

# Board of directors



**Ian Peacock**

**Non-executive chairman**

Appointed chairman on 1 November 2002 having joined the board as chairman elect on 1 August 2002. Chairman of Family Mosaic plc, a London based Housing Association and Deputy Chairman of Lombard Risk Management plc. Consultant and Chair of audit and compliance committee of C. Hoare & Co. A City Fellow of Hughes Hall, Cambridge, a Trustee of the PHG Foundation and Chairman of the Financial Advisory Committee for Westminster Abbey. Previously a Trustee of WRVS and Chairman of Galiform PLC (formerly MFI Furniture Group) and has also held a number of senior positions in the banking industry in London, New York and Asia with Kleinwort Benson Group and with BZW. A special adviser to the Bank of England from 1998–2000, and a non-executive director of Norwich and Peterborough Building Society from 1997–2005.



**Ben Gordon**

**Chief executive**

Appointed in December 2002. Formerly Senior Vice President and Managing Director, Disney Store, Europe and Asia Pacific. Has also held senior management positions with the WHSmith Group in Europe and the USA and L'Oreal S.A., Paris. Non-executive director of Britvic plc.



**Neil Harrington**

**Finance director**

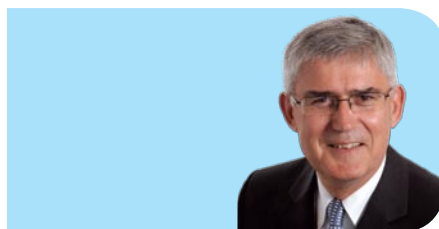
Appointed in January 2006. Formerly finance director of George Clothing, a division of Wal-Mart Stores Inc. Prior to joining Wal-Mart, was finance director of Barclaycard International, a division of Barclays Bank plc and group financial controller of French Connection group plc. Chartered Accountant.



**Bernard Cragg**

**Senior non-executive director**

Appointed in March 2003. Chairman of Workspace Group Plc and non-executive director of Astro All Asia Networks plc. Formerly group finance director and chief financial officer of Carlton Communications plc, chairman of I-mate plc and Datamonitor plc and a non-executive director of Bristol & West plc and Arcadia plc. Chartered Accountant.



**David Williams**

**Non-executive director**

Appointed in August 2004. Chairman of Accantia Limited, Sandpiper CI Limited, The Original Factory Shop Limited and chair of the operating partners at Duke Street Capital LLP. Non-executive director of the Royal London Group Limited. Formerly chairman of Wyevale Garden Centres plc, DX Services plc, Avanti Screen Media Group plc and Avebury Group Limited. A Governor of the London Business School. Has held a number of senior management roles in Diageo plc, PepsiCo Restaurants International and Whitbread plc.



**Karen Brady**

**Non-executive director**

Appointed in July 2003. Managing director of Birmingham City Football Club plc. A non-executive director of Channel 4 Television Corporation and of Sport England.



**Richard Rivers**

**Non-executive director**

Appointed in July 2008. Head of Strategy and Chief of Staff of Unilever and also chairs Unilever's Corporate Ventures Group.

# Directors' report

The directors present their report on the affairs of the group, together with the financial statements and auditors' report for the 52 week period ended 28 March 2009. The chairman's statement at page 5 gives further information on the work of the board during the period.

## Business review

The principal companies within the Mothercare group for the period under review were Mothercare plc (the 'Company'), Mothercare UK Limited and Chelsea Stores Holdings Ltd which owns the Early Learning Centre brand. The Companies Act 1985 requires the directors' report to contain a fair review of the business and a description of the principal risks and uncertainties facing the group. A review of the business strategy and a commentary on the performance of the group is set out in the performance highlights, 'our group', chairman's and chief executive's statements, the business review and financial review on pages 1, 2 and 5 to 18 respectively. The principal risks facing the business are detailed in the corporate governance report at page 29. These disclosures form part of this report. The directors' report is prepared for the members of the Company and should not be relied upon by any other party or for any other purpose. Where the directors' report (including the performance highlights, 'our group', business review, financial review, corporate responsibility report and corporate governance report) contain forward-looking statements these are made by the directors in good faith based on the information available to them at the time of their approval of this report. These statements will not be updated or reported upon further. Consequently such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking statements or information.

## Going concern

The accounts have been prepared under the going concern principle. For full details please see the corporate governance report on page 29.

## Dividend

The directors recommend a final dividend of 9.9p per share. An interim dividend of 4.6p was paid in February 2009 (2008: 3.7p per share) making a total of 14.5p per share, (2008: total of 12.0p per share).

The trustees of the Mothercare Employee Trust, who held 3,903,732 shares at the balance sheet date, have waived their entitlement to receive dividends in respect of 1,816,463 shares. The remaining shares held by the Trust are conditionally awarded to participants in certain of the group's employee share schemes where such schemes provide for dividends to accrue on such conditional awards. Consequently, the amount of the dividends waived by the Trust will change from year to year in accordance with conditional awards made.

## Substantial shareholdings

As at 20 May 2009, the Company has been advised by or is aware of the following interests in the Company's ordinary share capital:

Holder	Number of shares	Percentage of issued share capital
Aberdeen Asset Management Group	10,092,961	11.52%
D C Thomson & Company Ltd	8,950,000	10.21%
M&G Asset Management Ltd	8,559,981	9.77%
Aegon Asset Management Legal & General Investment Management Ltd	4,987,561	5.69%
Management Ltd	4,487,780	5.12%

## Acquisition of own shares

The Company was given a general approval at the AGM in July 2008 to purchase up to 10 per cent of its shares in the market. This authority expires after the AGM on 16 July 2009. The authority has not been used during the year.

As at 20 May 2009, the Company's issued share capital was 87,624,472 ordinary shares of 50p each all carrying voting rights. Details of the change in the Company's issued share capital during the year is set out in note 27. No shares were held in Treasury.

The Company has one class of ordinary shares. Each share carries the right to one vote at general meetings of the Company. There are no specific restrictions on the size of a holding in the Company nor on the transfer of shares, which are both governed by the general provisions of the Company's articles of association and legislation. The directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

Details of the Company's employee share schemes are set out in the remuneration report. The trustees of the Mothercare Employee Trust abstain from voting its shareholding in the Company.

