasehold £ million			
Cost					
As at 31 March 2007	15.8	107.4	167.9	2.0	293.1
Transfers	–	–	2.0	(2.0)	–
Additions	–	2.4	12.0	2.9	17.3
Acquisition of subsidiary	–	1.1	11.7	–	12.8
Disposals	(0.5)	(5.5)	(7.3)	–	(13.3)
As at 29 March 2008	15.3	105.4	186.3	2.9	309.9
Transfers	–	–	2.9	(2.9)	–
Additions	–	3.7	10.6	2.0	16.3
Exchange differences	–	–	0.2	–	0.2
Disposals	–	(2.9)	(11.2)	–	(14.1)
As at 28 March 2009	15.3	106.2	188.8	2.0	312.3
Accumulated depreciation and impairment					
As at 31 March 2007	2.2	75.1	130.4	–	207.7
Charge for year	0.1	4.9	11.0	–	16.0
Disposals	–	(4.1)	(5.5)	–	(9.6)
As at 29 March 2008	2.3	75.9	135.9	–	214.1
Charge for year	0.2	4.6	12.5	–	17.3
Exchange differences	–	0.1	0.1	–	0.2
Disposals	–	(1.7)	(10.0)	–	(11.7)
As at 28 March 2009	2.5	78.9	138.5	–	219.9
Net book value					
As at 31 March 2007	13.6	32.3	37.5	2.0	85.4
As at 29 March 2008	13.0	29.5	50.4	2.9	95.8
As at 28 March 2009	12.8	27.3	50.3	2.0	92.4

The net book value of leasehold properties includes £27.2 million (2008: £29.1 million) in respect of short leasehold properties.

At 28 March 2009, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £4.3 million (2008: £2.1 million).

Freehold land and buildings with a carrying amount of £12.8 million (2008: £13.0 million) have been pledged to secure the group's borrowing facility (see note 22). The group is not allowed to pledge these assets as security for other borrowings.

18. Deferred tax assets and liabilities

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

	Accelerated tax depreciation £ million	Short term timing differences £ million	Retirement benefit obligations £ million	Share- based payment £ million	Intangible assets £ million	Tax losses £ million	Total £ million
At 31 March 2007	(6.5)	1.3	0.9	0.6	–	3.9	0.2
Acquisition of subsidiary	2.1	1.2	–	–	(8.5)	–	(5.2)
Credit/(charge) to income	1.6	3.3	(2.1)	0.3	0.4	(3.9)	(0.4)
Credit to equity	–	–	1.0	–	–	–	1.0
At 29 March 2008	(2.8)	5.8	(0.2)	0.9	(8.1)	–	(4.4)
Credit/(charge) to income	0.4	(3.6)	(1.4)	0.5	0.6	–	(3.5)
Credit to equity	–	–	8.7	–	–	–	8.7
At 28 March 2009	(2.4)	2.2	7.1	1.4	(7.5)	–	0.8

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	28 March 2009 £ million	29 March 2008 £ million
Deferred tax assets	15.6	6.7
Deferred tax liabilities	(14.8)	(11.1)
	0.8	(4.4)

19. Inventories

	28 March 2009 £ million	29 March 2008 £ million
Underlying	85.8	70.8
Non-underlying foreign currency adjustments	8.3	–
Finished goods and goods for resale	94.1	70.8

Due to the significant impact of the movement in foreign exchange rates over the period, particularly the US dollar, we have separately disclosed the underlying stock value. This has been calculated on a basis consistent with the underlying performance, reflecting hedging in place, before non-underlying foreign currency adjustments made in accordance with IAS 21 (see note 2).

The amount of write down of inventories to net realisable value recognised as a net credit in the period is £0.1 million (2008: net credit of £0.2 million).

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20. Trade and other receivables

	28 March 2009 £ million	29 March 2008 £ million
Trade receivables gross	36.1	26.9
Allowance for doubtful debts	(2.0)	(2.2)
Trade receivables net	34.1	24.7
Prepayments and accrued income	16.4	23.3
Other receivables	3.3	3.1
VAT receivable	1.9	1.4
	55.7	52.5

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

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Balance at beginning of year	(2.2)	(0.6)
Utilised in the period	0.2	–
Charged in the period	–	(0.2)
Acquisition of subsidiary	–	(1.4)
Balance at end of year	(2.0)	(2.2)

The group's exposure to credit risk inherent in its trade receivables is discussed in note 23. The group has no significant concentration of credit risk, with the customer base being unrelated. Before accepting any new credit customer, the group obtains a credit check from an external agency to assess the credit quality of the potential customer and then sets credit limits on a customer by customer basis.

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

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

	28 March 2009 £ million	29 March 2008 £ million
Trade receivables gross	36.1	26.9
Allowance for doubtful debts	(2.0)	(2.2)
Trade receivables net	34.1	24.7
Of which:		
Amounts neither impaired nor past due on the reporting date	34.1	23.2
Amounts past due:		
Less than one month	0.6	1.5
Between one and three months	0.5	1.3
Between three and six months	0.5	0.7
Greater than six months	0.4	0.2
Allowance for doubtful debts	(2.0)	(2.2)
Trade accounts receivable net carrying amount	34.1	24.7

Provisions for doubtful trade accounts receivable are established based upon the difference between the receivable value and the estimated net collectible amount. The group establishes its provision for doubtful trade accounts receivable based on its historical loss experiences.

The average credit period taken on sales of goods is disclosed in note 23. No interest is charged on trade receivables, however, the right to charge interest on outstanding balances is retained.

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

21. Cash and cash equivalents

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

22. Borrowing facilities

The group had no outstanding borrowings as at 28 March 2009 and 29 March 2008.

Overdraft

The group has an unsecured overdraft facility of £10 million (2008: £10 million) which bears interest at 1.00 per cent above bank base rates. None of this facility was drawn down at 28 March 2009.

