

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.

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

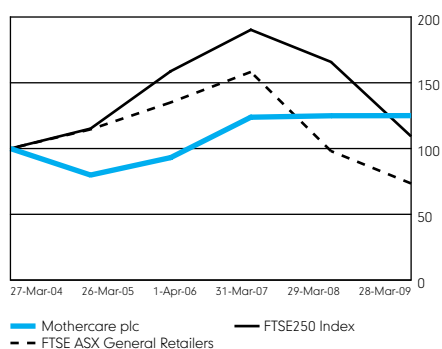
management team with the opportunity to earn an overall upper quartile total remuneration package for top quartile performance. Details of the individual executive directors' remuneration are described below.

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:



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David Williams
 Chairman, remuneration committee

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.