## Directors

The following directors served during the 52 week period ended 28 March 2009:

Name	Appointment
Ian Peacock	Chairman and independent non-executive director, chairman of the nomination committee
Karren Brady	Independent non-executive director
Bernard Cragg	Senior independent non-executive director and chairman of the audit committee
Ben Gordon	Executive director
Neil Harrington	Executive director
Richard Rivers	Independent non-executive director. Appointed 17 July 2008.
David Williams	Independent non-executive director and chairman of the remuneration committee

Having been appointed since the last annual general meeting, Richard Rivers retires from the board and offers himself for election. In accordance with the Company's Articles of Association Karren Brady and Ian Peacock retire by rotation from the board following the conclusion of the Annual General Meeting on 16 July 2009 and stand for re-election at the AGM. Biographical details of all of the directors, indicating their experience and qualifications, are set out on page 24.

Details of directors' service arrangements are set out in the remuneration report on page 36. There are no special contractual payments associated with a change of control.

A statement of directors' interests in the shares of Mothercare plc and of their remuneration is set out on pages 37 and 76 respectively. A statement of directors' interests in contracts and indemnity arrangements is set out on page 31.

#### **Employees**

The Company is committed to the involvement of all of its employees in the delivery of its strategy. Consequently it communicates, and reviews with all its employees, its corporate objectives, performance and economic activity relevant to its business. This is achieved through the Company magazine 'Small Talk', briefings, bulletins, email and video presentations.

The Company aspires to develop a loyal and high performing team through its DNA processes. As part of this development process it measures the capabilities of the group's employees, ascertains their development needs and develops and implements programmes designed to ensure that the critical skills required for the development of both the individual and the Company are attained. The Company is proud to have been included in the Sunday Times' '20 Best Big Companies to Work For' in 2008 and 2009.

The group's remuneration strategy is set out in the remuneration report. That report includes details of the various incentive schemes and share plans operated by the group.

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

#### **Pensions**

The group operates pension schemes for those of its employees that wish to participate. Details of the pension charge is set out in note 33. During the year, the group held discussions with the trustees of the Mothercare staff and executive pension schemes on the long term future structure of the schemes. These discussions were undertaken against the background of increasing regulatory, legislative as well as demographic impacts on the schemes, the volatility of the interest rate and investment risks on the results of the Company. These discussions are now complete and the valuation assumptions agreed. During the year, the Mothercare staff and executive pension schemes were closed to new entrants and a new defined contribution scheme (consistent with that already offered to Early Learning Centre employees) opened to which all new employees will be offered membership.

The result of the triennial valuation carried out in 2008 and the changes to the schemes effected during the year will result in additional contributions from the members of the schemes, a cap on revaluation of future benefits of 2.5 per cent and additional Company contributions of approximately £1.0 million per annum together with a one-off lump sum contribution of £3.0 million in 2009/10 to the defined benefit schemes.

#### **Payment of suppliers**

Payments to merchandise suppliers are made in accordance with general conditions of purchase, which are communicated to suppliers at the beginning of the trading relationship. It is the group's policy to make payments to non-merchandise suppliers, unless otherwise agreed, within the period set out in the supplier's invoice or within 60 days from the date of invoice.

The amount owed to trade creditors at the end of the financial year represented nil days (2008: nil days) of average daily purchases during the year for the Company and 57 days (2008: 41 days) for the group.

#### **Fixed assets**

Changes in fixed assets are shown in note 17 to the accounts. A valuation of the group's freehold and long leasehold properties, excluding rack rented properties, was carried out by external valuers, primarily CBRE as at 1 March 2009. The basis of the valuation is Existing Use Value in respect of properties primarily occupied by the group and on the basis of Market Value in respect of investment properties, both bases being in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Manual. This adjusted valuation of the properties resulted in a surplus over their net book value of £7,696,204.

#### **Significant agreements**

The group has entered into an agreement that is subject to change of control provisions. This agreement is a Supplemental Agreement and re-stated Agreement dated 27 April 2007 in respect of a £65,000,000 credit facility with HSBC Bank plc for general business purposes, which reduced to £55,000,000 on 27 April 2008. This agreement expires on 31 May 2010.

### Corporate citizenship

The board recognises that corporate citizenship, or social responsibility, is an important factor in managing the reputation of a business such as Mothercare. Further details are set out on pages 19 to 23.

### Auditors

In the case of each of the persons who were directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution proposing the re-election of Deloitte LLP as auditors to the Company will be put to the AGM.

### Charitable and political donations

The Company made a further donation to the Mothercare Group Foundation during the year of £125,000. Total charitable donations for the year ended 28 March 2009 were £156,386 (2008: £205,000).

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

### Annual General Meeting

The 2009 Annual General Meeting will be held on Thursday, 16 July 2009 at 10.30am in the conference suite at the Company's head office at Cherry Tree Road, Watford, Hertfordshire, WD24 6SH.

The notice of the meeting and a pre-paid form of proxy for the use of shareholders unable to come to the AGM but who may wish to vote or to put any questions to the board of directors are enclosed with this annual report. The Company wishes to encourage as many shareholders as possible to vote electronically. Those shareholders who have elected to receive electronic communications may register their vote in respect of resolutions to be proposed to the AGM at [www.sharevote.co.uk](http://www.sharevote.co.uk). Shareholders may also submit questions via email to [investorrelations@mothercare.com](mailto:investorrelations@mothercare.com). The chairman will respond in writing to questions received.

As in previous years a copy of the chairman's opening statement to the meeting, together with a resumé of questions and answers given at the meeting, will be prepared following the AGM. This will be made available to shareholders on request to the group company secretary at the Company's head office.

The following paragraphs give explanatory notes on the business to be proposed at the meeting:

**Resolution 1:** To receive the Company's annual accounts together with the directors' report, the directors' remuneration report and the auditors' report upon the accounts for the 52 weeks ended 28 March 2009. The directors will present the report and accounts and shareholders may raise any questions on it at the meeting.

**Resolution 2:** To declare a final dividend of 9.9 pence per share payable on 7 August 2009 to those shareholders on the register on 5 June 2009.

**Resolution 3:** To approve the directors' remuneration report.

**Resolution 4:** To elect Richard Rivers. Richard Rivers was appointed following the conclusion of the AGM in 2008 and consequently retires from the board and offers himself for election.

**Resolutions 5 and 6:** Re-appointment of directors. The Company's articles of association require that one third of the directors that are required to retire by rotation must retire. Separate resolutions will be proposed on each of these appointments.

