Mothercare plc

Annual report and accounts 2014

www.mothercareplc.com

Financial highlights

Worldwide network sales

(£m)

£1,191.5m +0.5%[1]

International sales

£729.2m +6.4%[1]

UK sales

£462.3m -7.5%

Note 1: The above figures are on a comparable basis and exclude Australia and New Zealand for FY 2012/13 and FY 2011/12. Including Australia and New Zealand, Worldwide network sales were down 3.0%, International sales were up 0.1% and UK sales were down 7.5%.

Group sales

(£m)

£724.9m -2.6%[3]

International sales

£262.6m +7.5%[3]

UK sales

£462.3m -7.5%

Note 3: The above figures are on a comparable basis and exclude Australia and New Zealand for FY 2012/13 and FY 2011/12. Including Australia and New Zealand, Group sales were down 3.3% compared to £749.4 million last year, International sales were up 5.2% compared to £249.7 million last year and UK sales were down 7.5% compared to £499.7 million last year.

Space across the world

(sq.ft.)

4,392.6k sq.ft. +5.8%[2]

Stores

1,441 +8.8%[2]

International space

2,655.8k sq.ft. +13.1%[2]

Stores

1,221 +14.2%[2]

UK space

1,736.8k sq.ft. -3.8%

Stores

220 -13.7%

Note 2: The above figures are on a comparable basis and exclude Australia and New Zealand for FY 2012/13 and FY 2011/12. Including Australia and New Zealand, Space across the world was up 0.6%, International space was up 3.7% and UK space was down 3.8%.

Underlying profit/(loss) before tax

(£m)

£9.5m +61.0%

International operating profit

£45.3m +7.6%[4]

UK operating loss

£21.5m reduced by 0.5%

Corporate expenses

£7.8m in line with last year

Note 4: The above figures include Australia and New Zealand for FY 2012/13 as the impact is not material.

Note 5: The above figures have been restated for the IAS19 impact. The statutory loss before tax after exceptional and non-underlying items is £26.3 million for FY 2013/14 compared to a loss of £23.9 million for FY 2012/13 and a loss of £105.8 million for FY 2011/12.

Our brands

Mothercare

At Mothercare, we aim to be to be the world's leading mother and baby specialist in the markets in which we operate. Our products are designed to meet the needs of mothers-to-be, babies and children up to the age of eight. Our product offering includes **Clothing** with children's ranges from entry price offering mums everyday value to the more premium Little Bird and Baby K ranges and Blooming Marvellous, our maternity range; **Home & Travel** which includes pushchairs, car seats, furniture, bedding, feeding and bathing equipment; and **Toys** mainly for babies. We sell our products through multi-channel retail and wholesale operations in the UK and through franchise operations across our International markets in Europe, the Middle East and Africa, Asia and Latin America.

Mothercare stores
UK – in town: 92
UK – OOT*: 97
International franchise stores: 819
*OOT = Out of town

Early Learning Centre

At Early Learning Centre, we aim to provide children up to the age of eight with toys that nurture and encourage learning through play. The range is mainly own brand and is designed and sourced through our facilities in Hong Kong. The Early Learning Centre range is sold through our multi-channel retail and wholesale operations in the UK and through franchise and wholesale operations across our International markets in Europe, the Middle East and Africa, Asia and Latin America.

Early Learning Centre stores
UK – in town: 31
UK – inserts in Mothercare stores: 128
Note: the figure above refers to 97 OOT Mothercare stores and 31 in town Mothercare stores.
International franchise stores: 402

Contents

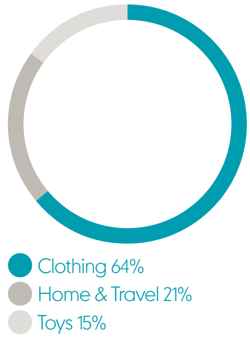
At a glance

International

Our International business continues to deliver on its growth potential with space up 13.1%. Profits were up 7.6% at £45.3 million, despite a challenging year impacted by adverse currency moves.

- International retail sales in constant currencies were up 9.3% with currency devaluation of 2.8% and a wholesale reduction of 0.1% resulting in reported retail sales growth of 6.4% to £729.2 million.
- Like-for-like sales were up 2.5% with all four regions making a positive contribution. Despite the increasing level of currency devaluation over the year, all four regions delivered positive reported retail sales growth.

International sales



Store sales

(£m)

£721.9m

International store sales up 6.5%

International now has 1,221 stores over 2.7m sq.ft. Mothercare accounts for 85% of space. Retail sales, through our franchise partners' stores were up 6.5% at 721.9 million excluding Australia and New Zealand and including them were up 0.1%. Our franchise partners' three-year rolling plans envisage double-digit space growth each year, giving us confidence in the future.

- Europe – 494 stores, 27 countries, space +8.6%
- Middle East and Africa – 327 stores, 13 countries, space +8.5%
- Asia – 352 stores, 12 countries, space +28.1%
- Latin America – 48 stores, 7 countries, space +15.0%

Direct

(£m)

n/a

More markets now with operational websites

Multi-channel is still in its infancy in most of the markets in which our franchise partners operate. Our scalable online platform capable of multiple languages and currencies is allowing our partners the opportunity to pioneer a multi-channel strategy in their territories. Our partners now have transactional websites in Kuwait, Indonesia, Ireland, Russia (both Mothercare and Early Learning Centre), Spain, China (on TMall) and India (Shoppers Stop). There is also a non-transactional website in Colombia. We will continue to work with our partners to launch transactional websites as their markets evolve and mature.

Wholesale

(£m)

£7.3m

International wholesale sales down 5.2%

We believe that there is an opportunity to grow our Early Learning Centre business through wholesale, but only in those markets where we do not already have a franchise agreement. This is still a small part of the overall business but we expect this area of our business to grow in the future.

All the above numbers for International exclude Australia and New Zealand for FY 2012/13 and FY 2011/12.

UK

UK losses were slightly reduced to £21.5 million with our Direct business returning to growth. Like-for-like sales growth, whilst down, was on an improving trend.

- Total UK sales were down 7.5% at £462.3 million, with like-for-like sales down 1.9% and gross margins down circa 200 basis points.
- Our goal remains to return the UK to profitability and we closed a further net 35 loss-making stores whilst also rationalising our cost base aimed at operating a lean retail business.

UK sales

Store sales

(£m)

Mar-14	£298.5m
Mar-13	£340.5m
Mar-12	£398.7m

£298.5m

UK store sales down 12.3%

We ended the year with 220 stores (189 Mothercare and 31 Early Learning Centre), closing a further 35 loss-making stores (seven Mothercare and 28 Early Learning Centre) thus reducing space by a further 3.8% year-on-year. We are predominantly closing standalone Early Learning Centre stores, which means the Mothercare format that includes Early Learning Centre shop-in-shops, is the larger of the two brands with 97% of the 1,737k sq.ft. we trade from in the UK. The reduction in space and the decline in like-for-like sales together contributed towards the 12.3% decline in stores sales to £298.5 million.

Direct

(£m)

Mar-14	£134.1m
Mar-13	£127.7m
Mar-12	£130.0m

£134.1m

UK direct sales up 5.0%

Total direct sales were up 5.0% at £134.1 million with Direct in Home up 5.9% at £99.3 million and Direct in Store up 2.7% at £34.8 million. The return to growth for our direct business is testament to the investment in terms of the online platform, customers' experience online and improved delivery options. Next day click-and-collect is now available across all our stores, is free to customers and accounts for a third of all our online orders.

Wholesale

(£m)

Mar-14	£29.7m
Mar-13	£31.5m
Mar-12	£31.3m

£29.7m

UK wholesale sales down 5.7%

UK wholesale sales were down 5.7% at £29.7 million. Miniclub, our strategic partnership with Boots, continues to perform well and grew sales. Although UK wholesale sales for ELC were disappointing last year, we expect this area of our business to grow in the future.

Our mission

Building for a stronger future

We are a Global company and our business structures and sourcing operations reflect this. Our products are designed to meet the needs of parents the world over. Our aim of being the world's leading mother and baby specialist can be achieved only if we keep in mind that we are a Global company and therefore our ranges, be it Home & Travel, Clothing or Toys, have been built to accommodate this. Over the next few pages we will aim to bring these themes to life.

We aim to be the world's leading mother and baby specialist, making life easier for families the world over by offering our customers value, choice, service and delivery both in store and online.

Our brands, Mothercare and Early Learning Centre, resonate strongly with families the world over and our presence in 60 countries is testament to the enduring strength of both brands. Our customers trust us to have the products that will enhance their experience of parenthood; catering to the needs of expectant mothers, babies and children up to the age of eight. Many of our customers turn to our staff for advice and our experienced and trained staff are well equipped to help them along their life-changing journeys.

We aim to build on these strengths in the years ahead. We have once again grown underlying profit before tax. International has delivered another year of growth, despite challenging market conditions. In the UK we have slightly reduced losses and recognise that we still have more to do.

International growth

In a year which experienced significant currency devaluation and some geo-political changes, our International business saw profit growth of 7.6%. This is testament to the underlying strength of our International business and the commitment of all our partners across all four of the regions in which we operate.

During the year we opened a further net 152 stores and increased space by 13.1% to 2.7 million sq.ft. and we continue to see further growth opportunities, which our partners plan to capitalise on.

UK rationalising cost base

In the UK, we closed a further net 35 loss-making stores and reduced space by 3.8% to 1.7 million sq.ft. while also reducing costs as planned. It is however not all about costs and closing stores. During the year, we invested in stores where the opportunity was clear and also opened two outlet stores that are helping with stock and margin management.

Overall losses in the UK were slightly reduced and following a disappointing peak trading period we recognise that there is still more to do to return the UK to profitability.

Global

See page 6

Home & Travel

See page 8

Clothing

See page 10

Toys

See page 12

Global
Where we are

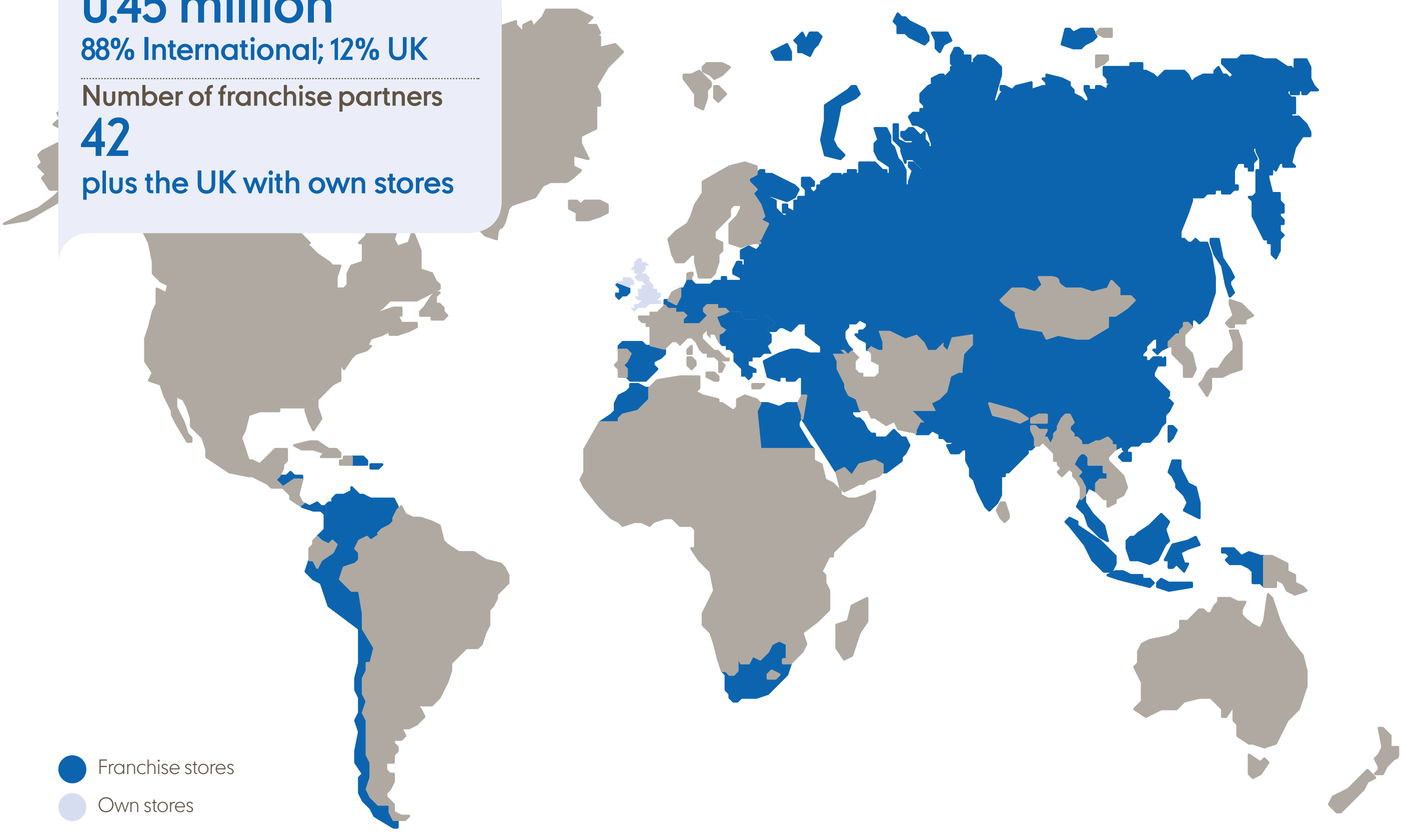
Our brands, both Mothercare and Early Learning Centre, are easily recognised the world over with new parents seeking out our stores at this most crucial point in their lives.

Number of countries
60

Mothercare sq.ft.
3.95 million
57% International; 43% UK

Early Learning Centre sq.ft.
0.45 million
88% International; 12% UK

Number of franchise partners
42
plus the UK with own stores



Increasingly global business

At the end of the year we had 1,441 (1,221 International franchise stores and 220 UK) stores in 60 countries. Space grew by 5.8% with our International partners increasing space by 13.1% offset by a reduction of 3.8% in the UK. This continuing shift in space is also reflected in retail sales. International retail sales were up 6.4% at £729.2 million and now account for 61.2% of worldwide network sales. Sales in the UK were £462.3 million, down 7.5%, reflecting the reduction in space.

Variety of store formats to meet customer needs

As in the UK, our International partners use a variety of store formats to serve the needs of their customers. This varies from the smaller shop-in-shop format to a mid-sized high street store to the larger OOT (out of town) or large store in a mall. We work with our partners to determine the best format for any particular location.

Our product is also carefully designed to meet the needs of our customers across all the markets in which we operate.

Ireland
Carrick Mines

6,515 sq.ft.
Out of town

The first franchise store was opened on St. Stephens Green in Dublin in 1991. Our partner now has eight out-of-town and 11 high street stores in Ireland and will soon be migrating their online platform to include a wider product range.

UAE
Mirdiff Centre

8,525 sq.ft.
Mall

The Alghuriair store was opened in 1985. There are now 44 Mothercare mainly mall stores and 45 Early Learning Centre stores in the UAE. An online platform is planned for early 2015.

China
Wanfujing

1,700 sq.ft.
Shop-in-shop

The first franchise store was opened in China in 2008 and there are now 54 mall format stores and 13 shop-in-shops in department stores. A small selection of ELC toys are ranged in 45 out of 67 stores in this market.

Azerbaijan

3,100 sq.ft.
High Street

Our first franchise store was opened in 2005 in Baku on Fountain Square. There are now three high street and two mall stores in Azerbaijan where Mothercare is proving to be very popular.

Home & Travel
In & Out

Room sets to buggy systems...

Over the last year we have improved our product displays. We have introduced room sets to showcase our furniture and bedding ranges and worked alongside key pushchair manufacturers to ensure better display of our product.

Bugaboo

Bugaboo was able to give us exclusivity on the Cameleon Navy pushchair for a seven week period. It proved very popular with our customers, selling three times the expected volume for the period.

Little Beep Beep Mobile

The Little Beep Beep Mobile soothes baby to sleep with a sweet lullaby and gentle rotating toys. This mobile coordinates with the cute Little Beep Beep range to create a gorgeous and colourful nursery.

New Padstow furniture range

We introduced our new Padstow range into stores in December 2013. It is a versatile range made of solid wood and has been a great success with customers looking for furniture that will last the test of time.

Room sets help drive sales

In December 2013, we introduced room sets to our largest stores in the UK. They have successfully brought together the display of our new furniture and bedding ranges. This has made it easier for customers to visualise how the product might look in their homes and has resulted in a healthy uplift in sales.

Improved product displays for branded goods

We are the most important route to market for many of our branded goods suppliers. Customers like to come into stores to look over big-ticket items before they buy. We have worked with our largest suppliers to introduce better display fixtures and improve the level of expertise and service of our store colleagues. The result is improved visual displays, more knowledgeable staff and ultimately improved sell-through rates.

Clothing
Practical style

Maternity to value essentials...

Our clothing ranges from maternity, through to newborn and children to eight years have done well as customers have responded positively to the improved fashion and value. Our hard work over the last two years is beginning to come through as evidenced by volumes sold.

Blooming Marvellous

The relaunched Blooming Marvellous maternity range with a younger, more fashionable range at lower retail prices has resonated with customers. Our jeans, nursing tops, dresses and swimwear that are comfortable, fit well and flatter are proving to be a success with mums.

Boys ranges

Our boys ranges have responded particularly well to the improved value and updated designs that are now making their way into stores. Mums are looking for practical clothing suitable for rough and tumble and our ranges meet these needs.

Improved store formats

We refitted 11 stores during the year. Our clothing ranges have benefited from the improved lighting, displays and ranges and the results are coming through in volumes sold.

In January, we rebranded an Early Learning Centre store in White City, London to the Mothercare format with mainly clothing and a small, focused Home & Travel range. The uplift in sales has been encouraging and we are trialling a further three such stores.

Stars and Dreams

The newly introduced premium priced Stars and Dreams range for newborn babies has performed well as a gifting option.

Toys
Playful learning

Early Learning Centre encourages learning through play. Over the last few years we have been investing in ranges that encourage logical thought and dexterity through touch, textures and shapes.

Shape sorter

Children learn through interactive play and we aim to provide parents with the best tools to do so. Our shape sorter is robust, colourful, with varied shapes that keeps the interest of toddlers for hours on end.

First gadgets set

Children like to emulate their parents and 'my first gadgets set' is just the toy for role playing. It combines sound with light and texture to keep children engaged for hours.

Toy Box range

The Toy Box range was widened and introduced in time for peak trading. It proved popular over Christmas, as it was particularly interesting for toddlers grappling with dexterity and the price points are attractive.

Renewed investment in product development

We have over the last few years invested in product. Over a third of all our ranges are new for the season. This means that we are always ensuring parents have something new for their children while also allowing us to offer products that are not easily available elsewhere on the high street.

In the UK we have been closing stores, but the Early Learning Centre continues to have a place. The brand performs extremely well in the shop-in-shop formats which are located in our larger Mothercare stores. These shop-in-shops have play areas that allow children to explore in a relaxed atmosphere.

Chairman's statement

Underlying group profits are up on last year, but there is a lot more to do. We are determined to achieve our goal of returning the UK to profitability, growing our International business and building shareholder value over the long term.

Alan Parker CBE
Chairman

Mothercare has continued on its path to transform its UK business to reflect the continuing changes in consumer shopping habits and overseas we have maintained expansion with the support of our excellent franchise partners. Our global presence in 60 countries means that we are a leading international UK retailer.

The success of our International business improved the group's underlying profit over the previous year. Growth could have been more were it not for the strength of the Pound and the political uncertainty in parts of Eastern Europe. At the same time, the UK market remains extremely competitive, as evidenced by the announcements of some other companies in our sector. In particular, the Q3 trading results were disappointing but trends since then have been more positive.

In February 2014, Simon Calver resigned as the Chief Executive and the board acted swiftly to appoint Mark Newton-Jones as Interim CEO. A full search process is being conducted for a new permanent Chief Executive and the appointment will be announced as soon as we are in a position to do so. I welcome Nick Wharton as a new non-executive director, who is providing his considerable retail expertise to the board.

Our store staff have unrivalled expertise for new mothers and we continue to look at ways to support new parents at this exciting time of their lives. We have continued to make changes to the size of the store estate by closing loss-making stores. We have improved our home delivery options and our online platform. Our new clothing ranges have been well received by our customers.

The group still has a long way to go to reach the objectives in our Transformation and Growth plan. We remain convinced that Mothercare is an attractive business with strong brands and the potential for significant growth in shareholder value over the long term.

Finally, Mothercare is all about family and I would like to thank all those involved with our great brands. The contribution of our store colleagues at Mothercare and ELC has been excellent, as has that of our support centre in the UK and our overseas sourcing offices. I recognise the strength of commitment from our franchise partners around the world. This gives us the inspiration to improve year on year.

Alan Parker CBE
Chairman, Mothercare plc

Strategic pillars

Lean retail

Our business continues to evolve rapidly and we must ensure our operating structures reflect our changing needs. International now accounts for over 60% of our business both in terms of space and retail sales and is continuing to deliver double-digit space growth. In the UK, we are continuing to close loss-making stores while also realigning the sales mix.

Reduce UK non-store costs by £20 million over three years

Our intention is to scale back our UK store portfolio to circa 200 stores by the end of March 2015. This smaller store portfolio will also require a reduced cost base and we have, in line with plans, reduced UK non-store operating costs by £15 million over the last two years.

Our focus remains on managing working capital. Stock control is a major focus and despite the growing International business, we have been able to reduce stock by £17.5 million over the last financial year.

Sourcing efficiencies

We continue to leverage our scale to ensure we are able to offer our customers improved value. **Clothing** now accounts for over half of worldwide network sales and we have worked with our suppliers to improve efficiencies and reduce stock levels. **Home & Travel** now accounts for nearly a third of worldwide sales and we are working with our suppliers for exclusive ranges for our customers. **Toys** now accounts for just under 20% of worldwide sales and we are continually looking at ways to introduce new ranges while also managing inventories.

Category mix

This ongoing shift in category mix is more pronounced in the UK, with Toy sales down at 22% of sales and Clothing and Home & Travel both at 39%.

Restore UK profitability

Returning the UK to profitability remains an essential goal for Mothercare. Significant progress has been made towards closing loss-making stores and reducing non-store operating costs, although competitive pressures, particularly in the Home & Travel category, over the last two years have offset the gains we have made. However, we remain confident that the UK business can be returned to profitability.

National coverage

Our mission is to be the world's leading mother and baby specialist and to do so in the UK will require a store network that offers national coverage for both our brands – Mothercare and Early Learning Centre. We believe our target store network will offer such national coverage. Whilst our strategy of closing loss-making stores predominantly impacts our Early Learning Centre store base, the brand continues to have an effective route to market through over 100 shop-in-shops in our larger Mothercare stores, an online offer with free next-day delivery to store and a small wholesale business.

Strategic pillars
continued

We end the year with 220 stores (189 Mothercare and 31 Early Learning Centre) having closed a further net 35 loss-making stores during the year.

Increase value and innovation across our product ranges

Our success depends on our ability to offer our customers the right products for mothers-to-be, babies and young children. To do so we need to offer our customers both product innovation and value. Our **Clothing** ranges are now competitively priced compared to the leading competitors and we have ranges from entry price through to the more premium Little Bird and Baby K ranges. We have improved the fashion element and our recent product into store has been well received by customers. In **Home & Travel**, we have increased the number of exclusives we have with our suppliers. The Bugaboo Cameleon Navy and Silver Cross's Pop Strollers are good examples of what we are beginning to achieve. We are continuing this work with our suppliers to ensure we offer value and relevant ranges for our customers. In **Toys** we introduced the innovative Toy Box range which starts with several options at the competitive price of £4.

Enhance customer service and improve in store environment

We regularly monitor in store and Direct customer feedback and it is encouraging that we are now achieving consistently high results. However, we know that product availability can still be improved and this will be an area of focus in the year ahead.

International growth

Our International business continues to deliver on its growth potential. Space was up 13.1% to 2.7 million sq.ft., resulting in reported retail sales growth of 6.4% (9.3% in constant currencies) and profit growth of 7.6%.

Over the year our franchise partners increased space by 13.1% and opened net 152 stores across both the Mothercare and Early Learning Centre formats. The Early Learning Centre stores are relatively small and whilst our partners opened a further 52 stores, these openings only accounted for 15% of the additional space added for the year. Our Mothercare stores, as in the UK, are larger and account for 85% of the 2.7 million sq.ft. we have across all four regions.

International continues to see underlying growth and like-for-like sales growth came in at 2.5%. All our regions delivered positive like-for-like sales growth and retail sales growth in constant and moving currencies.

Our franchise partners in Europe now have 494 stores in 27 countries and grew space by 8.6% during the year. The Middle East and Africa, our oldest region continues to offer growth opportunities and now has 327 stores in 13 countries and grew space by 8.5%. Asia offers the largest growth potential with China and India and has 352 stores in 12 countries and grew space by 28.1%. Latin America now has 48 stores in seven countries and grew space by 15.0%.

Our joint ventures in China, India and the Ukraine have collectively reduced losses this year. China and India continue to offer good growth while the Ukraine is profitable.

Multi-channel worldwide

Multi-channel is core to our strategy. In the UK, our Direct business both 'in Home' and 'in Store' are in growth and accounts for nearly 30% of all sales. Our International partners now have ten websites – nine transactional and one for research and inspiration. It remains our aim to have transactional websites in all our major markets.

UK online sales return to growth

UK Direct sales have returned to growth of 5.0% at £134.1 million with Direct in Home up 5.9% and Direct in Store increasing by 2.7% during the year. Investment over the last two years has gone a long way towards this outcome. We launched the new online platform in May 2012, the iPhone App in November 2012, the Android App in November 2013 and the iPad App is soon to be launched in June 2014.

All stores, both Mothercare and Early Learning Centre now have free next day click-and-collect available to customers. This has been a very popular service for our customers and over a third of all online orders are now collected in store. We will continue to improve service and strive to offer our customers the opportunity to shop both our brands the way that suits them best.

International websites

We have built further on the investment of last year. Having put in place a fully scalable online platform capable of being rolled out to multiple markets in multiple languages and currencies, we have rolled this out to more markets. We now have nine transactional sites in eight countries – China (on TMall), Kuwait, India, Indonesia, Ireland, Russia (Mothercare and Early Learning Centre), Spain and Ukraine and a non-transactional site in Colombia.

Our partners are taking the first steps towards a multi-channel strategy in their territories by exploiting the UK e-commerce expertise, and often they find that they are leading the way ahead of other retailers in their markets.

Wholesale

Miniclub, our partnership with Boots UK, continues to perform well and delivered another year of growth. It is the only wholesale agreement we have for clothing. In addition, we have small wholesale businesses for Early Learning Centre for both the UK and International. It is still early days for growing our Early Learning Centre wholesale business and whilst sales were down this year, as we assess the suitability of new relationships, we still believe that there is opportunity and we will seek to grow this business in the future.

Business review

Overview

Whilst we have not delivered the progress in profitability that we would like, the underlying performance reflects progress in the main pillars of our Transformation and Growth plan:

- 1. Operate a lean retail structure;
- 2. Return the UK to profitability;
- 3. Drive International growth; and
- 4. Build a multi-channel business.

Our International business now accounts for over 60% of worldwide space and network sales and is the driver of growth for our business. Together with our partners, we now trade from 1,441 stores across 60 markets with 4.4 million sq.ft. of selling space.

Group profits improved on last year

We had a relatively encouraging set of interim results and generated an underlying profit before tax at the half year for the first time in three years. Trading performance in the UK over Q3 was disappointing and the gross margin was impacted by the highly promotional pre-Christmas period. Trading performance recovered in Q4 for both International and the UK and our full year results are in line with market expectations as set in January 2014.

Group underlying profit before tax was £9.5 million (FY 2012/13: £5.9 million). Underlying International profits were up 7.6% at £45.3 million (FY 2012/13: £42.1 million) while underlying UK losses were slightly reduced to £21.5 million (FY 2012/13: loss of £21.6 million). Corporate expenses were flat at £7.8 million (FY 2012/13: £7.8 million), while underlying interest charges and the cost of share based payments were slightly lower at £6.5 million (FY 2012/13: £6.8 million). After exceptional items and other non-underlying charges of £35.8 million (FY 2012/13: £29.8 million), the reported loss before tax was £26.3 million (FY 2012/13: £23.9 million). These exceptional charges relate to restructuring costs of £6.4 million, store related impairment costs of £2.7 million, property related costs of £8.2 million, non-cash foreign exchange adjustments of £14.9 million which resulted in a negative movement of £21.8 million year-on-year, impairment of investment in the Ukraine joint venture of £2.6 million and amortisation of intangibles of £1.0 million.

Worldwide network sales were up 0.5% at £1,191.5 million (FY 2012/13: £1,185.1 million excluding Australia and New Zealand). Total International sales were up 6.4% at £729.2 million (FY 2012/13: £685.4 million excluding Australia and New Zealand) and total UK sales were down 7.5% at £462.3 million (FY 2012/13: £499.7 million). Group sales, which reflect total UK sales and reported revenues from our International partners, were down 2.6% at £724.9 million (FY 2012/13: £744.1 million).

Space across all 60 markets was up 5.8% year-on-year as we grew our International footprint by 13.1% and exited 3.8% of loss-making space in the UK.

Our International partners now operate from 59 countries with 1,221 stores and 2.7 million sq.ft. of space. Our UK business now has 1.7 million sq.ft. across its 220 stores.

As we guided in January 2014, we ended the year with £46.5 million (FY 2012/13: £32.4 million) of net debt on our balance sheet. As anticipated, our net debt position has improved since the half year as we have continued to manage our stock position tightly.

In October 2013, we refinanced our banking facilities to £90 million with a term loan of £40 million and a revolving credit facility of £50 million maturing in May 2017. In May 2014, the bank facilities were amended to provide further headroom on the covenants and the facilities were increased to £100 million to October 2014 to provide further flexibility.

International continues to deliver solid growth despite currency devaluation

	FY 2013/14 52 weeks to 29-Mar-14	FY 2012/13 52 weeks to 30-Mar-13	% change vs. last year
International like-for-like sales growth	+2.5%	+5.6%	–
International retail sales	£721.9m	£677.7m	+6.5%
International wholesale sales	£7.3m	£7.7m	(5.2%)
Total International sales	£729.2m	£685.4m	+6.4%
Underlying profit	£45.3m	£42.1m	+7.6%

The above numbers are on a comparable basis and exclude Australia and New Zealand from FY 2012/13.

International is the growth engine of our business and now accounts for over 60% of worldwide space and worldwide network sales.

Our International business has delivered another year of solid growth with all four regions contributing strongly; clear testament to the resilience and dedication of our partners across all 59 countries in which we operate. Despite being faced with increasing and unprecedented levels of currency devaluation, unseasonable weather during Q3 and some geo-political unrest; our International business grew profits by 7.6% to £45.3 million. (FY 2012/13 £42.1 million) with retail profits of £45.9 million (FY2013/14 £43.5 million) and joint venture losses reduced to £0.6 million (FY 2012/13 loss of £1.4 million).

The potential of our International business is clear with the opportunity for significant new store openings across all four regions. Based on rolling three-year plans we, along with our partners, envisage double-digit International space growth. During the year our partners opened a further 152 stores and they now operate from 1,221 stores, which increased space by 13.1% to 2.7 million sq.ft.

International retail sales, helped by like-for-like sales growth of 2.5%, were up 9.3% in constant currencies. Currency devaluation of 2.8% during the year resulted in reported retail sales growth of 6.5% to £721.9 million (FY 2012/13 £677.7 million). The increasing level of currency devaluation meant that the H1 currency benefit of 1.4% reversed to a negative impact of 6.9% during H2. To help mitigate against further currency impacts, we have hedged our Russian rouble, Indian rupee and Indonesian rupiah exposure for the first half of the new financial year. We will monitor the situation and consider putting in place a rolling six-month hedging strategy for certain of our markets.

Reported International sales, which reflect receipts from our partners, were up 5.2% at £262.6 million (FY 2012/13: £249.7 million).

Europe, our largest region, delivered positive like-for-like sales growth and mid single-digit total sales growth in both constant and moving currencies. During the year Russia and Turkey in particular were impacted by an increasing level of currency devaluation. It is nevertheless encouraging to note that after a disappointing Q3 performance, constant currency sales in Russia reverted back to strong double-digit growth. The region now has 494 stores across 27 countries. Our partners opened 61 stores and increased space by 8.6% year-on-year.

Our business model

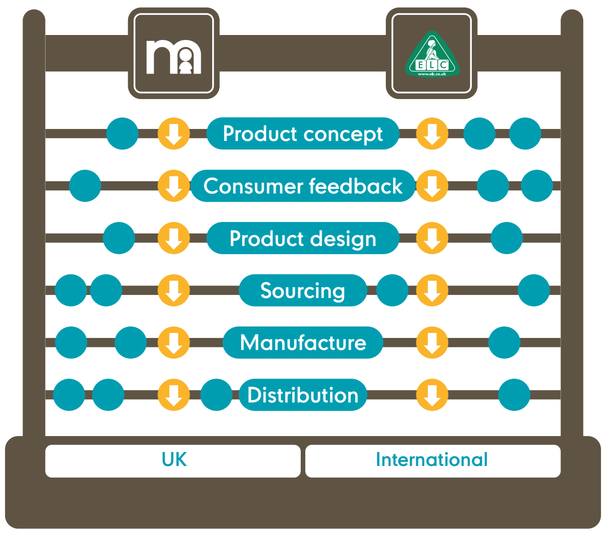
Our business is fully integrated across all our 60 countries. Our International markets operate on a franchise model, which means store operations are managed by our partners, while in the UK we manage our stores directly.