Committed borrowing facilities

The group had £55 million (2008: £65 million) of committed secured borrowing facilities available at 28 March 2009 in respect of which all conditions precedent have been met. The final maturity date of this facility is 31 May 2010. None of this facility was drawn down at 28 March 2009. If the facility were to be drawn upon it would bear interest at 1.00 per cent above LIBOR.

23. Risks arising from financial instruments

A. Terms, conditions and risk management policies

The board approves treasury policies and senior management directly controls day-to-day operations within these policies. The major financial risks to which the group is exposed relate to movements in foreign exchange rates and interest rates. Where appropriate, cost effective and practicable the group uses financial instruments and derivatives to manage these risks. No speculative use of derivatives, currency or other instruments is permitted. The group's financial risk management policy is described in note 2.

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

	28 March 2009 £ million	29 March 2008 £ million
Foreign currency forward exchange contracts		
Not later than one year	49.9	65.3
After one year but not more than five years	–	14.9
	49.9	80.2

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the returns to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 27 and 28.

B. Foreign currency risk management

The group incurs foreign currency risk on sales and purchases whenever they are denominated in a currency other than the functional currency. This risk is managed through holding derivative financial instruments.

The group uses forward foreign currency contracts to reduce its cash flow exposure to exchange rate movements, primarily on the US dollar. The group has not hedge accounted for its forward foreign currency contracts under the requirements of IAS 39. Therefore, from 27 March 2005 onwards, derivative financial instruments have been recognised as assets and liabilities measured at their fair values at the balance sheet date and changes in their fair values have been recognised in the income statement. These arrangements are designed to address significant foreign exchange exposures on forecast future purchases of goods for the following year and are renewed on a revolving basis as required.

Derivatives embedded in non-derivative host contracts have been recognised separately as derivative financial instruments when their risks and characteristics are not closely related to those of the host contract and the host contract is not stated at its fair value with changes in its fair value recognised in the income statement.

International sales represent 20 per cent (2008: 17 per cent) of group sales. Of these sales, 16 per cent were invoiced in foreign currency. The group purchases product in foreign currency, representing approximately 32 per cent (2008: 27 per cent) of purchases.

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23. Risks arising from financial instruments continued

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

	Liabilities		Assets	
	28 March 2009 £ million	29 March 2008 £ million	28 March 2009 £ million	29 March 2008 £ million
US dollar	(18.6)	(13.3)	14.9	9.7
Euro	(0.5)	(0.3)	0.4	1.3
Hong Kong dollar	(2.5)	(2.3)	0.2	–
Singapore dollar	–	–	0.1	–
	(21.6)	(15.9)	15.6	11.0

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

	28 March 2009 £ million	29 March 2008 £ million
At notional value	49.9	80.2
At fair value	7.3	0.5

In addition, the fair value of embedded derivatives is £nil million (2008: £0.2 million).

Currency sensitivity analysis

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

	28 March 2009 £ million	29 March 2008 £ million
US dollar impact	(1.7)	(6.7)

C. Credit risk

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

The carrying amount of the financial assets represents the maximum credit exposure of the group. The carrying amount is presented net of impairment losses recognised. The maximum exposure to credit risk comprises trade receivables as shown in note 20 and cash of £24.8 million.

The average credit period on trade receivables was 17 days (2008: 18 days) based on total group revenue.

D. Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 22 is a description of additional undrawn facilities that the group has at its disposal to further reduce liquidity risk.

24. Trade and other payables

	28 March 2009 £ million	29 March 2008 £ million
Current liabilities		
Trade payables	58.9	45.3
Payroll and other taxes including social security	2.2	1.9
Accruals and deferred income	45.1	46.5
Lease incentives	2.2	1.9
	108.4	95.6
Non-current liabilities		
Lease incentives	19.6	15.5

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 57 days (2008: 41 days). The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

25. Finance lease arrangements

The group as lessee:

It is the group's policy to lease certain of its cars under finance leases. Future minimum lease payments under finance leases and hire purchase contracts are as follows:

	28 March 2009 £ million	29 March 2008 £ million
Future minimum payments due:		
Within one year	–	0.4
After one year but not more than five years	0.1	0.1
Less finance charges allocated to future periods	–	–
Present value of minimum lease payments	0.1	0.5

The present value of minimum lease payments is analysed as follows:

	28 March 2009 £ million	29 March 2008 £ million
Not later than one year	–	0.4
After one year but not more than five years	0.1	0.1
	0.1	0.5

The average lease term is five years. For the year ended 28 March 2009, the average effective borrowing rate was 15 per cent (2008: 14 per cent). The fair value of the group's leased assets approximates their carrying amount. Obligations under finance leases are secured by the lessors' charges over the leased assets.

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26. Provisions

	28 March 2009 £ million	29 March 2008 £ million
Current liabilities		
Property provisions	8.2	10.6
Integration provisions	3.3	12.9
Other provisions	0.4	0.5
Short term provisions	11.9	24.0
Non-current liabilities		
Property provisions	13.3	10.8
Integration provisions	–	0.7
Other provisions	0.4	0.6
Long term provisions	13.7	12.1
Property provisions	21.5	21.4
Integration provisions	3.3	13.6
Other provisions	0.8	1.1
Total provisions	25.6	36.1

The movement on total provisions is as follows:

	Property provisions £ million	Integration provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 29 March 2008	21.4	13.6	1.1	36.1
Utilised in year	(3.7)	(10.3)	(0.5)	(14.5)
Charged in year	9.8	–	0.2	10.0
Released in year	(7.1)	–	–	(7.1)
Unwinding of discount	1.1	–	–	1.1
Balance at 28 March 2009	21.5	3.3	0.8	25.6

Property provisions principally represent the costs of store disposals or closures relating to the optimisation of the UK portfolio which involves the closure and resiting of Mothercare and Early Learning Centre stores and onerous lease costs relating to Early Learning Centre's supply chain. The provision was reviewed in the year and amounts no longer required were released. Additional provisions have been made in the period principally for onerous lease costs relating to Early Learning Centre's supply chain (see note 7). The timing of the utilisation of the above provisions is variable dependent upon the lease expiry dates of the properties concerned.