**Resolution 7:** Re-appointment of auditors. Deloitte LLP has indicated its willingness to act as auditors to the Company and accordingly an ordinary resolution to re-appoint them will be proposed.

The meeting will also be asked to consider the following matters of Special Business:

### As Ordinary Resolutions

**Resolution 8:** To increase the authorised share capital. This resolution proposes that the authorised share capital of the Company be increased from £52,500,000 to £60,000,000, representing a percentage increase of approximately 14 per cent. This increase is being sought in order to give the Company sufficient authorised share capital to take full advantage of the ability to allot ordinary shares under the authorities proposed in resolution 9.

## Directors' report continued

**Resolution 9:** Authority to allot relevant securities. The effect of this resolution is to renew the authority of the directors, conferred by Article 4 (B) of the articles of association, to allot relevant securities up to an amount equal to approximately one-third of the issued ordinary share capital of the Company as at 31 March 2009. The authority will continue until 30 September 2010 or until the conclusion of the next AGM, whichever is the sooner. The directors have no present intention of using this authority.

The Company currently has no shares held in Treasury.

### As Special Resolutions

**Resolution 10:** The Shareholder Rights Directive is intended to be implemented in the UK in August this year. One of the requirements of the Directive is that all general meetings must be held on at least 21 days' notice unless shareholders agree to a shorter notice period. We are currently able to call general meetings (other than annual general meetings) on 14 days' notice. We are proposing a resolution at the AGM so that we can continue to be able to do so after the Directive is implemented.

The approval will be effective until the Company's next AGM. It is intended that a similar resolution will then be proposed on an annual basis, in accordance with the requirements of the Directive.

**Resolution 11:** Authority to allot securities for cash other than on a pro-rata basis to shareholders. The effect of this resolution is to renew the power conferred on the directors by Article 4(C) of the articles of association to allot equity securities for cash (or sell treasury shares) up to an amount representing approximately 5 per cent of the issued ordinary share capital of the Company as at 31 March 2009, without the need first to offer such shares to existing shareholders. The authority will continue until 30 September 2010 or until the conclusion of the next AGM, whichever is the sooner.

**Resolution 12:** Purchase of own shares. The Company was authorised at the 2008 AGM to purchase up to 10 per cent of its shares in the market. This authority has not been used and expires at the conclusion of this year's AGM. This resolution seeks to renew the authority for a further year. Shares purchased (if any) will be cancelled or where appropriate held in Treasury pursuant to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003. The directors have no present intention of using this authority, but wish to be in a position to act quickly in the interests of the Company and shareholders generally if circumstances so warrant.

By order of the board



...../.....  
**Clive E Revett**  
Group company secretary  
20 May 2009

The Company believes that the promotion of the interests of investors, customers, staff and other stakeholders will be achieved through striving for high standards of corporate governance. To this end, the Company considers that it has complied throughout the 52 week period ending on 28 March 2009 with the provisions set out in Section 1 of the 2006 Combined Code on Corporate Governance published by the Financial Reporting Council having applied the main and supporting principles set out in Section 1 of the Code.

## The board

The leadership of the Mothercare plc business is provided by the Mothercare plc board. It operates on a unitary basis and comprises the chairman, four independent non-executive directors, and two full-time executive directors, being the group chief executive and the group finance director. A key element of the board's responsibility is monitoring and reviewing the effectiveness of the Company's system of internal control. The non-executive directors play a pivotal role in challenging and scrutinising its effectiveness and integrity. The Company has maintained a system of internal control within an executive management structure with defined lines of responsibility and delegation of authority within prescribed financial and operational limits. The system of internal control is based on financial, operational, compliance and risk control policies and procedures together with regular reporting of financial performance and measurement of key performance indicators. Risk management, planning, budgeting and forecasting procedures are also in place together with formal capital investment and appraisal arrangements.

## Going concern

The group's business activities, and the factors likely to affect its future development are set out in the business review. The financial position of the group, its cash flows and liquidity position are set out in the financial review on pages 16 to 18. In addition, notes 22 and 23 to the financial statements include the group's objectives, policies and processes for managing its capital; its financial risk management

objectives; details of its hedging arrangements and its exposure to credit and liquidity risks.

As at 28 March 2009, the group was debt free, with a positive cash balance of £24.8 million. Furthermore, it has long term contracts with its franchisees around the world and long standing relationships with many of its suppliers. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the uncertain economic outlook.

The group's banking facility expires on 31 May 2010, so at this stage the group has not sought written commitment from its relationship bank that the facility will be renewed. Formal renewal discussions will be opened during the course of the coming year.

The current economic conditions may create uncertainty around the group's trading position and particularly over the level of demand for the group's products. The group's latest forecasts and projections have been sensitivity tested for reasonably possible adverse variations in trading performance and show that the group is expected to operate within the terms of its current borrowing facility and covenants for the reasonably foreseeable future.

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. The financial statements are therefore prepared on the going concern basis.

## Risk management

The business review sets out progress made during the year against the challenges that the board has set for the business. In this section the principal risks and uncertainties that face the business are set out. This section also forms part of the business review requirements.

The board recognises that the management of risk through the application of a consistent process during the year, as required by Code provision C2 (Internal Control), is key to ensuring that a robust

system of internal control is monitored by the business.

The principal risks and uncertainties facing the Company may include some of those set out below. It should be borne in mind that this is not an exhaustive list and that there may be other risks that have not been considered or risks that the board consider now are insignificant or immaterial in nature, but that may arise and/or have a larger effect than originally expected.

## External risks

- The group is reliant upon manufacturers in other countries, particularly China, India and the Far East. Global economic conditions (including global demand for goods and services affecting sales levels and the availability of credit lines for business to its key suppliers affecting product supply) will continue to affect the performance of the group's businesses as will the effect of exchange rate movements, principally the US dollar; cost price movements (including raw materials) and the difficulty of passing on input cost price increases, governmental and supra-national regulation affecting imports; taxation; duties and levies.
- The failure to react appropriately to changes in the economic environment generally or consumer confidence issues affecting the group's core customers in the UK and in overseas markets, particularly from the reduction in real disposable incomes caused by, amongst other things, the contraction of the global economy, expected future increases in personal and indirect taxation, interest rate movements and the availability of consumer credit.
- The group is potentially vulnerable to adverse movements in exchange rates as it pays for a large proportion of its goods in foreign currency, principally the US dollar. Whilst the group effects transactions, the effect of which seeks to hedge the exposure to adverse exchange rates, there is no guarantee that the transactions will be sufficient to cover all likely exposure.