It is important to know that these differences in who manages stores and the sale of our products, means that there is no difference in the life cycle of our product ranges, which we manage across our global offices in the UK, India, China, Hong Kong and Bangladesh.

The product cycle starts at the concept stage where we consider our existing ranges, global trends and customer needs. We then test these concepts through customer focus groups.

This gives us great insight into price points and the best pricing architecture, thus allowing us to arrive at relevant ranges at the good, better, best price points. At the design stage, we are always considering how we can help our customers by meeting their needs but also by considering the quality that our customers have come to expect from Mothercare.

Once we have product ready for our stores, merchandisers across all our markets consider the ranges and place their orders. It is our job then to source efficiently and ensure product is manufactured to our high standards. We then distribute product to all our markets ensuring timely delivery while also ensuring store staff across all our markets are trained in how best to sell our products.



Business review continued

The Middle East and Africa now has 327 stores in 13 countries. Our partners opened 18 stores and increased space by 8.5% year-on-year. After a relatively weak Q3 performance, it is encouraging to note that sales growth has reverted back to more normal levels. For the year as a whole, like-for-like sales growth was positive with mid to high single-digit sales growth in both constant and moving currencies.

Asia now has 352 stores in 12 countries. During the year, our partners opened 62 stores and increased space by 28.1% year-on-year. This region saw mid single-digit like-for-like sales growth and double-digit total sales growth in both constant and moving currencies, despite the significant levels of currency devaluation seen in Indonesia and India.

Latin America now has 48 stores, having opened a further 11 stores during the year and increasing space by 15.0% year-on-year. This region delivered double-digit like-for-like and total sales growth for the year.

Together with our franchise partners, we continue to see growth opportunities across all four of our regions.

UK update

	FY2013/14 52 weeks to 29-Mar-14	FY 2012/13 52 weeks to 30-Mar-13	% change vs. last year
UK like-for-like sales growth	(1.9%)	(3.6%)	–
UK direct sales	£134.1m	£127.7m	+5.0%
UK retail sales (including direct)	£432.6m	£468.2m	(7.6%)
UK wholesale sales	£29.7m	£31.5m	(5.7%)
Total UK sales	£462.3m	£499.7m	(7.5%)
Underlying loss	(£21.5m)	(£21.6m)	+0.5%

Our aim in the UK remains to build a multi-channel business supported by a flexible online business and a profitable core store portfolio.

UK losses were slightly reduced by 0.5% to £21.5 million (FY 2012/13 £21.6 million). After a disappointing Q3 there was an improvement in Q4 trading and full year losses are in line with expectations as revised in January 2014. We continue to target returning the UK to profitability and we have made some operational progress over the last year.

During the year we closed a further net 35 loss-making stores (seven Mothercare and 28 Early Learning Centre) and now operate from 220 stores (189 Mothercare and 31 Early Learning Centre), compared to 255 stores at the end of FY 2012/13. This resulted in a 3.8% reduction in space, ending the year with 1.7 million sq.ft. of selling space.

The closure of loss-making stores over the last two years (91 stores and 209k sq.ft.) has, as planned, had an impact on total UK sales, which were down 7.5% at £462.3 million (FY 2012/13 £499.7 million). UK like-for-like sales declined 1.9% but are on an improving trend with a decline last year of 3.6% and a fall of 6.2% in the year before that. Direct has benefited from the improvement in our online platform, customer interface and improved service with Direct in Home growing 5.9% to £99.3 million (FY 2012/13 £93.8 million) and Direct in Store growing 2.7% to £34.8 million (FY 2012/13 £33.9 million). Direct, for both channels, now accounts for 29.0% of total UK sales with click-and-collect now accounting for over a third of all online sales. We will shortly be launching our first tablet app, having seen mobile grow to circa 35% of our online traffic. We expect continuing growth in our Direct business and it is important because online customers spend twice as much as our store only customers and multi-channel customers spend twice as much again.

Over the year we have refitted 11 stores, right-sized one and relocated another. As we continue our work to reshape the UK store portfolio, we are also investing in the continuing store base, which remains a critical part of supporting our multi-channel strategy in the UK. We now have two outlet stores in Rotherham and Fort Kinnaird, selling prior season stock. This is helping us clear end-of-season stock faster while also allowing our core stores to sell more full margin product. In addition we have, in the last few weeks, started to trial a Clothing focused format with a small essential Home & Travel segment.

Overall customer perceptions are improving as a result of the improvement in product, stores and service. We continue to score highly on our 'My Customer' satisfaction surveys with scores consistently above 75, which represents the proportion of customers who are highly satisfied. Whilst we score highly for staff friendliness, helpfulness and availability and time spent in queues, we have not made as much progress in product availability and this remains an area of focus for us. Over the course of H2 we launched 'My Mothercare', our improved loyalty scheme which captures life stage data and aims to improve customer service, and a new Customer Relationship Management system, which has already built a customer database of over 1 million. This will give us greater insight into our customers' shopping habits and allow us to tailor our email marketing campaigns.

We continue to manage the business to optimise cash gross margins. We have managed stock levels tightly whilst market conditions, particularly in Home & Travel, have remained very competitive. With the highly promotional pre-Christmas period, gross margins were down circa 200 basis points during H2, which combined with a similar decline in H1 has resulted in a circa 200 basis point margin decline for the year as a whole.

We have made further progress with **Clothing** product over the year. Newborn ranges have done particularly well with the new premium 'Stars and Dream' range selling well as a gifting option over the Christmas period. The lower price point and improved fashion also helped our maternity brand 'Blooming Marvellous' and the successful 'Little Bird' range, designed by Jools Oliver, was extended to more stores.

Whilst the **Home & Travel** segment remains challenging and very competitive, we have made progress with our suppliers towards increasing the level of exclusivity in our ranges. This last year saw successes with the exclusive Bugaboo Cameleon^3 Navy selling out and the Silver Cross Blue Bubbles and Pink Butterflies Pop Strollers selling ahead of plan. The Mothercare Nanu range, strollers suitable from birth, was also extended and was popular with our more value-driven customers. We are continuing the dialogue with our suppliers, working in partnership with them as the market leader in this segment to deliver more exclusives at good value for our customers. The furniture ranges, which were launched in the summer and presented in room sets, are also continuing to perform well.

The Early Learning Centre ranges are an integral part of the Mothercare **Toy** category. We continue to invest in product with increased newness helping this segment of our business. The new 'Toy Box' range and the 'Royal Baby' set launched on the day Prince George was born have been important ranges for us this year.

Summary and outlook

This has been a challenging year for Mothercare. Whilst Q3 was a disappointment, following a relatively encouraging set of Interim results, it is pleasing to see trading performance recover in Q4 for both International and the UK.

Despite currency and political headwinds in some overseas markets, we remain confident of continued progress in our core growth markets and our partners' rolling three-year plans give us visibility of future International space growth at double digit rates.

In the UK, we continue to close loss-making stores, invest in the continuing store portfolio and improve product, value, service and our customers' shopping experience both in store and online. We are managing the business tightly and our goal remains to return the UK to profitability.

Divisional review
International

Over the last year, our partners grew space by 13.1% and now have 2.7 million sq.ft. of retail space with 1,221 stores in 59 countries.

Jerry Cull
Managing Director – International

International space

Mar-14	2,656k sq.ft.
Mar-13	2,347k sq.ft.
Mar-12	2,068k sq.ft.

+2.5%

International like-for-like sales
(excluding Australia and New Zealand)
International like-for-like sales remain positive at 2.5%.

Our International markets have delivered another year of solid sales and profit growth, despite significant levels of currency devaluation and some geo-political unrest. Our partners remain confident of their ability to deliver double-digit space growth in the future, as they have done over the last few years.

Our franchise partners' knowledge of their markets and their enthusiasm for both our brands is unrivalled. They remain committed to the business and their forward plans give me confidence that we can look forward to another year of double-digit space growth.

Over the last year, our partners grew space by 13.1% and now have 2.7 million sq.ft. of retail space with 1,221 stores in 59 countries. This increase in space combined with like-for-like sales of 2.5% resulted in retail sales growth of 9.3% in constant currency. The adverse currency impact of 2.8% meant reported retail sales growth was a bit weaker at 6.4%. Losses from our joint ventures in China, India and the Ukraine were further reduced and we ended the year with International profits up 7.6% to £45.3 million.

I am encouraged to note that despite the increasing level of currency devaluation over the course of the year and the geo-political unrest experienced by some of the markets in which we operate; all four regions have delivered positive like-for-like sales and retail sales growth in both constant and reported currencies. **Europe** has had a tough year with Russia and Turkey in particular impacted by currency moves and the Ukraine impacted by demonstrations outside our flagship store in Union Square. Faced with these difficulties our partners have demonstrated their spirit by keeping stores open and serving customers, thus helping to deliver the results for the year. The **Middle East and Africa** experienced unseasonably warm temperatures during the winter which held back sales but sales have reverted back to expected trends for the Spring/Summer season. This region has delivered high single-digit space growth despite it being our oldest. **Asia** continues to offer good growth opportunities from China and India. Notwithstanding the currency impacts from Indonesia and India, this region delivered double-digit reported retail sales growth. **Latin America** is still relatively new and we are now in seven countries with 48 stores.

Our partners continue to actively seek out opportunities for growth and are keen to explore the opportunity for moving to a multi-channel format. These markets are not as mature as the UK and many of our partners find that they are amongst the first retailers to make the transition, which means building out and testing the delivery platforms. Even so we have made progress and now have nine transactional sites in eight countries and one non-transactional site, with each of our regions represented.

Jerry Cull
Managing Director – International

UK

We have remained focused on our goal of returning the UK to profitability.

Matt Stringer
Commercial Director – UK

UK space

Mar-14	1,737k sq.ft.
Mar-13	1,805k sq.ft.
Mar-12	1,946k sq.ft.

-1.9%

UK like-for-like sales

Our Direct business is now in growth and supporting like-for-like sales, which are also being helped by our strategy of closing loss-making stores.

UK underlying losses are slightly reduced from the previous year. We have made progress by closing a further net 35 loss-making stores and reducing operating costs while also improving our customers' experience both in store and online. However, the financial gains from this progress have been eroded by weaker than expected trading over peak and by the pressure on gross margin, particularly in the Home & Travel category.

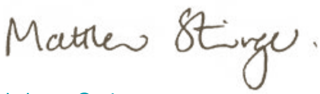
After an encouraging set of H1 results, the Q3 trading update was a disappointment. Even so we have remained focused on our goal of returning the UK to profitability, core to which is our strategy of closing loss-making stores and reducing the operating cost base. During the year we reduced space by 3.8% by closing a further net 35 stores, which reduced losses by £4.2 million. Our operating cost saving initiatives reduced losses by a further £7.4 million. These were offset by weaker than expected trading, particularly in gross margin. This led to UK losses of £21.5 million for the year (FY 2012/13: £21.6 million).

We are clear that we need to stem this continued margin pressure. As the market leader in many of our categories, we are an important route to market for our supplier base. Over the last year, we have had successful exclusives like the Bugaboo Cameleon Navy and the Silver Cross Pop Stroller ranges. These have sold through well and we are working with our suppliers to increase the level of collaboration to ensure we offer our customers quality product at good value and where appropriate exclusive to us. Our new furniture ranges are also doing well with the Padstow popular with customers and new room sets allowing customers to visualise our product in their homes. Our Clothing ranges have also benefited from improved fashion at prices that are in line with the market.

Our store portfolio has also benefited from further investment. During the year we refitted 11 stores, right-sized one and relocated another store. We now have two outlet stores that are helping our core stores transition more cleanly to new season stock. In addition we are trialling a clothing focused format. We have also improved our online offer. The platform is improved and is augmented by an iPhone and Android app, with the iPad app soon to be launched. Our stores and online work well together and over a third of all online orders are now collected in store This investment has resulted in both Direct in Home and Direct in Store growing during the year.

Our customers are noticing the changes we are making and are pleased with the results as our 'My Customer', survey scores would indicate. We are now consistently scoring highly in all areas bar stock availability and this is an area of focus for the year ahead.

So as you can see, we are moving the UK in the right direction with improved product and customer service both in store and online, growing collaboration with suppliers and investment in both stores and online. We still have a lot of work ahead of us, but we have made a start and need to work on these themes for the year ahead.



Matt Stringer
Commercial Director – UK

Financial review

Results summary

Group underlying profit before tax increased by £3.6 million to £9.5 million (2012/13: £5.9 million). Underlying profit excludes exceptional items and other non-underlying items which are analysed below. After these non-underlying items, including a non-cash negative foreign currency swing of £21.8 million compared with 2012/13, the group recorded a pre-tax loss of £26.3 million (2012/13: loss of £23.9 million). Underlying profit from operations before interest and the IFRS 2 share based payments charge increased by £3.3 million to £16.0 million.

Income statement

£ million	52 weeks ended 29 March 2014	52 weeks ended 30 March 2013 Restated*
Revenue	724.9	749.4
Underlying profit from operations before interest and share based payments	**16.0**	**12.7**
Share based payments	(0.1)	(0.9)
Net finance costs	(6.4)	(5.9)
Underlying profit before tax	**9.5**	**5.9**
Exceptional items and unwind of discount on exceptional provisions	(19.9)	(35.7)
Non-cash foreign currency adjustments	(14.9)	6.9
Amortisation of intangible assets	(1.0)	(1.0)
Loss before tax	**(26.3)**	**(23.9)**
Underlying EPS – basic	7.7p	4.2p
EPS – basic	(31.0p)	(26.9p)

* Restated for amendments to IAS 19 as explained in Note 2.

Profit from operations before share based payments includes all of the group's trading activities, but excludes the share based payment costs charged to the income statement in accordance with IFRS 2 (see below).

Non-underlying items

Underlying profit before tax excludes the following non-underlying items (see Note 6):

Exceptional items (see Note 6):

- Restructuring costs of the UK and head office organisation totalling £6.8 million.
- A credit of £1.2 million against previously charged costs incurred in the rationalisation of the group's online warehousing.
- Impairment of investment in Ukraine joint venture of £2.6 million.
- Store impairment provision in relation to the UK business of £2.7 million.
- Property related exceptional costs of £8.2 million.
- Costs relating to re-financing completed in October 2013 of £0.8 million.

Exceptional items in 2012/13 included £11.1 million of write off costs for the Australian associate, £18.1 million of property related costs, £1.8 million store impairment provision in relation to the UK business, £4.2 million restructuring costs of the UK and head office organisation and £0.5 million of other exceptional costs.

Other non-underlying items:

- Non-cash adjustments principally relating to marking to market of commercial foreign currency hedges at the period end (£14.9 million charge compared with a £6.9 million credit in 2012/13). As hedges are taken out to match future stock purchase commitments, these are theoretical adjustments which we are required to make under IAS 39 and IAS 21. These standards require us to revalue stock and our commercial foreign currency hedges to spot. This volatile adjustment does not affect the cash flows or ongoing profitability of the group and reverses at the start of the next accounting period.
- Amortisation of intangible assets (excluding software).

Results by segment

The primary segments of Mothercare plc, are the UK business and the International business.

£ million – Revenue	52 weeks to 29 March 2014	52 weeks to 30 March 2013
UK	**462.3**	499.7
International	**262.6**	249.7
Total	**724.9**	749.4

£ million – Underlying Profit/(loss)	52 weeks to 29 March 2014	52 weeks to 30 March 2013 Restated*
UK	(21.5)	(21.6)
International	45.3	42.1
Corporate	(7.8)	(7.8)
Profit from operations before share based payments	**16.0**	**12.7**
Share based payments	(0.1)	(0.9)
Net finance costs	(6.4)	(5.9)
Underlying profit before tax	**9.5**	**5.9**

* Restated for amendments to IAS 19 as explained in Note 2.

UK retail sales have declined year on year due to store closures and declining like-for-like sales across the store estate and were partially offset by increases in our Direct in Home business. The impact of declining sales and margins has been offset by the benefit from the property strategy, with the continued exit from loss-making stores and tight cost control, leaving losses in line with prior year.

International has benefited from increased royalties driven from higher network sales offset by the impact of adverse foreign exchange movements. International profit also includes losses in joint ventures which have reduced during the year.

Corporate expenses represent board and company secretarial costs and other head office costs including audit, professional fees, insurance and head office property.

Share based payments

Underlying profit before tax also includes a share based payments charge of £0.1 million (2012/13: £0.9 million) in relation to the Company's long-term incentive schemes. There are a number of long-term share based incentive schemes including the Long Term Incentive Plans, the Executive Incentive Plan, the Performance Share Plan, the Deferred Shares Plan and the Save As You Earn schemes. Full details can be found in Note 29 on page 125.

The charges as calculated under IFRS 2 are theoretical calculations based on a number of market based factors and estimates about the future including estimates of Mothercare's future share price, future profitability and total shareholder return (TSR) in relation to the General Retailer's Index. As a result it is difficult to estimate or predict reliably future charges.

Like-for-like sales, total International sales and network sales

'Like-for-like sales' are defined as sales for stores that have been trading continuously from the same selling space for at least a year and include Direct in Home and Direct in Store.

International retail sales are the estimated retail sales of overseas franchisees and joint ventures and associates to their customers (rather than Mothercare sales to franchisees as included in the statutory or reported sales numbers). Total International sales are International retail sales plus International wholesale sales. Group network sales are total International sales plus total UK sales. Group network sales and reported sales are analysed as follows:

	Reported sales		Network sales*	
£ million	52 weeks ended 29 March 2014	52 weeks ended 30 March 2013	52 weeks ended 29 March 2014	52 weeks ended 30 March 2013
UK retail sales	432.6	468.2	432.6	468.2
UK wholesale sales	29.7	31.5	29.7	31.5
Total UK sales	462.3	499.7	462.3	499.7
International retail sales	255.3	242.0	721.9	721.0
International wholesale sales	7.3	7.7	7.3	7.7
Total International sales	262.6	249.7	729.2	728.7
Group sales/Group network sales	**724.9**	**749.4**	**1,191.5**	**1,228.4**

* Estimated.

Financial review
continued

Financing and taxation

Financing represents interest receivable on bank deposits, interest payable on borrowings, the amortisation of costs relating to bank facility fees and the net interest charge on the liabilities/assets of the pension scheme (see Note 30).

The underlying tax charge comprised current overseas taxes and is offset by UK deferred tax. The effective tax rate is 28.4% (2012/13: 37.3%). The effective tax rate is higher than the standard tax rate of 23% mainly due to higher overseas tax rates. An underlying tax charge of £2.7 million (2012/13: £2.2 million) has been included for the period and in total the tax charge was £1.2 million (2012/13: credit of £0.1 million).

Pensions

The Mothercare defined benefit pension schemes were closed with effect from 30 March 2013. Details of the income statement net charge, total cash funding and net assets and liabilities are as follows:

£ million	52 weeks ending 28 March 2015**	52 weeks ended 29 March 2014	52 weeks to 30 March 2013 Restated*
Income statement			
Service cost	–	–	(2.4)
Running costs	(1.1)	(1.1)	(0.8)
Net interest on liabilities/ return on assets	(2.1)	(2.7)	(2.6)
Exceptional gains on curtailment	–	–	3.3
Net charge	(3.2)	(3.8)	(2.5)
Cash funding			
Regular contributions	(0.6)	(0.6)	(2.0)
Deficit contributions	(5.8)	(5.6)	(5.2)
Total cash funding	(6.4)	(6.2)	(7.2)
Balance sheet			
Fair value of schemes' assets	n/a	253.3	234.8
Present value of defined benefit obligations	n/a	(303.0)	(296.4)
Net liability	–	(49.7)	(61.6)

* Restated for amendments to IAS 19 as explained in Note 2.
** Estimate.

The gains on curtailment in 2012/13 were due to the closure of the Mothercare Staff and the Mothercare Executive Pension schemes.

In consultation with the independent actuaries to the schemes, the key market rate assumptions used in the valuation and their sensitivity to a 0.1% movement in the rate are shown below:

	2013/14	2012/13	2013/14 Sensitivity	2013/14 Sensitivity £ million
Discount rate	4.5%	4.6%	+/- 0.1%	+6.5/-6.5
Inflation – RPI	3.4%	3.4%	+/- 0.1%	+5.5/-6.3
Inflation – CPI	2.4%	2.4%	+/- 0.1%	+5.5/-6.3

Balance sheet and cash flow

The balance sheet includes identifiable intangible assets arising on the acquisition of the Early Learning Centre of £6.8 million and goodwill of £26.8 million. These assets are allocated to the International business.

The group continues to generate operating cash, with cash generated from operations of £5.7 million. Income taxes of £1.7 million were paid in the year resulting in net cash flow from operating activities of £4.0 million.

We have made further investment in our joint ventures during the year to drive the growth in International, including £2.9 million in China.

After investing £10.9 million of capital expenditure (£10.2 million net of lease incentives received), the net debt position at the year end is £46.5 million (2012/13: Net debt of £32.4 million).

Going concern

The accounts have been prepared under a going concern principle. For full details please see the corporate governance report on page 43.

Capital additions

Total capital additions in the year were £12.2 million (2012/13: £12.5 million), including £3.3 million for software intangibles and £5.8 million invested in UK stores. Landlord contributions of £0.7 million (2012/13: £3.5 million) were received, partially offsetting the outflow. Net capital additions after landlord contributions was £11.5 million (2012/13: £9.0 million).

Earnings per share and dividend

Basic underlying earnings per share were 7.7 pence compared to 4.2 pence last year. The board has concluded that given the cash investment required to deliver the Transformation and Growth plan the Company will not pay a final dividend for 2013/14. The total dividend for the year is nil pence per share (2012/13: nil pence per share).

Treasury policy and financial risk management

The board approves treasury policies and senior management directly controls day-to-day operations within these policies. The major financial risk to which the group is exposed relates to movements in foreign exchange rates and interest rates. Where appropriate, cost effective and practicable, the group uses financial instruments and derivatives to manage the risks.

No speculative use of derivatives, currency or other instruments is permitted.

Foreign currency risk

All international sales to franchisees are invoiced in pounds sterling or US dollars.

International reported sales represent approximately 36% of group sales. Total International sales represent approximately 61% of group network sales. The group has some currency exposure on these sales, as local sales are translated into sterling amounts on which royalties are calculated. Given the devaluation of a number of currencies during the year including the Russian rouble we have seen International retail sales grow at 9.3% at constant exchange rates but only 6.5% at moving exchange rates (excluding Australia and New Zealand from 2012/13). Historically these royalty receipts have not been hedged. To help mitigate against further currency impacts, we have hedged our Russian rouble, Indian rupee and Indonesian rupiah exposure for the first half of the new financial year. We will monitor the situation and consider putting in place a rolling six-month hedging strategy for certain of our markets. The group continues to hedge all material exposures resulting from purchases by using forward currency contracts.

Interest rate risk

The group has drawn down £40.0 million on its term borrowing facility and £25.0 million on the revolving credit facility offset by cash of £17.3 million and the amortised facility fee of £1.2 million. The group hedges all of the floating interest rate on this term facility using interest rate swaps. These financial instruments are accounted for as a cash flow hedge with changes in the fair value of the financial instrument that are designated as effective recognised in comprehensive income and any ineffective portion recognised immediately in the income statement.

Shareholders' funds

Shareholders' funds amount to £15.2 million, a decrease of £23.6 million in the year driven largely by the loss before tax. This represents £0.17 per share compared to £0.44 per share at the previous year end.

KPIs – Financial and non-financial
Measuring our performance

International profits

Mar-14	£45.3m
Mar-13	£42.1m*
Mar-12	£34.6m*

International profits were up 7.6% to £45.3 million, despite some of the markets in which we operate suffering from a significant level of currency devaluation, geo-political unrest and unseasonably warm weather during Q3.

* Restated for IAS 19.

£45.3m

International space
(excluding Australia and New Zealand)

Mar-14	2,656k sq.ft.
Mar-13	2,347k sq.ft.
Mar-12	2,068k sq.ft.

Our franchise partners opened an additional 152 stores, increasing space by 13.1% to 2,656k sq.ft. across the 59 markets in which they operate.

2,656k sq.ft.

Average length of services of store based employees

Mothercare

Mar-14	6.1 years
Mar-13	6.4 years
Mar-12	6.0 years

Early Learning Centre

Mar-14	5.9 years
Mar-13	5.8 years
Mar-12	5.8 years

Our store employees, at both Mothercare and Early Learning Centre, continue to feel a strong affinity with our brands. Their commitment to the brands is clear in their continued support and length of service, which is higher than the average for retailers.

6.1 years

Women in senior management positions

Mar-14	51%
Mar-13	49%
Mar-12	53%

We have an above average number of women in senior management positions. At the end of FY 2013/14, women held 18 of the 35 senior management positions in the group across all our offices.

51%

UK profits/(losses)

UK losses are in line with the previous year at £21.5 million. Progress made with closing further loss-making stores and reducing operating costs was offset by weaker than expected trading. Our goal to return the UK to profitability remains.

* Restated for IAS 19.

£21.5m

UK operating cost reduction of £20m

Our three-year Transformation and Growth plan envisages reducing operating costs by £20 million over three years. We reduced costs by £8 million in FY 2012/13 on an annualised basis and have further reduced costs by £7 million this year.

✓ Target achieved

UK store numbers

We closed a further net 35 loss-making stores in the UK. As a result, we now operate from 220 stores – 189 Mothercare and 31 Early Learning Centre.

220 stores

Risks
Principal risks and uncertainties

The board takes overall responsibility for risk management with a particular focus on determining the nature and extent of significant risks it is willing to take in achieving its strategic objectives. The Audit and Risk Committee takes responsibility for overseeing the effectiveness of sound risk management and internal control systems.

The Executive Committee is responsible for delivering the Company's strategy and managing operational risk, and the internal risk management process has been formalised through the Risk Committee which acts as a forum to monitor and manage risk processes and to assess and identify any emerging risks.

The Company must report its principal risks and uncertainties in its annual Strategic Report, in addition to providing some explanation of its internal risk management process. The table below sets out the principal risks and uncertainties, and indicates the directional change of perceived net risk over the year.

Key:

	Increase in risk over the year
	No change

Financial

Risk	Impact	Mitigation	Change
▶ The group fails to meet its financial targets	▶ Financial pressure and capital constraints ▶ Adverse publicity and media coverage ▶ Ultimately, could lead to a potential breach of covenants contained in bank facility agreements leading to Event of Default	▶ Redefined Transformation and Growth plan with Project Management Office scoped to track project contribution ▶ Renegotiated bank facility to safeguard future financing needs ▶ Alternative financing options to supplement bank facility	
▶ LFL sales in the UK do not meet expectations and forecasts	▶ Weaker UK consumer confidence continues to impact profit and performance ▶ Loss of supplier confidence ▶ Loss of market share	▶ Product range and pricing being adapted to meet customer demand ▶ Reshaped UK business team ▶ New price and value strategy supported by promotional activity ▶ Improved 'Direct to Customer' channel including 'Collect in Store' ▶ Restructuring of overseas Sourcing Offices buying processes and procedures to improve margin	
▶ Unforeseen additional cash funding to support international joint venture operations	▶ Diverts cash away from the UK business ▶ May delay UK business turnaround	▶ Joint ventures submit business plans and management reports monthly to the Company ▶ Attendance at joint venture company board meetings	
▶ Material changes in currency exchange rates	▶ Reduction in profit from currency movements	▶ Currency hedging now put in place to protect the group profit against unfavourable movements in exchange rates	

Financial continued

Risk	Impact	Mitigation	Change
▶ Accelerated store closure programme does not meet targets ▶ Store closure programme diverts capital, impacts customer brand perception ▶ Store closure programme leaves the business vulnerable to failure by sub-lease tenants	▶ Ongoing cost to the Company if no closure ▶ Greater than anticipated costs of closure ▶ Reduces cash available to UK or International business ▶ Potential for leases to revert back to the Company if failure by sub-lease tenants	▶ Dedicated and experienced property team ▶ Store portfolio strategy completed in 2013 and reviewed annually ▶ Track record of meeting annual closure targets	
▶ Uncertainty in the macroeconomic environment	▶ International businesses may be impacted in affected regions ▶ Increase in cost of goods impacts franchisee margin ▶ Potential for increase in bad debts	▶ Strong franchise partners; close working relationship with franchisees ensures early awareness of any financial issues ▶ Credit insurance in place and tested ▶ Limited exposure to Eurozone economies ▶ Roll out franchisee website offerings	
▶ Political risk and uncertainty in key franchise markets and joint venture markets ▶ Over exposure in certain International territories	▶ The group becomes vulnerable to key markets and franchise partners ▶ Profitability of International business and franchisees affected ▶ Increased fuel and commodity prices reduces profitability	▶ Strong franchise operations work closely with International franchisees ▶ Credit insurance in place and tested ▶ Sustainable expansion plans finalised with franchisees	

Operational

Risk	Impact	Mitigation	Change
▶ The UK business fails to deliver on brand standards, or react to changes in consumer demand or existing or new competitor activity	▶ Loss of market share and erosion of brand loyalty ▶ Loss of sales leading to a shortfall in profits	▶ Improvements being made at store level through better store operations, staff training and store standards ▶ Customer satisfaction programme launched and embedded ▶ Structured pricing policy and strategy ▶ Product range and pricing being adapted to meet customer demand	

Risks
Principal risks and uncertainties continued

Manufacturing and Product

Risk	Impact	Mitigation	Change
▶ The group fails to meet its reputation for quality, safety and integrity	▶ Damage to brand reputation and customer confidence ▶ Failure to handle any safety issue with dexterity would attract unfavourable media comment and impact sales	▶ Significant group investment in product quality management resource ▶ High standards communicated throughout supply chain ▶ In-house responsible sourcing team working in Bangladesh, India and China ▶ Global code of conduct communicated and applied through the system ▶ Focus on pre despatch quality checks ▶ The Company has signed the Bangladesh Safety Accord to help improve factory safety	=
▶ Increasing overseas sourcing activity leaves the group open to social responsibility and bribery issues	▶ Damage to brand reputation, both in the UK and country of issue origin ▶ Increasing environmental impact of importing large volumes of product causes damage to brand and reputation	▶ Company Code of Conduct and Conflict of Interest – compliance certification ▶ In-house responsible sourcing team working in Bangladesh, India and China ▶ Revised Sourcing Office summary of 'Controls and Procedures' issued ▶ The group is looking to increase sourcing from within the EU	=
▶ Failure to invest properly in product innovation	▶ New products and innovation are a key driver of sales ▶ Product offering looks tired and fails to attract customers	▶ The group maintains an ongoing investment strategy in new products ▶ Launch of new products and ranges delivered in FY 2013/14 with further planned launches in FY2014/15 ▶ Extended Baby K and Little Bird ranges	=

People and Infrastructure

Risk	Impact	Mitigation	Change
▸ Organisational change and headcount reductions lead to erosion of corporate knowledge ▸ Key employees leave the business	▸ The Transformation and Growth plan falls behind schedule ▸ Employee experience and expertise is lost	▸ Development and approval of key business objectives for all employees from top down with regular reviews to monitor employee performance ▸ Regular feedback given to Executive Management through anonymous internal questionnaire ▸ Increased level of internal communications	
▸ Legacy IT systems fail to meet business requirements ▸ Data Centre back-up fails	▸ Adverse impact on performance and ability to meet key targets ▸ Increased risk of data loss through internal and external sources ▸ Systems are vulnerable to criminal cyber attacks	▸ Comprehensive IT review (ongoing) ▸ Head Office computing platform upgraded to facilitate IT strategy ▸ New till system implemented throughout the Mothercare estate ▸ Microsoft Office 365 solution for all email activity being built ▸ Data Centre being moved to an external specialist data centre	
▸ Failure or increase in costs of the group's logistics or global distribution network	▸ The UK business or international franchisees do not meet customer demand leading to loss in sales ▸ Erosion of margin	▸ Regular review and audit of distribution network ▸ Strengthened and dedicated expert distribution team ▸ Benchmarking global rates is part of the International Supply Chain routine	

Corporate responsibility

In Mothercare we aim to ensure that we conduct ourselves responsibly, for all our customers, those involved with the manufacture of our products and their communities, and for the environment in which we operate. In the last year the scope of the corporate responsibility (CR) team has been expanded to provide more proactive management of CR challenges across all our operations, and have started initiatives aimed at embedding good CR practice throughout the organisation.

Our team now comprises 10 professional Responsible Sourcing Officers, based in China, India and Bangladesh. The CR team now reports into the UK based Group People Director.

This report gives an overview of our CSR activities over the last 12 months and provides an update on the targets we set ourselves.

Highlights

In FY2014, the Mothercare group:

- exceeded its UK environmental targets to reduce greenhouse gas emissions from buildings and transport, to reduce packaging per £100 of goods and to drive up waste recycling
- had average service of store based staff of six years at both Mothercare and ELC stores
- had 51% of senior management positions (below board level) filled by women
- was ranked eighth in the Reputation Institute's annual survey.

The strategic direction of our Corporate Responsibility programme is developed and agreed through the Corporate Responsibility Steering Committee, which is chaired by Louise Palmer as Group People Director. The Committee is made up of members of the Senior Management Team and includes:

- Mathieu Penverne – Director of Sourcing
- Helen Burgess – Director of Group Property
- Philippe Dayraud – Group Product Development and Sourcing Director
- Walter Blackwood – Director of Group Logistics.

The Committee reports to the board through the Audit and Risk Committee and is supported by the group's Corporate Social Responsibility team.

Our Environment

At the end of FY2013, following the completion of a five-year programme of improvements, we set ourselves new targets that continued to concentrate on our biggest environmental impacts – greenhouse gas emissions, waste and packaging.