Integration provisions principally represent the restructure of the Early Learning Centre's head offices and supply chain, the opening of Early Learning Centre inserts in Mothercare stores, the realignment of international franchise agreements and the integration programme. The integration provisions are expected to be fully utilised by March 2010.

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

27. Called up share capital

	52 weeks ended 28 March 2009 Number of shares	52 weeks ended 29 March 2008 Number of shares	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Authorised				
Ordinary shares of 50 pence each:				
Balance at beginning and end of year	105,000,000	105,000,000	52.5	52.5
Allotted, called up and fully paid				
Ordinary shares of 50 pence each:				
Balance at beginning of year	87,272,318	73,317,905	43.6	36.6
Issued under the Mothercare 2000 Executive Share Option Plan	188,976	114,955	0.1	0.1
Issued under the Mothercare Sharesave Scheme	141,338	29,964	0.1	–
Issued on acquisition of subsidiary	–	13,809,494	–	6.9
Balance at end of year	87,602,632	87,272,318	43.8	43.6

Further details of employee and executive share schemes are given in note 32.

28. Reserves

	Note	Share premium account £ million	Other reserve £ million	Own shares £ million	Translation reserve £ million	Retained earnings £ million
As at 31 March 2007		3.1	–	(7.4)	–	118.7
Premium arising on issue of equity shares		0.3	50.8	–	–	–
Actuarial loss on retirement benefit obligations	33	–	–	–	–	(3.6)
Credit to equity for share-based payments	32	–	–	–	–	1.8
Purchase of own shares		–	–	(2.5)	–	–
Shares transferred to employees on vesting		–	–	0.1	–	(0.1)
Tax on items taken directly to equity	11	–	–	–	–	1.0
Dividends paid	12	–	–	–	–	(7.9)
Net profit for the financial year		–	–	–	–	0.1
As at 29 March 2008		3.4	50.8	(9.8)	–	110.0
Premium arising on issue of equity shares		0.9	–	–	–	–
Actuarial loss on retirement benefit obligations	33	–	–	–	–	(31.2)
Credit to equity for share-based payments	32	–	–	–	–	2.5
Purchase of own shares		–	–	(1.1)	–	–
Shares transferred to employees on vesting		–	–	0.3	–	(0.3)
Exchange differences on translation of overseas operations		–	–	–	1.2	–
Tax on items taken directly to equity	11	–	–	–	–	8.7
Dividends paid	12	–	–	–	–	(10.9)
Net profit for the financial year		–	–	–	–	30.3
As at 28 March 2009		4.3	50.8	(10.6)	1.2	109.1

The own shares reserve represents the cost of shares in Mothercare plc purchased in the market and held by the Mothercare Employee Trusts to satisfy options under the group's share option schemes (see note 32). The total shareholding is 3,916,883 (2008: 3,877,074) with a market value at 28 March 2009 of £15,138,753.

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29. Reconciliation of cash flow from operating activities

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Profit from retail operations	45.8	20.9
Adjustments for:		
Depreciation of property, plant and equipment	17.3	16.0
Amortisation of intangible assets – software	2.6	2.1
Amortisation of intangible assets – other	2.1	1.6
Losses on disposal of property, plant and equipment	2.4	1.7
Gain on non-underlying non-cash foreign currency adjustments	(11.8)	(2.7)
Equity-settled share-based payments	2.5	1.8
Movement in provision for costs of reorganisation of distribution network	–	(0.7)
Movement in property provisions	(3.1)	(1.3)
Movement in integration provisions	(10.3)	13.6
Movement in restructuring provisions	–	(1.6)
Movement in other provisions	(0.3)	0.3
Amortisation of lease incentives	(2.2)	(2.8)
Lease incentives received	6.6	0.9
Payments to retirement benefit schemes	(5.0)	(4.3)
Charge to profit from operations in respect of service costs of retirement benefit schemes	1.2	0.7
Operating cash flow before movement in working capital	47.8	46.2
Increase in inventories	(14.9)	(2.4)
Increase in receivables	(2.3)	(3.8)
Increase in payables	9.5	14.7
Cash generated from operations	40.1	54.7
Income taxes paid	(5.2)	(2.9)
Net cash flow from operating activities	34.9	51.8

30. Analysis of cash and cash equivalents

	28 March 2009 £ million	29 March 2008 £ million
Cash at bank and in hand	24.8	22.7
Cash and cash equivalents	24.8	22.7

31. Operating lease arrangements

The group as lessee:

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Amounts recognised in cost of sales for the period:		
Minimum lease payments paid	73.3	72.7
Contingent rents	0.5	0.7
Minimum sublease payments received	(1.3)	(1.1)
Net rent expense for the period	72.5	72.3

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

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

	28 March 2009 £ million	29 March 2008 £ million
Not later than one year	77.8	80.1
After one year but not more than five years	237.8	255.5
After five years	264.4	305.9
Total future minimum lease payments	580.0	641.5

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

	28 March 2009 £ million	29 March 2008 £ million
Not later than one year	1.2	1.5
After one year but not more than five years	2.1	3.2
After five years	4.2	6.7
Total future minimum lease payments	7.5	11.4

32. Share-based payments

An expense is recognised for share-based payments based on the fair value of the awards at the date of grant, the estimated number of shares that will vest and the vesting period of each award.

The charge for share-based payments under IFRS is £7.6 million (2008: £3.8 million) of which £2.5 million (2008: £1.8 million) was equity settled across the following schemes:

- A: Equity incentive awards
- B: Long term incentive plan and share matching scheme
- C: Executive share option scheme
- D: Save As You Earn schemes
- E: Executive Incentive Plan
- F: Performance Share Plan

Details of the share schemes that the group operates are provided in the directors' remuneration report on pages 34 to 37.

For each scheme, expected volatility was determined with reference to the 90-day volatility of the group's share price over the previous three years. The expected life used in each model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The dates of exercise are not disclosed, as it is not deemed practicable to do so.