- With the continued expansion of the group's international franchise operations, the group may be exposed to sales concentration risk as certain franchise partners extend their activities in their existing and additional territories. As at 28 March 2009, the group's largest franchisee represents approximately 8.8 per cent of group sales. The group's brands are potentially exposed to firstly the commercial risk in the default by franchisees of payment for amounts due on royalties and goods supplied, and secondly (whilst the group seeks to insure the receivables from franchisees) the group may be exposed to the liquidity of the credit insurance market and/or credit quality of the insurers or potential default of banks or insurance companies in providing security for franchisee primary default. International operations are also exposed to the possibility in some markets of political restrictions on remittance of funds to the UK or refusal to enforce the relevant brand's intellectual property rights against infringers.
  - The group continues to operate defined benefit pension schemes (albeit that they are now closed to new members). The volatility in movement of real asset and liability values together with, amongst others, those of the discount rate used for the accounting assumptions under IAS 19 directly affect the net surplus or deficit in the schemes and the variability of the charge contained within the financial statements.
- Any disruption to the relationship with, or failure of, key suppliers could adversely affect the group's ability to meet its sales and profit plans if suitable alternatives could not be found quickly.
  - Any failure of the group's logistics, distribution and information technology platforms may restrict the ability of the Company to make product available in its stores, Direct and International businesses thereby failing to meet customer expectations adversely affecting sales and profits.
  - A failure in the current economic climate to invest appropriately in the group's infrastructure, people, tangible and intangible assets as it seeks to balance short and long term profitability drivers.
  - The Company and the group may be exposed to counterparty risk in respect of its hedging, banking, insurance or other finance based contracts and particularly in the ability of the relevant counterparties being able to continue to meet their obligations. Currently the group is primarily dependent upon one banking relationship and, whilst this relationship has been supportive in the past, there is no guarantee that in the current economic climate this will continue on the same terms. The group will be seeking to renew its facilities during the coming year.

Against this background, the system of internal control is designed to manage rather than eliminate risks.

In order to effectively manage risk, the executive committee has overall responsibility for ensuring that a rolling programme of structured risk assessments of those areas having a significant effect on the future of the business is carried out. The programme ensures, so far as practicably possible, that the appropriate risk management processes are identified, controls established, residual risks evaluated and that the necessary action and risk avoidance measures taken or monitoring undertaken. Elements of the programme are reviewed by the internal audit function

during the year. The process outlined above has been in effect during the period and up to the date of the approval of the accounts by the board. The audit committee regularly reviews the process and output of the programme of risk management on behalf of the board.

In addition to the evaluation of business risk referred to above, the programme of specific risk management activity continued during the year across the activities of both brands in the United Kingdom. Under this programme, individual stores are tested against a risk assessment model that emphasises health and safety, disability discrimination, fire safety and internal process compliance. It is intended that as the group's overseas operations develop, appropriate aspects of the risk management review activity will be implemented or refined as appropriate.

The internal audit function (a combination of internal resources and external resource provided by PricewaterhouseCoopers LLP) supplements the risk-based approach set out above. Furthermore, the Company has adopted procedures to ensure auditor independence, the details of which are set out in the section below detailing the work of the audit committee.

The board believes that the system of internal control described can provide only reasonable and not absolute assurance against material mis-statement or loss. The audit committee periodically reviews the system of internal control on behalf of the board.

During the course of its review of the system of internal control, the board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

The group aspires to achieve high standards in corporate governance and the principles adopted by the group are commented on briefly below:

### Internal risks

- Both ELC and Mothercare have a reputation for quality, safety and integrity. This may be seriously undermined by adverse press or regulatory comment on aspects of its business both in the UK and overseas, whether justified or not. To this end, the group takes all reasonable care to safeguard the reputation of its brands, particularly in product manufacture and supply areas, by engaging independent third parties to validate critical areas of its manufacturing and supply chain for compliance with its ethical code.

### The board and directors

The board of Mothercare plc meets regularly and maintains overall control of the group's affairs through a schedule of matters reserved for its decision. These include setting the group strategy, the approval of the annual budget and financial statements, major acquisitions and disposals, authority limits for capital and other expenditure and material treasury matters. Details of the terms of reference of the board's committees are also set out in the corporate governance section of the Company's website at [www.mothercareplc.com](http://www.mothercareplc.com).

The non-executive directors are independent and free from any business or other relationship that could interfere materially with their judgement. The non-executive directors do not participate in any bonus, share option or pension scheme of the Company.

The chairman's other business commitments are set out in the biographical details on page 24 and there have been no significant changes during the period relating to these commitments.

The board considers that the balance achieved between executive and non-executive directors during the period was appropriate and effective for the control and direction of the business.

The board is assisted by committees that it has established with written terms of reference. The roles of the remuneration, audit and nomination committees are set out below. Prior to 17 July 2008, when Richard Rivers joined the board and its committees, the audit, remuneration and nomination committees were comprised of the three non-executive directors with the chairman additionally serving on the remuneration and nomination committees. A record of the meetings held during the year of the board, its committees and the attendance by individual directors is set out at page 33.

The board has delegated day-to-day and business management control of the group to the executive committee. The executive committee consists of nine executives, being

the group chief executive, group finance director, the operational directors within the group and the group company secretary.

Throughout the period the board has been supplied with information and papers submitted at each board meeting which ensures that the major aspects of the group's affairs are reviewed regularly in accordance with a rolling agenda and programme of work. All directors, whether executive or non-executive, have unrestricted access to the group company secretary and executives within the group on any matter of concern to them in respect of their duties. In addition new directors are given appropriate training on appointment to the board. Appropriate time is made during the year for continuing training on relevant topics concerning the functioning of the board and the obligations of directors. The Company has undertaken to reimburse legal fees to the directors if circumstances should arise in which it is necessary for them to seek separate, independent, legal advice in furtherance of their duties. In accordance with the Articles of Association, one third of the directors are required to offer themselves for re-election every year.