Key performance indicators	Objective of key performance indicators	FY2014/15 target
Extending existing targets		
Carbon emissions from buildings	Continue to reduce carbon emissions from our buildings	5% per annum
Carbon from transport	Continue to reduce carbon emissions from transporting our products	5% per annum
Packaging	Continue to reduce the packaging per £100 of goods we sell	1% per annum
Waste	Drive up recycling of our own waste	Maintain at 90%
Introducing new targets		
Including International in targets	Extend our approach to corporate responsibility to our overseas operations	
Water in our supply chain	Look for ways to reduce water usage, particularly in areas of particular stress	
Supply chain transparency	Look further and deeper into our supply chain, improving traceability and control	

Four of the targets focus on reducing our impacts in the UK, since this is where the majority of our directly controlled business lies. The remaining three focus on our overseas operations, as these continue to expand to reflect the growing international nature of our business.

These two year targets are designed to reflect our Transformation and Growth plan and run to the end of FY2015, ensuring we continue to operate in a responsible manner, taking into account the communities which are affected by our operations. They also lay the basis for future investment, once the transformation phase is complete.

Our performance against these targets for FY2014 is shown in the table below, along with other environmental data.

Key performance indicators	2012/13 baseline	2013/14 performance	Annual reduction target	FY2014/15 target
Building energy use (m kWh)	55.2	48.7	–	–
Transport fuel used (m litres)	1.3	1.1	–	–
Transport mileage (m miles)	3.5	3.0	–	–
CO_2e emissions (tonnes)*	25,000	21,300	–	–
CO_2e emissions (per '000 sq.ft.)	13.8	12.2	–	–
Of which:				
Buildings	21,700	18,500	-5% pa	-15%
Transport	3,300	2,800	-5% pa	-15%
Packaging used (tonnes, UK only)	8,500	7,200	–	–
Packaging per £100 (kg, UK only)	17.1	15.7	-1% pa	-8%
Recycled waste (tonnes, UK only)	2,900	3,900	Maintain 90% recycled	95%
UK store carrier bags used (m bags)	14.0	13.8	–	–
International store carrier bags used (m bags)	6.6	7.7	–	–

* Greenhouse gas emissions Methodology: We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within the activities for which we have operational control. There are no material exclusions from this data. The data has been prepared in accordance with the UK Government's Environmental Reporting Guidance (2013 version). As a result of the change to the Department for Environment, Food and Rural Affairs GHG conversion factors for company reporting published in 2013, the CO_2e totals have been restated for 2012/13.

Building emissions – target exceeded

We continued to reduce our electricity and gas usage at our stores, office and at our National Distribution Centre (NDC) in FY2014, achieving a 15% reduction compared with FY2013, exceeding our 5% reduction target. This reduction was achieved in part due to planned store closures and milder winter temperatures.

Notably, gas consumption at our NDC reduced by a third while electricity consumption reduced by over 10%. A new programme of energy efficiency projects contributed to this reduction. These included a complete 'power down' at certain non-operating periods, temperature control measures that ensure the heating is capped and a series of educational initiatives such as a 'switch it off' campaign.

Buildings energy for FY2014 contains an estimated 23% kilowatt hours as a result of estimating a proportion of unreliable electricity and gas data from our stores. To rectify this situation, new monitoring procedures have been implemented for FY2015.

Transport emissions – target exceeded

During FY2014 we continued to improve the fuel efficiency of our fleet. Road miles used in distributing our products reduced by 14%, yet fuel used reduced by a greater amount, 16%. As a result we have exceeded our 5% CO_2e reduction target, achieving a 15% reduction compared with FY2013.

Packaging handled – target exceeded

Packaging per £100 of goods sold in the UK has fallen by 8% compared with the previous year, exceeding our 1% reduction target. While lower sales volumes explain part of the reduction, we also have a number of efficiency projects underway which have contributed to a reduction in packaging around our products.

Waste recycling – target exceeded

During FY2014 the waste we sent to landfill reduced to 211 tonnes, the lowest it has ever been. Our NDC is zero waste to landfill, recycling all of its discarded waste. This year our stores have focused on improving their recycling waste procedures and alongside that new, more accurate systems for recording waste weight have resulted in a total tonnage increase. However, we have also increased the amount of waste we recycle to 95%, exceeding our target of maintaining a 90% recycling rate.

Corporate responsibility continued

CSR in our International operations and Supply Chain

It is our aim to extend the focus of our CSR activities to our international operations and at the same time, improve the environmental impacts of our supply chain. To this end, we have strengthened our overseas CSR team and appointed a new Head of CSR, to be based in our Hong Kong sourcing office.

Our People

We directly employ 5,628 people in the UK and 181 in Asia, not including those colleagues who work for our global network of franchisees.

We have a diverse workforce with 18 (51%) of our senior management roles (not including executive management) being held by females. Throughout the rest of the business 4,575 (91%) of our UK retail colleagues and 448 (72%) of our UK office colleagues are female.

We measure employee engagement via our annual MyVoice survey which ran for the second year in February 2014. The survey is gaining momentum with a response rate of 85% which was up by 30% on the previous year. The survey gives colleagues the opportunity to comment honestly and confidentially about their experience of working for Mothercare and we were delighted that the highest scoring areas include having pride in the brands and our focus on the customer. Each department has committed to an action plan to work on the feedback that was obtained through this process. The survey will be run again in the second half of FY2015.

Business information is shared with colleagues in a variety of ways such as briefings by the Executive team and via email. We also circulate a quarterly internal publication called 'Smalltalk' to share news stories throughout the business and celebrate success.

People making our products

The majority of Mothercare products are sourced directly through our sourcing offices based in India and China. Our aim is to reduce the risk of poor working conditions by monitoring our supply base, gaining a better understanding of the complex issues that affect workers and working to provide better workplaces for them. Our Responsible Sourcing Code of Conduct and Implementation Policy are continuously reviewed and updated to ensure that they reflect our goals and challenges. These are issued to all suppliers and are available online: www.mothercareplc.com

Our Responsible Sourcing Team is made up of ten dedicated professionals located regionally in our Sourcing Offices. The team works directly with the suppliers and factories we source from in Bangladesh, China and India to understand the issues and help them to make improvements to working conditions in the supply chain.

Their work is supported by the third party audit information we obtain through SEDEX (www.sedexglobal.com). By using third party audit information and our own internal team, we aim to increase the visibility we have over the supply chain, which then allows us to focus on working with factories to make improvements.

The issues highlighted are often industry-wide and are not limited to individual factories. In order to tackle these sorts of issues, we continue to be members of the Ethical Trading Initiative (ETI) (www.ethicaltrade.org). This platform enables us to have a dialogue with other retailers, non-governmental organisations and trade unions, and to work together on programmes that tackle endemic issues that can't be resolved by individual retailers.

The Responsible Sourcing (RS) team is working to a strategy, which aims to embed Responsible Sourcing and good environmental practices in the day-to-day culture of the Mothercare business.

In previous years the focus of the RS Team has been on the first tier of our supply base. In FY2013 96% of our supply base was registered on SEDEX and third party audit information was provided for 84% of factories. In the last year the scope of the RS team has been extended to full service supply (FSS) base. The RS teams are currently working to ensure that all existing and prospective FSS suppliers to Mothercare have completed the audit process and data is available for checking on the SEDEX database.

Mothercare also continues to work with other brands and retailers, through the platform of the ETI, to understand and remedy the issues found deeper in the supply chain (e.g. spinning mills, homeworkers etc). We have targeted our resources at the specific areas of spinning mills in South India and homeworkers in China, as we know that these industries have specific issues that we can begin to address by working together. In doing so, we have been able to develop methods for dealing with such issues in collaboration with others, and in our own supply chains.

Update from the Far East region

The team based in the Far East region has recently expanded to six Responsible Sourcing professionals, based in Shanghai and Guangzhou. The team is dedicated to maintaining an effectively operated audit program and Supplier Development Program (SDP), and continuously seeks to improve the quality of audits, and follow-up action plans.

The team recognises that an essential part of CSR is the education of the Mothercare Sourcing Teams and Buyers. The Responsible Sourcing Team, Far East, has recently been focused on embedding CSR into sourcing practices, through induction training, workshops and the development and introduction of a light touch audit. The light touch audit is specifically designed to enable all teams within Sourcing including Technology, Quality and Purchasing to conduct audits during visits to suppliers. Simple cue cards are used to support this process, which outline the common issues and different risk levels. Light touch audits have proved an invaluable input to the process and a good way of embedding CSR awareness throughout all Sourcing activities.

Human Rights, in particularly child rights are one of the core concerns of the Far East team. In addition to all the work done by the team to eliminate child labour in the supply chain, the team also supported Save the Children as part of Mothercare's global campaign launched in 2010 to raise £1.75 million over three years for Save the Children. The Responsible Sourcing Far East Team also supports local community projects by Save the Children, such as Breastfeeding Awareness Week, Knit One Save One, donation of bookends to schools, donation of clothes and caps for children suffered from Gansu flood.

Update from the South Asia Team

The team in South Asia comprises four full time professionals, specialising in social and environmental compliance. The Sourcing countries in the region are India, Bangladesh and Sri Lanka.

Over the last year, 100% of new factories were visited and assessed by the RS team to ensure their compliance to our social and environmental standards before being brought on board.

The RS team also regularly conducts random validation checks of third party auditors to ensure the quality and reliability of audits conducted.

Signing ACCORD in Bangladesh: Though not directly impacted by the Rana Plaza tragedy in April 2013, we continue to make concentrated efforts to ensure that factories in our supply chain meet building, fire and electrical safety standards. We have signed the ACCORD and are committed to ensuring that the Safety standards are constantly monitored and improved.

Working with ETI to address concerns regarding South Indian Mills: It is not possible for Mothercare alone to resolve the current high profile issues relating to 'Sumangali' – the practices related to employment of young women in mills, as we do not have a direct relationship with the mills. We have therefore joined a consortium with ETI to work on a three-year program on Sumangali Intervention which involves highlighting Sumangali practices where they exist and working with Mill owners to address concerns. We are also are part of the Tirupur Stakeholders Forum (TSF), which works to resolve issues related to Sumangali.

In addition to working with Sourcing teams and suppliers to ensure compliance to our CSR standards, we work with and support the local communities associated with our supply base.

Art to Care competition

There was a drawing competition held for suppliers across India for the children of workers from the age group from 0-12 years. This was done in collaboration with Save the Children. More than 5,000 children of our suppliers across India participated in the competition. In addition to winners' trophies, all participating children were provided with a participation certificates.

Communities – parents and children

We believe that parenting and raising children is an essential foundation for the society we live in and that healthy babies, parents and families benefit us all. We are committed to helping parents through the work we do providing education and information to parents in the community, our Born to Care Partnership with Save the Children and sponsorship of National Breastfeeding week.

Providing a place for mums to meet with children's play facilities

We have recently opened Mumspace stores in Romford, Edmonton, Southampton, Leeds and Dudley. These offer a meeting room for regular parent and baby/child activities. A wide range of classes take place during the week within these stores.

Events

My Mothercare Events are run in around 130 of our UK stores, three times a year for first-time expectant parents (usually in February, June and October). In-store experts give advice on in-car safety, sleep safety and nursery, pushchair choices and the best toys for baby's first year. Midwives and Health Visitors frequently attend to give advice and the British Red Cross offers first aid advice to parents wherever trainers are available.

The My Mothercare website has the events details: **www.mymothercare.com**

Awards received

This year Mothercare received Prima Baby and pregnancy awards: Bronze, Silver and Gold.

Board of directors

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Committee Memberships key:
Ⓐ Audit and Risk Committee Ⓡ Remuneration Committee Ⓝ Nomination Committee Ⓕ Full board member

1. Alan Parker CBE Ⓡ Ⓝ Ⓕ
Chairman
Appointed in August 2011.
Executive Chairman of Mothercare plc from 17 November 2011 to 30 April 2012. Non-executive chairman of Darty plc and non-executive independent director of Burger King Worldwide Inc. President and Chairman of the British Hospitality Association. Formerly Chief Executive of Whitbread plc and Managing Director EMEA of Holiday Inn, and non-executive director of Jumeirah Group LLC.

2. Matt Smith Ⓕ
Chief Financial Officer
Appointed in March 2013.
Formally Finance Director of Argos, part of Home Retail Group plc. Matt has spent ten years in senior financial roles at Home Retail Group, and also had responsibility for supply chain, distribution and IT. Prior to Home Retail Group, Matt worked at KPMG both in London and Sydney, becoming a director in its corporate finance department. Matt is a Chartered Accountant.

3. Angela Brav Ⓡ Ⓝ Ⓕ
Non-executive Director
Appointed in January 2013.
Chief Executive Officer of InterContinental Hotels Group PLC. Angela has held various senior roles within the group since joining in 1991 including Senior Vice President, Americas franchise operations and applied technology, senior vice president, applied technology for the Americas region, senior vice president, integrated technology solution and senior vice president, quality and service. Angela has also worked at IHG's headquarters in Brussels, Belgium and Guadalajara, Mexico.

4. Lee Ginsberg Ⓐ Ⓝ Ⓕ
Non-executive Director
Appointed in July 2012.
Non-executive director and chair of the audit committee at Trinity Mirror plc. Previously Chief Financial Officer of Domino's Pizza Group plc (until 2 April 2014) and prior to this Group Finance Director at Health Club Holdings Limited, formerly Holmes Place plc where he also served as Deputy Chief Executive. Lee is a Chartered Accountant having qualified with PricewaterhouseCoopers.

5. Amanda Mackenzie OBE Ⓐ Ⓝ Ⓕ
Non-executive Director
Appointed in January 2011.
Chief Marketing and Communications Officer of Aviva plc. A member of Aviva's Executive Committee and Executive sponsor for diversity. A member of Lord Davies' steering group to increase the number of women on boards; a board member of the National Youth Orchestra and a past President of the Marketing Society. Amanda was awarded an OBE in the 2014 New Year Honours List for services to marketing.

6. Richard Rivers Ⓡ Ⓝ Ⓕ
Non-executive Director
Appointed in July 2008.
Formerly Chief of Staff and Head of Corporate Strategy at Unilever. A Non-executive Director of Channel 4 Television Corporation and Lumene Oy, and a member of the Advisory Board of WPP.

7. Imelda Walsh Ⓡ Ⓝ Ⓕ
Non-executive Director
Appointed in June 2013.
Non-executive director and chair of the remuneration committee of William Hill plc and Mitchells & Butlers plc. Formerly Group HR Director of J Sainsbury plc, non-executive director and chair of the remuneration committee at Sainsbury's Bank plc, and previously with roles at Barclays plc, Coca-Cola & Schweppes Beverages Limited and Diageo plc.

8. Nick Wharton Ⓐ Ⓝ Ⓕ
Non-executive Director
Appointed in November 2013.
Chief Executive Officer of Dunelm Group plc. Formerly Chief Financial Officer of Halfords Group plc, and with finance and international positions at The Boots Company plc and Cadbury Schweppes plc.

Executive committee


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1. Mark Newton-Jones
Interim Chief Executive Officer
Appointed March 2014.
Formerly the Group CEO of Shop Direct. Prior to Shop Direct, Mark held various director roles at Next plc, and has almost 30 years of retail experience.

2. Matt Smith
Chief Financial Officer
(See opposite page for biography)

3. Tim Ashby
Group General Counsel and Company Secretary
Appointed May 2010.
Formerly Region Counsel for Europe/Africa at Yum! Brands Inc. (owners of KFC, Pizza Hut and Taco Bell); Senior International Counsel, PepsiCo, Inc.; Solicitor, Denton Wilde Sapte.

4. Philippe Dayraud
Group Product Development and Sourcing Director
Appointed September 2012.
Formerly Chief Product Officer of Pimkie International (international ladies fashion chain with over 750 shops globally); Chief Product Officer of Kiabi for six years; together with various product and sourcing executive roles.

5. Louise Palmer
Group People Director
Appointed November 2012.
Formerly a partner at The Inzito Partnership (premium executive search firm), and a founder of 7days (specialist organisational improvement consultancy); Head of Organisation Design at British Airways.

6. Jerry Cull
Managing Director – International
Appointed December 2005.
With the group for over 30 years. Director of International and head of Mothercare's franchise business since 1995. Formerly, regional manager at Mothercare; various roles at Bhs, including Head of Bhs International.

7. Matt Stringer
UK Commercial Director
Appointed February 2013.
Formerly Managing Director of Carphone Warehouse; various roles at M&S including International Operations Director and Head of GM Stock Management and New Buying.

Corporate governance

Our stakeholders demand high standards of corporate governance – it is part of our brand.

Alan Parker CBE
Chairman

Dear shareholder

There have been many changes to the Mothercare group over the past few years and in these circumstances it is even more important that the Company maintains a high standard of corporate governance in all of its activities. This will enhance its reputation and performance and will enable the Company to have greater success in dealing with and delivering on its strategic objectives.

Furthermore, we know that our customers, employees, international franchise partners, and investors demand high standards. It is part of the Mothercare brand.

The Company considers that it has complied throughout the 52-week period ended on 29 March 2014 with the relevant provisions set out in the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in 2012, having applied the main and supporting principles set out in Sections A to E of the Code.

The board

The leadership of the Mothercare plc business is provided by the Mothercare plc board. The board operates on a unitary basis and ordinarily comprises the non-executive Chairman, six independent non-executive directors, and two full-time executive directors being the Chief Executive Officer and the Chief Financial Officer.

Mothercare plc main board (as at 29 March 2014):

Chairman/Non-executive
Alan Parker CBE (Chairman)
Angela Brav
Lee Ginsberg
Amanda Mackenzie OBE
Richard Rivers (SID)
Imelda Walsh
Nick Wharton
Executive
Matt Smith (CFO)
Permanent CEO to be appointed

Note: Mark Newton-Jones was appointed as Interim CEO with effect from 17 March 2014 but was not appointed formally as a board director.

Board changes

There were several changes to the board during the year. After nine years as a non-executive director of the Company, David Williams retired at the end of May 2013, and on behalf of the board I would like to thank him for his contribution over this period. Imelda Walsh joined as a non-executive director on 1 June 2013 and became the chair of the remuneration committee following the AGM on 18 July 2013. On 14 November 2013, Nick Wharton, Chief Executive Officer of Dunelm Group plc, was appointed as a non-executive director.

The board is pleased to be able to draw upon Imelda's experience both as a non-executive and as the chair of other remuneration committees, and on Nick Wharton's UK retail expertise.

On 24 February 2014, Simon Calver resigned as the Chief Executive. The board appointed Mark Newton-Jones as the group's Interim Chief Executive with effect from 17 March 2014. However, being an interim appointment, Mark Newton-Jones was not appointed formally as a board director. This was a rapid appointment that allowed the Company to keep operating with a chief executive and enabled the board to conduct a full and robust search for a permanent chief executive. Mark Newton-Jones has extensive retail experience in the UK and is a candidate for the permanent chief executive role. An announcement will be made as soon as a permanent CEO is appointed.

The board and its 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.

Key activities of the board

Regular agenda items:	Key agenda items also considered in the year included:
Group strategy	UK and International strategy days
Financing, going concern and liquidity	Leadership and succession
Reports from board committees	
Business performance and financial results	
Annual budget and financial statements	
Consideration of acquisitions and disposals	

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 General Counsel/ 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 (including meetings with principal advisers to the Company) and have a formal induction process that continues following their appointment. 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.

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

The business commitments of each member of the board are set out in the biographical details on page 38. Notwithstanding such commitments, each member of the board is able to allocate sufficient time to the Company to discharge his or her responsibilities effectively.

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.

In accordance with the UK Corporate Governance Code, from 2013 the board has resolved that all directors should offer themselves for re-election each year.

During the year, Richard Rivers as the senior independent director evaluated the performance review of the Chairman, having taken the opinions of the other directors before doing so, and the Chairman and the board together evaluated the performance of the group Chief Executive.

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 reappointed.

Corporate governance
continued

Governance and Committees

A key element of the board's responsibility is monitoring and reviewing the effectiveness of the Company's system of internal control, and the non-executive directors challenge and scrutinise its effectiveness and integrity.

Mothercare plc main board

Board committees

- (A) Audit and Risk
- (R) Remuneration
- (N) Nomination
- (D) Disclosure

Executive Committee

The board is assisted by committees. There are four committees of the board that meet and report on a regular basis: audit and risk, disclosure, nomination and remuneration. For a number of years the Audit and Remuneration Committees comprised all the non-executive directors, but during the year the board decided to adopt a committee structure for both the Audit and Remuneration Committees such that each non-executive director was a member of one or other of the 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 46.

(A)

Audit and Risk Committee

- Committee members: Lee Ginsberg (Chair), Amanda Mackenzie, Nick Wharton
- Key roles and responsibilities: review the scope and issues arising from the audit and matters relating to financial control, review of corporate govenance, financial statements and accounts, responsibility for risk managment, internal and external audit

(N)

Nomination Committee

- Committee members: Alan Parker (Chair), Angela Brav, Lee Ginsberg, Amanda Mackenzie, Richard Rivers, Imelda Walsh, Nick Wharton
- Key roles and responsibilities: proposals on the size, structure, composition (including diversity) and appointments to the board, managing the selection process and agreeing to the terms of appointment of non-executive and executive directors of the board, review succession planning of board members and the Executive Committee annually

(R)

Remuneration Committee

- Committee members: Imelda Walsh (Chair), Angela Brav, Alan Parker, Richard Rivers
- Key roles and responsibilities: establishes the remuneration policy, preparation and approval of the Remuneration Report, approval of specific arrangements for the Chairman and the executive directors, review, comment and propose to the board the proposed arrangements for the Executive Committee including short and long term incentive programmes

The board has established a Disclosure Committee that is responsible for the establishment and maintenance of disclosure controls and procedures in the Company (and their evaluation), for the appropriateness of the disclosures made (after due consideration of the obligations of the Company under the Listing Rules and the Disclosure and Transparency Rules) and for compliance with the group's share trading rules. It reports to the board through the Chief Executive (or through the Chairman in the absence of a CEO).

In addition, the Company's Executive Committee reports to the board, ordinarily through the Chief Executive but, as at the date of this report, through the Chief Financial Officer (who is also an executive director) until a permanent Chief Executive (and executive director) is appointed.

Each of the committees has clear terms of reference and reports to the board on its area of responsibility. Details of the terms of reference of the board's committees are set out in the corporate governance section of the Company's website at www.mothercareplc.com.

Executive Committee

The executive management of the Company (principally through the Executive Committee) has operated within a structure with defined lines of responsibility and delegations of authority, and 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.

The board has delegated day-to-day and business management control of the group to the Executive Committee. The Executive Committee currently consists of the Chief Executive, Chief Financial Officer, the Managing Director of the International businesses, the UK Commercial Director, the Global Product and Sourcing Director, the Group People Director and the Group General Counsel/Company Secretary.

Board effectiveness and balance

In 2012, the Chairman instigated a detailed externally facilitated evaluation of the board (conducted by Wickland Westcott (which has no other connections to the group)), and of its effectiveness and operation. As noted in last year's Annual report, the conclusions of the review were positive but it also provided some recommendations to improve further the overall effectiveness of the board. These included:

- Promoting greater interaction between the board and the Executive Committee
- Reflecting the international (and global) nature of the business
- Increasing the number of women on the board, particularly to reflect the nature of the Mothercare and ELC business.

The board has implemented these recommendations. The board has held two strategy days with the Executive Committee during the year focusing on the UK business and the International business respectively, and board members have spent more time in the business with members of the Executive Committee and with senior management. The importance of the International business was recognised with a trip to India by the Chairman and the Senior Independent Director in February 2014, and other visits during the year by the Chairman to the group's international franchise partners and to the International franchise partner meeting in Singapore in October 2013. As at 29 March 2014, the board comprises the Chairman and six non-executive directors of which three are women.

During the year the Chairman asked the Group General Counsel/Company Secretary to conduct the annual board evaluation process on behalf of the board. The results of this evaluation indicate that the board believes that it is operating effectively, with improved access to members of the Executive Committee and the ability to spend more time in the business with senior management.

The board believes that it has an appropriate range of breadth and expertise to manage the group's activities. Details of the experience and background of each director is set out on page 38.

Diversity

The importance of improving the diversity balance (including gender) on boards of UK listed companies is recognised. At the date of this report, the main board (including the executive directors) comprises three women and five men, and the Executive Committee (excluding the Executive Directors) has one woman and four men. The Company believes it is well positioned to support gender diversity at all senior levels and, as at 29 March 2014, 51% of the senior management positions (the two grades below executive committee) were held by women (2013: 49%).

Going concern

The directors have reviewed the going concern principle in the light of the guidance provided by the FRC. 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, liquidity position and borrowing facilities are set out in the financial review on pages 24 to 27. In addition, notes 21 and 22 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.

Corporate governance continued

The group's objective with respect to managing capital is to maintain a balance sheet structure that is both efficient in terms of providing long-term returns to shareholders and safeguards the group's ability to continue as a going concern. As appropriate, the group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, returns of capital to shareholders, issuing new shares or the level of capital expenditure.

A review of the business performance is set out in the financial review. UK retail sales have declined year on year due to store closures and declining like-for-like sales across the store estate partially offset by increases in our Direct in Home business. The impact of the declining sales and margins has been offset by the benefit from the property strategy, with the continued exit from loss-making stores and tight cost control leaving UK losses flat against the prior year. The International business continues to expand generating an underlying profit for the period of £45.3 million (FY2013: £42.1 million).

The group continues to implement the conclusions of the structural and operational review of the size and scope of its business that was carried out in early 2012 and announced as the three-year Transformation and Growth plan. The focus remains to stabilise like-for-like sales and margin, reduce the UK central costs, close additional UK stores to focus on 200 profitable stores, accelerate international expansion (with more store openings in both new and existing countries), and launch combined online and in-store customer options with a new website in the UK and more new overseas websites. The resulting strategy will deliver a transformation of the UK business, together with increased International growth over the same period.

On 18 October 2013, the group refinanced with the support of its two existing banks, HSBC and Barclays, amending its committed facilities of £90 million to a term loan of £40 million and a revolving credit facility of £50 million (at an interest rate range of 2.5% to 3.5% above LIBOR) maturing in May 2017. On 20 May 2014 the group amended the banking facilities with the continued support of its two existing banks providing further headroom on the gearing and fixed charge cover covenants. The covenants in the facilities are tested quarterly and are based around gearing, fixed charge cover and guarantor cover.

At the year end the group had a net debt balance of £46.5 million funded by drawdowns against the Term Loan facility of £40 million and Revolving Credit facility of £25.0 million offset by cash of £17.3 million and a £1.2 million facility fee. The current challenging economic conditions, particularly the difficult consumer and retail environment, create uncertainty around the level of demand for the group's products. However, with the new banking facilities in place, the long-term contracts with its franchisees around the world, long standing relationships with many of its suppliers and other mitigating actions available, the directors believe the group is well placed to manage its business risks successfully despite the uncertain economic outlook.

The group's latest forecasts and projections, which incorporate the strategic initiatives outlined above, have been sensitivity-tested for reasonably possible adverse variations in trading performance and foreign currency fluctuations. This indicates the group will operate within the terms of its borrowing facilities and covenants for the foreseeable future. To the extent that future trading is worse than a reasonably possible downside, which the directors do not consider a likely scenario, then there are mitigating actions available which would enable the group to continue to operate within the terms of the borrowing facilities and covenants for the foreseeable future.

After considering the forecasts, sensitivities and mitigating actions available to management, the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements are prepared on the going concern basis.

Risk management

The effective management of risks within the group is essential to underpin the delivery of its objectives and strategy. The board is responsible for ensuring that risks are identified and appropriately managed across the group and has delegated responsibility to the Audit and Risk Committee for reviewing the group's internal controls, including the systems established to identify, assess, manage and monitor risks. The Company has an internal audit function, which reports through the Group General Counsel/Company Secretary to the Committee. The activities of the internal audit function are supplemented by external resources as necessary. The external auditors also report to the Audit and Risk Committee on the efficiency of controls as part of the audit.

The principal risks and uncertainties facing the Company are set out on pages 30 to 33.

The programme of specific risk management activity of the Company's UK operations continued during the year across the activities of both brands. Under this programme, all individual stores are tested against a risk assessment model that emphasises health and safety, fire safety and internal process compliance.

For many years, the Company has applied its risk management principles to its International business, for example by carrying out audits of its franchise partners, and taking out trade insurance against key franchise receivables. The Company has additional controls in place with its joint venture partners.

Sourcing/overseas operations

The group operates a supply and sourcing function with offices in India, Bangladesh, China and Hong Kong. It sources its products primarily from India, China and Bangladesh, and in addition some furniture products are supplied from Vietnam. The sourcing offices are responsible for ensuring that appropriate governance standards are observed by the suppliers used by the group, and has a dedicated corporate responsibility team. More details are set out in the corporate responsibility section of this report on pages 34 to 37, including a summary of the Company's participation in the Bangladesh Accord.

The board believes that the system of internal control described can provide only reasonable and not absolute assurance against material misstatement or loss. 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.

Bribery Act 2010

The Bribery Act 2010, which came into force on 1 July 2011, consolidated previous legislation and introduced (amongst other things) a new corporate offence of 'failure to prevent bribery'. Non-compliance with this Act could expose the group to unlimited fines and other consequences.

Accordingly, the group introduced additional measures into the business to reinforce its zero tolerance approach to bribery and corruption. The Group Global Code of Conduct (with specific reference to the Bribery Act) was issued to all non-store level employees both in the UK and overseas and is reviewed on an annual basis. The group's position on bribery and corruption has been explained to its suppliers, franchisees and joint venture partners. The group maintains a global 'whistleblower' hotline accessible in many languages.

Shareholder relations

The Company maintains regular dialogue with institutional shareholders following its 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 (Quarter 1 results) and post Christmas (Quarter 3 results). During such meetings the Company 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 Chief Executive at board meetings on a periodic basis.

The Company seeks to reach a wider audience by the use of its website (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 through the internet at www.mothercareplc.com or by email to investorrelations@mothercare.com. The Company provides electronic voting facilities through www.sharevote.co.uk. Those shareholders who wish to use this facility should review the notes and procedures set out in the Notice of Meeting.

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

The board has maintained 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.

Corporate governance continued

Director attendance

Director attendance statistics at meetings for the 52-week period ended 29 March 2014.

	Board	Committee Audit	Committee Nomination	Committee Remuneration
Maximum number of meetings	**10**	**5**	**3**	**6**
Director:				
Alan Parker	10/10	2/2	3/3	6/6
Angela Brav	8/10	1/2	3/3	4/6
Lee Ginsberg	10/10	5/5	3/3	3/3
Amanda Mackenzie	10/10	5/5	3/3	1/2
Richard Rivers	10/10	2/2	3/3	6/6
Imelda Walsh*	8/8	0/0	2/2	5/5
Nick Wharton*	4/4	3/3	1/1	0/0
David Williams*	1/2	0/1	0/0	0/1
Simon Calver*	9/9	4/4	–	5/5
Matt Smith	10/10	5/5	–	3/5

* Denotes that the director was appointed or retired/resigned during the year and thus was not eligible to attend all meetings.

Note: The table sets out for each director both the number of meetings attended and the maximum number of meetings that could have been attended by those:
- Either who were not appointed for the full year, and/or
- Who were appointed for the full year but reflecting the changes to the structure of each Committee during the year.

Notes:
- Simon Calver and Matt Smith attended meetings of the Audit and Remuneration Committees upon the invitation of the respective chairs of those committees.
- Alan Parker attended meetings of the Audit and Risk Committee upon the invitation of the chair of that committee.
- 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 and which were constituted by the board from those members available at that time having considered the views of the whole board beforehand.

Audit and Risk Committee

The Committee continues to ensure that the highest accounting standards are met as well as improving its risk management process to reflect major changes to the business.

Lee Ginsberg
Chair, Audit and Risk Committee

Dear Shareholder

This report details the key activities and focus of the Committee during the year in addition to its principal and ongoing responsibilities.

This Committee is committed to monitoring the integrity of the group's reporting process and financial management, as well as maintaining sound systems of risk management and internal control at a time of material change in the group.

The Committee scrutinises the interim and full year accounting and financial statements before proposing them to the board for approval, and reviews in detail any accounting judgements that are made by the Company.

In recognition of the importance of risk management to the business and the formal role of the Committee in considering the external environment and setting the group's appetite for risk, the Committee has changed its name to the Audit and Risk Committee. The Company has managed its risk through various internal risk committees for many years, but during the year we have formalised the reporting structure. Therefore, the individual committees within the Company report to its risk committee, which in turn reports to this Committee. The change of the Committee's name seems appropriate to reflect these changes and this Committee reports to the board.

Composition of the Committee

For a number of years the Committee comprised all the non-executive directors, but during the year the board of the Company decided to adopt a committee structure for both the audit and remuneration committees such that each non-executive director was a member of one or other of the Committees. Biographical details of the directors are set out on page 38 of this report.

The Committee currently comprises Lee Ginsberg as Chairman, and Amanda Mackenzie and Nick Wharton as the non-executive directors. The Group General Counsel/Company Secretary acts as secretary to the Committee. Both Lee Ginsberg and Nick Wharton are chartered accountants with considerable financial and commercial experience with listed companies.

The Audit and Risk Committee regularly invites the Group's Chief Financial Officer, Director of Finance, Head of Taxation, and Group General Counsel/Company Secretary (in his capacity as head of internal audit and risk) to attend its meetings. Other executives, including the Chief Executive, are invited to attend from time to time.

The Committee works closely with Deloitte LLP as its external auditors. The audit partner of Deloitte LLP is invited to attend all of the scheduled Committee meetings. PwC is engaged to provide internal audit consultancy and support, and is invited to attend Committee meetings when required (usually three times a year). The relevant audit partners of both Deloitte LLP and PwC hold meetings with the Committee (and separately with the Chair of the Committee) at which representatives of the Company are not present.