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32. Share-based payments continued

A. Equity incentive awards

The number of shares outstanding under the chief executive's equity incentive award is as follows:

	52 weeks ended 28 March 2009 Number of shares	52 weeks ended 29 March 2008 Number of shares
Balance at beginning of year	–	45,000
Vested during year	–	(45,000)
Lapsed during year	–	–
Balance at end of year	–	–

B. Equity awards under the long term incentive plan and the share matching scheme

The number of shares outstanding under the long term incentive plan and the share matching scheme is as follows:

	52 weeks ended 28 March 2009 Number of shares	52 weeks ended 29 March 2008 Number of shares
Balance at beginning of year	230,807	539,043
Awarded during year	–	–
Lapsed during year	(6,921)	(308,236)
Vested during year	(223,886)	–
Balance at end of year	–	230,807

The fair value of the long term incentive plan and the share matching scheme awards is calculated using a Monte Carlo model to determine the present economic value, with the following assumptions:

Grant date	June 2005
Number of shares awarded	362,067
Share price at award date	292p
Expected volatility	30.0%
Expected dividend yield	3.00%
Time to expiry	3.25 years
Correlation to comparators	15.0%
TSR element fair value	151p
EPS element fair value	186p

Under IFRS 2, the fair value of the EPS element of the award is calculated assuming that the TSR of the Company will be at least median within the comparator group.

C. Executive share option scheme

Share options may be granted to executives and senior managers at a price equal to the average quoted market price of the group's shares on the date of grant. The options vest after three years, conditional on the group's share price exceeding 3 per cent per annum compound growth over the vesting period. If the options remain unexercised after a period of ten years from the date of grant, they expire. Furthermore, options are forfeited if the employee leaves the group before the options vest.

The number of options outstanding under the executive share option scheme is as follows:

	Weighted average option price	52 weeks ended 28 March 2009 Number of shares	52 weeks ended 29 March 2008 Number of shares
Balance at beginning of year	225p	748,441	868,396
Granted during year	-	-	-
Forfeited during year	318p	(20,000)	(17,500)
Exercised during year	309p	(138,838)	(102,455)
Expired during year	-	-	-
Balance at end of year	202p	589,603	748,441

The weighted average share price at the date of exercise for share options exercised during the period was 394p, ranging from 355p to 420p. The options outstanding at 28 March 2009 had a weighted average remaining contractual life of 4.1 years.

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

Grant date	June 2005	November 2004
Number of options granted	205,000	20,000
Share price at grant date	284p	299p
Exercise price	284p	299p
Expected volatility	25.0%	19.0%
Risk free rate	4.75%	4.75%
Expected dividend yield	2.60%	2.60%
Time to expiry	3.25 years	3.25 years
Fair value of option	54.3p	46.1p

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32. Share-based payments continued

D. Save As You Earn schemes

The employee Save As You Earn schemes are open to all employees and provide for a purchase price equal to the daily average market price on the date of grant, less 20 per cent.

The shares can be purchased during a two week period each year and are placed in the employee Save As You Earn trust for a three-year period.

The number of shares outstanding under the Save As You Earn schemes is as follows:

	Weighted average exercise price	52 weeks ended 28 March 2009 Number of shares	52 weeks ended 29 March 2008 Number of shares
Balance at beginning of year	283p	980,953	342,620
Granted during year	237p	635,038	743,552
Forfeited during year	281p	(197,933)	(75,255)
Exercised during year	282p	(188,976)	(29,964)
Expired during year	-	-	-
Balance at end of year	260p	1,229,082	980,953

The shares outstanding at 28 March 2009 had a weighted average remaining contractual life of 2.7 years.

The fair value of Save As You Earn share options is calculated based on a Black-Scholes model with the following assumptions:

Grant date	December 2008	December 2007	November 2005
Number of options granted	635,038	743,552	373,584
Share price at grant date	237p	284p	282p
Exercise price	237p	284p	282p
Expected volatility	30.0%	25.0%	25.0%
Risk free rate	2.00%	5.00%	4.50%
Expected dividend yield	3.50%	3.00%	2.60%
Time to expiry	3.25 years	3.25 years	3.25 years
Fair value of option	41.1p	53.1p	53.0p

E. Executive Incentive Plan

The Executive Incentive Plan is a conditional award based on surplus value created over a three-year performance period. The surplus value is calculated as the difference between the total shareholder return of Mothercare and that of the FTSE All-Share General Retailers Index, multiplied by Mothercare's market capitalisation. The remuneration committee has the discretion to allow up to 50 per cent of the award to be paid in shares and deferred for one year. For accounting purposes it is assumed that the remuneration committee will exercise this discretion, so the cost of the equity-settled half of the award is now fixed at the grant date. The cash-settled half of the award will be fair valued each year and a true-up adjustment made.

The fair value of the plan award is calculated using a binomial model with the following assumptions at grant date:

Grant date	July 2008	July 2007	July 2006
Market capitalisation at award date	£337.2m	£274.0m	£261.8m
Expected Mothercare share price volatility	25.0%	25.0%	30.0%
Expected Index volatility	20.0%	15.0%	15.0%
Risk free rate	5.05%	5.83%	4.90%
Correlation between Mothercare and the Index	45.0%	35.0%	35.0%
Time to expiry	3 years	3 years	3 years
Fair value at grant date	£2.2m	£2.0m	£1.3m
Fair value at 28 March 2009	£4.6m	£6.8m	£6.6m

F. Performance Share Plan

The Performance Share Plan is a conditional award of shares based on the expected growth in Mothercare's profit before taxation over three years. The number of shares outstanding under the Performance Share Plan is as follows:

	52 weeks ended 28 March 2009 Number of shares	52 weeks ended 29 March 2008 Number of shares
Balance at beginning of year	1,099,010	627,173
Awarded during year	1,006,482	628,623
Lapsed during year	(135,477)	(156,786)
Vested during year	-	-
Balance at end of year	1,970,015	1,099,010

The fair value of the plan award is calculated based on Mothercare's estimate of future profit per share growth.