### Directors' interests and indemnity arrangements

At no time during the year did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than a third-party indemnity provision between each director and the Company and service contracts between each executive director and the Company. The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors. The directors also have the benefit of the indemnity provision contained in the Company's Articles of Association. These provisions, which are qualifying third-party indemnity provisions as defined by Section 236 of the Companies Act 2006, were in force throughout the year and are currently in force. Details of directors' remuneration, service contracts and interests in the shares of the Company are set out in the directors' remuneration report.

The Company also provides an indemnity for the benefit of each person who was a director of Mothercare Pension Trustees Ltd, which is a corporate trustee of the Company's occupational pension schemes, in respect of liabilities that may attach to them in their capacity as directors of that corporate trustee. These provisions, which are qualifying pension scheme indemnity provisions as defined in Section 235 of the Companies Act 2006, were in force throughout the year and are currently in force.

### Directors' conflicts of interest

With effect from 1 October 2008, the board has implemented revised procedures whereby potential conflicts of interests are reviewed regularly. These procedures have been designed so that the board may be reasonably assured that any potential situation where a director may have a direct or indirect interest which may conflict or may possibly conflict with the interests of the Company are identified and where appropriate dealt with in accordance with the Companies Act 2006 and the Company's Articles of Association. The board has not had to deal with any conflict during the period.

**The remuneration committee**, chaired during the year by David Williams, establishes the remuneration policy generally, approves specific arrangements for the chairman and the executive directors and reviews and comments upon the proposed arrangements for senior executives so as to ensure consistency within the overall remuneration policy. Full disclosure of the Company's remuneration policy and details of the remuneration of each director is set out in the remuneration report on pages 34 to 37 and in Appendix A on pages 76 to 79. During the period no director was, and procedures are in place to ensure that no director is, involved in deciding or determining his or her own remuneration.

**The nomination committee**, chaired during the year by Ian Peacock, comprises all of the non-executive directors. The terms of reference of the committee is set out on the Company's website. The committee makes proposals on the size, structure, composition

and appointments to the board. It carries out the selection process and agrees the terms of appointment of non-executive directors. An external search agency is ordinarily used to assist in the identification of suitable candidates for board appointments. The nomination committee also reviews succession planning on an annual basis.

The board is of the opinion that the directors seeking re-election at the AGM have continued to give effective counsel and commitment to the Company and accordingly should be re-appointed.

During the period the board carried out a further evaluation of its effectiveness and operation. The review was carried out by the group company secretary, using an in-depth questionnaire approach. The chairman also interviewed each non-executive director drawing upon the themes and issues disclosed by the questionnaire. The review which took place between December 2008 and January 2009 concluded that the board, its committees and individual directors contributed effectively to the overall operation and review of the Company's affairs. Karren Brady and Bernard Cragg have or will complete six years as non-executive directors with the Company on 23 July and 25 March 2009 respectively. As good governance requires, the board considered carefully and concluded that it would be appropriate for each non-executive director to be offered the opportunity to serve for a further period of three years.

**Shareholder relations** The Company maintains regular dialogue with institutional shareholders following presentation of the financial performance of the business to the investing communities. Opportunities for dialogue take place at least four times a year following the announcement of the half and full year results and trading statements at the AGM and post Christmas. During such meetings the board is able to put forward its objectives for the business and discuss performance against those objectives and develop an understanding of the views

of major shareholders. The outcome of meetings with major shareholders is reported by the group chief executive at board meetings on a periodic basis.

Mindful always of its obligations to the investing community as a whole, the Company reaches a wider audience by the use of its website (at [www.mothercareplc.com](http://www.mothercareplc.com)) and, with a view to encouraging full participation of those unable to attend the AGM, provides an opportunity for shareholders to ask questions of their board by email to [investorrelations@mothercare.com](mailto:investorrelations@mothercare.com) or by the provision of a reply-paid question service to the chairman.

**The audit committee** was chaired during the year by Bernard Cragg, the senior non-executive director. The remit of the audit committee is to review the scope and issues arising from the audit and matters relating to financial control. It also assists the board in its review of corporate governance and in the presentation of the Company's financial results through its review of the interim and full year accounts before approval by the board, focusing in particular on compliance with accounting principles, changes in accounting practice and major areas of judgement. The full terms of reference are set out under the corporate governance section of the website at [www.mothercareplc.com](http://www.mothercareplc.com).

The audit committee comprises the four non-executive directors. The group company secretary acts as secretary to the committee. Bernard Cragg is a chartered accountant with considerable financial and varied commercial experience.

The committee met four times during the period. No specific remuneration of the non-executive directors is ascribed to membership of the audit committee other than a supplement of £5,000 paid to Bernard Cragg in respect of his chairmanship of the committee.

### **The main activities of the audit committee in the 52 weeks ended 28 March 2009**

During the period the audit committee has:

- reviewed the financial statements both in the interim report and full year report and

accounts, having in both cases received a report from the external auditors on their review and audit of the respective reports and accounts;

- assisted the board in its detailed review of the going concern principle underpinning the results of the group for the period in the light of the Financial Reporting Council's additional guidance on going concern and liquidity risk published in November 2008;
- reviewed the preliminary and interim statements prior to them being issued to the markets;
- considered the output of the procedures used to evaluate and mitigate risk within the group;
- reviewed the effectiveness of the group's internal controls and disclosures made in the annual report;
- agreed the fees and terms of appointment of the external auditors;
- reviewed both the committee's and the external auditors' effectiveness;
- agreed the work plan of the internal audit function and reviewed the resultant output from that plan; and
- reviewed and assessed the group's compliance with corporate governance principles.

The audit committee reviews annually the independence of the external audit firm and the individuals carrying out the audit by receiving assurances from and assessing the audit firm against best practice principles. The committee seeks to balance the benefits of continuity of audit personnel and the need to assure independence through change of audit personnel by agreeing with the audit firm staff rotation policies.

In addition, a policy in respect of non-audit work by the audit firm is also in effect, the general principle being that the audit firm should not be requested to carry out non-audit services on any activity of the group where they may, in the future, be required to give an audit opinion. The group has, however, recognised

that taxation advice is an acceptable derogation from this principle.

The committee has assisted the board in the assessment of the adequacy of the resourcing plan for the internal audit function. In respect of the activities of the function, the committee has received reports upon the work carried out and the results of the investigations including management responses, their adequacy and timeliness.