The Committee meets regularly during the year in line with the financial reporting timetable, and met five times in the period covered by this report. No specific remuneration of the non-executive directors is ascribed to membership of the Committee other than a supplement of £7,500 (up from £5,000 last year) per annum paid to Lee Ginsberg for the period in respect of which he acts as Chair of the Committee.

Audit and Risk Committee continued

Activities of the Committee

The remit of the Audit and Risk Committee is to review the scope and issues arising from the audit and matters relating to financial control and risk. It 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.

Additionally, as part of its risk remit, the Committee reviews its financial and contractual arrangement with franchise partners around the world, including the process and standard franchise agreements used by the Company. The growth of the International business (now representing some 61% of worldwide retail sales) means that, for example, the risks of exchange rate fluctuations on group profitability are now more material to the business.

The full terms of reference of the Committee (which are reviewed and, if necessary, amended during the year) are set out under the corporate governance section of the website at www.mothercareplc.com

Heading	Scope	Action
Audit	The review of the Company's accounts and financial statements, and of any accounting policies and judgements	▸ 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 ▸ challenged management's judgements and recommendations on key financial issues, and provided oversight of controls relating to finance and tax ▸ reviewed the processes necessary to ensure that the board is able to confirm that the annual report is 'fair, balanced and understandable' ▸ assisted the board in its detailed review of the going concern in light of the Financial Reporting Council's additional guidance on going concern and liquidity risk
Risk	Oversight of the Company's risk appetite, its risk management process and internal audit controls, risk mitigation and insurance; oversight of the Company's International agreements with franchisees	▸ formalised the reporting structure of risk within the group ▸ considered the output of the procedures used to evaluate and mitigate risk within the group ▸ supported the Company in its decision to implement currency hedging on royalty receipts from some franchise markets ▸ review of standard international agreements with franchisees ▸ changed its name to the Audit and Risk Committee
Governance	Compliance with the Bribery Act and the group's Global Code of Conduct, compliance with the UK Corporate Governance Code, and policies on the use of auditors	▸ considered the management letter from the external auditors on their review of the effectiveness of internal control ▸ agreed the fees and terms of appointment of the external auditors ▸ agreed the work plan of the internal audit function, reviewed the resultant output from that plan, and ensured that proper processes are in place to report on any actions required ▸ reviewed and assessed the group's compliance with corporate governance principles and any disclosures made under the Code of Conduct or from the group's 'whistleblowing' hotline
Effectiveness	A review of the effectiveness of the Committee and its internal and external audit	▸ reviewed the effectiveness of the group's internal controls and disclosures made in the annual report ▸ reviewed its effectiveness as part of the board evaluation process ▸ reviewed both the internal and the external audit effectiveness

Fair, balanced and understandable
The Committee has reviewed the contents of this year's annual report and accounts and advised the board that, in its view, taken as a whole, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Areas of significant financial judgement considered by the Committee during the year
During the year the Committee, management and external auditor considered and concluded on what the significant risks and issues were in relation to the financial statements and how these would be addressed.

Going concern
As noted elsewhere in this report, the Company has been making significant changes to its business, particularly in the UK, for a number of years as part of its transformation strategy. The Company has been supported by its banks and there have been amendments to the terms of the bank facilities available to the Company to assist it in delivering the changes required to put the business on a more stable footing.

During the year, the Committee has reviewed regularly and considered carefully the liquidity and financing arrangements of the group as part of the going concern review, and has engaged in detail with its external auditors. This process has included giving due consideration to management reports that detail the assumptions and estimates underlying the budgets and forecasts that underpin the review, the quality and reliability of management forecasts, a review of compliance with key financial covenants and the impact of sensitivities on the budget and forecasts. These matters were discussed with the Chief Financial Officer. The Committee also reviewed the reports from the external auditor in its assessment of the going concern assumption.

In assessing the appropriateness of the financial statements, and in consultation with Deloitte as the external auditors, the Committee concentrated on the following significant audit risks:

Classification and presentation of exceptional items
The Committee has been careful to ensure that the Company adopts and applies a consistent policy and approach to any items that may be considered as exceptional in the accounts. During the year, the Committee reviewed reports prepared by the Company and the external auditor that confirmed the appropriateness of each of the items that were classified as exceptional items.

Property closure provisions
For a number of years the Company has pursued a policy of reducing the number of stores operating in the UK and this policy is continuing. This has involved an active programme of managing the expiry dates of lease agreements and engaging and negotiating with landlords the surrender or assignment of other leases. Through this process, the number of UK stores operated by the group at 29 March 2014 was 220, a reduction from 311 at the same point two years earlier. The Committee reviewed reports from the Company that assessed the judgements around future costs, including dilapidations and closure costs, and the timing of potential future landlord settlements on those remaining properties earmarked for closure. The Committee also reviewed the reports from the external auditor which considered the appropriateness of the retained provision.

Onerous lease and fixed asset impairment
Given the loss-making status of the UK business, the assets within each store are tested for impairment and each lease is assessed to determine if it is considered onerous. The Committee reviewed reports from the Company that consider the assumptions used within the three-year plan to assess both of these items and the appropriateness of any assumptions beyond this three year time frame. The Committee also reviewed the reports from the external auditor which considered the appropriateness of the retained provision.

Inventory/obsolescence provision
The Committee reviewed reports from the Company in respect of the inventory obsolescence provision and considers the age, value and type of stock whilst assessing the appropriateness of any required provision. The Committee also reviewed the reports from the external auditor in considering the appropriateness of provisions held against the carrying value of inventory.

Audit and Risk Committee continued

Carrying value of joint venture investments and recoverability of receivables from these parties

Following the administration of Mothercare Australia Limited in January 2013 (in which the Company had a 23% stake through its subsidiary Mothercare Finance Limited), the Committee has reviewed the group's investments in its other joint ventures in India, China and the Ukraine. The businesses in India and China have continued to expand and grow and, as at the end of FY2014, there was no reason to impair the value of these investments. However, the ongoing political situation in the Ukraine meant that the Committee regarded the Company's investment in the Ukraine joint venture as a risk and the value of this investment has been fully impaired in the accounts. The Committee noted that the business continued to trade profitably, and the decision to impair the assets was taken on a prudent basis to reflect the continued uncertainty in the region. The Committee reviewed reports from the Company that detailed the underlying assumptions and estimates in the budgets for each investment. Further, the Committee reviewed the work performed by the external auditor in its assessment of the assumptions in the budgets. These matters were discussed specifically with the Chief Financial Officer and the external auditor.

Foreign currency

During the second half of FY2014, there were significant movements in the value of GBP sterling against other currencies around the world and this impacted the group's profitability. The group has had a currency hedging policy against purchases denominated in US dollars for many years as part of its sourcing operation, but historically has not hedged against royalty receipts from franchise partners. It is also relevant that the scale of the International business against UK business has increased in recent years. For these and other reasons, the Company has now implemented a policy of hedging in part against the currencies of its core franchise businesses around the world (including the Russian rouble, Indian rupee and Indonesian rupiah).

Other significant matters considered by the Committee during the year

Other significant matters	How the Committee addressed those matters
Pension liabilities	Both of the group's direct benefit schemes were closed to future accrual on 30 March 2013. The triennial valuation of the group's two pension schemes commenced on 1 April 2014 and, subject to completion, the outcome of this review will be included in next year's report. During the year, the Committee received reports from management which detailed movements in the deficit, and received the reports from the external auditor.
Tax	The Committee has received an assessment from the Company of judgements made in relation to its tax position and of its ongoing relationship with HM Revenue and Customs, and confirmation that there are no material issues with HM Revenue and Customs.

Policies

The Committee reviews its policies at least once every year, including:

- External auditor independence – The Committee reviews at least once a year 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. The Committee's review of the independence of its external auditors was by enquiry of them, reviewing the report issued by the auditors regarding their independence, and considering the policy on non-audit services provided by them, and it concluded that Deloitte LLP was independent.
- External auditor appointment – Deloitte LLP has acted as the Group's external auditor since 2002. Its performance is reviewed annually by the Committee. As part its review in FY2014 (and as noted in last year's report), the Committee noted that the group audit partner was rotated in 2013 and the current audit partner's five-year term will end in 2017. The Committee endorsed the judgement reached in FY2013 that a tender of the external audit services at this time would not be in the group's interests. The Committee is aware of the FRC guidance (and more recently the EU guidance) to put the audit out to tender at least every ten years. The Committee has concluded that it does not intend to put the external audit work out to tender until 2017 which is at the time of the next audit partner rotation. However, the Committee may decide to put the audit out to tender at any time before this date. There are no contractual obligations restricting the Company's choice of external auditors.

- Auditors providing non audit services – A policy in respect of non-audit work by the audit firm is in effect. The general principle is that:
  - the audit firm should not be requested to carry out non-audit services on any activity of the Company where they may in the future be required to give an audit opinion
  - the appointment of the audit firm for any non-audit work must be approved by the Committee (or by the Chair of the Committee in the case of minor matters), and will be approved only if it is regarded as being in the best interests of the Company
  - the Committee will not approve (and the Company will not pay) any non-audit fees to the auditors on a contingent basis (non-audit fees incurred in the year are set in note 7).
  - internal audit – after a thorough tender process, PwC was appointed in FY2013 to act as the Company's internal audit consultants and advisers. PwC works closely with the internal audit function of the Company and attends meetings of the Committee by invitation at least three times a year.
  - 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.

Risk management
Under the overall supervision of the Audit and Risk Committee, there are several sub-committees and work groups that oversee and manage risk within the Company and the group. The Company has formally established its own Risk Committee, jointly chaired by the CFO and Group General Counsel/Company Secretary, to provide more regular oversight of risk matters, evaluate emerging risks that may affect the business, and design and oversee a compliance and sub-committee framework that ensures the necessary actions are carried out to manage risk. The Company's sub-committees include health and safety, retail store compliance and profit protection, internal audit and corporate responsibility.

Internal audit
The role of internal audit within the business is to provide independent assurance that the Company's risk management, governance and internal control processes are operating effectively. The Company achieves this by using a combination of internal resource for operational reviews and external competent support provided by PwC. The Company's Group General Counsel/Company Secretary is responsible for internal audits and reports to the Committee.

Effectiveness
The Committee considered its effectiveness of its own performance and that of the external audit.

Audit and Risk Committee
It was considered that the work of the Audit and Risk Committee during the year was effective when measured against its terms of reference and general audit committee practice. The Committee was satisfied that the quality of the papers and information presented at its meetings, and the advice received from its external and internal auditors, was of sufficient detail and quality that enabled it to consider matters appropriately, to take decisions and to make recommendations to the board as appropriate.

External audit
The Committee reviewed the effectiveness of its external audit and considered that Deloitte LLP had carried out its obligations in an effective and appropriate manner. The review considered factors such as the quality and expertise of the personnel leading and working on the account (including the strength and performance of the lead audit partner), the quality of the audit papers and presentations, the competence with which questions relating to key accounting judgements were answered, and the stability that would be provided by continuing to use Deloitte LLP at the current time.

The Committee reviewed the independence of its external auditors during the year (by enquiry of them, and reviewing the report issued by the auditors regarding their independence, and the non-audit services provided by the auditors and the safeguards relating thereto) and considered that Deloitte LLP was independent. The Company did not pay any non-audit fees to the auditors on a contingent basis (non-audit fees incurred in the year are set in note 7).

Having considered these factors, the Committee unanimously recommended to the board that a resolution for the re-appointment of Deloitte LLP as the Company's external auditor to be proposed to shareholders at the 2014 AGM.

Conclusion
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 the independence of the external auditors during the year.

The Chair of the Committee will be available at the AGM to answer any questions on the work of the Committee.

Lee Ginsberg
Chair, Audit and Risk Committee

Nomination Committee

Dear Shareholder

During the year there have been a number of changes to the board, and these have been overseen by the Nomination Committee in accordance with its terms of reference.

In my Chairman's statement in last year's annual report, I noted that David Williams was to stand down in May 2013 after nine years as a non-executive director and Chair of the Remuneration Committee.

Imelda Walsh joined the board in June 2013 and became the new Chair of the Remuneration Committee following the Company's AGM last July. In November, Nick Wharton joined as a new non-executive director in November. As noted in their biographies contained elsewhere in this report, both Imelda and Nick bring to the board a wide range of retail expertise.

I am pleased to say that the Mothercare board now contains six non-executive directors, with a wide range of experience, diversity and background that can be used to support the business in the future.

More recently, the Committee has had to consider the appointment of a new Chief Executive, following Simon Calver's resignation. The Committee was able to appoint Mark Newton-Jones as an Interim CEO within three weeks of Simon's departure, and (at the date of this report) continues to conduct a robust and thorough search for a permanent appointment as the new CEO. I am pleased with the way the process is being conducted, and with the quality of candidates who are interested in taking on this pivotal role.

Finally, I would like to thank all my fellow directors, particularly Imelda Walsh as Chair of the Remuneration Committee, for their time and support.

Composition of the Committee

The Committee currently comprises the Chairman and all of the non-executive directors of the Company. When required, the Group General Counsel/Company Secretary provides support.

During the year, when considering new appointments, the Committee has worked with Mullwood Parnership, the Inzito Partnership and Spencer Stuart, all of whom are independent search companies with no other connections to the Company, specialising in executive and non-executive director recruitment as appropriate, in order to ensure that it can identify candidates from various diverse backgrounds and relevant sectors of experience.

Activities of the Committee

During the year, the Committee has considered the appointment of two new non-executive directors, the appointment of an interim CEO, and made recommendations to the board. In addition, the Committee is currently engaged with the appointment of a new permanent Chief Executive.

The Committee had held several meetings during the year, and these have been supported by interviews and other conversations between Committee members.

The full terms of reference of the Committee (which are reviewed and, if necessary, amended during the year) are set out in the corporate governance section of the website at www.mothercareplc.com. As a matter of process, the Committee makes recommendations to the board, which are then considered by the board in conjunction with any advice or recommendation from the Remuneration Committee.

I will be available at the AGM to any questions on the work of the Committee.

Alan Parker CBE
Chairman

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 29 March 2014. The corporate governance statement set out on pages 40 to 46 forms part of this report. The Chairman's statement at page 14 gives further information on the work of the board during the period.

The principal activity of the group is to operate as a specialist multi-channel retailer, franchisor and wholesaler of products for mothers-to-be, babies and children under the Mothercare and Early Learning Centre brands. The group operates in the UK principally through its stores and direct business, and globally in a further 59 countries through its extensive franchise network.

The Companies Act 2006 requires the strategic report to contain a review of the business and a description of the principal risks and uncertainties facing the group.

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 overview, business model and review, financial review, risks, corporate responsibility report, directors' remuneration 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 during the year unless the Company is under a legal obligation to do so. 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.

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 Limited. Mothercare plc is the group holding company and is listed on the London Stock Exchange; Mothercare UK Limited owns the Mothercare trademarks, operates the UK Mothercare business and acts as the franchisor to Mothercare franchisees worldwide; Chelsea Stores Holdings Limited (through its subsidiary Early Learning Centre Limited) owns the ELC trade marks, operates the UK ELC business and acts as the franchisor to ELC franchisees worldwide.

A review of the business strategy and a commentary on the performance of the group is set out in the Overview and Strategic Report sections of this report on pages 1 to 37. The principal risks and uncertainties facing the business are detailed in the Strategic Review on pages 30 to 33 and the section on risks on pages 30 to 33. These disclosures form part of this report.

The group's use of financial instruments, the risk management objectives and exposures are set out in the notes to the financial statements and the Strategic Report on page 30.

Going concern

The financial position of the group, its cash flows, liquidity position and borrowing facilities are set out in Financial Review on pages 24 to 27. The group's going concern position is set out in the corporate governance report on page 43.

Dividend

The directors are not recommending the payment of a final dividend for the year and no interim dividend was paid during the year (FY2013: nil).

Shares

As at 21 May 2013, the Company's issued share capital was 88,815,598 ordinary shares of 50p each all carrying voting rights. The details of the Company's issued share capital as at 29 March 2014 are set out in note 25 to the financial statements. 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' report
continued

Substantial shareholdings

As at 30 April 2014, the Company has been advised by or is aware of the following interests above 3% in the Company's ordinary share capital:

Holder	Number of shares	Percentage of issued share capital
M&G Investment Management Ltd	14,445,860	16.27
Fidelity International Limited	10,660,329	12.00
D C Thomson & Company Limited	9,313,522	10.49
Aberforth Partners	5,681,693	6.40
Capital Research & Management	5,195,000	5.85
UBS Global Asset Management Ltd	4,204,266	4.73
Allianz Global Investors	3,695,502	4.16
Aberdeen Asset Managers Limited	3,359,965	3.78

Acquisition of own shares

The Company was given a general approval at the AGM in July 2013 to purchase up to 10% of its shares in the market. This authority expires after the AGM on 17 July 2014. The authority has not been used during the year.

Significant agreements and change of control

There are a number of agreements that alter or terminate upon a change of control such as commercial contracts, bank loan agreements and employee share plans. The only one of these which is considered to be significant in terms of likely impact on the business of the group as a whole is the term loan and revolving credit facilities agreement entered into by the group with Barclays Bank PLC and HSBC Bank PLC under which a change of control of the Company would entitle the banks to cancel the facility and require the repayment of all outstanding amounts on a minimum of 30 days' notice.

Under the term loan and revolving credit facilities agreement referred to above, Barclays Bank PLC and HSBC Bank PLC provide the group with a £90 million credit facility to be used for general business purposes. During the year the agreement was amended and restated on 18 October 2013. The agreement was further amended on 20 May 2014.

Other than early vesting under the group's long-term incentive plans, the directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that would occur because of a takeover bid whether successful or not. There are no special contractual payments associated with a change of control of the Company.

Directors

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles may be amended by special resolution of the shareholders. The business of the Company is managed by the board who may exercise all the powers of the Company subject to the provision of the Articles of Association, the Companies Act and any ordinary resolution of the Company.

The following directors served during the 52-week period ended 29 March 2014:

Name	Appointment
Alan Parker	Chairman and non-executive director; chairman of the nomination committee
Angela Brav	Independent non-executive director
Simon Calver	Executive director (until 24 February 2014)
Lee Ginsberg	Independent non-executive director and chair of the Audit and Risk Committee
Amanda Mackenzie	Independent non-executive director
Richard Rivers	Independent non-executive director and Senior Independent Director; chairman of the Remuneration Committee (from 1 June 2013 to 18 July 2013)
Matt Smith	Executive director
Imelda Walsh	Independent non-executive director (from 1 June 2013) and chair of the Remuneration Committee (from 18 July 2013)
Nick Wharton	Independent non-executive director (from 14 November 2013)
David Williams	Independent non-executive director and chairman of the Remuneration Committee (until 31 May 2013)

In accordance with the requirement of the UK Corporate Governance Code, at the Annual General Meeting of the Company in July 2014 all the directors currently appointed shall retire and offer themselves for re-election.

Details of directors' service arrangements are set out in the remuneration report on page 68.

A statement of directors' interests in the shares of Mothercare plc and of their remuneration is set out on pages 76 and 79 respectively. A statement of directors' interests in contracts and indemnity arrangements is set out on page 68.

Employees

The Company involves all of its employees in the delivery of its strategy. It regularly discusses with all its employees its corporate objectives, trading results and performance, as well as the economic environments in which the Company trades through its business sectors. This is achieved through the Company employee website and magazine 'SmallTalk', regular briefings by the Chief Executive and other executive committee members, and through other email and video presentations. These communications are extended to the group's overseas offices in India, Bangladesh, Hong Kong and China, and to the stores in the UK.

The Company aspires to develop a loyal and high performing team through the development of its culture and values. 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 group are attained.

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

Disabled employees

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.

Organisation review

During the year under review, it became necessary to carry out a further organisation review at the Company's head office in Watford and its overseas sourcing offices which resulted in a reduction of the number of roles in the organisation and, consequently, a number of redundancies both in the UK and overseas. As part of this process, a consultation process was carried out at the Company's head office in Watford. A further organisation review is underway and this has resulted in another consultation process at the Watford office. The Company has engaged with those employees affected. The Company recognises the impact of such processes on its employees and each process was carried out thoroughly and professionally, and in compliance with relevant laws and regulations.

As reported last year, the Mothercare Staff Pension Scheme and the Mothercare Executive Pension Scheme were both closed to future accrual with effect from 31 March 2013. The Company continues to make deficit contribution payments to each pension scheme and details of the pension charge are set out in note 29 to the financial statements.

A new defined contribution scheme, the Legal & General WorkSave Mastertrust, was made available to all employees with effect from 31 March 2013 and is the designated scheme used for auto-enrolment of workers from 1 May 2013 (the 'auto-enrolment staging date' for the Mothercare group).

Corporate citizenship

The group's corporate responsibility ethos and details of the programmes that it runs in its business relationships around the world are set out on pages 34 to 37. During the year, the group reissued its Global Code of Conduct to all its office employees in the UK and overseas, and obtained certificates of compliance from its employees.

Global Code of Conduct – key themes:

- Relations with employees, customers, suppliers and franchise partners
- Shareholders and corporate governance
- Responsible sourcing

Greenhouse gas emissions

The group's performance against targets for greenhouse gas emissions, waste and packaging is set out in the corporate responsibility section of the Strategic Report on page 35.

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 2006) 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 Section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue as auditors to the Company and a resolution proposing its re-election will be put to the AGM.

Directors' report
continued

Charitable and political donations

The Company made no donations during the year to the Mothercare Group Foundation. Total cash charitable donations made by the Mothercare Group Foundation for the year ended 29 March 2014 were £nil (2013: £30,000).

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

Post balance sheet events

Post balance sheet events are disclosed in note 32 to the financial statements.

Annual General Meeting

The 2014 Annual General Meeting will be held on Thursday, 17 July 2014 at 3.00pm 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 prepaid form of proxy for the use of shareholders unable to come to the AGM but who wish to vote or to put any questions to the board of directors are enclosed with this annual report for those shareholders who elected to receive paper copies. The Company wishes to encourage as many shareholders as possible to vote electronically. Those shareholders who have elected to, or now wish to participate in, electronic voting may register their vote in respect of resolutions to be proposed to the AGM at www.sharevote.co.uk. To use the facility shareholders will need their voting ID, task ID and shareholder reference number from their proxy form and register at www.shareview.co.uk. For full details on how to use this facility please see the Notice of Meeting.

Shareholders may also submit questions via email to 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 summary 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 General Counsel/Company Secretary at the Company's head office.

The notice of meeting gives explanatory notes on the business to be proposed at the meeting.

By order of the Board

Tim Ashby
Group General Counsel and Company Secretary
21 May 2014

Remuneration report

The Committee believes that appropriate levels of remuneration, properly structured and with the necessary controls, will complement the Company's strategy, by supporting the recruitment and retention of appropriately qualified executives.

Imelda Walsh
Chair, Remuneration Committee

Dear Shareholder
I am pleased to present my first Directors' Remuneration Report for Mothercare for the financial period ended 29 March 2014. I joined the Mothercare board in June 2013 and became Chair of the Remuneration Committee following the AGM in July.

The performance of Mothercare plc during the past financial year has not met the expectations of the board. Underlying group profit before tax increased over that achieved in FY2013 but improvements to our UK business have not been achieved at the pace envisaged under the Transformation and Growth plan. Our international business has continued to grow and the opportunity to introduce Mothercare and ELC to new geographies as well as to continue to grow where we are already established remains very positive. However, this part of our business has also faced some significant currency headwinds. This performance context has been reflected in the year's remuneration decisions with, in particular, no bonuses being paid to directors.

My priority, as a new non-executive director and the new Chair of this Committee, has been to understand the business strategy and then, with the Remuneration Committee, review whether the remuneration policies and practices, as they apply to the Executive Directors and Executive Committee, support the delivery of the significant improvement required. The Committee believes that appropriate levels of remuneration, properly structured and with the necessary controls, will complement the Company's strategy, by supporting the recruitment and retention of appropriately qualified executives.

Currently, the board is seeking a new CEO following the resignation of Simon Calver in February 2014. An early task of the new incumbent will be to review the strategy and operational targets of the Company. The Committee believes that any further changes to our remuneration policies must take this into account and that the long term incentive plan (LTIP) targets must align with the strategy led by the new Chief Executive and approved by the board. Therefore, we will not make a further award under the current LTIP until a new CEO is in post and we have had the opportunity to review the plan's targets and measures. The outcome of this review will be discussed with shareholders ahead of any grant, which we still intend to make in this financial year.

Financial Year 2013/14
Given the performance achieved by the Company, notwithstanding the year on year improvement, the targets set under the annual bonus plan (STIP) were not achieved and therefore no payments were made.

The Company introduced a new long-term incentive plan in December 2012, making its first grant under this plan in March 2013. A second grant was made in December 2013 to cover the financial years FY2014 through to FY2017, further details of which can be found on page 63.

Having reviewed performance to date for both grants, the current long-term incentive awards are unlikely to have any material value, primarily due to the slower than hoped for recovery of our UK business to date.

Remuneration report continued

Following our Q3 trading statement and further discussion with the board, Simon Calver resigned as a director on 24 February 2014. We agreed that a short period of handover would be helpful and therefore Simon Calver remained with the Company until the end of the financial year. Simon Calver expressed a willingness to work his contractual notice of 12 months but the board determined that new leadership was the priority and requested that Simon be paid in lieu of notice. Negotiated terms were agreed as disclosed later in this report, but in summary we agreed to pay Simon Calver an amount representing six months' notice.

The board was delighted to secure on an interim basis the services of an experienced CEO, Mark Newton-Jones, who started within three weeks of Simon Calver's departure. Mark Newton-Jones has extensive retail experience working for many years with Next and then, over a 10-year period as CEO of Shop Direct leading the very successful transformation of the former Littlewoods and GUS home shopping businesses. The terms agreed with Mark for this six-month appointment reflect his 30 years of success in the retail sector; and the expectation that he can deliver short-term improvements and set the business up for future long-term success under the permanent CEO. Mark will be paid a salary of £450,000 over the term of his appointment and will also be eligible for a further discretionary bonus of up to £225,000 based on stretching performance targets. Mark is not a member of the plc board. The terms of his appointment are set out on page 72.

The remuneration agreed for Mark is specific to the interim nature of the appointment, where the more usual structure of an executive director's package is not appropriate.

Financial Year 2014/15

Notwithstanding the Committee's wish to defer the most material decisions on remuneration until a new permanent CEO is appointed, the Committee has decided to make some changes to the remuneration arrangements for our CFO, Matt Smith.

The board has been very pleased with Matt's contribution over what has been a very challenging year and Matt's first with Mothercare plc. We also recognise that his role is critical during this period whilst he works to support Mark and the future permanent CEO, and plays a wider role with the plc board. In recognition of this, the Committee awarded Matt a 3% increase to his salary (£10,000). A 2% general pay increase is planned for other employees.

The Committee has also reviewed Matt's maximum opportunity under the annual bonus plan (STIP). FY 2014 was 100% of salary, the same as other members of the Executive Committee. From FY2014/15, this will be increased to 125% and thereby be aligned with the current CEO maximum.

The current LTIP is relatively new, having been approved by shareholders in December 2012. Whilst it is likely that the basic construct of the current plan will still be appropriate for future grants we believe that targets should be considered in the light of a strategy review by the board with the assistance of an incoming CEO. This review should be expedited by the work Mark Newton-Jones is currently carrying out. In the policy report we have outlined the flexibility the Committee retains in operation of the plan (as allowed for in the plan rules). This includes the flexibility to review the business measures, the targets set for threshold to maximum vesting and any other conditions considered relevant for vesting of awards. Before making any further grant under the current LTIP, we will consult with major shareholders and representative bodies.

In our policy statement on shareholding, we recognise that executive directors will need a period of time to build up their shareholding. However, an early investment by executives is always a positive sign of both commitment and confidence. The Committee will therefore consider the requirement for executive directors to purchase shares on an accelerated basis as one of the conditions attached to any grant.

Given the requirement to undertake an external search for a new CEO it is possible that the Committee determines that it is unable to make an LTIP grant in this financial year. In such circumstances we have included in our policy the provision to enhance the value of the annual bonus (STIP). For executive directors this will be increased from 125% to 200% and the level of compulsory deferral into shares will also be increased from 30% to 50%. The deferral period is three years. This is a one year provision only, applying to FY2014/15, reflecting the exceptional current circumstances of the Company. The STIP policy is set out on page 62.

Determining a three-year view of remuneration policy has been difficult, in light of Mothercare plc's current performance and board transition issues. The Committee has tried to ensure we have a workable set of policies to present to you, with appropriate flexibility reflecting our circumstances. We expect to review our policies over the course of this financial year and may therefore submit a revised remuneration policy next year. In the meantime we hope that you will conclude that the policy presented in this report preserves a fair balance between the interests of the Company's executives and its shareholders.

Imelda Walsh
21 May 2014

Introduction

This is a report on the activities of the Remuneration Committee for the 52 week period to 29 March 2014. It sets out the remuneration policy of the Company as it applies to the executive directors of the Company and details the remuneration received. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 ('the Regulations') as amended in August 2013. This is the first time that the group has prepared the report in accordance with the amended regulations.

The report is split into three main areas:

- ▶ The statement by the Chair of the Remuneration Committee.
- ▶ The Directors' Remuneration Policy – the policy is subject to approval by way of a binding shareholder vote at the Annual General Meeting of the Company to be held on 17 July 2014, and (subject to approval) the policy will take effect for three years following that meeting.
- ▶ The annual report on remuneration – this provides details on remuneration in the period covered by this report and certain other information as required by the Regulations; it will be subject to an advisory shareholder vote at the Annual General Meeting.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report contained in the annual report on remuneration and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The elements of the annual report on remuneration that are subject to audit are indicated in that report. The statement by the chair of the Remuneration Committee and the remuneration policy are not subject to audit.

Directors' Remuneration Policy

The Remuneration Policy Report sets out the remuneration policy for executive directors and has been prepared in accordance with the Regulations. The policy has been developed taking into account the principles of the UK Corporate Governance Code 2012, and the latest guidelines from investor groups.

This part of the Directors' Remuneration Report will be put to a binding vote by shareholders at the Company's AGM on 17 July 2014, and subject to approval, will take effect following that meeting.

How the Remuneration Committee operates to set the directors' remuneration policy

The Company's Remuneration Committee (the 'Committee') is constituted in accordance with the recommendations of the UK Corporate Governance Code. The Committee is the committee of the board that determines the Group's policy on the remuneration of the Executive Directors, the Chairman and senior management (being the Executive Committee of the Company). It works within defined terms of reference which are available on the Company's corporate website, www.mothercareplc.com.

The principles applied by the Committee when determining the Company's remuneration policy are that it should be competitive, transparent, in the interests of shareholders and aligned to the Company's strategy. Within the framework of these principles the Committee sets the overall remuneration package of each Executive Director (including base salary, short and long term incentives, benefits and terms of compensation), and the fees paid to the Chairman. In addition, the Committee considers the structure and level of remuneration (and the remuneration package) of members of the Executive Committee of the Company by reference to the package offered to the Executive Directors.

Remuneration policy

The Committee believes that the remuneration policy has an important contribution to make to the success of the Company both in facilitating the recruitment and retention of high calibre executive directors and senior executives and aligning their interests with those of shareholders. Within this context the remuneration policy needs:

- ▶ To be transparent and aligned to the delivery of strategic objectives at a Company and individual level.
- ▶ To be flexible enough to take into account changes to the business or remuneration environment.
- ▶ To ensure failure at Company or individual level is not rewarded.
- ▶ To ensure that exceptional performance is appropriately rewarded.

Remuneration report continued

The Committee works to ensure that the remuneration policy does not promote unacceptable behaviours or risk taking by considering the appropriate level of stretch in performance conditions, the balance of short and long term incentives, the ability to recover or withhold awards and the mix of awards granted in cash and shares.

The Committee recognises the importance of having a significant share based element of the remuneration package to ensure that executive directors have clear and obvious alignment with the longer term interests of shareholders in the business. Remuneration packages are constructed accordingly.

The Committee reviews the level of individual remuneration packages for Executive Directors and the Executive Committee annually. Whilst pay benchmarking provides a context for setting pay levels, it is not considered in isolation; any review of the remuneration package will take into account all elements of remuneration to ensure it remains competitive, and does not look at any single element in isolation. Occasionally the Committee may review the package of an individual during the year to reflect, for example, changes to that person's responsibilities in the business.

The table below summarises each element of the remuneration policy for the Executive Directors, explaining how each element operates and how each part links to the corporate strategy.

Key elements of remuneration

Base salary	
Purpose and link to strategy	The salary provides the basis on which to recruit and retain those key employees of appropriate calibre who are responsible for the delivery of the Company's strategy. The level of salary should reflect the market value of the role and the post holder's experience, competency and performance within the Company.
Operation of the component	Paid four-weekly in cash via payroll Salaries are normally reviewed annually by the Committee, and fixed for 52 weeks commencing from the beginning of the new financial year. Any salary increase may be influenced by: ▸ an individual's experience, expertise or performance ▸ changes to responsibilities during the year ▸ average change in pay elsewhere in the workforce ▸ affordability and general market conditions. Occasionally there may be a review of an individual's salary during the year in the event of material change.
Opportunity	The general policy when setting executive salary is to benchmark against mid-market levels when compared to other companies of similar scale, revenue and complexity (such as the FTSE 250 General Retailers Index). Any annual increases in salary that are approved will typically be in line with any salary increases awarded to the wider workforce. Increases beyond those granted to the workforce may be awarded at the Committee's discretion such as where there is a change in the individual's responsibility or where the salary set at initial appointment was below the expected level. There may also be circumstances where the Committee agrees to pay above mid-market levels to secure or retain an individual who is considered, in the judgement of the Committee, to possess significant and relevant experience which is required to enable the delivery of the Company's strategy.
Performance metrics	Executive directors participate in the Company's annual performance management process. Both individual and Company performance is taken into account when determining whether any salary increases are appropriate.
Recovery or withholding	No recovery or withholding applies.