Grant date	November 2008	June 2008	November 2007	June 2007	December 2006	July 2006
Number of shares awarded	39,576	958,500	59,671	568,952	15,051	652,294
Share price at date of grant	284p	374p	368p	400p	374p	343p
Exercise price	nil	nil	nil	nil	nil	nil
Time to expiry	3 years	3 years	3 years	3 years	3 years	3 years
Fair value per share	nil	nil	280p	304p	314p	288p

33. Retirement benefit schemes

Defined contribution schemes

The group operates defined contribution retirement benefit schemes for all qualifying employees of Chelsea Stores Holdings Limited and its subsidiaries.

The total cost charged to income of £0.3 million (2008: £0.6 million) represents contributions due and paid to these schemes by the group at rates specified in the rules of the plan.

Defined benefit schemes

The group has operated two defined benefit pension schemes for employees of Mothercare UK Limited during the year.

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

In 2008 the schemes were closed to new entrants.

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

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

The most recent full actuarial valuations, were carried out as at 31 March 2008 and the next full valuation will be carried out as at 31 March 2011 for both schemes. The most recent full actuarial valuations were updated as at 28 March 2009 for the purpose of these disclosures. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

The IAS 19 valuation conducted for the period ending 29 March 2008 produced a net defined pension surplus of £13.8 million. However, in accordance with IAS 19 Paragraph 58, which states that surplus should only be recognised to the extent that economic benefit can be derived from such surplus, the recognised surplus was limited to £2.0 million. The IAS 19 valuation conducted for the period ending 28 March 2009 produced a net defined pension deficit of £25.4 million, which has been recognised in full.

Notes to the consolidated financial statements

continued

33. Retirement benefit schemes continued

The major assumptions used in the updated actuarial valuations were:

	28 March 2009	29 March 2008
Discount rate	6.5%	6.9%
Future pension increases	3.1%	3.5%
Expected rate of salary increases	4.2%	5.0%
Expected return on schemes' assets	7.2%	7.7%
Analysed between:		
Equities	8.3%	8.5%
Bonds	5.8%	6.0%
Property	7.2%	7.4%
Alternative assets	7.2%	7.4%
Other assets	5.8%	6.0%

The overall expected rate of return on assets is calculated as the weighted average of the expected returns from each of the asset classes. The returns quoted above are net of investment management expenses but before adjustment to allow for the expected administrative and other expenses of running the Schemes.

The mortality assumptions used are the SAPS tables published by the CMI allowing for future improvements in line with the medium cohort projection and a 1 per cent Floor.

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

Assumption	Change in assumption	Impact on scheme liabilities £ million
Discount rate	+/- 0.1%	-/+ 3.8
Rate of salary growth	+/- 0.5%	+/- 1.6
Life expectancy	+1 year	+5.0

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

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Current service cost	2.5	3.8
Interest cost	11.4	10.2
Expected return on schemes' assets	(13.0)	(13.9)
Past service cost	-	-
	0.9	0.1

Current service cost, interest cost and expected return on schemes' assets have been included in administrative expenses.

The actual return on scheme assets was a loss of £31.9 million (2008: a loss of £13.0 million), resulting in an actuarial loss of £44.9 million (2008: loss of £26.9 million).

There was an actuarial gain of £1.9 million (2008: a gain of £35.1 million) relating to the defined benefit obligations.

As £11.8 million of the surplus as at 29 March 2008 was not recognised in the accounts, the amount recognised in the statement of recognised income and expense for the year ending 28 March 2009 is a loss of £31.2 million (2008: £3.6 million loss).

The total cumulative actuarial loss recognised in the statement of recognised income and expense is £16.5 million (2008: £14.7 million gain).

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

	28 March 2009 £ million	29 March 2008 £ million
Present value of defined benefit obligations	175.6	167.3
Fair value of schemes' assets	(150.2)	(181.1)
Deficit/(surplus) in schemes	25.4	(13.8)
Past service cost not yet recognised in balance sheet	–	–
Unrecognised surplus	–	11.8
Liability/(asset) recognised in balance sheet	25.4	(2.0)

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

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
At beginning of year	167.3	191.6
Service cost	2.5	3.8
Interest cost	11.4	10.2
Contribution from scheme members	1.5	1.3
Actuarial (gains)	(1.9)	(35.1)
Benefits paid	(5.2)	(4.5)
At end of year	175.6	167.3

Movements in the fair value of scheme assets were as follows:

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
At beginning of year	181.1	193.6
Actual return on schemes' assets	(31.9)	(13.0)
Company contributions	4.7	3.7
Members' contributions	1.5	1.3
Benefits paid	(5.2)	(4.5)
At end of year	150.2	181.1

Notes to the consolidated financial statements

continued

33. Retirement benefit schemes continued

The analysis of the fair values of the schemes' assets and the expected rates of return at each balance sheet date were:

	28 March 2009 per cent	28 March 2009 £ million	29 March 2008 per cent	29 March 2008 £ million
Equities	8.3	64.5	8.5	88.1
Bonds	5.8	48.5	6.0	36.7
Property	7.2	23.3	7.4	31.3
Alternative assets	7.2	11.3	7.4	25.6
Other assets	5.8	2.6	6.0	(0.6)
		150.2		181.1

The history of experience adjustments is as follows:

	52 weeks ended 28 March 2009	52 weeks ended 29 March 2008	52 weeks ended 31 March 2007	52 weeks ended 1 April 2006	52 weeks ended 26 March 2005
Present value of defined benefit obligations	£175.6m	£167.3m	£191.6m	£197.9m	£165.8m
Fair value of schemes' assets	(£150.2m)	(£181.1m)	(£193.6m)	(£180.4m)	(£143.4m)
Deficit/(surplus) in the schemes	£25.4m	(£13.8m)	(£2.0m)	£17.5m	£22.4m
Experience adjustments on scheme liabilities	(£1.9m)	(£35.1m)	(£17.3m)	£19.8m	£12.7m
Percentage of schemes' liabilities	1.1%	21.0%	9.0%	10.0%	7.7%
Experience adjustments on scheme assets	(£44.9m)	(£26.9m)	(£1.2m)	£19.7m	£3.4m
Percentage of schemes' assets	29.9%	14.9%	0.6%	10.9%	2.4%

The estimated amount of cash contributions expected to be paid to the schemes during the 52 weeks ending 27 March 2010 is £8.0 million, including a one-off contribution of £3.0 million.

34. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its joint ventures are disclosed below (2008: £nil).

Trading transactions

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

	52 weeks ended 28 March 2009			
	Sales of goods £ million	Purchase of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
Joint ventures	1.5	–	0.8	–

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

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the operating board (including directors), who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited part of the directors' remuneration report on pages 34 to 37.

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Short term employee benefits	3.8	4.1
Post employment benefits	0.5	0.3
Termination benefits	–	0.1
Share-based payments	0.9	0.4
	5.2	4.9

Other transactions with key management personnel

There were no other transactions with key management personnel.

Appendix to the directors' remuneration report

APPENDIX A

Table 1A

Directors' emoluments

Total emoluments (including pension contributions) in the year ended 28 March 2009 were £2,182,000 (2008: £2,465,000).

	Salary/fees £000		Performance bonus £000		Benefits £000		Incentive scheme vesting £000		Total remuneration (excl. pensions) £000		Pension contributions £000	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Executive directors												
Ben Gordon	600	500	372	950	13	13	397	161	1,382	1,624	36	25
Neil Harrington	265	227	140	312	11	11	–	–	416	550	32	24
Non-executive directors												
Ian Peacock	145	125	–	–	–	1	–	–	145	126	–	–
Karren Brady	45	37	–	–	–	–	–	–	45	37	–	–
Bernard Cragg	50	42	–	–	–	–	–	–	50	42	–	–
Richard Rivers	31	–	–	–	–	–	–	–	31	–	–	–
David Williams	45	37	–	–	–	–	–	–	45	37	–	–

Note:

Benefits typically include a group car, medical and dental insurance and other similar benefits.

(i) In addition to the pension contributions set out above a sum of £82,170 per annum is paid to Ben Gordon as a salary supplement referred to in page 37 following the discontinuance of the FURBS scheme.

(ii) In addition to the pension contributions for Neil Harrington set out above, a sum of £27,000 is paid as an employer contribution directly to a SIPP.

Table 1B

The details required by paragraph 1 of Schedule 6 part 1 of the Companies Act 1985 are as follows:

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2009 £000	2008 £000
Emoluments	1,717	2,255
Compensation for loss of office	–	–
Gains on exercise of share options	–	–
Amounts receivable under long term incentive schemes	397	161
Money purchase pension contributions	177	158
Total	2,291	2,574

Table 1C

The following table sets out the number of individuals within the salary bands for the management level directly below the board.

Salary Band	2009	2008
200,001 – 250,000	1	1
150,001 – 200,000	6	2
100,001 – 150,000	1	3
75,001 – 100,000	0	0
50,001 – 75,000	0	3

Table 2
Pensions

The disclosure of the directors' benefits accrued in the Mothercare executive pension scheme and money purchase benefits under the appropriate funded unapproved retirement benefits scheme are set out below:

Accrued benefits in Mothercare executive pension scheme					Defined benefits for final salary scheme £000				Money purchase £000	
					Transfer value as at *:				Group contributions	
	At 29 March 2008	Change during year	At 28 March 2009	Change during year net of inflation	Transfer value of change in year net of inflation	29 March 2008	Change during year	Director contributions	28 March 2009	
Ben Gordon	20	5	25	5	5	188	104	12	304	82
Neil Harrington	8	4	12	4	4	46	39	9	94	27

*Calculation is consistent with applicable professional actuarial guidelines of accrued benefit.

Note: The transfer values represent a liability to the group and not a sum paid or due to be paid to the individual.

Directors' share options

Director	29 March 2008 (number)	Granted/(lapsed) during year (number)	Grant/(lapse) date	Exercise price (pence)	First exercise date	Last exercise date	Exercise date	Gains on exercise 2009	28 March 2009 (number)
Ben Gordon	312,500	–	9 Dec 2002	104.00	9 Dec 2005	9 Dec 2012		–	312,500
	3,380 ¹	–	28 Dec 2007				–	–	3,380
Total	315,880	–						–	315,880
Neil Harrington	3,380 ¹	–	28 Dec 2007				–	–	3,380
Total	3,380	–						–	3,380

Notes:

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

The options set out above are granted without payment from a participant.

Share price details are shown on page 87.

Performance conditions are set out in the remuneration report.

No variations have been made to the terms and conditions of existing options in the current or previous years.

No options were exercised in the year.

For any unexpired share options, the market price at 27 March 2009 was 386.50p and the highest and lowest market prices during the current financial year were 417.75p and 259.00p respectively.

Performance Share Plan

Conditional awards made to the executive directors under the PSP are as follows:

Director	29 March 2008 (number)	Granted/(lapsed) during year (number)	Grant/(lapse) date	Vesting date	Vested during year (number)	Gains on exercise 2009	28 March 2009 (number)
Ben Gordon	138,483	–	25 Jul 2006	25 Jul 2009	–	–	138,483
	125,000	–	25 Jun 2007	25 Jun 2010	–	–	125,000
	–	240,802	16 Jun 2008	16 Jun 2011	–	–	240,802
Total	263,483	240,802			–	–	504,285
Neil Harrington	45,918	–	25 Jul 2006	25 Jul 2009	–	–	45,918
	42,525	–	25 Jun 2007	25 Jun 2010	–	–	42,525
	–	79,886	16 Jun 2008	16 Jun 2011	–	–	79,886
Total	88,443	79,886			–	–	168,329

The above awards were made as nil-cost options.