A review was also held of the effectiveness of the audit committee and the external auditors during the year. It was considered that the work of the audit committee during the year was effective measured against its terms of reference and general audit committee practice. In respect of the auditor effectiveness review, it was considered that the external auditors had carried out their obligations in an effective and appropriate manner.

As a result of its work during the year, the committee has concluded that it has acted in accordance with its terms of reference and has ensured (as far as possible by enquiry of them) the independence of the external auditors. The chairman of the committee will be available at the AGM to answer any questions on the work of the committee.

#### Director attendance statistics for the 52 week period ended 28 March 2009

Director	Committee			
	Board	Audit	Nomination	Remuneration
Maximum number of meetings	7	4	1	5
Ian Peacock	7	4	1	5
Karren Brady	7	4	1	5
Bernard Cragg	7	4	1	5
Ben Gordon	7	4	1	5
Neil Harrington	7	4	1	5
Richard Rivers	4(6)	1(3)	1(1)	2(3)
David Williams	7	3	–	5

#### Notes:

Richard Rivers was appointed on 17 July 2008. Figures in parentheses indicate the maximum number of meetings since Mr Rivers' appointment.

Ben Gordon and Neil Harrington attend meetings of the audit and remuneration committees upon the invitation of the respective chairmen. Ian Peacock attends meetings of the audit committee on the same basis. In addition to the board meetings above there were two ad hoc board meetings, which approved the interim and full year report and accounts respectively. These meetings are constituted by the board from those members available at that time having considered the views of the whole board beforehand.

# Remuneration report

## Introduction

In July 2006, shareholders approved two long term incentive schemes, the Mothercare 2006 Performance Share Plan (PSP) and the Mothercare Executive Incentive Plan (EIP). These two long term incentive schemes and the annual bonus scheme have been the cornerstone of the Company's incentive-based remuneration strategy for the group. The long term incentive schemes were specifically designed to help drive a high performance culture in the group and align the interests of the executive and senior team with those of shareholders. In the period since implementation at the 2006 Annual General Meeting, Mothercare total shareholder return has out-performed the FTSE General Retailers Index by 66 per cent to 31 March 2009, and grown underlying profits before interest and tax by 91 per cent.

Whilst the remuneration committee believes the long term incentive plans have been successful in incentivising the delivery of the group's results, it feels the prevailing global economic climate in which the Company operates necessitates a review of executive remuneration policy in 2009 to ensure it continues to support delivery of group strategy. The committee will consult with major shareholders on any proposed changes in due course.

## The remuneration report

As in prior years, this report to shareholders has been prepared in accordance with the Companies Act 1985, and the relevant regulations relating to directors' remuneration, the requirements of the Listing Rules of the UK Listing Authority and the Combined Code ('the Code'). At the Annual General Meeting on 16 July 2009 shareholders will be asked to approve this report.

The relevant section of the Companies Act 1985 and regulations require the auditors to report on certain elements of this report and to state whether in their opinion these elements have been properly prepared in accordance with Schedule 7A of the Companies Act 1985 (as amended by the Regulations). The

audited sections include directors' share options, long term incentive plan and share matching scheme awards, performance share plan and executive incentive plan awards (including that set out in Appendix A on pages 77 and 78), emoluments and compensation payments as set out in table 1 A-C and pension arrangements set out in table 2 of Appendix A.

## The remuneration committee

### Composition of the remuneration committee

The remuneration committee is comprised of the independent non-executive directors and the chairman of the Mothercare plc board. David Williams is chairman of the committee with Karren Brady, Bernard Cragg and Ian Peacock serving throughout the year. Richard Rivers joined the committee upon his appointment on 17 July 2008.

The committee's principal duty is the determination of the remuneration for the executive directors and approval of the pay and benefits of the members of the executive committee. It met five times during the year and each member's attendance at these meetings is set out on page 33 of the corporate governance report. The committee's detailed terms of reference is available on the Mothercare website at [www.mothercareplc.com](http://www.mothercareplc.com).

### Advisors to the remuneration committee

The committee retained the organisations listed below to assist them in their work during the year. The committee has also consulted the group chief executive, group human resources director and group company secretary as appropriate. No executive was present for discussions of their own remuneration.

Person or organisation	Services provided
Kepler Associates Ltd	Executive remuneration, remuneration benchmarking and evaluation of share scheme performance criteria
Lane Clark & Peacock	Pensions advice
DLA Piper LLP	Legal services principally in respect of employment contracts

DLA Piper LLP and Lane Clark & Peacock have provided other services to the Company. DLA Piper LLP provides general legal advice and Lane Clark & Peacock provide pension advice to the group.

## Remuneration policy statement

Our remuneration policy is to provide competitive remuneration packages that will recruit, retain and motivate directors and individuals of the required calibre to meet the group's strategic objectives. The objective is to ensure the policy is appropriate to the group's needs and rewards executives directly for creating shareholder value. The committee monitors the group's compliance with the Combined Code provisions and institutional investor guidelines for directors' remuneration.

The policy aims to balance appropriately the fixed and performance-related elements of remuneration. The latter element is achieved through an annual bonus scheme and longer term incentives. The bonus plan rewards primarily the achievement of group profit before tax, a measure which the remuneration committee and the board believes is a highly relevant measure of annual performance for a retail business, and personal/strategic performance objectives. Longer term performance remuneration is delivered through equity-based incentives including the EIP and PSP, which reward three-year relative total shareholder return ('TSR') and profit before tax ('PBT') performance. The remuneration policy is structured such that variable, performance-related remuneration potentially represents significantly more than half of total remuneration in the event of exceptional performance and that variable pay rewards primarily long term performance.

The committee normally reviews the executive directors' remuneration annually, against a policy that positions base salaries at competitive levels. Comparisons are made to companies that are similar to the group in sector focus, size and complexity. The variable elements of the package are designed to attract high calibre individuals, motivate outstanding performance and provide executive directors and the senior

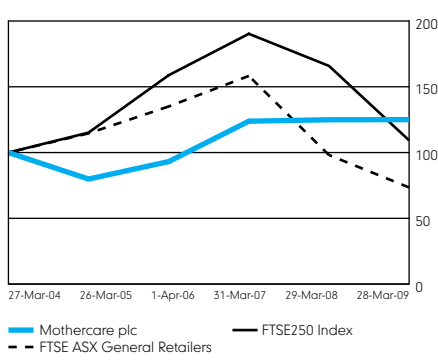
management team with the opportunity to earn an overall upper quartile total remuneration package for top quartile performance. Details of the individual executive directors' remuneration are described below.