Benefits	
Purpose and link to strategy	The Company offers competitive and cost-effective benefits to complement the base salary in line with those commonly offered by other similar companies as part of its policy to recruit and retain high calibre executive directors.
Operation of the component	Benefits offered include private medical insurance family cover, a car or cash allowance, life assurance and permanent health insurance. Cash alternatives are available to suit individual circumstances. Relocation and related benefits may be offered where a director is required to relocate in line with Company policy.
Opportunity	The aim is to provide market competitive benefits and their value may vary from year to year depending on the cost to the Company from third party providers.
Performance metrics	No performance metrics apply.
Recovery or withholding	There is no recovery of general benefits but relocation and related benefits may be subject to repayment either in full or part if an executive resigns within two years of relocating.

Pension	
Purpose and link to strategy	The Company offers market competitive and cost effective retirement benefits to its executive directors in line with those commonly offered by other similar companies.
Operation of the component	The Company makes a payment into a defined contribution registered pension scheme or by way of cash supplement, or a combination of cash and pension contributions.
Opportunity	Executive directors are eligible for a company contribution/cash supplement valued at 15% of base salary.
Performance metrics	No performance metrics apply.
Recovery or withholding	No recovery or withholding applies.

Remuneration report continued

Annual bonus (cash and shares)	
Purpose and link to strategy	The purpose of the annual bonus (or short term incentive scheme) is to incentivise executive directors to achieve specific, pre-determined goals during a one-year period (typically a financial year) and to reward financial and individual performance that is linked to the Company's strategy. To preserve the alignment with shareholder interests, provide an element of retention, and protect against unacceptable behaviour or risk taking, a proportion of bonus is awarded in shares and deferred for three years.
Operation of the component	The Committee sets challenging targets at the start of the financial year to support the Company's strategy. The level of any bonus payment is determined by the Committee following the end of the relevant financial year by reference to the performance criteria. 70% of the bonus is payable in cash with the remaining 30% deferred into shares for three years. The deferred element is subject to forfeiture in the event of the executive director's voluntary departure prior to vesting; the deferred element may be subject to forfeiture if an executive director departs for other reasons. Dividend equivalents may accrue on vested deferred shares.
Opportunity	The maximum bonus entitlement for executive directors is 125% of base salary. At threshold levels of performance up to 25% of maximum bonus entitlement will be payable in respect of each performance metric. At target and stretch levels of performance up to 50% and 100% (respectively) of the maximum bonus entitlement will be payable in respect of each performance metric. The Committee may exercise its discretion to award an enhanced bonus in a year in which no long-term incentive plan (LTIP) is offered. In such circumstances, the level of maximum bonus entitlement may be increased up to 200% for the executive directors. In this case the amount deferred into shares will be increased to 50% of the amount earned. This will only apply to financial year 2014/15.
Performance metrics	The policy is for at least 70% of the bonus entitlement to be based on an appropriate mix of financial measures such as profit before tax, cash generation or net debt. No more than 30% of the bonus entitlement will be linked to non-financial measures that may include a business scorecard of measures, together with personal objectives relevant to the responsibilities of each executive director. The targets set in relation to non-financial performance will be similarly challenging to the range of financial targets set. The Committee reviews all targets annually to ensure that they support the agreed business strategy and financial measures for the relevant financial year. The Committee will not award any bonus unless at least a gateway level of financial performance has been achieved. The measures and targets which form the gateway will be determined by the Committee and will take account of the ability of the Company to make bonus payments (for example, by reference to group profit performance). Further, the Committee may exercise its discretion to reduce the level of any bonus award if it considers that the payment of an award is inconsistent with the underlying performance of the Company.
Recovery or withholding	No recovery or withholding applies to the cash element of the bonus once it has been paid. The Committee retains the discretion to reduce or withhold the vesting of the deferred bonus share award in exceptional circumstances (such as a material adverse adjustment to the accounts, or fraud or gross misconduct on the part of the individual recipient). The deferred bonus shares are subject to forfeiture in the event of the executive director's voluntary departure prior to vesting; the deferred element may be subject to forfeiture if the executive director departs for other reasons.

Long-term incentives: LTIP	
Purpose and link to strategy	The purpose of providing executive directors with a long term incentive award is to reward performance in line with the Company's strategy, grow the business profitably to achieve superior long-term shareholder returns over the performance period and support recruitment and retention.
Operation of the component	Typically, awards are granted annually early in the financial year with vesting dependent on the achievement of stretching performance conditions over a three or four year period. The vesting of any awards will be subject to the executive director's continued employment at the time of vesting although they may vest early on a change of control or the occurrence of certain other corporate events in which case the proportion of awards vesting would be determined by the Committee, taking into account the level of satisfaction of the performance conditions and (at its discretion) pro rating the award by time. Participants may be entitled to dividend equivalents on unvested shares between the date of award and vesting and this is paid in additional shares in respect of awards that vest.
Opportunity	The normal policy maximum is 200% of salary for the Chief Executive and 175% of salary for the CFO. Up to 300% of salary may be awarded in circumstances considered by the Committee to be exceptional. This may include, for example, a first year award for a new Chief Executive Officer.
Performance metrics	The Committee has the discretion to set different performance conditions, including performance measures and weightings, for each year by way of future award. The Committee will review annually the appropriateness of the performance conditions and the targets to be set. The performance metrics utilised for grants under the LTIP for FY2013 and FY2014 (described under the section of this table headed 'Legacy LTIP awards') are Group PBT, UK PBT and absolute share price. Performance is measured over three or four years and each performance target operates separately. 50% of each award may vest based on the PBT targets, and 50% on the absolute share price target with threshold performance leading to 30% of these awards vesting. The Committee has the discretion under the Rules to reduce the level of any vesting to take into account the underlying financial health of the Company and the level of shareholding achieved by the executive directors during the performance period. The Committee may link the vesting of awards to satisfaction of a shareholding requirement and may require post-vesting holding to apply. Whether, and the extent to which, this applies will be determined at the point of each award and communicated to participants. For any award made in FY2015, a one year post-vesting holding period will be added to the portion of award vesting over three years. No decision has been made in relation to the performance conditions and associated terms, which will apply to awards in respect of FY2015; but these will be determined by the Committee following consultation with major shareholders.
Recovery or withholding	The Committee has the right to withhold or reduce the level of vesting of awards in certain circumstances including: ▶ material misstatement of financial statements; ▶ gross misconduct/fraud of the participant; ▶ where performance has driven vesting which is clearly unsustainable.

Remuneration report continued

All employee share plans	
Purpose and link to strategy	All employees including executive directors are eligible to become shareholders through the operation of the HMRC approved Save as you Earn (SAYE) plan (and/or such other HMRC approved all-employee share plans as the Company may adopt in the future).
Operation of the component	The SAYE is the only current all employee scheme and has standard terms under which all UK employees including executive directors may participate. Executive directors may be eligible to participate in any other HMRC approved all employee share plans which the Company may adopt.
Opportunity	All eligible employees can save up to the HMRC limits applying over a three year savings period.
Performance metrics	No performance metrics apply.
Recovery or withholding	No recovery or withholding applies.

Share ownership policy	
Purpose and link to strategy	The purpose of requiring executive directors to own shares in the Company is to align the long term interests of management and shareholders in the success of the Company.
Operation of the component	Within five years of appointment to the board, the CEO is expected to hold shares to the value of 150% of base salary and the CFO 100% of base salary. 75% of vested LTIP awards (after sale of shares to cover associated personal tax liabilities) must be retained until the guideline is met. The Committee will review progress towards the achievement of the guideline on an annual basis.
Opportunity	n/a
Performance metrics	No performance metrics apply.
Recovery or withholding	No recovery or withholding applies.

Legacy LTIP awards	
Purpose and link to strategy	Legacy LTIP awards are those long-term incentive awards that have already been granted to executive directors. At the time, the purpose of these awards was to drive performance and align interests of directors and shareholders through building a shareholding in the Company. The awards were intended also to provide an incentive to directors to remain with the Company. Legacy LTIP awards were designed to incentivise participants to grow the business profitably and to achieve superior long-term shareholder returns in line with the Company's strategy.
Operation of the component	Two annual awards have been granted, referred to as LTIP 1 (granted in FY2013) and LTIP 2 (granted in FY2014) with vesting dependent on the achievement of stretching performance conditions and the director's continued employment. Awards have a mix of three and four year performance and vesting periods. Participants may be entitled to dividend equivalents between the date of award and vesting, and these would be paid as additional shares at the time of vesting (in respect of any awards that vest). Awards granted under the LTIP may vest early on a change of control and certain other corporate events, with the proportion of Awards vesting being determined by the Committee, taking into account the level of satisfaction of the performance condition. The Committee also has the discretion to pro rate any award by time.
Opportunity	Legacy LTIP awards are past awards made in line with Company policy at the time. Up to 300% of salary may be awarded in certain circumstances, such as recruitment of an executive director, although the normal policy maximum is 200% of salary. Under LTIP 1, being the first award under the plan, 300% of salary was granted to the CEO and 200% of salary to the CFO. Under LTIP 2, the normal policy maximum of 200% of salary was granted to the CEO and 175% of salary to the CFO.

Legacy LTIP awards

Performance metric

LTIP 1:
Participants in the FY2013 LTIP will earn up to 50% of the award if the share price reaches the targets shown in the table below, and will earn up to 50% of the award if the FY2015 group profit before tax reaches the targets shown in the table below:

FY15 share price	Vesting (% of max)	FY15 Group PBT	Vesting (% of max)
£3	0%	£23m	0%
£4	30%	£34m	30%
£5	60%	£45m	60%
£6	90%	£60m	90%
£7	100%	£70m	100%

The share price and Group PBT conditions and targets will operate separately.

In addition, the UK business must break even in the financial year ending on 28 March 2015 or 27 March 2016. A minimum shareholding requirement must also be met by the executive directors in order for full vesting to occur. In respect of LTIP 1, the shareholding requirement after three years (from the date of grant) is 50% for the CFO. The CEO's award lapsed when he left the Company.

LTIP 2:
Participants in the FY2013/14 LTIP will earn up to 50% of the award if the share price reaches the targets shown in the table below, up to 37.5% of the award if the group profit before tax reaches the targets shown in the table below and up to 12.5% of the award if UK profit before tax reaches the targets shown in the table below:

FY16 share price	Vesting (% of max)	FY16 Group PBT	FY17 UK PBT	Vesting (% of max)
<£4.74	0%	<£34m	<£2m	0%
£4.74	30%	£34m	£2m	30%
£5.60	60%	£45m	£5m	60%
£6.50	90%	£60m	£10m	90%
£7.50 or more	100%	£70m or more	£12m or more	100%

The share price and PBT conditions and targets will operate separately.

A minimum shareholding requirement must also be met by the executive directors in order for full vesting to occur. In respect of LTIP 2, the shareholding requirement after three years (from the date of grant) is 50% for the CFO, moving to 100% thereafter (i.e. five years). The CEO's award lapsed when he left the Company.

When assessing performance in relation to the conditions set out for LTIP 1 and LTIP 2, the Committee has the discretion to define how UK PBT performance and 'break even' is defined for these purposes (e.g. excluding exceptional items from the calculation).

If the specified shareholding requirements are not met within three years of the date of grant of LTIP awards, the Remuneration Committee has discretion to reduce vesting of awards pro-rata to the extent the requirement has not been met. In determining whether the specified shareholding requirement has been met (and if not, whether any pro-rata reduction of awards should result), the Committee will consider:

- the shares held by the director and the source of those shares;
- bonus payouts and LTIP award vesting over the period;
- the extent to which shares have been purchased predominantly by the executive directors from own resources; and
- steps taken by the executive director to meet the requirement over the period.

Remuneration report continued

Legacy LTIP awards	
Recovery or withholding	The Committee has the right to withhold or reduce the level of vesting of awards in certain circumstances where performance has driven vesting which is clearly unsustainable, including: ▶ material misstatement of financial statements; ▶ gross misconduct/fraud of the participant; ▶ where performance has driven vesting which is clearly unsustainable.

Notes to the policy table
(1) Choice of performance measures: The performance measures that are used for the annual bonus are a subset of the Company's key performance indicators. The targets are derived from the annual business plan, which in turn is linked to the corporate strategy.
(2) Annual bonus – For financial year FY2015 70% of the bonus entitlement will be based on an appropriate mix of financial measures such as Group Profit before Tax (PBT). PBT measures the underlying profits generated by the business and whether management is converting growth into profits effectively. 30% of the bonus entitlement is based on non-financial measures that may include business and personal targets which are linked to the corporate strategy, (for example, customer satisfaction). No bonus will be payable unless at least a gateway level of financial performance has been achieved. The measures and targets which form the gateway will be determined by the Committee from year to year and may include measures such as profit before tax, and the ability of the Company to make a payment. Details of targets set for the previous financial year are set out in the Annual Report on Remuneration on page 77.
(3) LTIP – The selection of performance measures and appropriate targets, and the calibration of these targets at threshold and maximum will be subject to shareholder consultation with regard to any awards made in respect of FY2015 as noted in the table above. Measures and targets will be selected by reference to the Company's strategic plan at the time of award.

Incentive plan discretions

The Committee will operate the annual bonus plan and LTIP (existing and 2014 plans) according to their respective rules, the policy set out above and in accordance with the Listing Rules and HMRC rules where relevant. Copies of the annual bonus plan and LTIP rules are available on request from the Company Secretary. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The timing of any bonus payment;
- The choice of (and adjustment of) performance measures, weighting and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Ability to amend the performance conditions and/or measures in respect of any award or payout if one or more events have occurred which would lead the Committee to consider that it would be appropriate to do so, provided that such an amendment would not be materially less difficult to meet;
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends);
- Discretion in relation to all employee share plans would be exercised within the parameters of HMRC and UKLA Listing Rules.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Legacy arrangements

For the avoidance of doubt, in approving the directors' remuneration policy, which contains details of legacy arrangements as set out in this report, authority is given to the Company to honour any commitments that may have been entered into with current or former directors that have been disclosed previously to shareholders.

Remuneration scenarios for executive directors in FY2015

The Company's remuneration policy results in a significant proportion of the remuneration received by Executive Directors being dependent on Company performance. At the date of this report, the Company does not have a CEO appointed to the board, and accordingly the charts below show how total pay for the CFO and (for illustration purposes only) the previous permanent CEO vary under three different performance scenarios: Minimum, Target and Maximum:

Minimum

- Comprises the fixed elements of pay, being base salary, benefits and pension.
- The value of base salary and pension is calculated as at 1 April 2014.
- The value of the benefits received is taken as the actual value for the 52 weeks ended 29 March 2014.

Target

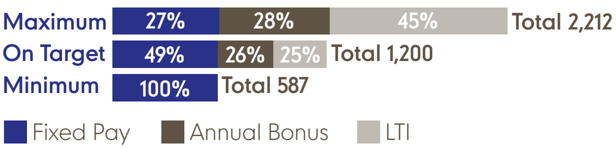
- Comprises fixed pay (salary, benefits and pension) and 50% of the maximum annual bonus and 30% of the full LTIP award.

Maximum

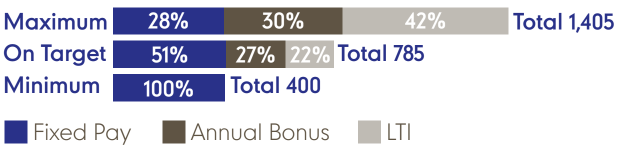
- Comprises fixed pay (salary, benefits and pension) and the maximum value of the bonus (Chief Executive 125% of base salary, CFO 125% of base salary).
- Normal policy awards under the LTIP with full vesting (CEO 200% of base salary, CFO 175% of base salary).

No account has been taken of share price growth, or of dividend equivalent shares awarded in respect of the deferred element of bonus and LTIP awards over the deferral/performance periods.

CEO (£000s)



CFO – Matt Smith (£000s)



A breakdown of the elements included in the remuneration scenario charts is shown in the table below.

	Fixed (£000)				Short-Term Plan (£000)		Long-Term Plan (£000)	
	Base Salary	Benefits	Pension	Total Fixed	Target	Maximum	Target	Maximum
CEO	500	12	75	587	313	625	300	1,000
CFO	335	15	50	400	209	419	176	586

Remuneration report continued

Executive directors' service contracts

The Committee has agreed certain terms and policies that are to be included in its service contract with executive directors:

- The period of notice for directors will not exceed 12 months and, accordingly, the employment contracts of the directors are terminable on 12 months' notice by either party.
- In the event of a director's departure from the Company, and subject to the 'good leaver' provisions set out below, the Company's policy on termination payments is as follows:
  - No cash bonus will be awarded or paid (nor will any deferred shares be awarded) following notice of termination (by either the employee or Company)
  - Any unvested annual bonus deferred shares will lapse on cessation of employment
  - Any unvested LTIP awards shall lapse on cessation of employment; LTIP awards that have vested may be retained
  - The Company may pay basic salary and the fair value of other benefits in lieu of notice for the duration of the notice period. The instalments may cease or be reduced proportionally if the director accepts alternative employment that starts before the end of the notice period.
- The Committee has a concept of a 'good leaver' in the event of termination of employment by reason of ill-health, permanent disability, statutory redundancy, agreed retirement, sale of employing company or business out of the Group or at the discretion of the Committee. If the executive director in question is a good leaver then the Committee may exercise its discretion such that:
  - a performance-related bonus will be paid at the normal time and this will be time pro-rated based on the proportion of the bonus year for which the individual was employed; the bonus may be paid wholly in cash, or part cash and part shares
  - unvested deferred shares will vest, normally with immediate effect and in full
  - the individual will receive a pro-rated proportion of outstanding LTIP awards which can be exercised up to six months (or such longer period as the Committee permits and up to 12 months in the case of death) after the performance period ends and provided that the relevant performance criteria are met for vesting. Exceptionally, the Committee may decide to release the LTIP shares, following cessation of employment but subject to the Committee's assessment of performance, which can be exercised in the six months after the leaving date (or such longer period as the Committee permits and up to 12 months in the case of death) and/or to allow a greater number of shares to vest than if the level of vesting was calculated on a pro-rata basis. The provisions governing the vesting of LTIP awards under the legacy LTIP are broadly similar and these awards will vest on the terms set out in that plan. The Committee, in determining the extent to which these shares should vest, will consider all of the facts of the executive's departure, including their performance and the extent to which their departure is at the instigation of the Company.

The contracts of the directors do not provide for any enhanced payments in the event of a change of control of the Company or for liquidated damages. However, in the event of a change of control it is the Company's normal policy that any unvested annual bonus deferred share awards will vest in full; in the case of LTIP awards vesting will be determined by the Board having regard to the achievement of any relevant performance conditions and taking into account the time period.

The Company may also consider the payment of legal fees and other professional services.

Copies of the executive directors' service contracts are available for inspection at the Company's registered office: Mothercare plc, Cherry Tree Road, Watford, Hertfordshire, WD24 6SH.

Remuneration policy across the group

The remuneration policy for the executive directors is designed with regard to the policy for employees across the group as a whole. The Committee is kept updated through the year on general employment conditions, budgets for any basic salary increase, the level of bonus pools and payouts, and participation in share plans. Therefore the Committee is aware of how total remuneration of the executive directors compares to the total remuneration of the general population of employees. A greater proportion of executive directors' remuneration is variable when compared to other employees given their increased line of sight to the performance of the business. Common approaches to remuneration policy which apply across the group include:

- a consistent approach to 'pay for performance' is applied throughout the group, with annual bonus schemes being offered to all employees;
- offering pension and life assurance benefits for all employees;
- ensuring that salary increases for each category of employee are considered taking into account the overall rate of increase across the group, as well as Company and individual performance;
- encouraging broad-based share ownership through the use of all-employee share plans.

Recruitment policy

The Committee's overriding objective is to appoint executive directors with the necessary background, skills and experience to ensure the continuing success of the Company. The Committee recognises that the increasing pace of change and multi-channel development in our industry, as well as the international nature of the group, will mean that the right individuals may often be highly sought after.

The remuneration package for a new director will therefore be set in accordance with the Company's approved remuneration policy as set out on page 59 of the Directors' Remuneration Report, subject to such modifications as are described below. The maximum level of variable remuneration (excluding any buyout arrangements) that may be offered on an annual basis to a new director will be in accordance with the limits as set out in the Policy Table, normally being 125% of salary in the annual bonus plan and up to 200% of salary in the long-term incentive plan, but with regard to the long term incentive up to 300% may be awarded in exceptional circumstances.

In the majority of cases, where an external appointment is made, the individual will forfeit incentive awards connected with their resignation from their previous employment. The Committee may decide to offer further cash or share-based payments to 'buy-out' these existing entitlements by making awards of a broadly equivalent value, in the Committee's view, under either the Company's existing incentive plans or under other arrangements. In determining the appropriate form and amount of any such award, the Committee will consider various factors, including the type and quantum of award, the length of the performance period and the performance and vesting conditions attached to each forfeited incentive award.

Where an individual is appointed to the Board, different performance measures may be set for the year of joining the board for the annual bonus, taking into account the individual's role and responsibilities and the point in the year the executive director joined.

For any internal appointment to the board, any variable pay element granted in respect of the prior role may be allowed to pay out according to its terms, adjusted as appropriate to take into account the terms of the director's appointment.

The salary level for a new director will be determined with care by the Committee, taking into account the individual's background, skills, experience, the business criticality and nature of the role being offered, the Company's circumstances, and relevant external and internal benchmarks.

In certain circumstances, the Committee will have set a starting salary, which is positioned below the relevant market rate and may therefore wish to adjust the director's salary at a level above the average increase in the Company as the individual gains experience and establishes a strong performance track record in the role. Conversely, there may also be circumstances where paying above a mid-market salary is required to attract or retain an individual considered to possess significant and relevant experience.

The Committee will of course need to exercise a degree of judgement in determining the most appropriate salary for the new appointment.

Benefits and pension contribution will be provided in accordance with the approved Company policy. Relocation expenses or allowances, legal fees and other costs relating to the recruitment may be paid as appropriate in line with the approved policy.

Remuneration report continued

The Committee recognises that its shareholders need to understand fully the remuneration package for a new executive director and is committed to communicating full details and its reasons for agreeing the remuneration at the time of appointment. The Company will identify any remuneration elements which are specific to the initial appointment.

Chairman and non-executive directors

Fees for a new non-executive director or Chairman will be set in accordance with the approved policy.

Fees for the Chairman

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery or withholding
To attract and retain a Chairman of appropriate calibre and experience	The Chairman's fee is reviewed annually by the Committee (without the Chairman present).	The Chairman receives a single fee to cover all his board duties. Details of current fee levels are set out in the Annual Report on Remuneration.	No performance metrics apply.	No recovery or withholding applies.

Fees for NEDs

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery or withholding
To attract and retain non-executive directors of appropriate calibre and experience	The remuneration policy for the non-executive directors is determined by a sub-committee of the board comprising the Chairman and the executive directors, based on independent surveys of fees paid to non-executive directors of companies of similar scale, revenue and complexity to Mothercare. Remuneration is set taking account of the commitment and responsibilities of the relevant role.	Non-executive directors receive a fee for carrying out their duties together with additional fees for those non-executive directors who chair the primary board committees and the senior independent director. Details of current fee levels are set out in the Annual Report on Remuneration.	No performance metrics apply.	No recovery or withholding applies.

Note re Chairman's Legacy Share Matching Plan

As an inducement for Alan Parker to become Chairman and related to his service agreement, the Company agreed to implement a share matching scheme under which it would match the shares purchased by Alan Parker on a 1:1 basis (up to a maximum value of £200,000). The Chairman purchased shares to the maximum value and the Company granted 60,000 options with a nominal exercise price which vest in August 2014 subject to certain performance criteria being met. For the grant to vest in full, the Company total shareholder return (TSR) over the three-year performance period must be greater than or equal to the total shareholder return of the FTSE 250 (excluding certain mining and investment companies) plus 50% in absolute terms over the three year period. If the Company's performance is below the TSR index, the award will not vest. The Chairman must retain his shareholding for the performance period. As previously reported, the Company agreed to an extension of this share matching arrangement awarded to the Chairman on his appointment as Executive Chairman, a position held on an interim basis until the appointment of Simon Calver as CEO. The Company agreed to match additional investment in the Company by Alan Parker on a 0.35:1 (Company/Alan Parker) basis (up to a maximum further investment of £400,000). The additional investment equated to 54,997 options. The vesting of this additional match is subject to the same performance criteria as the initial share matching scheme and the award will not vest if the performance criteria are not satisfied.

The Chairman has a service agreement with a six month notice period. The non-executive directors have service agreements with one month's notice. With the exception of the Chairman's share matching plan, non-executive directors are not entitled to participate in any Company incentive schemes, are not eligible to join the Company's pension and benefits schemes (with the exception of colleague discount) and are not eligible for compensation for loss of office.

Non-executive directors are appointed for an initial term of three years and would be expected to serve for an additional three-year term, subject to satisfactory performance and annual re-election at the AGM. Non-executive directors may then be requested to serve for a further three-year term subject to rigorous review at the relevant time and agreement with the Director.

Non-executive directors are reimbursed for expenses and any tax arising on those expenses is settled directly by the Company. To the extent that these are deemed taxable benefits they will be included in the annual remuneration report as required.

Consideration of shareholder views

The Committee engages pro-actively with the Company's major shareholders. For example, when any material changes are made to the remuneration policy, the Committee Chair will consult with major shareholders in advance. During the immediately preceding financial year the Chairman consulted with the main shareholder advisory bodies, the ABI and ISS/RREV, and our major shareholders to discuss with them the proposed changes to the LTIP awards made in December 2013. We anticipate that further dialogue will commence with regard to the implementation of a new LTIP during the financial year 2014/15.

Consideration of employment conditions elsewhere in the Company

In setting the remuneration of the executive directors, the Committee takes into account the overall approach to reward for employees in the group. Mothercare operates in a number of different territories and has employees who carry out diverse roles across a number of countries. All employees, including senior managers, are paid by reference to the local market rate and base salary levels are reviewed regularly. When considering salary increases for directors, the Company will be sensitive to pay and employment conditions across the wider workforce. The Committee does not formally consult with employees on the executive remuneration policy. The Company does hold an annual employee engagement survey and the Committee is kept informed of pay and conditions applying to the general employee population across the group.

Annual report on remuneration

Implementation of Remuneration Policy in FY2015

Following approval at the Company's Annual General Meeting to be held on 17 July 2014 the approved directors' remuneration policy will be implemented following the Annual General Meeting.

Base Salaries

Executive Directors

The directors' base salaries are normally reviewed in April each year. The base salary of Matt Smith, the CFO has been increased to £335,000 for FY2015. The base salaries for FY2015 and current base salaries as at 29 March 2014 are:

	FY15	FY14	Increase
CEO	n/a	500,000	n/a
Matt Smith	335,000 (from 1/4/14)	325,000	3.08%

Interim CEO

The Company appointed Mark Newton-Jones as its interim CEO, with effect from 17 March 2014 and was appointed on a six-month contract. Under the terms of that agreement, his salary for the six-month period will be £450,000 with a further bonus opportunity of up to £225,000 subject to the achievement of stretching performance targets. Mark Newton-Jones is not entitled to any pension contribution or other benefits (such as a company car), and does not participate in any long-term incentive scheme. Rather than receiving a relocation allowance, Mark Newton-Jones receives a per diem allowance of £100 per day to cover accommodation and subsistence expenses. These arrangements are specific and tailored to this interim assignment.

Chairman and non-executive directors' fees and expenses

The Chairman's remuneration is determined by the Remuneration Committee without the Chairman being present. The Chairman's base fee was set at £200,000 and there is no change to this for FY2015.

Expenses incurred by the Chairman or the non-executive directors on group business are reimbursed when claimed in accordance with the group's business expenses policy.

The fees paid annually to the non-executive directors for FY2015 are:

Base fee p.a.

£50,000

Supplemental fee p.a.

- Senior independent director £5,000
- Audit and Risk Committee chair £7,500
- Remuneration Committee chair £7,500

Benefits and pension

The Company provides benefits to employees in addition to base salary. Benefits to executive directors are provided and paid in line with the Company policy.

Annual bonus

For FY15, and in line with our policy, 70% of the bonus will be payable for achieving group profit before tax targets and 30% for achieving specific personal objectives and business scorecard measures (such as customer satisfaction).

Following a review by the Committee, the CFO's annual bonus maximum has been increased from 100% to 125%, in line with that of the CEO. Where a bonus is awarded 70% of the payment will continue to be made in cash and the remaining 30% deferred into shares for three years.

Given the need to quickly improve performance in FY15, the threshold level of vesting will require a significant year on year improvement in group profit before tax, and if achieved will trigger for both the CEO and CFO a payment of 25% of the maximum (which is also dependent on delivery against the agreed personal objectives and business scorecard measures). A payment beyond this threshold level will require a further substantial improvement.

The specific financial, personal and business scorecard targets are considered to be commercially sensitive because of the confidential nature of the information that disclosure would provide to the Company's competitors. However, full disclosure will be provided after the financial year end, in the 2015 annual report on remuneration.

For FY2015 only, if no LTIP award is made the annual bonus maximum for the permanent CEO and CFO may be increased to 200%. In this case the amount deferred into shares will be increased to 50% of the amount earned. The Committee in its discretion may reduce or withhold the award of any bonus if it considers that the payout is inconsistent with the underlying performance of the Company.

Long-term incentives

Any LTIP award in the current year is pending the appointment of a permanent CEO. Until such appointment is made it is not possible to be definitive about award levels or performance measures. Before making any grant in the current year the Committee will consult with major shareholders and representative bodies.

Service Contracts

All the directors will offer themselves for election or re-election at the forthcoming Annual General Meeting.

The table below sets out the details of all service contracts with executive and non-executive directors.

Copies of the executive director's service contract and non-executive directors' letters of appointment are available for inspection at the Company's registered office and will be available from 2.30pm on the day of the Annual General Meeting until the conclusion of the Annual General Meeting.

	Date of appointment	Notice period under contract
Executive directors		
Matt Smith	25 March 2013	12 months from the Company and individual
Non-executive directors		
Alan Parker, Chairman	15 August 2011	6 months
Angela Brav	1 January 2013	1 month
Lee Ginsberg	2 July 2012	1 month
Amanda Mackenzie	1 January 2011	1 month
Richard Rivers	17 July 2008	1 month
Imelda Walsh	1 June 2013	1 month
Nick Wharton	14 November 2013	1 month

Remuneration in FY2014

The Remuneration Committee

Composition of the Remuneration Committee

For a number of years the Committee comprised all the non-executive directors, but during the year the board of the Company decided to adopt a committee structure for both the Audit and Remuneration Committees such that each non-executive director was a member of one or other of the Committees.

The Remuneration Committee currently comprises Imelda Walsh (chair from 18 July 2013), Angela Brav and Richard Rivers (as independent non-executive directors), and the Chairman of the Company (who, in the view of the directors was deemed to be independent on appointment). The Assistant Group Company Secretary acts as secretary to the Committee.

During the year the other committee members were:

- David Williams (resigned 31 May 2013)
- Richard Rivers (interim chair from 31 May 2013 to 18 July 2013)
- Amanda Mackenzie (to 16 May 2013)

Remit and Activity of the Remuneration Committee

The Committee's principal duty is the determination of the remuneration for the executive directors, approval of the pay and benefits of the members of the executive committee and oversight of remuneration policy for senior management below executive director and executive committee members, to ensure that such remuneration is consistent with the delivery of the business strategy and value creation for shareholders. The Committee sets the fee to be paid to the Chairman.

The Committee met six times during the year, and each member's attendance at these meetings is set out on page 46 of the Corporate Governance report. The table below lists the detail of the scope of and actions arising from those meetings.

The Committee's detailed terms of reference are available on the Mothercare website at www.mothercareplc.com

Remuneration Committee activity

The Committee considered the following points during the year:

Heading	Scope	Action
Salary	Approval of any pay awards to the Executive Directors or Executive Committee	▶ Consideration of any general pay award offered to group employees ▶ Consideration of any particular grounds or reasons for an increase in salary, particularly if greater than the pay award generally offered to group employees
Annual bonus/ short- term incentive plan	Review of any bonus or short-term incentive plan against the purpose and link to strategy outlined in the Remuneration Policy Report	▶ Approval of the rules of the short term incentive plan offered to relevant employees for FY2014 ▶ Agreement that executive directors must defer 30% of any annual bonus into shares to be held (subject to conditions) for three years ▶ As performance criteria not met, conclusion that no short-term incentive or bonus payable for the year
Long term incentive plan	Review of the long-term incentive plan against the purpose and link to strategy outlined in the Remuneration Policy Report	▶ Approval of LTIP performance measures following consultation with the Company's major shareholders ▶ Grant of awards to executive directors in December 2013
SAYE	Consideration of the all-employee SAYE scheme	▶ Creation of Remuneration sub-committee to oversee employee share grant ▶ Approval of the grant and scheme conditions
Governance	Preparation of the Directors' Remuneration Policy for approval by shareholders at forthcoming Annual General Meeting	▶ Taking relevant advice from remuneration consultants (PwC) ▶ Review of the new regulations and also annual reports made by other similar companies ▶ Recommendation to the board for approval of the Directors' Remuneration Policy as part of the Annual report

Advisers to the Remuneration Committee

The Committee retained certain external organisations to assist them in their work during the year. The Committee has also consulted the CEO, Group People Director and Group General Counsel/Company Secretary as appropriate. No executive was present for discussions of their own remuneration. Appropriate company employees and external advisers may attend committee meetings at the invitation of the chair.