Appendix to the directors' remuneration report continued

Executive Incentive Plan

Conditional award percentages of surplus value made to executive directors are as follows:

EIP Table 1

Surplus value	% of surplus value to which participant entitled	
	Ben Gordon	Neil Harrington
£0m to £50m	1.0%	0.4%
£50m to £75m ¹	1.5%	0.6%
Over £75m ²	2.0%	0.8%

1. Percentage applies only on up to £25 million of surplus value created above £50 million.

2. Percentage applies only on surplus value created in excess of £75 million.

EIP Table 2

Surplus value	% of surplus value to which participant entitled	
	Ben Gordon	Neil Harrington
Total surplus value	2.0%	0.8%

Note:

Applies only to 2007 awards in limited circumstances – see remuneration report page 36.

Applies to total surplus value.

Long Term Incentive Plan

The conditional awards made to directors under the LTIP are as follows:

Director	Conditional award date	LTIP conditional award (number)	Vested 2009 (number)	Lapsed 2009 (number)	Initial share price	Market price on vesting	Performance period
Ben Gordon	23 June 2005	86,193	83,608	2,585	291.5p	379.0p	27.03.05 – 26.03.08
Total		86,193	83,609	2,585	291.5p	379.0p	

Details of the directors' shares pledged and matched under the SMS are as follows:

Director	Conditional award date	Directors' pledged shares and SMS conditional award (number)	Vested 2009 (number)	Lapsed 2009 (number)	Market price on vesting	Pledge period
Ben Gordon	23 June 2005	21,675	21,025	650	379.0p	27.03.05 – 26.03.08
Total		21,675	21,025	650	379.0p	

Performance criteria for the Long Term Incentive Plan and Share Matching Scheme

The performance targets for the LTIP and SMS schemes in respect of total shareholder return (TSR) are as follows:

LTIP

Total shareholder return ranking percentage	Percentage of award vesting
Top 20%	50%
Median	10%
Median to top 20%	10% to 50% (pro rata on a straight-line basis)
Below median	Nil

Note:

No part of the awards subject to EPS will vest unless the group's TSR performance has been above median relative to all general retailers in the FTSE Mid 250 and FTSE SmallCap indices.

SMS

Total shareholder return over three years ranking percentage (relative to general retailers in FTSE Mid 250 and FTSE SmallCap indices)	Ratio of free shares to purchased shares
Top 20%	5 : 10
Median	1 : 10
Median to top 20%	1 : 10 to 5 : 10 (pro rata on a straight-line basis)
Below median	Nil

Note:

No part of the awards subject to EPS will vest unless the group's TSR performance has been above median relative to all general retailers in the FTSE Mid 250 and FTSE SmallCap indices.

The performance targets for the LTIP and SMS schemes in respect of earnings per share (EPS) are as follows:

The underlying basic EPS achieved in 2007/08 was 34.5p.

LTIP

% of award vesting	EPS in 2007/08 for 2005 awards
50%	36.5p
10%	31.7p
10% to 50% (pro rata on a straight-line basis)	31.7p to 36.5p
Nil	Below 31.7p

Note:

EPS refers to pre-tax EPS.

SMS

% of award vesting	EPS in 2007/08 for 2005 awards
5 : 10	36.5p
1 : 10	31.7p
1 : 10 to 5 : 10 (pro rata on a straight-line basis)	31.7p to 36.5p
Nil	Below 31.7p

Note:

EPS refers to pre-tax EPS.

Company financial statements

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Independent auditors' report on the Company financial statements

To the shareholders of Mothercare plc

We have audited the parent Company financial statements of Mothercare plc for the 52 weeks ended 28 March 2009 which comprise the balance sheet and the related notes 1 to 9. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Mothercare plc for the 52 weeks ended 28 March 2009 and on the information in the directors' remuneration report that is described as having been audited.

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

The directors' responsibilities for preparing the annual report and the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the parent Company financial statements. The information given in the directors' report includes that specific information presented elsewhere in the annual report that is cross referenced from the business review section of the directors' report.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited parent Company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent Company 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 parent Company financial statements are free from material mis-statement, 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 parent Company financial statements.

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 28 March 2009;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Deloitte LLP

Chartered Accountants and Registered Auditors
London, UK
20 May 2009

Company balance sheet

As at 28 March 2009

	Note	28 March 2009 £ million	29 March 2008 £ million
Fixed assets			
Investments in subsidiary undertakings	4	204.9	204.9
		204.9	204.9
Current assets			
Debtors	5	5.4	5.7
Cash at bank and in hand and time deposits		(58.5)	(43.1)
		(53.1)	(37.4)
Creditors – amounts falling due within one year	6	(54.6)	(59.3)
Net current liabilities		(107.7)	(96.7)
Total assets less current liabilities		97.2	108.2
Net assets		97.2	108.2
Capital and reserves attributable to equity interests			
Called up share capital	7	43.8	43.6
Share premium account	8	4.3	3.4
Other reserve	8	50.8	50.8
Own shares	8	(10.6)	(9.8)
Profit and loss account	8	8.9	20.2
Equity shareholders' funds	9	97.2	108.2

The notes to the Company financial statements on pages 83 to 85 and the accounting policies described therein form an integral part of this balance sheet.

Approved by the board on 20 May 2009 and signed on its behalf by:

Ben Gordon

Neil Harrington

Notes to the Company financial statements

1. Significant accounting policies

Basis of presentation

The Company's accounting period covers the 52 weeks ended 28 March 2009. The comparative period covered the 52 weeks ended 29 March 2008.

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and on the going concern basis as described in the going concern statement in the corporate governance report and in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting standards. The principal accounting policies are presented below and have been applied consistently throughout the 52 weeks ended 28 March 2009 and the preceding 52 weeks ended 29 March 2008.

Investments

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

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.

Cash flow statement

The Company is exempt from the requirement of FRS 1 (revised) to include a cash flow statement as part of its Company financial statements because it prepares a consolidated cash flow statement which is shown on page 42.