**Performance graph**

The performance graph below shows the group's TSR against the return achieved by the FTSE250 index. Mothercare plc entered the FTSE250 on 30 June 2008. Prior to that date it was a constituent member of the FTSE SmallCap Index. The performance graph also shows performance against the FTSE General Retailer Index. The graph shows the five financial years to 28 March 2009.

The indices were chosen on the basis that Mothercare is a constituent of both the FTSE250 (previously the FTSE Small Cap) and FTSE General Retailers indices. The group's performance against the FTSE General Retailers Index determines the level of vesting of awards under the Executive Incentive Plan.

**Total shareholder return**



**Directors' remuneration**

The executive directors' fixed annual remuneration comprises a base salary, which is normally reviewed in April each year, and benefits. The variable elements of remuneration are delivered through an annual bonus scheme, the Executive Incentive Plan and Performance Share Plan. The Executive Incentive Plan and Performance Share Plan replaced the Long Term Incentive Plan, Share Matching Scheme and Executive Share Option Scheme in 2006. With the exception of the

Save As You Earn share option scheme, which is open to all employees including executive directors (but excluding non-executive directors), the group made no awards under any other long term incentive scheme during the year.

The remuneration of the non-executive directors comprises fixed annual fees. Expenses incurred on group business are reimbursed when claimed. Non-executive director fees are reviewed periodically and set at levels to reflect the time, commitment and responsibilities of the individual non-executive director. The fees of the non-executive directors are determined by the chairman and executive directors on behalf of the board. The non-executive directors do not participate in the group pension, annual bonus plan or any long term incentive scheme.

The chairman's remuneration is determined by the remuneration committee without the chairman present.

**Salary**

Each executive director's salary is considered individually by the remuneration committee, taking account of individual performance and potential; pay positioning relative to comparable roles at other retailers and companies of similar size; and advice from the independent remuneration consultants. Base salary is the only element of remuneration used in determining pensionable earnings under the Mothercare executive pension scheme. With the exception of increases in salary to reflect market conditions or the assumption of increased responsibilities, the group has determined to maintain existing salary levels for 2009/10 at 2008/09 levels. Consequently, the salaries for Ben Gordon and Neil Harrington remain at £600,000 and £265,400 respectively.

**Annual bonus**

The annual bonus scheme for executive directors is based on the achievement of group financial targets and the delivery of stretching personal targets tied to key business objectives. Financial and personal targets are set annually by the remuneration committee. The maximum bonus for the year

ended 28 March 2009 was 115 per cent of base salary (135 per cent for the CEO), although the maximum bonus would only be payable on the delivery of exceptional group financial and personal performance.

Ben Gordon and Neil Harrington received performance-related bonuses of £372,000 (2008: £950,000) and £139,900 (2008: £311,549) respectively for the year ended 28 March 2009 (46 per cent of maximum for Ben Gordon and Neil Harrington).

**Profit Share Scheme**

In addition to the annual bonus scheme, the group operates a profit share scheme. All group employees (other than participants in the annual bonus scheme) with at least six months' service are eligible to participate in this scheme.

**The Performance Share Plan (PSP)**

Under the PSP, conditional awards of shares of up to 100 per cent of salary (in exceptional circumstances, 200 per cent of salary) may be made to selected executives, as determined by the remuneration committee, each year. Conditional awards were made to a total of 40 executives through awards made in June and November 2008 as nil-cost options. Details of the awards to executive directors are set out in Appendix A on page 77.

Vesting of shares to an individual is conditional upon the achievement of the performance condition of three-year growth in group PBT per share (PBT). 20 per cent of an award will vest if Mothercare's cumulative three-year PBT growth is 5 per cent p.a. One hundred per cent of an award will vest if Mothercare's three-year PBT growth is at least 15 per cent p.a., with straight line vesting in between. Dividends accrue and are paid on shares that vest. If the performance threshold of 5 per cent p.a. PBT growth is not met the award will lapse. PBT was chosen as the remuneration committee believes that PBT is a good measure of Mothercare's financial performance; it is highly visible internally, and is regularly monitored and reported.

In 2008, the committee considered the three-year performance targets on the PSP for a new award to be significantly more stretching relative to previous PSP awards given the backdrop of a strong decline in the

retail sector as a whole. To be commensurate with delivering such performance, rather than reduce the targets the committee decided to apply a one-off increase to the normal level of PSP awards being made in 2008 only. The awards for Ben Gordon and Neil Harrington were 150.0 per cent and 112.5 per cent of salary respectively.

In September 2008, the remuneration committee and the board approved an extension of the PSP to key executives in the overseas markets in which it operates, principally China, Hong Kong and India. The nature of the securities laws in certain countries makes it impractical for individuals to receive shares in the Company upon vesting of conditional awards as envisaged by the PSP scheme. Consequently, the scheme approved in September grants conditional awards over 'notional shares' in the Company. These notional shares are hedged within the employee trust such that individual participants may receive a cash award equivalent to the growth in value of the notional shares under the award. In all other respects (including maximum award limits, performance conditions etc) the overseas scheme is equivalent to that operated for UK based executives. Some 40 overseas executives below executive committee level received conditional awards in November 2008.

### The Executive Incentive Plan (EIP)

Under the EIP, nine executives are eligible to receive a percentage of 'surplus value created' over a three-year performance period. 'Surplus value created' is defined as the increase in market capitalisation plus net equity cash flows to shareholders (dividends plus share buybacks less shares issued) over and above performance in line with the FTSE All-Share General Retailers index ('Index'). If the group's TSR is equal to or less than the increase in the Index, participants will not receive any value from the EIP. If the group's TSR performance exceeds the increase in the Index, participants will be entitled to receive an element of the surplus value. In these circumstances, the committee will calculate a surplus value figure being the positive difference between the group's TSR and the increase in the Index, multiplied by

the average market capitalisation of the group over the three-month period immediately prior to the start of the financial year in which the grant date falls. The bonus to which the participant will be entitled will be a percentage of this surplus value figure. The committee believes this relative TSR performance condition has, and continues to provide, very strong alignment with shareholders' long term interests, as well as supporting the motivation and retention of a high performing management team.