As at 29 March 2014, the Committee's advisers were:

Person or organisation	Services provided	Fees
PricewaterhouseCoopers LLP (PwC)	Advice on incentive schemes, executive remuneration and remuneration benchmarking. Support with drafting the remuneration policy report	£98,100 excl VAT
KPMG (appointed early 2014)	Pensions advice	£0
DLA Piper LLP	Legal services principally in respect of employment contracts	£7,462.50 excl VAT

All the advisers are considered to be independent.

KPMG was appointed by the Company, during the year following a tender process to provide advice on pension issues. KPMG also provides general tax advice to the group from time to time.

DLA Piper LLP provides legal advice to the Company on pension issues as well as employment advice. DLA Piper LLP provides general legal advice to the group both in the UK and overseas.

PwC LLP provides certain other advice and non-audit services to the group. PwC is a member of the Remuneration Consultants Group and adheres to the voluntary Code of Practice in relation to the advice it provides to the Company.

Chairman and non-executive directors' fees and expenses

The chairs of the Audit and Risk Committee and the Remuneration Committee receive a supplementary fee to compensate them for the additional work undertaken in those roles. With effect from 12 October 2013, the supplementary fees were increased to £7,500 per annum (previously £5,000 per annum). This supplementary fee will continue for FY15.

Statement of voting at general meeting

At the Annual General Meeting held on 18 July 2013, the resolution to approve the Directors' Remuneration Report was passed on a show of hands. The FY2013 Directors' Remuneration Report comprised a single report subject to an advisory vote.

The following proxy votes were received by the Company in respect of the resolution:

Votes For (including discretion)	% of Votes For (including discretion)	Votes Against	% of Votes Against	Total votes cast	Votes Withheld*	% of votes withheld
67,748,369	97.13	2,002,886	2.87	69,751,255	25,802	0.04

Notes:
* A vote withheld is not a vote in law and is not counted in the calculation of votes 'for' and 'against' each resolution.
▶ As at 16 July 2013, the Company's issued share capital and total voting rights consisted of 88,689,922 ordinary shares each carrying voting rights. There were no shares in treasury. As a result, proxy votes representing approximately 78% of the voting capital were cast.

Remuneration report continued

The information provided in this part of the Directors' Remuneration Report is subject to Audit.

Single total figure of remuneration for directors

The following table shows a single total figure of remuneration in respect of qualifying services for FY2014 for each director, together with comparative figures for FY2013.

Single total figure	Year	Salary and fees £'000	Taxable benefits £'000	Bonus £'000	LTIP £'000	Pension £'000	Other £'000	Total £'000
Simon Calver[1]	2014	500	12	0	–	75	–	587
	2013	462	11	69[1]	–	69	–	611
Matt Smith	2014	325	15	0	–	50	–	390
	2013	6	0	255[2]	–	1	–	262
Alan Parker	2014	200	–	–	–	–	–	200
	2013	251	–	–	–	–	–	251
Angela Brav	2014	50	–	–	–	–	–	50
	2013	13	–	–	–	–	–	13
Lee Ginsberg	2014	61[4]	–	–	–	–	–	61
	2013	43	–	–	–	–	–	43
Amanda Mackenzie	2014	50	–	–	–	–	–	50
	2013	50	–	–	–	–	–	50
Richard Rivers	2014	50[5]	–	–	–	–	–	50
	2013	50	–	–	–	–	–	50
Imelda Walsh	2014	46	–	–	–	–	–	46
	2013	–	–	–	–	–	–	–
Nick Wharton	2014	19	–	–	–	–	–	19
	2013	–	–	–	–	–	–	–
David Williams[3]	2014	9	–	–	–	–	–	9
	2013	55	–	–	–	–	–	55

1 Simon Calver resigned from the board of Mothercare plc on 24 February 2014 but remained in employment with the group until 28 March 2014. In respect of the annual bonus for FY2013 Mr Calver received cash of £48,125 and £20,625 was deferred into nil cost share options which lapsed on his resignation.
2 Included within his total remuneration for FY2013, Matt Smith received a payment of £178,500 as compensation for the value of bonus he would have received from his former employer in his final year of employment. A further amount of £76,500 (representing 30% of the total compensation of £255,000) was deferred into nil cost share options which vest after three years subject to the conditions of the STIP scheme.
3 David Williams resigned on 31 May 2013 as announced on 12 April 2013.
4 Lee Ginsberg received an overpayment of £5,000 in error. This is being recovered during 2014/15.
5 Richard Rivers was underpaid by £5,000 in error. This is being rectified in 2014/15.

Additional requirements in respect of the single total figure table: (auditable)

Taxable Benefits
Benefits typically include a company car, medical insurance and other similar benefits

Annual Bonuses and LTIPs

STIP/annual bonus
In FY2014 the STIP applied to all non-store employees and incorporated both financial (75%) and strategic (25%) measures.

Payment under the STIP is subject to an overriding financial measure based on the Company's net quarterly cash/debt position to ensure that payments are not made where the underlying financial position of the Company does not support it.

For the year under review the CEO could earn up to 125% of base salary and CFO could earn up to 100% of base salary for the achievement of annual performance metrics.

For Executive Directors, 30% of any payment earned will be deferred into shares in the Company for three years and subject to a risk of forfeiture in the case of resignation during this period, and to claw back in exceptional circumstances (such as financial misstatement).

The FY2014 threshold was set at £18.5 million group PBT (pre-bonus spend). Actual group PBT for the year under review was below this threshold and consequently no annual bonus was payable for FY2014.

LTIP
The LTIP is not included in the FY2014 single total figure of remuneration as the conditional share awards were granted in FY2013 (LTIP1) and FY2014 (LTIP2) respectively and are not yet due to vest.

LTIP1
LTIP1 awards were made in FY2013, and the details of LTIP1 are included in the legacy LTIP awards section of the policy table above.

LTIP2
Vesting is dependent on the fulfilment of two Performance Targets, both equally weighted (50/50):

- Share price target; and
- Profit before Tax: the group PBT target is 37.5% of the total award measured in FY2016 and 12.5% of the total award relates to UK PBT measured in FY2017.

Vesting will occur for up to 43.75% of the Option immediately following publication of the results for FY2016 and, in relation to the remaining 56.25%, one year later i.e. following publication of the results for FY2017.

Alan Parker Share Matching Scheme
Mr Parker's share matching scheme is not included in the FY2014 single total figure of remuneration as the two awards made under the scheme are not due to vest until August and November 2014 respectively. Details of the scheme are set out in the policy section at page 70.

Total pension entitlements
Base salary is the only element of remuneration used to determine pensionable earnings. During the year, Simon Calver and Matt Smith received 15% of their base salary as a pension contribution from the Company which is paid into a personal pension plan. They do not participate in any FURBS arrangements.

For further details on the cost of pensions to the group including the statements required by IAS 19, see note 30.

Remuneration report continued

Scheme interests awarded during the financial year

LTIP grants

Ordinarily conditional share awards are considered and granted in May and November after the announcements of the Company's preliminary and interim results respectively. Awards were made in line with the Company's usual grant policy in December 2013.

December 2013

Director	Scheme	Basis of award	Face value[2] £'000	Percentage vesting at threshold performance	Number of shares	Performance period end
Simon Calver[1]	LTIP conditional share awards	200% of salary	1,112	30%	251,067	FY16 and FY17
Matt Smith	LTIP conditional share awards	175% of salary	632	30%	142,794	FY16 and FY17

1 Mr Calver's awards lapsed upon his resignation from the Company.
2 The face value of the awards is calculated using the share price at the date of grant (16 December 2013) which was 443p per share.

Payments to past directors

There were no payments to past directors during the year.

Payments for loss of office

Simon Calver resigned from the board of Mothercare plc on 24 February 2014 and from the group on 28 March 2014. He will receive up to £294,540 (£250,000 in lieu of six months' notice and £44,540 in pension contributions and benefits) payable in two instalments (the second instalment to be paid in July 2014). There is a duty to mitigate and the payments he receives will be reduced accordingly should a new appointment be secured by Mr Calver within six months of his resignation.

All share options, awards, deferred shares lapsed on resignation.

Statement of directors' shareholding and share interests

Executive directors are expected to build up a shareholding in the Company. After five years, the CEO and CFO (as the executive directors) should hold a shareholding equal to 150% and 100% of their basic salaries respectively. There are specific conditions on the level of shareholding required for LTIPs 1 and 2.

The shareholding and share interests of the directors (and their connected persons) who served during the year in the share capital of the Company are set out in the table below.

Director	Legally owned	LTIP awards		STIP deferred shares		SAYE		% of salary held under shareholding policy
		unvested	vested	unvested	vested	unvested	vested	
Executive directors								
Simon Calver	188,310[5]	1,029,883[1]	–	6,564[1]	–	2,903[1]	–	–
Matt Smith	0	367,785	–	24,346[2]	–	–	–	0
Non-executive directors								
Alan Parker	232,554	60,000[4] 54,997[4]	–	–	–	–	–	–
Angela Brav	0	–	–	–	–	–	–	–
Lee Ginsberg	0	–	–	–	–	–	–	–
Amanda Mackenzie	25,760	–	–	–	–	–	–	–
Richard Rivers	29,000	–	–	–	–	–	–	–
Imelda Walsh	0	–	–	–	–	–	–	–
Nick Wharton[3]	3,840	–	–	–	–	–	–	–
David Williams	71,300[5]	–	–	–	–	–	–	–

No changes took place in the interests of the directors between 29 March 2014 and 16 May 2014.

1 Simon Calver's unvested share interests all lapsed upon his resignation.
2 Includes the deferred element of Matt Smith's buyout payment for bonus foregone from his previous employer.
3 Nick Wharton's interest is held by his spouse, a connected person.
4 These options are the options held under the Chairman's share matching scheme.
5 Shares owned on date of resignation.

Mothercare Employees' Share Trustee Limited

Tim Ashby and Matt Smith are shareholders and directors of Mothercare Employees' Share Trustee Limited, which held 3,151 Mothercare plc shares in trust on 29 March 2014 (30 March 2013: 3,151 shares). A separate trust, the Mothercare Employee Trust, held 67,118 shares on 29 March 2014 (30 March 2013: 105,346 shares).

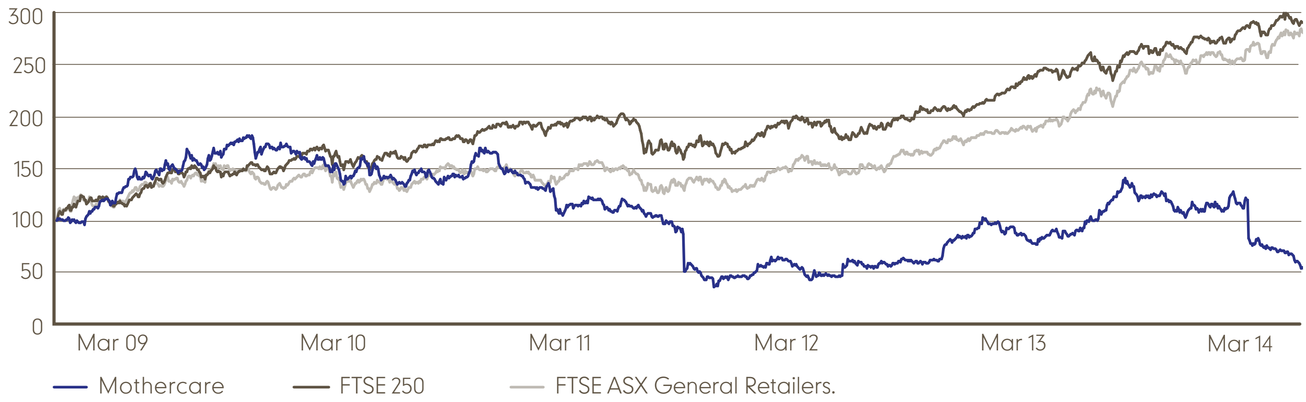
The Executive Directors are also deemed to have an interest in shares held by Mothercare Employees' Share Trustee Limited and the Mothercare Employee Trust as potential beneficiaries.

Remuneration report
continued

Performance graph and CEO remuneration table
The performance graph below shows the group's total shareholder return (TSR) against the return achieved by the FTSE250 index. Mothercare plc entered the FTSE250 on 30 June 2008 but returned to the FTSE SmallCap Index on 19 December 2011. The performance graph below shows performance against the FTSE250 Index and the FTSE All Share General Retailers Index. The graph shows the five financial years to 29 March 2014.

The indices were chosen on the basis that Mothercare was a constituent of both the FTSE250 and FTSE General Retailers indices. The group's performance against the FTSE All Share General Retailers Index has historically been used as it determined the level of vesting of awards under the Executive Incentive Plan. No current executive directors participate in the scheme and there are no payments due to any past directors.

TSR data indexed to 100



Source: Datastream

The table below sets out the details for the director undertaking the role of Chief Executive Officer over the past five years:

Year	CEO	CEO single figure of total remuneration (£000s)	Annual bonus pay-out against maximum %	Long term incentive vesting rates against maximum opportunity %
2014	Simon Calver	587	0	0
2013	Simon Calver	611	11	0
2012	Ben Gordon	5,038	0	65.5
2011	Ben Gordon	5,231	0	99.5
2010	Ben Gordon	6,505	27.7	100

Ben Gordon resigned from the board with effect from 17 November 2011. Simon Calver was appointed on 30 April 2012, resigned from the board on 24 February 2014 and was employed by the group until 28 March 2014.

Percentage change in remuneration of director undertaking the role of CEO
The table opposite shows the percentage change in remuneration of the director undertaking the role of Chief Executive Officer of the parent company compared to salaried employees in head office and retail between FY2013 and FY2014. Hourly paid employees have been excluded as they work variable hours due to the availability of overtime.

Percentage increase in remuneration in FY2014 compared with remuneration in FY2013

	CEO			Average of salaried employees		
	FY2014	FY2013	% change	FY2014	FY2013	% change
Base salary	500,000	500,000	0	34,339	32,793	4.7
All taxable benefits	12,409	12,283	1	1,869	1,730	8
Annual bonuses	0	48,125	(100)	126	1,059	(88)
Total	512,409	560,408	(8.6)	36,334	35,582	2.1

Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in FY2014 compared to FY2013.

	FY2014	FY2013	% change
Dividends	Nil	Nil	0
Employee remuneration	£77.8m	£84.3m	(7.7)

Employee remuneration taken from Note 7 on page 106.

Auditable sections of the annual report on remuneration

The auditable sections of the annual report on remuneration are shown on pages 76 to 81 starting with the single total figure of remuneration for each director concluding with the table of directors' share interests.

Approval

This report was approved by the Board of directors on 21 May 2014 and signed on its behalf by:

Imelda Walsh

Imelda Walsh
Chair, Remuneration Committee

Financial statements

Contents

Company financial statements

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and gives shareholders the information needed to assess the group's performance, business model and strategy.

By order of the Board on 21 May 2014 and signed on its behalf by:

Matt Smith
Chief Financial Officer

Independent auditor's report to the members of Mothercare plc

Opinion on financial statements of Mothercare plc

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 29 March 2014 and of the group's loss for the 52 weeks then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income/expense, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 32. The financial statements also comprise the parent company balance sheet and related notes 1 to 8. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 43 that the group is a going concern.

We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
The presentation and consistency of the income and expenditure included within exceptional items. The group has recorded exceptional income and expenditure in respect of one-off items and transactions that fall outside of the normal course of trading.	We reviewed the nature of exceptional items, challenged management's judgements in this area and agreed the quantification to supporting documentation. We assessed whether they are in line with both the group's accounting policy and the guidance issued by the Financial Reporting Council in December 2013. We considered whether management's application of the policy has been applied consistently with previous accounting periods, including whether the reversal of any items originally recognised as exceptional are appropriately classified as exceptional items. We also assessed whether the disclosures within the financial statements provide sufficient detail for the reader to understand the nature of these items.
Going concern Going concern, liquidity and covenant headroom continue to be key areas of focus in light of the ongoing significant changes within the group, particularly in the UK, as part of its transformation strategy.	We reviewed management's consideration of the adoption of the going concern principle. Our work involved assessing management's forecasts, challenging the key underlying assumptions, assessing the accuracy of previous forecasts, considering reasonably possible downside scenarios and comparing the short-term forecast against actual trading since the balance sheet date. We considered the group's liquidity and financing arrangements in light of the recent amendments to the terms of the bank facilities. Our work assessed the extent of cash headroom, covenant compliance and the availability and quantum of mitigating actions to address potential sensitivity scenarios for a period of 12 months from the signing of the financial statements.
The judgement involved in calculating the group's property provisions The group maintains property provisions in respect of store disposals or closures and onerous leases. The provisions are estimates based on expected future cashflows.	We have challenged management's assumptions in arriving at the property provision. We have verified the inputs used to calculate the provision and agreed them back to supporting documentation and reviewed the correspondence with the group's independent property advisors to assess whether these experts' views have been reflected within the provision calculations.
The valuation of inventory including appropriateness of judgements applied within the obsolescence provision Management's calculation of the inventory obsolescence provision involves judgement around the current market value and level of demand for the individual product ranges held.	We attended annual and perpetual inventory counts to assess the condition of inventories. We have tested that the book value of inventories does not exceed their net realisable value by comparing the actual sales value to the book value for a sample of lines. We have challenged the assumptions used in arriving at management's inventory provision. Specifically we have checked the discontinued dates of those relevant inventory lines to assess whether they have been aged correctly. We have also reviewed the actual and forecast sales of those provisioned inventory lines to check that the provision percentage applied is still appropriate.

Independent auditor's report to the members of Mothercare plc continued

The recoverability of joint venture investments and receivables from these parties There is a risk that the group is exposed to debt owed from the joint venture companies, due to the volatility of the trading environments in the countries in which it operates.	We challenged the forecasts and growth assumptions used in management's impairment models for the joint venture investments, including an assessment of the forecast growth rates and management's sensitivities to the key assumptions. Additionally, we completed recoverability testing on the receivables due from the joint venture companies.
The recoverability of store related fixed assets In light of the group's store closure plan, there is a risk that fixed assets held within stores are not recoverable.	We assessed management's assumptions, including forecast store profitability, underlying the fixed asset impairment models and recalculated the net present values of assets.

The Audit and Risk Committee's consideration of these risks is set out on page 48.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £1.8 million, calculated by applying professional judgement and taking into account the profitability of the International segment and the loss making position of the UK segment, before exceptional items.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £90,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We also reported to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope on the UK trading companies (including both the UK and International operating segments) and the group's sourcing operations in Hong Kong and India, all of which were subject to a full scope audit for the 52 weeks ended 29 March 2014. These locations represent the principal business units of the group and account for 100% of the group's revenue.

The locations were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

Our audit work at these locations is performed at a materiality level calculated by reference to a proportion of group materiality appropriate to the relative scale of the business concerned.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team is directly involved in the audit of the UK trading companies. The component audit teams in Hong Kong and India participated in the group audit planning process. We discussed their risk assessment and issued the component audit teams with audit referral instructions. We have held discussions with the component audit teams and reviewed documentation of the findings from their work.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Ian Waller

Ian Waller (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
21 May 2014

Consolidated income statement
For the 52 weeks ended 29 March 2014

		52 weeks ended 29 March 2014			52 weeks ended 30 March 2013 Restated*		
	Note	Underlying[1] £ million	Non-underlying[2] £ million	Total £ million	Underlying[1] £ million	Non-underlying[2] £ million	Total £ million
Revenue	4, 5	**724.9**	**–**	**724.9**	749.4	–	749.4
Cost of sales		**(680.2)**	**(14.7)**	**(694.9)**	(702.0)	5.7	(696.3)
Gross profit		**44.7**	**(14.7)**	**30.0**	47.4	5.7	53.1
Administrative expenses		**(28.2)**	**(9.5)**	**(37.7)**	(34.2)	(5.9)	(40.1)
(Loss)/profit from retail operations	7	**16.5**	**(24.2)**	**(7.7)**	13.2	(0.2)	13.0
Other exceptional items	6	**–**	**(10.8)**	**(10.8)**	–	(29.2)	(29.2)
Share of results of joint ventures and associates	13, 14	**(0.6)**	**–**	**(0.6)**	(1.4)	–	(1.4)
Loss from operations		**15.9**	**(35.0)**	**(19.1)**	11.8	(29.4)	(17.6)
Net finance costs	8	**(6.4)**	**(0.8)**	**(7.2)**	(5.9)	(0.4)	(6.3)
Loss before taxation		**9.5**	**(35.8)**	**(26.3)**	5.9	(29.8)	(23.9)
Taxation	9	**(2.7)**	**1.5**	**(1.2)**	(2.2)	2.3	0.1
Loss for the period attributable to equity holders of the parent		**6.8**	**(34.3)**	**(27.5)**	3.7	(27.5)	(23.8)
(Loss)/Earnings per share							
Basic	11	**7.7p**		**(31.0p)**	4.2p		(26.9p)
Diluted	11	**7.6p**		**(31.0p)**	4.1p		(26.9p)

1 Before items described in footnote 2 below.
2 Includes exceptional items (property costs, restructuring costs and impairment charges) and other non-underlying items of amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments under IAS 39 and IAS 21 as set out in note 6 to the consolidated financial statements.
* Restated for amendments to IAS 19 as explained in Note 2.

All results relate to continuing operations.

Consolidated statement of comprehensive income/(expense)
For the 52 weeks ended 29 March 2014

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 Restated* £ million
Loss for the period	**(27.5)**	(23.8)
Items that will not be reclassified subsequently to the income statement:		
Remeasurement of net defined benefit liability – actuarial gain/(loss) on defined benefit pension schemes	**9.5**	(13.6)
Income tax relating to items not reclassified	**(4.5)**	2.4
	5.0	(11.2)
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**(1.3)**	0.6
Cash flow hedges: losses arising in the period	**(0.1)**	(0.3)
	(1.4)	0.3
Other comprehensive income/(expense) for the period	**3.6**	(10.9)
Total comprehensive expense for the period wholly attributable to equity holders of the parent	**(23.9)**	(34.7)

* Restated for amendments to IAS 19 as explained in Note 2.

Consolidated balance sheet
As at 29 March 2014

	Note	29 March 2014 £ million	30 March 2013 £ million
Non-current assets			
Goodwill	15	**26.8**	26.8
Intangible assets	15	**17.4**	19.7
Property, plant and equipment	16	**59.6**	69.6
Investments in joint ventures	13	**7.7**	8.0
Investment in associate	14	**–**	–
Deferred tax asset	17	**18.5**	21.7
		130.0	145.8
Current assets			
Inventories	18	**93.1**	110.6
Trade and other receivables	19	**59.8**	58.1
Current tax assets		**–**	1.0
Derivative financial instruments	22	**–**	7.3
Cash and cash equivalents	20	**17.3**	17.6
		170.2	194.6
Total assets		**300.2**	340.4
Current liabilities			
Trade and other payables	23	**(106.0)**	(123.3)
Borrowings	21	**(27.6)**	(3.5)
Current tax liabilities		**(0.4)**	(0.5)
Derivative financial instruments	22	**(6.6)**	(0.3)
Short-term provisions	24	**(17.4)**	(21.4)
		(158.0)	(149.0)
Non-current liabilities			
Trade and other payables	23	**(24.1)**	(28.1)
Borrowings	21	**(36.2)**	(46.5)
Retirement benefit obligations	30	**(49.7)**	(61.6)
Long-term provisions	24	**(17.0)**	(16.4)
		(127.0)	(152.6)
Total liabilities		**(285.0)**	(301.6)
Net assets		**15.2**	38.8
Equity attributable to equity holders of the parent			
Share capital	25	**44.4**	44.3
Share premium account		**6.3**	6.2
Other reserve		**–**	6.2
Own shares	25	**(0.4)**	(0.6)
Translation and hedging reserves	26	**(1.1)**	0.3
Retained deficit		**(34.0)**	(17.6)
Total equity		**15.2**	38.8

Approved by the Board and authorised for issue on 21 May 2014 and signed on its behalf by:

Matt Smith
Chief Financial Officer

Consolidated statement of changes in equity
For the 52 weeks ended 29 March 2014

	Equity attributable to equity holders of the parent						
	Share capital £ million	Share premium account £ million	Other reserve[1] £ million	Own shares £ million	Translation and hedging reserve £ million	Retained earnings £ million	**Total equity £ million**
Balance at 31 March 2013	44.3	6.2	6.2	(0.6)	0.3	(17.6)	38.8
Other comprehensive expense for the period	–	–	–	–	(1.4)	5.0	3.6
Loss for the period	–	–	–	–	–	(27.5)	(27.5)
Total comprehensive income/(expense) for the period	–	–	–	–	(1.4)	(22.5)	(23.9)
Transfer between reserves	–	–	(6.2)	–	–	6.2	–
Issue of equity shares	0.1	0.1	–	–	–	–	0.2
Credit to equity for equity-settled share-based payments	–	–	–	–	–	0.1	0.1
Shares transferred to employees on vesting	–	–	–	0.2	–	(0.2)	–
Balance at 29 March 2014	**44.4**	**6.3**	**–**	**(0.4)**	**(1.1)**	**(34.0)**	**15.2**

For the 52 weeks ended 30 March 2013

	Equity attributable to equity holders of the parent						
	Share capital £ million	Share premium account £ million	Other reserve[1] £ million	Own shares £ million	Translation reserve £ million	Retained earnings £ million	**Total equity £ million**
Balance at 1 April 2012	44.3	6.2	50.8	(2.1)	–	(26.5)	72.7
Other comprehensive expense for the period*	–	–	–	–	0.3	(11.2)	(10.9)
Loss for the period*	–	–	–	–	–	(23.8)	(23.8)
Total comprehensive income/(expense) for the period	–	–	–	–	0.3	(35.0)	(34.7)
Transfer between reserves	–	–	(44.6)	–	–	44.6	–
Credit to equity for equity-settled share-based payments	–	–	–	–	–	0.8	0.8
Shares transferred to employees on vesting	–	–	–	1.5	–	(1.5)	–
Balance at 30 March 2013	**44.3**	**6.2**	**6.2**	**(0.6)**	**0.3**	**(17.6)**	**38.8**

1 The other reserve relates to shares issued as consideration for the acquisition of Early Learning Centre on 19 June 2007.
* Restated for amendments to IAS 19 as explained in Note 2.

Consolidated cash flow statement
For the 52 weeks ended 29 March 2014

	Note	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Net cash flow from operating activities	27	**4.0**	6.8
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7.9)**	(13.2)
Purchase of intangibles – software		**(3.0)**	(3.0)
Proceeds from sale of property, plant and equipment		**–**	2.2
Investments in joint ventures and associates		**(2.9)**	(1.8)
Net cash used in investing activities		**(13.8)**	(15.8)
Cash flows from financing activities			
Interest paid		**(2.7)**	(2.8)
Facility fees paid		**(1.4)**	(1.4)
Bank loans raised		**15.0**	30.0
Issue of ordinary share capital		**0.2**	–
Net cash raised in financing activities		**11.1**	25.8
Net increase in cash and cash equivalents		**1.3**	16.8
Cash and cash equivalents at beginning of period		**17.6**	(0.1)
Effect of foreign exchange rate changes		**(1.6)**	0.9
Net cash and cash equivalents at end of period	27	**17.3**	17.6

Notes to the consolidated financial statements

1. General information

Mothercare plc is a company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given in the shareholder information on page 140. The nature of the group's operations and its principal activities are set out in note 5 and in the business review on pages 18 to 23.

These financial statements are presented in UK pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 2.

2. Significant accounting policies

Basis of presentation

The group's accounting period covers the 52 weeks ended 29 March 2014. The comparative period covered the 52 weeks ended 30 March 2013.

Basis of accounting

The group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the European Union, International Financial Reporting Interpretations Committee ('IFRIC') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They therefore comply with Article 4 of the EU IAS Regulation.

Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

New standards affecting presentation and disclosure

The group has adopted the amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'. The amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to income statement and those that will never be reclassified, together with their associated income tax. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income have been restated to reflect the change. The amendment affects presentation only and has no impact on the group's financial position or performance.

IFRS 13 'Fair value measurement' establishes a single source of guidance under IFRS for all fair value measurements. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the group. IFRS 13 also requires specific disclosures on fair values. The group has included the required disclosures in note 22.

New standards affecting the reported results and financial position

IAS 19 (revised 2011) 'Employee Benefits' and the related consequential amendments have impacted the accounting for the group's defined benefit scheme, by replacing the interest cost and expected return on assets with a net interest charge on the net defined benefit pension liability. For the current period, underlying profit before taxation of £9.5 million is £2.7 million lower and other comprehensive income is £2.7 million higher than it would have been prior to the adoption of IAS 19 (revised 2011). For the comparative period, the underlying profit before tax of £5.9 million is £2.4 million lower and other comprehensive income £2.4 million higher than previously reported. As the group has always recognised actuarial gains and losses immediately there has been no effect on the prior year defined benefit obligation. At the same time the group has taken the decision to separately identify the interest on the liabilities/return on assets of the pension scheme and classify these within net finance costs. These were previously reported within administrative expenses. The comparative financial information has been restated.

New standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements.

- Amendments to IAS 36 'Impairment of Assets'

New Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 14 'Regulatory Deferral Accounts'
- IAS 27 'Separate Financial Statements'
- IAS 28 'Investments in Associates and Joint Ventures'
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities'
- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

New Standards in issue but not yet effective continued

- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions'
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'
- Amendments to IAS 39 'Financial Instruments'

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments, and on the going concern basis, as described in the going concern statement in the Corporate Governance report on page 43. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 29 March 2014. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the group in exchange. Acquisition related costs are recognised in profit and loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) 'Business combinations' are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell and deferred tax assets or liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee Benefits respectively.

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

Goodwill

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

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

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

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

Revenue recognition

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

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

Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably). Royalty arrangements that are based on sales and other measures are recognised by reference to the underlying arrangement.

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

Profit from retail operations

Profit from retail operations represents the profit generated from normal retail trading, prior to any gains or losses on property transactions. It also includes the volatility for 40 weeks of the 52 weeks ended 29 March 2014 arising from accounting for derivative financial instruments under IAS 39, 'Financial Instruments: Recognition and Measurement', as the group has adopted hedge accounting for new contracts from 5 January 2014.

Underlying earnings

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

As the group has chosen to present an alternative earnings per share measure, a reconciliation of this alternative measure to the statutory measure required by IFRS is given in note 11.

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

The adjustments made to reported results are as follows:

Exceptional items

Due to their significance or one-off nature, certain items have been classified as exceptional. The gains and losses on these discrete items, such as property costs, impairment charges, restructuring costs and other non-operating items can have a material impact on the absolute amount of and trend in the profit from operations and the result for the period. Therefore any gains and losses on such items are analysed as non-underlying on the face of the income statement. Further details of the exceptional items are provided in note 6.

Non-cash foreign currency adjustments

Prior to 5 January 2014 the group did not adopt hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement'. The effect of not applying hedge accounting under IAS 39 for this period means that the reported results for this 40 week period reflect the actual rate of exchange ruling on the date of a transaction regardless of the cash flow paid by the group at the predetermined rate of exchange. In addition, any gain or loss accruing on open contracts taken out before this date at a reporting period end is recognised in the result for the period (regardless of the actual outcome of the contract on close-out). Whilst the impacts described above could be highly volatile depending on movements in exchange rates, this volatility will not be reflected in the cash flows of the group, which will be based on the hedged rate. In addition, foreign currency monetary assets and liabilities are revalued to the closing balance sheet rate under IAS 21 'The Effects of Changes in Foreign Exchange Rates'. Since January 2014 hedge accounting has been adopted. The adjustment made by the group therefore is to report its underlying performance consistently with the cash flows, reflecting the hedging which is in place.

Amortisation of intangible assets

The balance sheet includes identifiable intangible assets which arose on the acquisition of the Early Learning Centre and Blooming Marvellous and are amortised on a straight-line basis over their expected economic lives. The average estimated useful life of the assets is as follows:

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

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

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

Unwinding of discount on exceptional provisions
Where property provisions are charged to exceptional items, the associated unwinding of the discount on these provisions is classified as non-underlying.

Joint ventures and associates

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

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment.

Where a group entity transacts with an associate or joint venture of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate or joint venture.

Leasing

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

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

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

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

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

Foreign currencies

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement.

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

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

Hedge Accounting

The group designates its interest rate swaps and from January 2014 its forward currency contracts taken out after this date as cash flow hedges. At the inception of the hedge relationship, the group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Changes in the fair value of financial instruments designated as effective are recognised in the comprehensive income statement and any ineffective portion is recognised immediately in the income statement. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item. Movements in the hedging reserve in equity are detailed in note 26.

Retirement benefit costs

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

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

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

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

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

Taxation

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

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

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

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

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

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

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

Taxation continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

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

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

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

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

Intangible assets – software

Where computer software is not an integral part of a related item of computer hardware, the software is classified as an intangible asset. The capitalised costs of software for internal use include external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the software is substantially complete and ready for its intended internal use. These costs are amortised on a straight-line basis over their expected useful lives, which is normally five years.

Impairment of tangible and intangible assets excluding goodwill

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Inventories

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective rate interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

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

Equity instruments

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

Derivative financial instruments

The group uses forward foreign currency contracts to mitigate the transactional impact of foreign currencies on the group's performance and interest rate swaps to mitigate the risk of movements in interest rates. The group's financial risk management policy prohibits the use of derivative financial instruments for speculative or trading purposes and the group does not therefore hold or issue any such instruments for such purposes.