Related parties

The Company has taken advantage of paragraph 3(c) of Financial Reporting Standard 8 ('Related Party Disclosures') not to disclose transactions with group entities or interests of the group qualifying as related parties.

2. Profit and loss account

As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented for the Company. The Company's loss for the 52 weeks ended 28 March 2009 was £0.1 million (2008: loss of £5.2 million). The auditors' remuneration for audit and other services is disclosed in note 8 to the consolidated financial statements. The Company did not have any employees or incur any directors' emoluments during the current or the preceding financial year.

3. Taxation

The Company has tax losses carried forward of £nil (2008: £nil) on which no deferred tax asset has been recognised.

Notes to the Company financial statements

continued

4. Investments in subsidiary undertakings

Investments in the Company's balance sheet consist of its investments in subsidiary undertakings.

The Company's significant subsidiaries, all of which are wholly owned, are as follows:

	Principal activity	Country of incorporation
Mothercare UK Limited	Retailing company	United Kingdom
Chelsea Stores Holdings Limited*	Holding company	United Kingdom

*Direct subsidiary of Mothercare plc

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

	28 March 2009 £ million	29 March 2008 £ million
Cost of investments (less amounts written off £153.0 million (2008: £153.0 million))	139.4	139.4
Loans to subsidiary undertakings	65.5	65.5
	204.9	204.9

£ million

Cost

At 29 March 2008		204.9
Additions		–

At 28 March 2009		204.9
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Provisions for impairment

At 29 March 2008 and 28 March 2009		–
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Net book value		204.9
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5. Debtors

	28 March 2009 £ million	29 March 2008 £ million
Amounts due from subsidiary undertakings	5.0	5.0
Other debtors	0.4	0.7
	5.4	5.7

6. Creditors – amounts falling due within one year

	28 March 2009 £ million	29 March 2008 £ million
Amounts due to subsidiary undertakings	54.3	58.5
Accruals and deferred income	0.3	0.8
	54.6	59.3

7. Called up share capital

	Number of shares	£ million
Authorised		
Ordinary shares of 50p each:		
Balance at 28 March 2009	105,000,000	52.5
Balance at 29 March 2008	105,000,000	52.5
Allotted, called up and fully paid		
Ordinary shares of 50p each:		
Balance at 29 March 2008	87,272,318	43.6
Issued under the Mothercare 2000 Executive Share Option Plan	188,976	0.1
Issued under the Mothercare Sharesave Scheme	141,338	0.1
Issued on acquisition of subsidiary	–	–
Balance at 28 March 2009	87,602,632	43.8

Further details of employee and executive share schemes are provided in note 32 to the consolidated financial statements.

8. Reserves

	Share premium reserve £ million	Other reserve £ million	Own shares reserve £ million	Profit and loss reserve £ million
Balance at 29 March 2008	3.4	50.8	(9.8)	20.2
Net premium on shares issued	0.9	–	–	–
Purchase of own shares	–	–	(1.1)	–
Shares transferred to employees on vesting	–	–	0.3	(0.3)
Dividends	–	–	–	(10.9)
Loss for the financial year	–	–	–	(0.1)
Balance at 28 March 2009	4.3	50.8	(10.6)	8.9

9. Reconciliation of equity shareholders' funds

	52 weeks ended 28 March 2009 £ million	52 weeks ended 29 March 2008 £ million
Equity shareholders' funds brought forward	108.2	65.7
Dividends	(10.9)	(7.9)
Shares issued	1.1	58.1
Purchase of own shares	(1.1)	(2.5)
Retained loss for the year	(0.1)	(5.2)
Equity shareholders' funds carried forward	97.2	108.2

Five year record

	2009 £ million	2008 £ million	2007 £ million	2006 £ million	2005 £ million
Summary of consolidated income statements					
Revenue	723.6	676.8	498.5	482.7	457.2
Underlying ¹ profit from operations before interest	37.2	38.5	21.0	19.5	17.9
Non-underlying ² items	6.1	(34.1)	(3.7)	3.2	(4.1)
Interest (net)	(1.1)	0.1	1.6	1.5	1.7
Profit before taxation	42.2	4.5	18.9	24.2	15.5
Taxation	(11.9)	(4.4)	(4.4)	(6.7)	(4.2)
Profit for the financial year	30.3	0.1	14.5	17.5	11.3
Basic earnings per share	36.3p	0.1p	20.9p	25.5p	16.6p
Basic underlying earnings per share	32.1p	34.5p	24.2p	21.2p	19.9p
Summary of consolidated balance sheets					
Deferred tax asset/(liability)	0.8	(4.4)	0.2	8.5	13.6
Other non-current assets	197.6	200.8	90.6	87.7	87.0
Net current assets	59.0	27.3	73.5	62.8	51.6
Retirement benefit obligations	(25.4)	2.0	2.0	(17.5)	(22.4)
Other non-current liabilities	(33.4)	(27.7)	(15.3)	(9.8)	(10.8)
Total net assets	198.6	198.0	151.0	131.7	119.0
Other key statistics					
Share price at year end	386.50p	400.00p	407.00p	314.75p	277.00p
Net cash/equity	12.5%	11.5%	26.5%	27.3%	31.1%
Capital expenditure	22.8	20.4	18.5	16.7	18.4
Depreciation and amortisation	22.0	19.7	13.9	12.8	12.0
Rents	71.0	71.2	51.6	50.6	47.4
Number of UK stores	405	425	225	231	231
Number of International stores ³	609	494	328	266	220
UK selling space (000's sq ft)	2,007	2,070	1,791	1,857	1,858
Average number of employees	7,715	7,626	5,363	5,255	5,149
Average number of full time equivalents	4,653	4,244	3,149	3,174	3,051

1. Before items described in note 2 below.

2. Includes exceptional items (loss on disposal/termination of property interests, integration costs and restructuring costs), amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments under IAS 39 and IAS 21 as set out in note 7 to the financial statements.

3. International stores are owned by franchise partners.