EIP awards were made in July 2006, June 2007 and June 2008. Awards made to executive directors are set out in EIP Table 1 in Appendix A (page 76). As explained in last year's report, for EIP awards made in June 2007 only, if during the performance period ending June 2010, the annualised pre-tax profit synergies from the combination of the Mothercare and Chelsea Stores Holdings Limited businesses (acquired in June 2007) were to be at least £12.0 million (50 per cent more than the pre-tax synergies of £8.0 million identified in the circular and prospectus, as issued by the group dated 25 May 2007) then the percentage of Surplus Value in EIP Table 2 will apply.

### The Long Term Incentive Plan (LTIP) and Share Matching Scheme (SMS)

Following the introduction of the EIP and PSP, no further conditional awards under the LTIP or SMS have been made to EIP or PSP participants. The final conditional awards vested on 23 June 2008, further details are provided in Appendix A.

#### The LTIP

The extent to which outstanding LTIP awards vested during the year was dependent partly upon the group's TSR performance relative to all general retailers in the FTSE Mid 250 and FTSE SmallCap indices, and partly upon the achievement of EPS targets as shown in the table in Appendix A, including actual performance achieved.

#### The SMS

Under this scheme, executives who invested in the group's shares and retained those shares for at least three years received matching shares if the long term

performance targets were achieved. Executives were invited to invest up to 100 per cent of pre-tax basic salary in previous years into the Share Matching Scheme.

Executives' investments were matched on a 1:1 basis after three years, provided the executive remained in employment, retained the shares they purchased for three years and the performance targets (set out in Appendix A) were achieved over a three year period. The performance targets and level achieved for matching awards are the same as for the LTIP awards and are shown in Appendix A.

### The Executive Share Option Scheme (ESOS) The Mothercare plc 2000 Share Option Plan

Following approval of the PSP, no options have been granted under the Mothercare 2000 Share Option Plan to PSP participants during the year. Options under this plan may be exercised by participating executives if EPS growth over a three-year performance period equals or exceeds the growth in the Retail Prices Index by nine per cent. If the performance criteria are not met over the performance period, options lapse.

Details of historical option grants to executive directors are set out in Appendix A on page 77.

### Shareholding guidelines

Executive directors are expected to build up a shareholding equal to 100 per cent of their basic salaries by retaining at least half of the post-tax gains made under any long term incentive in Mothercare shares.

### Service contracts

#### Executive directors

Executive directors' service contracts are rolling contracts that require 12 months' notice by either the Company or executive to terminate the contract.

Ben Gordon commenced employment with the group on 2 December 2002. His service agreement provides for liquidated damages on termination by the group for basic salary equivalent to the unexpired portion of the notice period and the fair value of the benefits to which he may be entitled, including pension credits but not bonus or long term incentives. Neil Harrington commenced employment with the group on

30 January 2006. His service contract may be terminated upon 12 months' notice.

**Non-executive directors**

Ian Peacock is entitled to three months' salary on termination of his employment contract dated 31 October 2002 by the group. Karren Brady, Bernard Cragg, Richard Rivers and David Williams have service agreements with the group that may be terminated upon one month's notice. Their service agreements were entered into on 24 July and 26 March 2003, 27 May 2008 and 2 July 2004 respectively.

**External appointments and other commitments of the directors**

The other business commitments of the directors are set out within their biographical details on page 24. An executive director may take one external appointment as a non-executive director, subject to the approval of the board. The director may retain any fees from such a role. Ben Gordon is a non-executive director of Britvic plc from whom he received a fee of £44,600.

**Pension arrangements**

Ben Gordon and Neil Harrington are members of the Mothercare executive pension scheme. Ben Gordon's pension accrues at the rate of one forty-fifth of final salary (capped at £176,400 in 2008/09) for each year of pensionable service. The normal retirement age is 60 years, increasing to 65 years for service accruing post 1 April 2007. Contributions by Ben Gordon are 7 per cent of pensionable salary. Neil Harrington participates in the pension builder career average section of the Mothercare executive pension scheme. Pension accrues at one forty-fifth of pensionable average salary (subject to a notional earnings cap of £176,400 in 2008/09). The normal retirement age is 65 years. Contributions by Neil Harrington are at 5 per cent of pensionable salary.

The committee regularly reviews the financial impact to the Company of pension provisions for key executives. In order to control the cost of pensions, the group has agreed with the trustees of the executive pension scheme the introduction of a notional earnings cap of £176,400 in 2008/09

which will be adjusted annually in line with inflation. In addition, given that there are no longer benefits for either the group or individual of maintaining FURBS arrangements, the group has closed the existing FURBS arrangements. Those directors and senior executives subject to the earnings cap and who participated in the FURBS arrangements now receive a cash salary supplement equivalent to the former FURBS payment, for investment in an investment vehicle of their own choice. Further pension detail is given in table 2 of Appendix A on page 77.

For further details of the pension provision within the group during the year, see the directors' report on page 26.

For further details on the cost of pensions to the group, including the statements required by IAS 19, see note 33.

**Emoluments and compensation payments**

The emoluments (including pension contributions) for executive directors for the year ended 28 March 2009 and the salaries paid to the management level below the board are set out in tables 1A and 1B of Appendix A on page 76.

**Beneficial interests of the directors**

The beneficial interests of the directors in the share capital of the group are set out in the table below. This table does not show outstanding option or incentive awards. These are dealt with in the relevant section of this report.

	Interest held at 28 March 2009 (number)	Interest held at 29 March 2008 or appointment if later (number)
Ian Peacock	210,709	206,109
Ben Gordon	421,949	406,949
Karren Brady	16,738	14,063
Bernard Cragg	20,000	20,000
Neil Harrington	22,839	20,500
Richard Rivers	5,000	-
David Williams	30,375	25,375

Ian Peacock and David Williams are shareholders and directors of Mothercare Employees' Share Trustee Limited, which held 13,151 Mothercare shares in trust on

28 March 2009 (2008: 13,151). A separate trust, the Mothercare Employee Trust, held 3,903,732 shares on 28 March 2009 (2008: 3,863,923).

The executive directors are technically deemed to have an interest in shares held by Mothercare Employees' Share Trustee Limited and the Mothercare Employee Trust as potential beneficiaries.

There have been no movements in directors' interests, beneficial or non-beneficial, between 28 March 2009 and 20 May 2009.

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



.....  
**David Williams**  
 Chairman, remuneration committee