Forward foreign currency contracts are recognised initially at fair value, which is updated at each balance sheet date, Changes in the fair values are recognised either in the income statement or through reserves depending on whether the contract is designated as a hedging instrument.

Derivative financial instruments that are economic hedges that do not meet the strict IAS 39 'Financial Instruments: Recognition and Measurement' hedge accounting rules are accounted for as financial assets or liabilities at fair value through profit or loss and hedge accounting is not applied.

The interest rate swaps and forward contracts taken out post 5 January 2014 in place are considered an effective cashflow hedge and are accounted for by recognising the gain/loss on the hedge through reserves rather than the income statement, removing volatility within the income statement.

Embedded derivatives

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

Market risk

The group is exposed to market risk, primarily related to foreign exchange and interest rates. The group's objective is to reduce, where it deems appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates, foreign currency rates and of the currency exposure of certain net investments in foreign subsidiaries. It is the group's policy and practice to use derivative financial instruments to manage exposures of fluctuations on exchange rates. The group only sells existing assets or enters into transactions and future transactions (in the case of anticipatory hedges) that it confidently expects it will have in the future, based on past experience. The group expects that any loss in value for these instruments generally would be offset by increases in the value of the underlying transactions.

Foreign exchange rate risk

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

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

Interest rate risk

The group has drawn down on its term borrowing facility. Following the group refinancing the group now hedges all of the floating interest rate on this term facility using interest rate swaps.

2. Significant accounting policies continued

Provisions

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

Share-based payments

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

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

Fair value is measured by use of the valuation technique considered to be most appropriate for each class of award, including Black-Scholes calculations and Monte Carlo simulations. The expected life used in the formula is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date, with any changes in fair value recognised in the profit or loss for the year.

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

Onerous leases

Present obligations arising out of onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Retirement benefits

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

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

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

Pension and other post-retirement benefits are inherently long-term and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post-retirement charges'. Note 30 to the consolidated financial statements describes the principal discount rate, inflation and pension retirement benefit obligation assumptions that have been used to determine the pension and post-retirement charges in accordance with IAS 19. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on prior experience, market conditions and the advice of plan actuaries.

At 29 March 2014, the group's pension liability was £49.7 million (2013: £61.6 million). Further details of the accounting policy on retirement benefits are provided in note 2.

Impairment of stores' property, plant and equipment
Stores' property, plant and equipment (see note 16) are reviewed for impairment on a periodic basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Such circumstances or events could include: a pattern of losses involving the fixed asset; a decline in the market value for a particular store asset; and an adverse change in the business or market in which the store asset is involved. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining what cash flow is directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets involve the exercise of a significant amount of judgement.

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

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the group to estimate future cash flows expected to arise from the cash-generating unit a suitable long-term growth rate and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £26.8 million (2013: £26.8 million).

Property provisions
Descriptions of the provisions held at the balance sheet date are given in note 24. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any differences between expectations and the actual future liability are accounted for in the period when such determination is made.

Onerous leases
Provision has been made in respect of leasehold properties for vacant, partly let and loss making trading stores and costs relating to Early Learning Centre's supply chain warehouse, for the shorter of the remaining period of the lease and the period until, in the directors' opinion, they will be able to exit the lease commitment. The amount provided is based on the future rental obligations together with other fixed outgoings, net of any sub-lease income and in the case of trading stores the expected future shortfall in contribution to cover the fixed outgoings. In determining the provision, the cash flows have been discounted on a pre-tax basis using a risk free rate of return. Significant assumptions are used in making these calculations and changes in assumptions and future events could cause the value of these provisions to change.

Allowances against the carrying value of inventory
The group reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of inventories, the group is required to make judgements as to future demand requirements and to compare these with current inventory levels. Factors that could impact estimated demand and selling prices are timing and success of product ranges (see note 18).

Allowances against the carrying value of trade receivables
Using information available at the balance sheet date, the group reviews its trade receivable balances and makes judgements based on an assessment of past experience, debt ageing and known customer circumstance in order to determine the appropriate level of allowance required to account for potential irrecoverable trade receivables (see note 19).

Allowances against the carrying value of investments in joint ventures
The group reviews the recoverable amount of its investments on a periodic basis. If the recoverable amount is lower than the carrying value the asset is impaired (see note 13).

4. Revenue

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

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Revenue	724.9	749.4
Interest revenue (note 8)	–	0.2
Total revenue	**724.9**	749.6

5. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reported to the group's board in order to allocate resources to the segments and assess their performance. The group's reporting segments under IFRS 8 are UK and International.

UK comprises the group's UK store and wholesale operations, catalogue and web sales. The International business comprises the group's franchise and wholesale revenues outside the UK. The unallocated corporate expenses represent board and company secretarial costs and other head office costs including audit, professional fees, insurance and head office property.

	52 weeks ended 29 March 2014			
	UK £ million	**International £ million**	**Unallocated corporate expenses £ million**	**Consolidated £ million**
Revenue				
External sales	**462.3**	**262.6**	**–**	**724.9**
Result				
Segment result (underlying)	**(21.5)**	**45.3**	**(7.8)**	**16.0**
Share-based payments				**(0.1)**
Non-cash foreign currency adjustments (non-underlying)				**(14.9)**
Amortisation of intangible assets (non-underlying)				**(1.0)**
Exceptional items (note 6)				**(19.1)**
Loss from operations				**(19.1)**
Net finance costs (including £0.8 million non-underlying)				**(7.2)**
Loss before taxation				**(26.3)**
Taxation				**1.2**
Loss for the period				**(27.5)**

	52 weeks ended 30 March 2013			
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated Restated* £ million
Revenue				
External sales	499.7	249.7	–	749.4
Result				
Segment result (underlying)	(21.6)	42.1	(7.8)	12.7
Share-based payments				(0.9)
Non-cash foreign currency adjustments (non-underlying)				6.9
Amortisation of intangible assets (non-underlying)				(1.0)
Exceptional items (note 6)				(35.3)
Loss from operations				(17.6)
Net finance costs (including £0.4 million non-underlying)				(6.3)
Loss before taxation				(23.9)
Taxation				0.1
Loss for the period				(23.8)

* Restated for amendments to IAS 19 as explained in Note 2.

Notes to the consolidated financial statements continued

5. Segmental information continued

Revenues are attributed to countries on the basis of the customer's location. The largest International customer represents approximately 17.0% (2013: 15.2%) of group sales.

	52 weeks ended 29 March 2014		
	UK £ million	International £ million	Consolidated £ million
Other information			
Capital additions	9.5	2.7	12.2
Depreciation and amortisation	15.7	4.6	20.3
Balance sheet			
Assets			
Segment assets	167.7	96.6	264.3
Unallocated corporate assets			35.9
Consolidated total assets			300.2
Liabilities			
Segment liabilities	162.0	2.5	164.5
Unallocated corporate liabilities			120.5
Consolidated total liabilities			285.0

In addition to the depreciation and amortisation reported above, impairment losses of £3.6 million and £nil million (2013: impairment losses of £4.0 million and £0.1 million) were recognised in respect of property, plant and equipment and intangible assets respectively. These impairment losses were attributable to the UK segment. £2.7 million of the impairment on property, plant and equipment is included within non-underlying administrative expenses and the remaining £0.9 million is included within exceptional property costs.

	52 weeks ended 30 March 2013		
	UK £ million	International £ million	Consolidated £ million
Other information			
Capital additions	10.6	1.9	12.5
Depreciation and amortisation	17.5	3.9	21.4
Balance sheet			
Assets			
Segment assets	204.7	96.4	301.1
Unallocated corporate assets			39.3
Consolidated total assets			340.4
Liabilities			
Segment liabilities	232.3	3.4	235.7
Unallocated corporate liabilities			65.9
Consolidated total liabilities			301.6

Corporate assets not allocated to UK or International represent current tax assets/liabilities, deferred tax assets/liabilities, cash at bank and in hand, currency derivative assets/liabilities, borrowings and retirement benefit obligations.

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

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Exceptional items:		
Restructuring costs in cost of sales	**1.2**	(0.2)
Restructuring costs included in administrative expenses	**(6.8)**	(4.0)
Store property, plant and equipment impairment included in administrative expenses	**(2.7)**	(1.8)
Share-based payment charge included in administrative expenses	**–**	(0.1)
Property related costs in other exceptional items	**(8.2)**	(18.1)
Impairment of investment in and receivables due from joint venture/associate in other exceptional items	**(2.6)**	(11.1)
Restructuring costs in finance costs	**(0.8)**	(0.4)
Total exceptional items:	**(19.9)**	(35.7)
Other non-underlying items:		
Non-cash foreign currency adjustments under IAS 39 and IAS 21[1]	**(14.9)**	6.9
Amortisation of intangibles[1]	**(1.0)**	(1.0)
Exceptional and other non-underlying items	**(35.8)**	(29.8)

1 Included in non-underlying cost of sales is a charge of £15.9 million (2013: credit of £5.9 million).

Restructuring costs in cost of sales
During the 52 weeks ended 29 March 2014 a credit of £1.2 million has been recognised in respect of a refund on previous costs incurred for the rationalisation of the group's online warehousing operations (2013: £0.2 million costs were incurred in relation to the same rationalisation).

Restructuring costs in administrative expenses
During the 52 weeks ended 29 March 2014 a charge of £6.8 million (2013: £4.0 million) was recognised relating to head office restructuring and group reorganisation. The objective for the reorganisation was to streamline the business and improve efficiency to support the Transformation and Growth plan. This has resulted in the removal of c. 250 head office roles.
Other exceptional costs have been incurred in relation to legal and other costs related to the new banking agreement.

Store property, plant and equipment impairment included in administrative expenses
During the 52 weeks ended 29 March 2014 the group has made a provision of £2.7 million (2013: £1.8 million) for store impairment where the carrying value of property plant and equipment is higher than the net realisable value and value in use.

Property related costs
Provisions of £8.2 million (2013: £18.1 million) have been made for onerous leases and losses on disposal/termination of property interests. The onerous leases relate to vacant, sublet and trading properties having taken into consideration the results for the year, provisions have been recognised where there is an expected shortfall in the store contribution to cover the fixed rental obligations. A discount rate of 2.7% has been used in calculating the provision, being the risk free rate. The losses on disposals relate to the store reduction programme announced in April 2012.

Impairment of joint venture investment
The group owns a 30% share in Wadicare Limited which is a joint venture that trades in Ukraine. Due to the political unrest in the country and the uncertainty of the joint ventures future cashflows the group has made a full provision of £2.6 million against its investment.

Restructuring costs included in net finance costs
These costs are fees associated with entering into the banking facility agreement signed in April 2012. A renegotiation of new bank facility was signed on 18 October 2013 and a charge of £0.8 million for the write-off of the April 2012 unamortised facility charge was recognised in the 52 weeks ended 29 March 2014.

7. Loss/(profit) from retail operations

Loss/(profit) from retail operations has been arrived at after (crediting)/charging:

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Net total foreign exchange losses/(gains)	**10.0**	(12.0)
Cost of inventories recognised as an expense	**460.2**	458.7
Write down/(release) of inventories to net realisable value	**(0.4)**	(1.7)
Depreciation of property, plant and equipment	**14.7**	15.8
Amortisation of intangible assets – software	**4.6**	4.6
Amortisation of intangible assets – other included in non-underlying cost of sales	**1.0**	1.0
Impairment of property, plant and equipment	**2.7**	1.8
Loss on disposal of property, plant and equipment	**0.4**	0.4
Net rent of properties	**48.7**	54.2
Amortisation of lease incentives	**(5.2)**	(4.9)
Hire of plant and equipment	**1.1**	1.3
Staff costs (including directors):		
Wages and salaries (including cash bonuses, excluding share-based payment charges)	**69.7**	77.2
Social security costs	**4.6**	4.5
Pension costs (see note 30)	**3.4**	1.7
Share-based payment charges (see note 29)	**0.1**	0.9
Exceptional costs included in cost of sales (see note 6)	**(1.2)**	0.2
Exceptional costs included in administrative expenses (see note 6)	**6.8**	4.0

7. Loss/(profit) from retail operations continued

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

	52 weeks ended 29 March 2014 number	52 weeks ended 30 March 2013 number
Number of employees comprising:		
UK stores	**4,779**	5,264
Head office	**653**	711
Overseas	**181**	251
	5,613	6,226
Full time equivalents	**3,486**	3,959

Details of directors' emoluments, share options and beneficial interests are provided within the remuneration report on pages 76 to 78 and 79 to 81.

For the 52 weeks ended 29 March 2014, profit from retail operations is stated after a non-underlying net charge of £14.9 million (2013: £6.9 million credit) to cost of sales as a result of non-cash foreign currency adjustments under IAS 39 and IAS 21.

The analysis of auditor's remuneration is as follows:

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	0.1
Fees payable to the Company's auditor for other services to the group:		
The audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.2
Total audit fees	**0.3**	0.3
Tax compliance services	**0.1**	0.1
Total non-audit fees	**0.1**	0.1

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

The policy for the approval of non-audit fees, together with an explanation of the services provided, is set out on page 51, in the Corporate Governance report.

Notes to the consolidated financial statements
continued

8. Net finance costs

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 Restated* £ million
Interest receivable	–	(0.2)
Interest and bank fees on bank loans and overdrafts	4.5	3.9
Net interest on liabilities/return on assets	2.7	2.6
Net finance costs	**7.2**	6.3

* Restated for amendments to IAS 19 as explained in note 2.

9. Taxation

The charge/(credit)for taxation on loss for the period comprises:

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Current tax:		
Current year	2.1	1.4
Adjustment in respect of prior periods	–	0.3
	2.1	1.7
Deferred tax: (see note 17)		
Current year	(4.2)	(1.7)
Change in tax rate in respect of prior periods	(0.2)	–
Adjustment in respect of prior periods	3.5	(0.1)
	(0.9)	(1.8)
Charge/(credit) for taxation on loss for the period	**1.2**	(0.1)

UK corporation tax is calculated at 23% (2013: 24%) of the estimated assessable loss for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. Taxation continued

The charge/(credit) for the period can be reconciled to the loss for the period before taxation per the consolidated income statement as follows:

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Loss for the period before taxation	(26.3)	(23.9)
Loss for the period before taxation multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	(6.0)	(5.8)
Effects of:		
Expenses not deductible for tax purposes	2.4	5.1
Change in tax rate	(0.2)	0.1
Impact of overseas tax rates	2.0	(0.5)
Impact of double tax relief	(0.5)	–
Adjustment in respect of prior periods	–	0.2
Impact of write-off of prior year deferred tax asset	3.5	0.8
Charge/(credit) for taxation on loss for the period	**1.2**	(0.1)

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations amounting to £4.5 million has been charged directly to other comprehensive income (2013: credit of £2.4 million).

10. Dividends

The directors are not recommending the payment of a final dividend for the year (2013: £nil) and no interim dividend was paid during the year (2013: nil pence per share).

11. Earnings per share

	52 weeks ended 29 March 2014 million	52 weeks ended 30 March 2013 million
Weighted average number of shares in issue	**88.7**	88.5
Dilution – option schemes (for underlying results only)	1.3	1.1
Diluted weighted average number of shares in issue	**90.0**	89.6
	£ million	Restated* £ million
Loss for basic and diluted earnings per share	**(27.5)**	(23.8)
Exceptional and other non-underlying items (note 6)	35.8	29.8
Tax effect of above items	(1.5)	(2.3)
Underlying earnings	**6.8**	3.7
	pence	pence
Basic loss per share	**(31.0)**	(26.9)
Basic underlying earnings per share	**7.7**	4.2
Diluted loss per share	**(31.0)**	(26.9)
Diluted underlying earnings per share	**7.6**	4.1

* Restated for amendments to IAS 19 as explained in note 2.

Notes to the consolidated financial statements continued

12. Subsidiaries

A list of the group's significant investments in subsidiaries, all of which are wholly owned, including the name and country of incorporation is given in note 3 to the Company financial statements. All subsidiaries are included in the consolidation.

13. Investments in joint ventures

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Investments at start of period	8.0	6.8
Additions	2.9	1.8
Share of loss	(0.6)	(0.6)
Impairment	(2.6)	–
Investments at end of period	7.7	8.0
Summary aggregate financial results and position of joint ventures:		
Current assets	27.4	22.5
Non-current assets	8.0	7.2
Total assets	35.4	29.7
Current liabilities	(12.5)	(13.3)
Non-current liabilities	–	–
Total liabilities	(12.5)	(13.3)
Total joint venture revenue	52.6	45.3
Total loss for the period	(2.0)	(2.0)

Details of the joint ventures are as follows:

	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %
Mothercare-Goodbaby China Retail Limited	Hong Kong	30	50
Rhea Retail Private Limited	India	30	30
Juno Retail Private Limited	India	30	30
Wadicare Limited	Cyprus	30	30

During the year the group made additional investments in Mothercare-Goodbaby China Retail Limited of £2.9 million.

During the year the group fully impaired its investment in Wadicare Limited due to uncertainties in the future cashflows driven by the political unrest in Ukraine which is where the joint venture trades.

14. Investments in associate

	52 weeks ended 29 March 2014 £ million	53 weeks ended 30 March 2013 £ million
Investment at start of period	–	3.2
Additions	–	–
Share of loss	–	(0.8)
Impairment	–	(2.4)
Investment at end of period	–	–
Summary financial results and position of associates:		
Current assets	–	–
Non-current assets	–	–
Total assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–
Total liabilities	–	–
Total revenue for the period	–	14.8
Total loss for the period	–	(2.7)

Details of the associate are as follows:

	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %
Mothercare Australia Limited	Australia	23.0	23.0

Mothercare owned approximately 23% in Mothercare Australia Limited, a listed company in Australia which was treated as an associate in the consolidated accounts of Mothercare plc. In January 2013 the business was placed into administration and as at 30 March 2013 was fully impaired. Therefore no financial information is presented in the 52 weeks ended 29 March 2014.

Notes to the consolidated financial statements
continued

15. Goodwill and intangible assets

	Goodwill £ million	Intangible assets Trade name £ million	Customer relationships £ million	Software £ million	Software under development £ million	Total £ million
Cost						
As at 1 April 2012	68.6	28.8	5.7	29.6	–	64.1
Transfers from property, plant and equipment	–	–	–	4.1	–	4.1
Additions	–	–	–	2.8	0.2	3.0
Disposals	–	–		(10.1)	–	(10.1)
As at 31 March 2013	68.6	28.8	5.7	26.4	0.2	61.1
Additions	–	–	–	3.0	0.3	3.3
Disposals	–	–	–	(3.0)	–	(3.0)
Transfers	–	–	–	0.2	(0.2)	–
As at 29 March 2014	**68.6**	**28.8**	**5.7**	**26.6**	**0.3**	**61.4**
Amortisation and impairment losses						
As at 1 April 2012	41.8	18.3	5.0	18.7	–	42.0
Impairment losses	–	0.1	–	–	–	0.1
Amortisation	–	0.9	0.1	4.6	–	5.6
Disposals	–	–	–	(6.3)	–	(6.3)
As at 31 March 2013	41.8	19.3	5.1	17.0	–	41.4
Impairment losses	–	–	–	–	–	–
Amortisation	–	0.8	0.2	4.6	–	5.6
Disposals	–	–	–	(3.0)	–	(3.0)
As at 29 March 2014	**41.8**	**20.1**	**5.3**	**18.6**	**–**	**44.0**
Net book value						
As at 31 March 2012	26.8	10.5	0.7	10.9	–	22.1
As at 30 March 2013	26.8	9.5	0.6	9.4	0.2	19.7
As at 29 March 2014	**26.8**	**8.7**	**0.4**	**8.0**	**0.3**	**17.4**

Goodwill, trade name and customer relationships relate to the acquisition of the Early Learning Centre on 19 June 2007, Gurgle Limited on 8 September 2009 and Blooming Marvellous on 7 July 2010. Trade name and customer relationships are amortised over a useful life of 10–20 and 5–10 years respectively.

Impairment of goodwill

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

Goodwill acquired through the business combination has been allocated to the two groups of cash-generating units ('CGUs') that are expected to benefit from that business combination being UK (£nil, 2013: £nil) and International (£26.8 million, 2013: £26.8 million). These segments represent the lowest level within the group at which goodwill is monitored for internal management purposes.

The recoverable amounts of the CGUs are determined from value in use calculations with a discounted cash flow model being used to calculate this amount. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to selling prices. Management has used a pre tax discount rate of 10.1% (2013: 8.8%) which reflects the time value of money and risks related to the CGUs. The cash flow projections are based on financial budgets and forecasts approved by the board covering a three-year period. Cash flows beyond the three-year period assume a 2% growth rate (2013: 2%), which does not exceed the long-term growth rate for the market in which the group operates. The value in use calculations use this growth rate to perpetuity.

15. Goodwill and intangible assets continued

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

Software

Software additions include £1.0 million (2013: £0.9 million) of internally generated intangible assets.

At 29 March 2014, the group had entered into contractual commitments for the acquisition of software amounting to £0.4 million (2013: £0.4 million).

16. Property, plant and equipment

	Properties including fixed equipment				
	Freehold £ million	Leasehold £ million	Fixtures, fittings, equipment £ million	Assets in course of construction £ million	Total £ million
Cost					
As at 1 April 2012	10.2	121.7	209.7	10.8	352.4
Transfers	–	–	6.8	(6.8)	–
Transfers to software	–	–	–	(4.1)	(4.1)
Additions	–	4.7	3.5	1.3	9.5
Disposals	(2.3)	(25.0)	(70.8)	–	(98.1)
As at 31 March 2013	7.9	101.4	149.2	1.2	259.7
Transfers	–	–	1.3	(1.3)	–
Additions	–	2.8	4.6	1.5	8.9
Disposals	–	(3.4)	(8.0)	–	(11.4)
Exchange differences	–	(0.1)	–	–	(0.1)
As at 29 March 2014	**7.9**	**100.7**	**147.1**	**1.4**	**257.1**
Accumulated depreciation and impairment					
As at 1 April 2012	2.6	93.8	169.7	–	266.1
Charge for period	–	4.3	11.5	–	15.8
Impairment	–	2.1	1.9	–	4.0
Disposals	(0.1)	(24.9)	(70.8)	–	(95.8)
As at 31 March 2013	2.5	75.3	112.3	–	190.1
Charge for period	0.1	4.8	9.8	–	14.7
Impairment	–	0.5	3.1	–	3.6
Disposals	–	(3.4)	(7.6)	–	(11.0)
Exchange differences	–	0.1	–	–	0.1
As at 29 March 2014	**2.6**	**77.3**	**117.6**	**–**	**197.5**
Net book value					
As at 31 March 2012	7.6	27.9	40.0	10.8	86.3
As at 30 March 2013	5.4	26.1	36.9	1.2	69.6
As at 29 March 2014	**5.3**	**23.4**	**29.5**	**1.4**	**59.6**

1 Restated gross cost and depreciation of disposals since the acquisition of Early Leaning Centre.

The net book value of leasehold properties includes £23.1 million (2013: £25.6 million) in respect of short leasehold properties. £2.7 million of the impairment on property, plant and equipment has been included within non-underlying administration expenses and the remaining £0.9 million is included within exceptional property costs.

Notes to the consolidated financial statements continued

16. Property, plant and equipment continued

At 29 March 2014, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £3.0 million (2013: £1.7 million).

Freehold land and buildings with a carrying amount of £5.3 million (2013: £5.4 million) have been pledged to secure the group's borrowing facility (see note 21). The group is not allowed to pledge these assets as security for other borrowings.

17. Deferred tax assets and liabilities

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

	Accelerated tax depreciation £ million	Short-term timing differences £ million	Retirement benefit obligations £ million	Share-based payments £ million	Intangible assets £ million	Losses £ million	Total £ million
At 1 April 2012	(1.6)	7.9	12.6	–	(2.0)	0.7	17.6
Credit/(charge) to income	2.4	(0.4)	(0.8)	0.2	0.2	0.2	1.8
Transfer to current tax	–	–	–	–	–	(0.1)	(0.1)
Credit to other comprehensive income	–	–	2.4	–	–	–	2.4
At 31 March 2013	0.8	7.5	14.2	0.2	(1.8)	0.8	21.7
Credit/(charge) to income	1.6	(0.1)	0.2	–	–	(0.8)	0.9
Transfer to current tax	–	–	–	–	0.4	–	0.4
Charge to other comprehensive income	–	–	(4.5)	–	–	–	(4.5)
At 29 March 2014	**2.4**	**7.4**	**9.9**	**0.2**	**(1.4)**	**–**	**18.5**

Certain deferred tax assets and liabilities have been offset where the group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	29 March 2014 £ million	30 March 2013 £ million
Deferred tax assets	**25.7**	27.1
Deferred tax liabilities	**(7.2)**	(5.4)
	18.5	21.7

At the balance sheet date the group has unused tax losses of £27.6 million (2013: £24.8 million) available for offset against future profits. No deferred tax asset has been recognised for such losses.

At the reporting date, deferred tax liabilities of £0.2 million (2013: £0.2 million) relating to withholding taxes have not been provided in respect of the aggregate amount of unremitted earnings of £8.4 million (2013: £11.0 million) in respect of subsidiaries and joint ventures. No liability has been recognised because the group, being in a position to control the timing of the distribution of intra group dividends, has no intention to distribute intra group dividends in the foreseeable future that would trigger withholding tax. There are no unremitted earnings in connection with interests in associates and joint ventures.

At 29 March 2014, the group has unused capital losses of £637.0 million (2013: £636.0 million) available for offset against future capital gains. No asset has been recognised in respect of the capital losses as it is not considered probably that there will be future taxable capital gains. The capital losses may be carried forward indefinitely.

18. Inventories

	29 March 2014 £ million	30 March 2013 £ million
Gross value	**99.3**	117.2
Allowance against carrying value of inventories	**(6.2)**	(6.6)
Finished goods and goods for resale	**93.1**	110.6

The amount of write down/(release) of inventories to net realisable value recognised within net income in the period is a credit of £0.4 million (2013: £1.7 million credit).

19. Trade and other receivables

	29 March 2014 £ million	30 March 2013 £ million
Trade receivables gross	**43.7**	38.9
Allowance for doubtful debts	**(1.6)**	(1.8)
Trade receivables net	**42.1**	37.1
Prepayments and accrued income	**14.1**	17.4
Other receivables	**3.6**	3.6
Trade and other receivables due within one year	**59.8**	58.1

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

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Balance at beginning of period	**(1.8)**	(1.6)
Released/(charged) in the period	**0.2**	(0.2)
Balance at end of period	**(1.6)**	(1.8)

The group's exposure to credit risk inherent in its trade receivables is discussed in note 22. The group has no significant concentration of credit risk. The group operates effective credit control procedures in order to minimise exposure to overdue debts and where possible also carries insurance against the cost of bad debts. The insurance counterparties involved in transactions are limited to high quality financial institutions. Before accepting any new credit customer, the group obtains a credit check from an external agency to assess the credit quality of the potential customer and then sets credit limits on a customer by customer basis.

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

19. Trade and other receivables continued

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

	29 March 2014 £ million	30 March 2013 £ million
Trade receivables gross	43.7	38.9
Allowance for doubtful debts	(1.6)	(1.8)
Trade receivables net	42.1	37.1
Of which trade receivables gross comprise:		
Amounts not past due on the reporting date	36.6	33.9
Amounts past due:		
Less than one month	3.6	2.2
Between one and three months	0.8	0.7
Between three and six months	1.2	1.1
Greater than six months	1.5	1.0
Allowance for doubtful debts:		
Amounts not past due on the reporting date	(0.2)	(0.5)
Less than one month	–	(0.2)
Between one and three months	–	–
Between three and six months	(0.4)	(0.5)
Greater than six months	(1.0)	(0.6)
Trade accounts receivable net carrying amount	**42.1**	37.1

Provisions for doubtful trade accounts receivable are established based upon the difference between the receivable value and the estimated net collectible amount. The group establishes its provision for doubtful trade accounts receivable based on its historical loss experiences and an analysis of the counterparty's current financial position.

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

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

20. Cash and cash equivalents

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

21. Borrowing facilities

The group had outstanding borrowings at 29 March 2014 of £63.8 million (2013: £50.0 million).

Committed borrowing facilities

The group agreed a refinancing of its banking facilities as of 18 October 2013 with its two existing banks, re-categorising £10 million of the term loan to the revolving credit facility and extending the term to 31 May 2017 at an interest rate range of 3% to 3.25% above LIBOR. These facilities comprise a £40 million term loan and a £50 million revolving credit facility of which £10 million is available to be utilised in the form of an overdraft. At the year end £40 million had been drawn down against the facility as a term loan. The term loan carries a fixed interest rate at 2.5% to 3.5% per annum over LIBOR. The group hedges all of this floating interest rate risk using an interest rate swap exchanging variable rate interest for fixed rate interest.

Subsequent to the balance sheet date the group amended the banking facilities. Refer to note 32 for further details.

21. Borrowing facilities continued

	29 March 2014 £ million	30 March 2013 £ million
Borrowings:		
Secured borrowings at amortised cost:		
Committed facility	(40.0)	(50.0)
Revolving credit facility	(25.0)	–
Facility fee	1.2	–
Amount due for settlement within one year	(27.6)	(3.5)
Amount due for settlement after one year	(36.2)	(46.5)
Total borrowings	(63.8)	(50.0)
Weighted average interest rate paid (%)	4.38	4.68

22. Risks arising from financial instruments

A. Terms, conditions and risk management policies

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

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of net debt, which includes borrowings disclosed in note 21 after deducting cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

B. Foreign currency risk management

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

The group uses forward foreign currency contracts to reduce its cash flow exposure to exchange rate movements, primarily on the US dollar. For forward contracts taken out prior to 5 January 2014 the group has not hedge accounted for its forward foreign currency contracts under the requirements of IAS 39. These derivative financial instruments have been recognised as assets and liabilities measured at their fair values at the balance sheet date and changes in their fair values have been recognised in the income statement. For contracts taken out after 5 January 2014 the group has applied hedge accounting and the contracts are considered effective cashflow hedges and are accounted for by recognising the gain/loss on the hedge through reserves rather than the income statement.

These arrangements are designed to address significant foreign exchange exposures on forecast future purchases of goods for the following year and are renewed on a revolving basis as required.

In addition the group also incurs foreign currency risk on royalty income as local sales are translated into sterling amounts on which royalties are calculated. Historically these royalty receipts have not been hedged. To help mitigate against further currency impacts, we have hedged our Russian rouble, Indian rupee and Indonesian rupiah exposure for the first half of the new financial year. We will monitor the situation and consider putting in place a rolling six-month hedging strategy for certain of our markets. Forward contracts have been taken out against the Russian rouble in the year ending March 2015 and hedge accounting has been applied for these contracts and the gain/loss on the hedge recognised through reserves.

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

Notes to the consolidated financial statements continued

22. Risks arising from financial instruments continued
International sales represent 36% (2013: 33%) of group sales. Of these sales, 33% (2013: 35%) were invoiced in foreign currency. The group purchases product in foreign currencies, representing approximately 54% (2013: 51%) of purchases.

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

	29 March 2014 £ million	30 March 2013 £ million
Foreign currency forward exchange contracts:		
Not later than one year	**150.2**	118.5
After one year but not more than five years	**18.1**	6.1
	168.3	124.6

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

	Liabilities		Assets	
	29 March 2014 £ million	30 March 2013 £ million	**29 March 2014 £ million**	30 March 2013 £ million
US dollar	**(1.5)**	(4.0)	**10.6**	6.2
Euro	**(0.3)**	–	**–**	0.4
Hong Kong dollar	**(1.5)**	(3.7)	**0.5**	0.7
Indian rupee	**(0.5)**	(1.0)	**2.5**	1.9
Chinese renminbi	**(0.3)**	(0.3)	**0.1**	0.2
Bangladeshi taka	**–**	–	**0.1**	0.2
Australian dollar	**–**	–	**–**	0.3
Singapore dollar	**–**	–	**–**	0.1
	(4.1)	(9.0)	**13.8**	10.0

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

	29 March 2014 £ million	30 March 2013 £ million
At notional value	**168.3**	124.6
At fair value – less than one year	**(6.6)**	6.9
At fair value – more than one year	**–**	0.4
Total fair value	**(6.6)**	7.3

At 29 March 2014, the average hedged rate for outstanding forward foreign currency contracts is 1.60 for US dollars and 63.3 for Russian roubles. These contracts mature between April 2014 and June 2015.

The fair value of foreign currency forward contracts is measured using quoted foreign exchange rates and yield curves from quoted rates matching the maturities of the contracts, and they therefore are categorised within level 2 of the fair value hierarchy set out in IFRS 7.

The fair value of embedded derivatives is £0.1 million below notional value (2013: £nil million).

22. Risks arising from financial instruments continued

Currency sensitivity analysis

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

	Profit and loss impact		Equity impact	
	29 March 2014	30 March 2013	**29 March 2014**	30 March 2013
US dollar impact	**(14.2)**	(13.9)	**(17.7)**	(13.9)

C. Credit risk

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

The carrying amount of the financial assets represents the maximum credit exposure of the group. The carrying amount is presented net of impairment losses recognised. The maximum exposure to credit risk comprises trade receivables as shown in note 19, and cash and cash equivalents of £17.3 million and derivative financial assets.

The average credit period on trade receivables was 21 days (2013: 19 days) based on total group revenue. The average credit period on International trade receivables based on international revenue was 59 days (2013: 57 days).

D. Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities and monitoring covenant compliance and headroom. Included in note 21 is a description of additional undrawn facilities that the group has at its disposal to further reduce liquidity risk.

E. Interest rate risk

The principal interest rate risk of the group arises in respect of its sterling term loan and the revolving credit facility. The group's sensitivity to interest rates has decreased, mainly due to the use of interest rates swaps to swap floating rate debt to fixed rate debt. Under interest rate swaps the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contact and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

Notes to the consolidated financial statements continued

22. Risks arising from financial instruments continued

The total amounts of term borrowings on which outstanding interest rate swap contracts have been taken out and to which the group is committed is as follows:

	29 March 2014 £ million	30 March 2013 £ million
Notional value of term borrowings	**40.0**	50.0
Interest rate swaps at fair value	**–**	(0.3)

	Average contract fixed interest rate		Notional principal value		Fair value	
	29 March 2014 %	30 March 2013 %	29 March 2014 £ million	30 March 2013 £ million	29 March 2014 £ million	30 March 2013 £ million
Tranche 1	**0.830**	1.131	**17.0**	20.0	**–**	(0.2)
Tranche 2	**0.670**	1.040	**3.0**	20.0	**–**	(0.1)
Tranche 3	**0.702**	0.69	**3.0**	10.0	**–**	–
Tranche 4	**0.740**	–	**3.0**	–	**–**	–
Tranche 5	**0.780**	–	**3.0**	–	**–**	–
Tranche 6	**0.830**	–	**11.0**	–	**–**	–
			40.0	50.0	**–**	(0.3)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months LIBOR. The group settles the difference between the fixed and floating rate on a net basis. All interest rate swap contracts exchanging floating rate interest for fixed rate interest are designated and effective as cash flow hedges to reduce the group's cash flow exposure resulting from variable interest rates on the term loan. During the period the hedge was considered 100% effective in hedging the fair value exposure to interest rate movements.

23. Trade and other payables

	29 March 2014 £ million	30 March 2013 £ million
Current liabilities		
Trade payables	**63.5**	70.3
Payroll and other taxes including social security	**2.0**	1.8
Accruals and deferred income	**35.8**	43.4
VAT payable	**–**	2.8
Lease incentives	**4.7**	5.0
	106.0	123.3
Non-current liabilities		
Lease incentives	**24.1**	28.1

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 52 days (2013: 57 days). The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

24. Provisions

	29 March 2014 £ million	30 March 2013 £ million
Current liabilities		
Property provisions	**16.7**	20.5
Other provisions	**0.7**	0.9
Short-term provisions	**17.4**	21.4
Non-current liabilities		
Property provisions	**16.3**	15.4
Other provisions	**0.7**	1.0
Long-term provisions	**17.0**	16.4
Property provisions	**33.0**	35.9
Other provisions	**1.4**	1.9
Total provisions	**34.4**	37.8

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 31 March 2013	35.9	1.9	37.8
Utilised in period	(10.7)	(0.5)	(11.2)
Charged in period	10.0	0.2	10.2
Released in period	(2.2)	(0.2)	(2.4)
Balance at 29 March 2014	**33.0**	**1.4**	**34.4**

Property provisions principally represent the costs of store disposals or closures relating to the optimisation of the UK portfolio which involves the closure of Mothercare and Early Learning Centre stores and provisions for onerous lease costs. Provisions for onerous leases have been made for vacant, partly let and trading stores for the shorter of the remaining period of the lease and the period, until the group will be able to exit the lease commitment. For trading stores the amount provided is based on the shortfall in contribution required to cover future rental obligations together with other fixed outgoings. The majority of this provision is expected to be utilised over the next three financial years.

Other provisions represent provisions for uninsured losses (£1.3 million), hence the timing of the utilisation of these provisions is uncertain and provisions for an onerous support contract for a decommissioned IT project (£0.1 million) which is expected to be utilised over the next year.

25. Share capital

	52 weeks ended 29 March 2014 Number of shares	52 weeks ended 30 March 2014 Number of shares	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Issued and fully paid				
Ordinary shares of 50 pence each:				
Balance at beginning of period	**88,653,417**	88,636,762	**44.3**	44.3
Issued under the Mothercare Share Schemes	**160,181**	16,655	**0.1**	–
Balance at end of period	**88,813,598**	88,653,417	**44.4**	44.3

Further details of employee and executive share schemes are given in note 29.

The own shares reserve of £0.4 million (2013: £0.6 million) represents the cost of shares in Mothercare plc purchased in the market and held by the Mothercare Employee Trusts to satisfy options under the group's share option schemes (see note 29). The total shareholding is 70,269 (2013: 108,497) with a market value at 29 March 2014 of £0.1 million (2013: £0.3 million).

26. Translation and hedging reserve

	52 weeks ended 29 March 2014 £ million
Balance at beginning of period	0.3
Exchange differences on translation of foreign operations	(1.3)
Cash flow hedges: gains/(losses) arising in the period	(0.1)
Balance at end of period	**(1.1)**

27. Reconciliation of cash flow from operating activities

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 Restated* £ million
(Loss)/profit from retail operations	**(7.7)**	13.0
Adjustments for:		
Depreciation of property, plant and equipment	**14.7**	15.8
Amortisation of intangible assets	**5.6**	5.6
Impairment of property, plant and equipment and intangible assets	**2.7**	1.9
Losses on disposal of property, plant and equipment and intangible assets	**0.4**	4.2
Loss/(profit) on non-underlying non-cash foreign currency adjustments	**14.9**	(6.9)
Equity-settled share-based payments	**0.1**	0.8
Movement in provisions	**(10.8)**	(15.4)
Cash payments for other exceptional items	**(0.2)**	–
Amortisation of lease incentives	**(5.2)**	(4.9)
Lease incentives received	**0.7**	3.5
Payments to retirement benefit schemes	**(6.2)**	(7.2)
Charge/(credit) to profit from operations in respect of retirement benefit schemes	**1.1**	(0.1)
Operating cash flow before movement in working capital	**10.1**	10.3
Decrease/(increase) in inventories	**14.4**	(11.7)
Increase/(decrease) in receivables	**(3.3)**	8.5
Decrease/(increase) in payables	**(15.5)**	2.2
Cash generated from operations	**5.7**	9.3
Income taxes paid	**(1.7)**	(2.5)
Net cash inflow from operating activities	**4.0**	6.8

* Restated for amendments to IAS 19 as explained in note 2.

Analysis of Net Debt

	30 March 2013 £ million	Cash flow £ million	Foreign exchange £ million	Other non-cash movements £ million	29 March 2014 £ million
Cash and cash equivalents/(debt)	17.6	1.3	(1.6)	–	**17.3**
Borrowings	(50.0)	(15.0)	–	–	**(65.0)**
Facility fee	–	1.4	–	(0.2)	**1.2**
Net debt	(32.4)	(12.3)	(1.6)	(0.2)	**(46.5)**

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28. Operating lease arrangements

The group as lessee:

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Amounts recognised in cost of sales for the period:		
Minimum lease payments paid	**49.7**	55.3
Contingent rents	**0.3**	0.4
Minimum sub-lease payments received	**(0.2)**	(0.2)
Net rent expense for the period	**49.8**	55.5

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

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

	29 March 2014 £ million	30 March 2013 Restated* £ million
Not later than one year	**51.8**	58.8
After one year but not more than five years	**162.0**	175.3
After five years	**114.8**	143.4
Total future minimum lease payments	**328.6**	377.5

* Restated to reflect the future minimum lease payments through to a break clause or lease expiry date. Previously the future minimum lease payments were through to lease expiry. This change has reduced the total future minimum lease payments by £8.7 million.

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

	29 March 2014 £ million	30 March 2013 £ million
Not later than one year	**1.4**	1.4
After one year but not more than five years	**2.2**	2.7
After five years	**0.9**	1.4
Total future minimum lease payments	**4.5**	5.5

29. Share-based payments

An expense is recognised for share-based payments based on the fair value of the awards (at the date of grant for those awards due to be equity settled and at year end for those due to be cash settled), the estimated number of shares that will vest and the vesting period of each award.

The underlying charge for share-based payments is £0.1 million (2013: £0.9 million), including national insurance, of which £nil million (2013: £0.8 million) was equity-settled. The exceptional charge for share-based payments of £nil million (2013: £0.1 million). At 29 March 2014 the liability in the balance sheet is £nil million related to the expected national insurance charge when share-based payment schemes vest (2013: £0.2 million).

These charges relate to the following schemes:

A. Executive Share Option Scheme

B. Save As You Earn Schemes

C. Executive Incentive Plan

D. Performance Share Plan

E. Deferred Shares Scheme

F. Share Matching Scheme

G. Long-Term Incentive Plans

Details of the share schemes that the group operates are provided in the Directors' Remuneration Report on pages 57 to 81.

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

A. Executive Share Option Scheme

Share options may be granted to executives and senior managers at a price equal to the average quoted market price of the group's shares on the date of grant. The options vest after three years, conditional on the group's share price exceeding 3% per annum compound growth over the vesting period. If the options remain unexercised after a period of 10 years from the date of grant, they expire. Furthermore, options are forfeited if the employee leaves the group before the options vest.

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

	Weighted average option price	52 weeks ended 29 March 2014 Number of shares	52 weeks ended 31 March 2013 Number of shares
Balance at beginning of period	324p	22,500	30,000
Exercised during the period	324p	(20,000)	–
Lapsed during the period	–	–	(7,500)
Balance at end of period	**324p**	**2,500**	22,500

The options outstanding at 30 March 2013 had a weighted average remaining contractual life of 1.4 years and ranged in price from 284p to 335p.

B. Save As You Earn Schemes

The employee Save As You Earn Schemes are open to all eligible employees and provide for a purchase price equal to the daily average market price on the days prior to the offer date, less 20%.

The share options can be applied for during a two-week period in the year of invitation and savings are placed in an employee Save As You Earn bank account held on trust for a three-year period.

Notes to the consolidated financial statements continued

29. Share-based payments continued

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

	Weighted average exercise price	52 weeks ended 29 March 2014 Number of shares	52 weeks ended 30 March 2013 Number of shares
Balance at beginning of period	138p	2,593,812	3,186,791
Granted during period	310p	199,071	299,407
Forfeited during period	130p	(204,314)	(234,320)
Exercised during period	116p	(140,181)	(16,655)
Cancelled in the period	165p	(110,467)	(197,200)
Expired during period	350p	(100,905)	(444,211)
Balance at end of period	145p	2,237,016	2,593,812

The shares outstanding at 29 March 2014 had a weighted average remaining contractual life of 1.7 years and ranged in price from 116p to 310p.

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

Grant date	December 2013	December 2012	December 2011
Number of options granted	199,071	299,407	2,752,739
Share price at grant date	410p	340p	159p
Exercise price	310p	242p	115p
Expected volatility	43.0%	50.0%	43.1%
Risk-free rate	0.86%	0.46%	0.58%
Expected dividend yield	Nil	Nil	3.00%
Time to expiry	3.25 years	3.25 years	3.25 years
Fair value of option	169.2p	158.5p	56.4p

The resulting fair value is expensed over the service period of three-years on the assumption that 20% of options will lapse over the service period as employees leave the group.

C. Executive Incentive Plan

The Executive Incentive Plan is a conditional award based on surplus value created over a three-year performance period. The surplus value is calculated as the difference between the total shareholder return of Mothercare and that of the FTSE All-Share General Retailers Index, multiplied by Mothercare's market capitalisation. The 2011 scheme is a wholly equity settled scheme where some of the shares can be delivered on vesting and the remainder deferred.

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

Grant date	May 2011
Market capitalisation at award date	£449.0m
Expected Mothercare share price volatility	30.0%
Expected Index volatility	30.0%
Risk-free rate	2.38%
Correlation between Mothercare and the Index	50.0%
Time to expiry	3 years
Fair value at grant date	£1.8m
Fair value at 29 March 2014	£0.1m

D. Performance Share Plan

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

	52 weeks ended 29 March 2014 Number of shares	52 weeks ended 30 March 2013 Number of shares
Balance at beginning of period	**674,957**	1,051,318
Lapsed during period	**(224,582)**	(376,361)
Balance at end of period	**450,375**	674,957

The fair value of the plan award is calculated based on Mothercare's estimate of future profit per share growth. At the current time the group's forecasts suggest that the performance share plan is not expected to pay out and consequently no cumulative charge has been recognised.

Grant date	November 2011	May 2011
Number of shares awarded	376,154	618,653
Exercise price	Nil	Nil
Time to expiry	3 years	3 years
Fair value per share	137p	446p

E. Deferred Shares Scheme

The Deferred Shares scheme is a conditional award of shares determined on historic company performance. No deferred shares have been issued since June 2010. The number of shares outstanding under the Deferred Shares scheme is as follows:

	52 weeks ended 29 March 2014 Number of shares	52 weeks ended 30 March 2013 Number of shares
Balance at beginning of period	**37,651**	109,709
Lapsed during period	**–**	(18,577)
Vested during period	**(37,651)**	(53,481)
Balance at end of period	**–**	37,651

Grant date	June 2010	June 2010
Number of shares awarded	96,060	96,060
Fair value price at date of grant	557p	557p
Exercise price	Nil	Nil
Time to expiry	expired	expired

29. Share-based payments continued

F. Share Matching Scheme

During the year ended 31 March 2012, the Chairman was granted 60,000 options with a nominal exercise price which vest in August 2014. To enable maximum vesting the Company total shareholder return over the three year performance period must be greater than or equal to the total shareholder return of the FTSE 250 plus 50%. As a condition of this award the Chairman was required to purchase shares in the Company for a value of £0.2 million and must continue to hold these shares over the performance period. At the date of grant the fair value of these awards was less than £0.1 million.

Upon assuming the role of Executive Chairman, the Chairman was granted a further 54,997 options with a nominal exercise price which vest in November 2014. To enable maximum vesting the Company total shareholder return over the three-year performance period must be greater than or equal to the total shareholder return of the FTSE 250 plus 50%. As a condition of this award the Chairman is required to purchase shares in the Company for a value of £0.4 million and must continue to hold these shares over the performance period. At the date of grant the fair value of these awards was less than £0.1 million.

Grant date	December 2011	December 2011
Number of shares awarded	60,000	54,997
Share price at date of grant	155p	155p
Fair value price at date of grant	116p	116p
Exercise price	Nil	Nil
Time to expiry	3 years	3 years

The shares were granted in two tranches with expiry in August and November 2014.

The resulting fair value is expensed over the service period of three years.

G. Long-Term Incentive Plans

In March 2013 the group announced the first awards under the Mothercare plc 2012 Long Term Incentive Plan. This scheme provides the opportunity for executive directors and senior employees to earn awards which will vest in whole or part subject to the achievement of stretching corporate performance conditions supporting the Transformation and Growth plan. The performance conditions relate to the group profit before tax and share price performance. In addition the UK business must break even in the financial year ending March 2015 or March 2016. The performance period is from 1 April 2012 to 31 March 2015 and the performance conditions will be tested in relation to the financial year 2015 results to determine what percentage of the shares vest. No consideration is payable for the grant of these awards.

In December 2013 the group granted further awards under the Mothercare plc 2013 Long Term Incentive Plan. The Performance conditions relate to group profit before tax, UK profit before tax and share price performance, these conditions will be tested in relation to financial years ending March 2016 and March 2017 to determine what percentage of the shares vest. Specifically the performance period for the group profit before tax and share price performance measures is 31 March 2013 to 26 March 2016, and the performance period for the UK profit before tax performance measure is 31 March 2013 to 25 March 2017. No consideration is payable for the grant of these awards.

Grant date	December 2013	December 2013	December 2013	March 2013	March 2013
	PBT awards	PBT awards	Share price awards	PBT awards	Share price awards
Number of shares awarded	242,961	404,934	647,895	1,152,153	1,152,154
Share price at date of grant	443p	443p	443p	289p	289p
Exercise price	Nil	Nil	Nil	Nil	Nil
Expected volatility	56.4%	49.3%	43.7%	57.8%	57.8%
Risk-free rate	0.68%	1.08%	0.63%	0.28%	0.28%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Fair value of shares granted	443p	443p	228p	289p	130p
Average time to expiry	3 years	4 years	3.5 years	2.5 years	2.5 years

30. Retirement benefit schemes

Defined contribution schemes

The group operates defined contribution retirement benefit schemes for all qualifying employees of Early Learning Centre Limited and Mothercare UK Limited.

The total cost charged to the income statement of £2.0 million (2013: £0.5 million) represents contributions due and paid to these schemes by the group at rates specified in the rules of the plan.

Defined benefit schemes

The group previously operated two defined benefit pension schemes for employees of Mothercare UK Limited, these were both closed to future accrual with effect from 30 March 2013.

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

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

The most recent full actuarial valuations as at March 2011 were updated as at 29 March 2014 for the purpose of these disclosures with the advice of professionally qualified actuaries. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

The scheme exposes the Company to actuarial risks such as longevity risk, interest rate risk, market (investment) risk.

The IAS 19 valuation conducted for the period ending 29 March 2014 disclosed a net defined pension deficit of £49.7 million (2013: £61.6 million).

The major assumptions used in the updated actuarial valuations were:

	29 March 2014	30 March 2013
Discount rate	**4.5%**	4.6%
Inflation rate – RPI	**3.4%**	3.4%
Inflation rate – CPI	**2.4%**	2.4%
Future pension increases	**3.2%**	3.3%
Male life expectancy at age 65	**23.5 years**	23.7 years
Male life expectancy at age 65 (currently aged 45)	**24.8 years**	25.1 years

1 Following the closure of the Scheme to future benefit accrual, a salary increase assumption is not required.

The mortality assumptions used are the SAPS tables published by the CMI allowing for future improvements in line with the CMI 2013 projections with a long-term annual rate of improvement of 1%.

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

Assumption	Change in assumption	Impact on scheme liabilities £ million
Discount rate	+/- 0.1%	+ 6.5/- 6.5
Rate of price inflation	+/- 0.1%	+ 5.5/- 6.3
Life expectancy	+ 1 year	+ 8.0

Notes to the consolidated financial statements continued

30. Retirement benefit schemes continued

The above sensitivities are applied to adjust the defined benefit obligation at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide an approximation to the sensitivity of the assumptions shown.

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

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 Restated* £ million
Service cost	**–**	2.4
Running costs	**1.1**	0.8
Net interest on liabilities/ return on assets	**2.7**	2.6
Gains on curtailment	**–**	(3.3)
	3.8	2.5

* Restated for amendments to IAS 19 as explained in note 2.

Service cost and running costs are included in underlying administrative expenses, the curtailment gain is included within non-underlying administrative expenses and net interest on liabilities/return on assets is included in finance costs.

The amount recognised in other comprehensive income for the period ending 29 March 2014 is a gain of £9.5 million (2013: a loss of £13.6 million).

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

	29 March 2014 £ million	30 March 2013 £ million
Present value of defined benefit obligations	**303.0**	296.4
Fair value of schemes' assets	**(253.3)**	(234.8)
Liability recognised in balance sheet	**49.7**	61.6

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

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 Restated* £ million
At beginning of period	**296.4**	270.0
Service cost	**–**	2.4
Gains on curtailments	**–**	(3.3)
Interest expense	**13.4**	13.2
Actuarial losses (gains) arising from changes in demographic assumptions	**(2.1)**	–
Actuarial losses (gains) arising from changes in financial assumptions	**5.1**	21.9
Experience losses (gains) on liabilities	**–**	–
Contribution from scheme members	**–**	1.2
Benefits paid	**(9.8)**	(9.0)
At end of period	**303.0**	296.4

* Restated for amendments to IAS 19 as explained in note 2.

Movements in the fair value of schemes' assets were as follows:

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 Restated* £ million
At beginning of period	**234.8**	217.3
Interest income	**10.7**	10.6
Scheme administration expenses	**(1.1)**	(0.8)
Return on scheme assets excluding interest income	**12.5**	8.3
Company contributions	**6.2**	7.2
Members' contributions	**–**	1.2
Benefits paid	**(9.8)**	(9.0)
At end of period	**253.3**	234.8

* Restated for amendments to IAS 19 as explained in note 2.

The major categories of scheme assets are as follows:

	29 March 2014 £ million	29 March 2014 £ million	30 March 2013 £ million	30 March 2013 £ million
	Quoted market price in active market	No quoted market price in active market	Quoted market price in active market	No quoted market price in active market
UK equities	**56.0**	**–**	48.2	–
Overseas equities	**44.0**	**–**	36.5	–
Corporate bonds	**83.7**	**–**	76.5	–
Property	**–**	**5.9**	–	21.1
Hedge funds	**61.3**	**–**	47.2	–
Cash and cash equivalents	**2.4**	**–**	5.3	–
	247.4	**5.9**	213.7	21.1

30. Retirement benefit schemes continued

The scheme assets do not include any of the group's own financial instruments nor any property occupied by or other assets used by the group.

The estimated amount of cash contributions expected to be paid to the schemes during the 52 weeks ending 29 March 2015 is £6.3 million.

The scheme is funded by the Company. Funding of the scheme is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the trustees and the Company.

The weighted average duration of the defined benefit obligation at 29 March 2014 is approximately 23.5 years (2013: 23.5 years).

The defined benefit obligation at 29 March 2014 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2013: 0%)
- Deferred members: 75% (2013: 75%)
- Pensioner members: 25% (2013: 25%)

All benefits are vested at 29 March 2014 (unchanged from 30 March 2013).

31. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its joint ventures and associates are disclosed below.

Trading transactions

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

52 weeks ended 29 March 2014	Sales of goods £ million	Purchase of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
Joint ventures and associates	**21.1**	**–**	**7.0**	**–**

52 weeks ended 30 March 2013	Sales of goods £ million	Purchase of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
Joint ventures and associates	21.5	–	5.8	–

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

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received at the year end. A provision of £1.2 million (2013: £0.8 million) has been made for doubtful debts in respect of the amounts owed by related parties. An amount of £nil million (2013: £8.2 million) has been written off in respect of amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the operating board (including executive and non-executive directors), who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited part of the Remuneration Report on pages 77 to 81.

31. Related party transactions continued

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Short-term employee benefits	**3.6**	3.1
Post employment benefits	**0.3**	0.3
Compensation for loss of office	**0.3**	0.7
Share-based payments	**–**	0.4
	4.2	4.5

Mothercare Pension scheme

Details of other transactions and balances held with the two pension schemes are set out in note 30.

Other transactions with key management personnel

There were no other transactions with key management personnel.

32. Events after the balance sheet date

On 20 May 2014 the group amended the banking facilities with the continued support of its two existing banks, increasing the committed facilities to £100 million which then reduces to £90 million from 10 October 2014 and providing further headroom on the gearing and fixed charge cover covenants.

Company financial statements

Contents

Company balance sheet
As at 29 March 2014

	Note	29 March 2014 £ million	30 March 2013 £ million
Fixed assets			
Investments in subsidiary undertakings	3	**161.0**	171.1
		161.0	171.1
Current assets			
Debtors	4	**79.2**	80.1
Cash at bank and in hand and time deposits		**90.3**	58.0
		169.5	138.1
Creditors – amounts falling due within one year	5	**(196.8)**	(145.1)
Net current liabilities		**(27.3)**	(7.0)
Total assets less current liabilities		**133.7**	164.1
Creditors – amounts falling due after more than one year	5	**(36.2)**	(46.5)
Net assets		**97.5**	117.6
Capital and reserves attributable to equity interests			
Called up share capital	6	**44.4**	44.3
Share premium	7	**6.3**	6.2
Other reserve	7	**–**	6.2
Own shares	7	**(0.4)**	(0.6)
Hedging reserve	7	**–**	(0.3)
Profit and loss account	7	**47.2**	61.8
Equity shareholders' funds	8	**97.5**	117.6

Approved by the Board on 21 May 2014 and signed on its behalf by:

Matt Smith
Chief Financial Officer

Company Registration Number: 1950509

Notes to the company financial statements

1. Significant accounting policies

Basis of presentation

The Company's accounting period covers the 52 weeks ended 29 March 2014. The comparative period covered the 52 weeks ended 30 March 2013.

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and on the going concern basis as described in the going concern statement in the Corporate Governance Report and in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting standards. The principal accounting policies are presented below and have been applied consistently throughout the 52 weeks ended 29 March 2014 and the preceding 52 weeks ended 30 March 2013.

Investments

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Cash flow statement

The Company is exempt from the requirement of FRS 1 (revised) to include a cash flow statement as part of its Company financial statements because it prepares a consolidated cash flow statement which is shown on page 92.

Financial instruments

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

Related parties

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

2. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. The Company's loss for the 52 weeks ended 29 March 2014 was £20.7 million (2013: loss of £54.4 million). The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

3. Investments in subsidiary undertakings

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

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

	Principal activity	Country of incorporation
Mothercare UK Limited	Retailing company	United Kingdom
Mothercare Procurement Limited	Sourcing company	Hong Kong
Early Learning Centre Limited	Retailing company	United Kingdom

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

	29 March 2014 £ million	30 March 2013 £ million
Cost of investments (less amounts written off £153.0 million (2013: £153.0 million))	**150.3**	150.2
Loans to subsidiary undertakings	**65.5**	65.5
	215.8	215.7

3. Investments in subsidiary undertakings continued

	£ million
Cost	
At 31 March 2013	215.7
Share-based payments to employees of subsidiaries	0.1
At 29 March 2014	215.8
Impairment	
At 31 March 2013	(44.6)
Charged during the period	(10.2)
At 29 March 2014	(54.8)
Net book value	161.0

4. Debtors

	29 March 2014 £ million	30 March 2013 £ million
Amounts due from subsidiary undertakings	79.1	79.2
Other debtors	0.1	0.9
	79.2	80.1

5. Creditors

Creditors: amounts due within one year

	29 March 2014 £ million	30 March 2013 £ million
Amounts due to subsidiary undertakings	168.2	140.7
Borrowings	27.6	3.5
Derivative financial instruments	–	0.3
Accruals and other creditors	1.0	0.6
	196.8	145.1

Creditors: amounts due after more than one year

	29 March 2014 £ million	30 March 2013 £ million
Borrowings	36.2	46.5
	36.2	46.5

Notes to the company financial statements continued

6. Called up share capital

	Number of shares	£ million
Issued and fully paid		
Ordinary shares of 50p each:		
Balance at 31 March 2013	88,653,417	44.3
Issued under the Mothercare Sharesave Scheme	160,181	0.1
Balance at 29 March 2014	**88,813,598**	**44.4**

Further details of employee and executive share schemes are provided in note 29 to the consolidated financial statements.

7. Reserves

	Share premium £ million	Other reserve £ million	Own shares £ million	Hedging reserve £ million	Profit and loss account £ million
Balance at 31 March 2013	6.2	6.2	(0.6)	(0.3)	61.8
Transfer of reserves	–	(6.2)	–	–	6.2
Net premium on shares issued	0.1	–	–	–	–
Cash flow hedges: gains arising in the period	–	–	–	0.3	–
Fair value of share-based payments	–	–	–	–	0.1
Shares transferred to employees on vesting	–	–	0.2	–	(0.2)
Loss for the financial year	–	–	–	–	(20.7)
Balance at 29 March 2014	**6.3**	**–**	**(0.4)**	**–**	**47.2**

The own shares reserve of £0.4 million (2013: £0.6 million) represents the cost of shares in Mothercare plc purchased in the market and held by the Mothercare Employee Trusts to satisfy options under the group's share option schemes (see note 29 to the consolidated financial statements). The total shareholding is 70,269 (2013: 108,497) with a market value at 29 March 2014 of £0.1 million (2013: £0.3 million).

Included in the loss for the 52 weeks ended 29 March 2014 was an impairment charge against investments in subsidiary undertakings of £10.2 million and a provision against amounts due from subsidiary undertakings of £5.7 million.

8. Reconciliation of equity shareholders' funds

	52 weeks ended 29 March 2014 £ million	52 weeks ended 30 March 2013 £ million
Equity shareholders' funds brought forward	**117.6**	171.5
Cash flow hedges: gain/(loss) arising in the period	**0.3**	(0.3)
Shares issued	**0.2**	–
Fair value of share-based payments	**0.1**	0.8
Retained loss for the period	**(20.7)**	(54.4)
Equity shareholders' funds carried forward	**97.5**	117.6

Five-year record (unaudited)

	2014 £ million	2013 Restated[4] £ million	2012 £ million	2011 £ million	2010 £ million
Summary of consolidated income statements					
Revenue	**724.9**	749.4	812.7	793.6	766.4
Underlying[1] profit from operations before interest	**15.9**	11.8	2.0	28.9	37.6
Non-underlying[2] items	**(35.0)**	(29.4)	(104.4)	(19.5)	(4.4)
Interest (net)	**(7.2)**	(6.3)	(0.5)	(0.6)	(0.7)
(Loss)/profit before taxation	**(26.3)**	(23.9)	(102.9)	8.8	32.5
Taxation	**(1.2)**	0.1	11.1	(2.3)	(8.9)
(Loss)/profit for the financial year	**(27.5)**	(23.8)	(91.8)	6.5	23.6
Basic (loss)/earnings per share	**(31.0p)**	(26.9p)	(105.2p)	7.6p	28.0p
Basic underlying earnings per share	**7.7p**	4.2p	1.8p	24.7p	31.5p
Summary of consolidated balance sheets					
Deferred tax asset	**18.5**	21.7	17.6	6.9	7.9
Other non-current assets	**111.5**	124.1	145.2	208.6	200.5
Net current assets	**12.2**	45.6	24.0	54.4	70.6
Retirement benefit obligations	**(49.7)**	(61.6)	(52.7)	(37.6)	(55.1)
Other non-current liabilities	**(77.3)**	(91.0)	(61.4)	(39.5)	(35.5)
Total net assets	**15.2**	38.8	72.7	192.8	188.4
Other key statistics					
Share price at year end	**189.0p**	315.0p	166.0p	474.0p	601.0p
Net (debt)/cash to equity	**(238.5%)**	(83.5%)	(27.6%)	7.9%	20.4%
Capital expenditure	**10.9**	16.2	24.9	21.8	24.2
Depreciation and amortisation	**20.3**	21.4	22.8	23.0	20.5
Rents	**48.7**	54.2	65.4	68.2	69.1
Number of UK stores	**220**	255	311	373	387
Number of International stores[3]	**1,221**	1,069	1,028	894	728
UK selling space (000's sq.ft.)	**1,737**	1,805	1,946	2,017	2,008
International selling space (000's sq.ft.)[3]	**2,656**	2,347	2,283	1,845	1,538
Average number of employees	**5,613**	6,226	6,943	7,440	7,452
Average number of full time equivalents	**3,486**	3,959	4,350	4,650	4,486

1 Before items described in note 2 below.
2 Includes exceptional items (property costs, restructuring costs, impairment charges) and other non-underlying items of amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments under IAS 39 and IAS 21 as set out in note 6 to the consolidated financial statements.
3 International stores are owned by franchise partners, joint ventures and associates.
4 Restated for Amendments to IAS 19.

Shareholder information

Shareholder analysis

A summary of holdings as at 29 March 2014 is as follows:

	Mothercare ordinary shares	
	Number of shares million	Number of shareholders
Banks, insurance companies and pension funds	66,022	6
Nominee companies	75,571,771	625
Other corporate holders	9,625,212	56
Individuals	3,550,593	22,273
	88,813,598	**22,960**

As can be seen from the above analysis, many shares are registered in the name of a nominee company as the legal owner. The underlying holder of shares through a nominee account is the beneficial owner of these shares, being entitled to the capital value and the income arising from them. An analysis of these nominee holdings shows that the largest underlying holders are pension funds, with unit trusts and insurance companies the other major types of shareholder.

Share price data

	2014	2013
Share price at 28 March 2014 (29 March 2013)	**189.00p**	315.00p
Market capitalisation	**£167.9m**	£279.3m
Share price movement during the year:		
High	**493.00p**	362.00p
Low	**187.00p**	152.00p

All share prices are quoted at the mid-market closing price. For capital gains tax purposes:

- the market value on 31 March 1982 of one ordinary share in British Home Stores PLC is 155p and of one ordinary share in Habitat Mothercare PLC is 133p; and
- the market value of each Mothercare plc 50p ordinary share immediately following the reduction of capital and consolidation for the purpose of allocating base cost between such shares and the shares disposed of as a result of the reduction is 135p.

Registrars and transfer office

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Financial calendar

	2014
Annual General Meeting	17 July
Announcement of interim results	20 November
	2015
Preliminary announcement of results for the 52 weeks ending 28 March 2015	end May
Issue of report and accounts	mid June
Annual General Meeting	mid July

Registered office and head office

Cherry Tree Road, Watford, Hertfordshire WD24 6SH
Telephone 01923 241000
www.mothercareplc.com
Registered number 1950509

Group general counsel and company secretary

Tim Ashby

Registrars

Administrative enquiries concerning shareholders in Mothercare plc for such matters as the loss of a share certificate, dividend payments or a change of address should be directed, in the first instance, to the registrars:

Equiniti Limited
Aspect House, Spencer Road, Lancing, West Sussex
BN99 6DA
Telephone 0871 384 2013.
Overseas +44(0)121 415 7042
www.equiniti.com

Postal share dealing service

A postal share dealing service is available through the Company's registrars for the purchase and sale of Mothercare plc shares.

Further details can be obtained from Equiniti on 0871 384 2248 (calls to this number are charged at 8p per minute plus network extras). Lines are open 8.30 am to 5.30 pm, Monday to Friday.

Stockbrokers

The Company's stockbrokers are:

JP Morgan Cazenove & Co
25 Bank Street
Canary Wharf
London E14 5JP
Telephone 020 7742 4000

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
Telephone 020 7260 1000

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation. The share transfer form needed to make a donation may be obtained from the Mothercare plc registrars, Equiniti Limited.

Further information about ShareGift is available from www.sharegift.org or by telephone on 020 7930 3737.

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